



INVESTORS PRESENTATION

May 2019



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 **Peru** Indicators

2 **Company** Overview

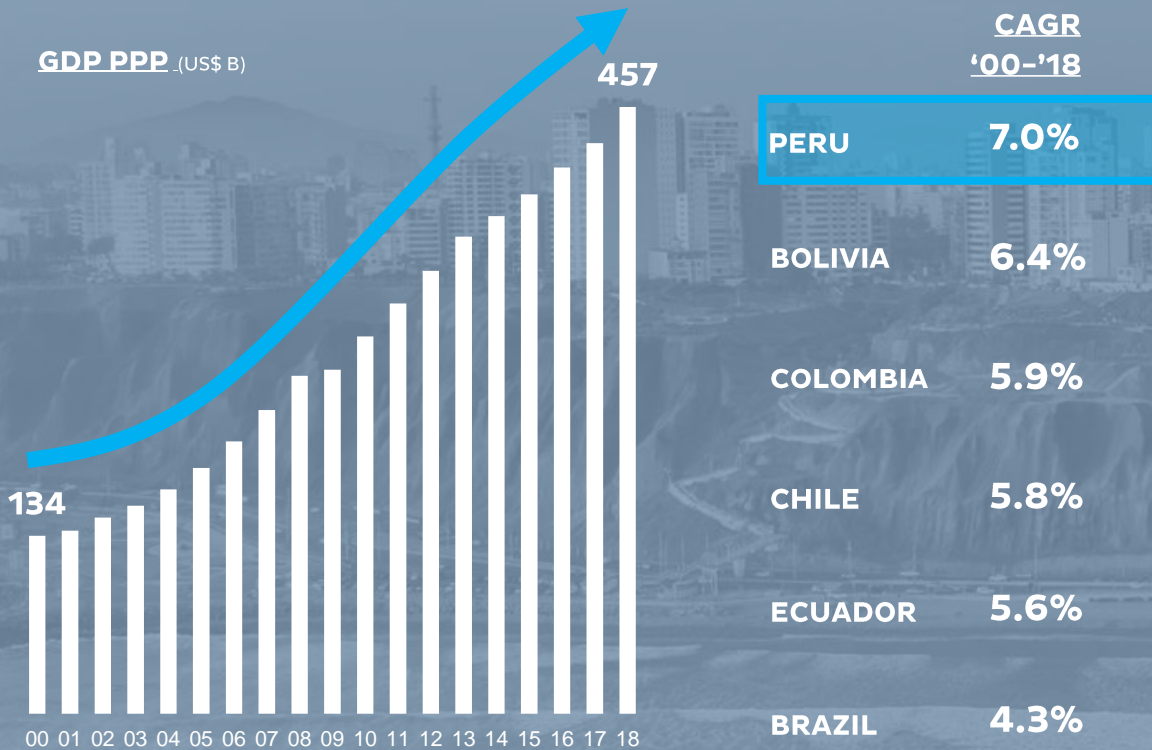
3 **Market & Business** Overview

4 **Financial** Highlights

5 **Corporate**
Governance

PERU, AN ECONOMY FILLED WITH OPPORTUNITIES

CONSISTENT **GROWTH** FOR OVER TWO DECADES



	CAGR '00-'18
PERU	7.0%
BOLIVIA	6.4%
COLOMBIA	5.9%
CHILE	5.8%
ECUADOR	5.6%
BRAZIL	4.3%

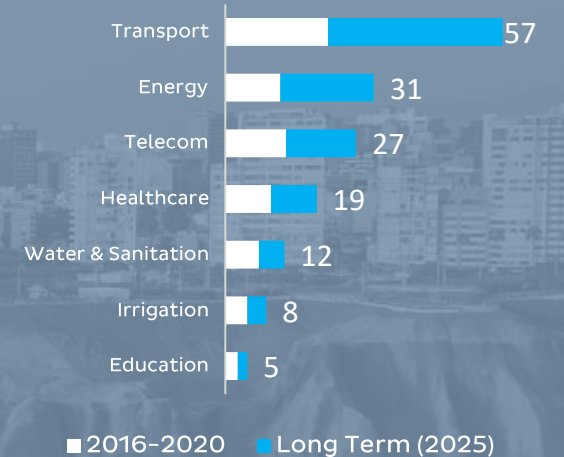
SOURCE: IMF
PPP: Purchasing Power Parity

MACROECONOMIC **STABILITY**

CREDIT RATING	S&P	FITCH	MOODY'S
CHILE	A+ STABLE	A+ STABLE	Aa3 NEGATIVE
PERU	BBB+ STABLE	BBB+ STABLE	A3 STABLE
MEXICO	BBB+ NEGATIVE	BBB+ STABLE	A3 STABLE
COLOMBIA	BBB NEGATIVE	BBB STABLE	Baa2 STABLE
URUGUAY	BBB STABLE	BBB- STABLE	Baa2 STABLE
BRAZIL	BB- STABLE	BB NEGATIVE	Ba2 NEGATIVE

LONG-TERM **UPSIDE**

INFRASTRUCTURE GAP (US\$ 160 B)



■ 2016-2020 ■ Long Term (2025)
SOURCE: ASSOCIATION FOR THE PROMOTION OF NATIONAL INFRASTRUCTURE (AFIN)

Upcoming major projects

- Hydroelectric power plants (US\$6.4B)
- Lima Metro Line #2 (US\$5.3B)
- Southern Gas Pipeline (US\$4.6B)
- Peripheral Ring Road (US\$2.0B)
- Airport expansion (US\$1.5B)

SOURCE: APOYO

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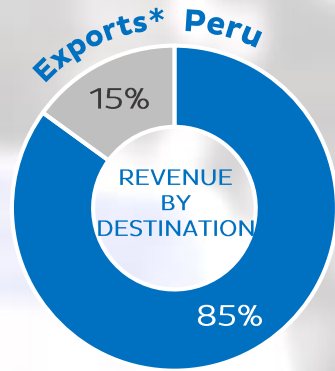
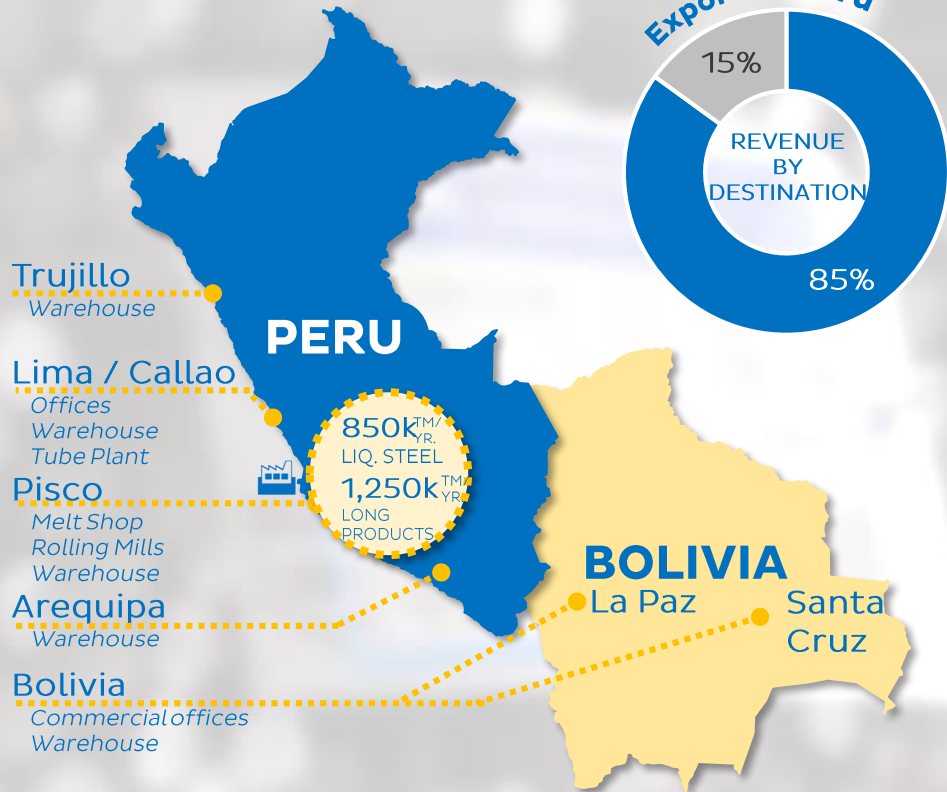
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#1 player in the Peruvian steel market with a growing regional footprint...

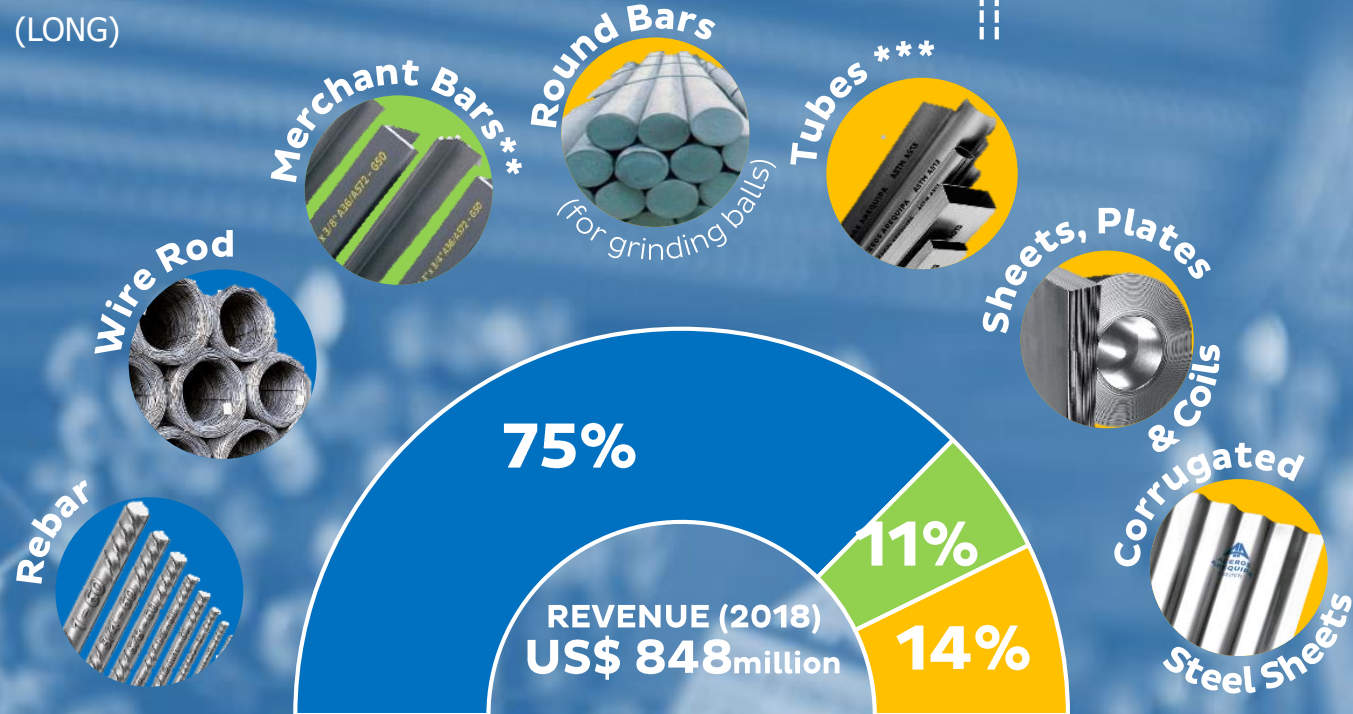


*Exports: mainly to Bolivia, USA, Colombia, Brazil, Chile, Panama and Argentina.

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

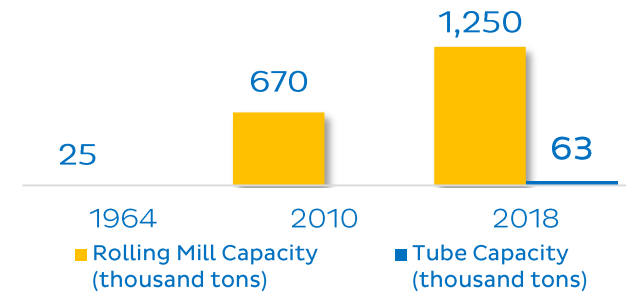
PRODUCED
(LONG)

IMPORTED



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

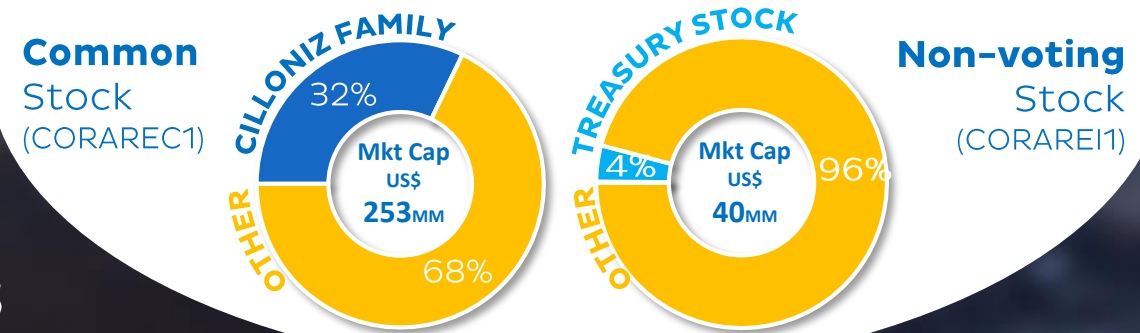
- 2013:** New Rebar Rolling Mill in Pisco
- 2016:** Production consolidation in Pisco
- 2018:** Acquisition of Comasa and its Tube capacity; **New Tube plant in Callao**
- 2020:** New Melt-Shop



**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 on the Lima Stock Exchange with two different stocks

Total Market Cap US\$ 293 million



SUBSIDIARIES / AFFILIATES

<p>99.99%</p>  <p>COMERCIAL DEL ACERO</p> <p>Steel products trader</p> <p>Steel services supplier</p> <p>Revenue 2018: S/ 484 MM</p> 	<p>99.00%</p>  <p>ACEROS DEL ALTIPLANO</p> <p>Bolivian Scrap Supplier and strategic comercial arm of The Company</p> <p>Revenue 2018: S/ 65 MM</p> 	<p>99.92%</p>  <p>RANSPORTES BARCINO S.A.</p> <p>Local and regional cargo transportation</p> <p>Revenue 2018: S/ 25 MM</p> 	<p>99.90%</p> <p>TECNOLOGÍA Y SOLUCIONES CONSTRUCTIVAS</p> <p>Value-added design and engineering services for the construction industry</p> 	<p>99.99%</p> <p>ACERO INSTALADO</p> <p>Value-added on-site installation services for the construction industry</p> 	<p>33.65%</p>  <p>INMOBILIARIA COMERCIAL DEL ACERO ARGENTINA S.A.</p> <p>Real Estate Company</p> <p>21,279 m2</p> <p>Note: Pre-Acquisition Real Estate spin-off of Comercial del Acero</p> 	<p>33.65%</p>  <p>INMOBILIARIA COMERCIAL DEL ACERO CAJAMARQUILLA S.A.</p> <p>Real Estate Company</p> <p>24,865 m2</p> <p>Note: Pre-Acquisition Real Estate spin-off of Comercial del Acero</p> 	<p>10.00%</p>  <p>celepsa</p> <p>02 Hydroelectric power plants</p> <ol style="list-style-type: none"> El Platanal 220MW Marañón 18.4MW 
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 Not included as part of the consolidated financial statements.

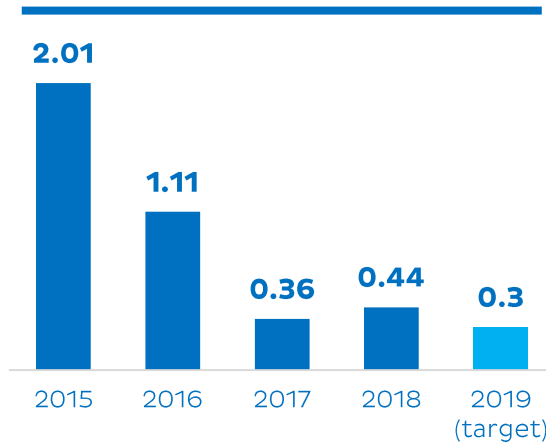
Safety is our priority



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



Brasil



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

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
(2018)



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

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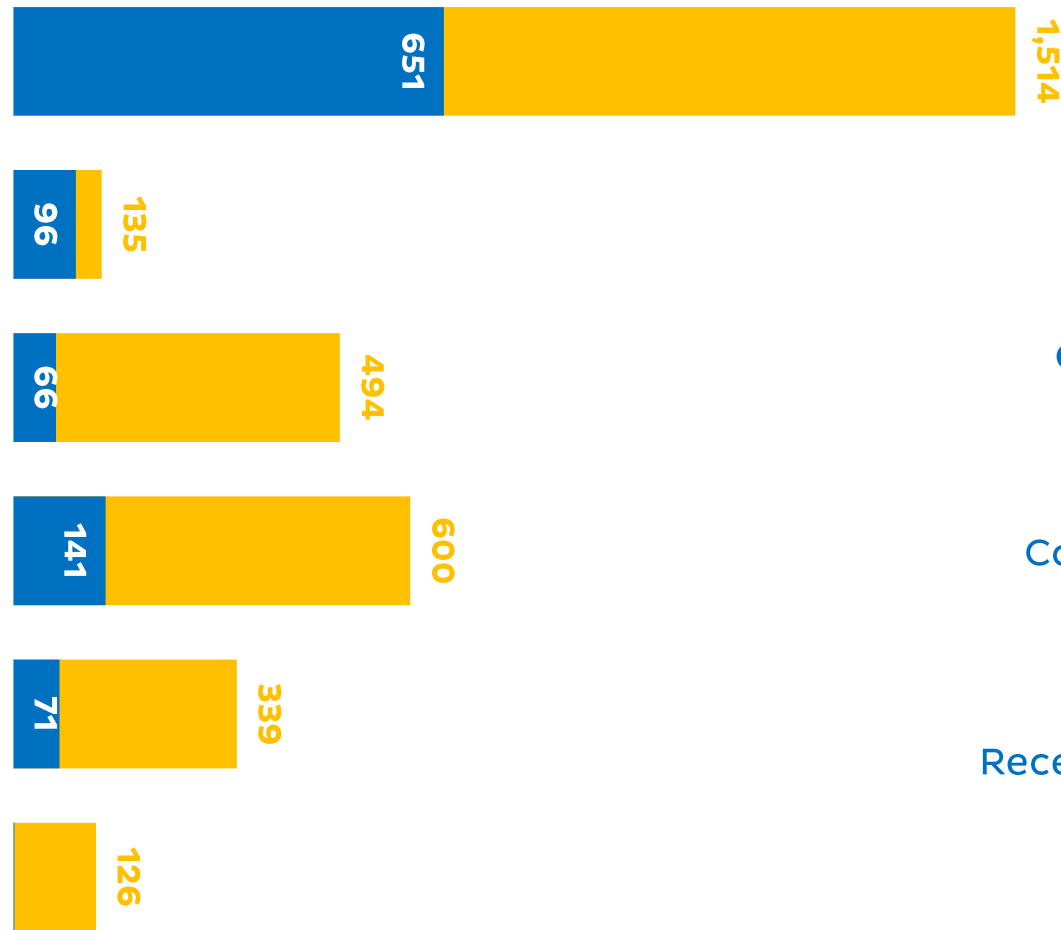
Leading Peruvian Steel Company with strong Upside Potential

Sustained
Leadership in all
core lines....



Total 2018 Peruvian Steel Market 3,208k tons

AA Local Volume 1,244k tons



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

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

New Melt-Shop (2020) will allow us to produce **Round Bars used for Grinding Mining Balls** at competitive costs and to provide **new product presentations**

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

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

SOURCE: Company estimates based on imports, production and other public information. AA Local Volume considers FY 2018 figures of Comasa.

SELF-CONSTRUCTION

Homebuilding & domestic metalwork



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

CONSTRUCTION COMPANIES

Whole-range building



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

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

INDUSTRY

Industrial products & equipment



✓ **Comasa acquisition**

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

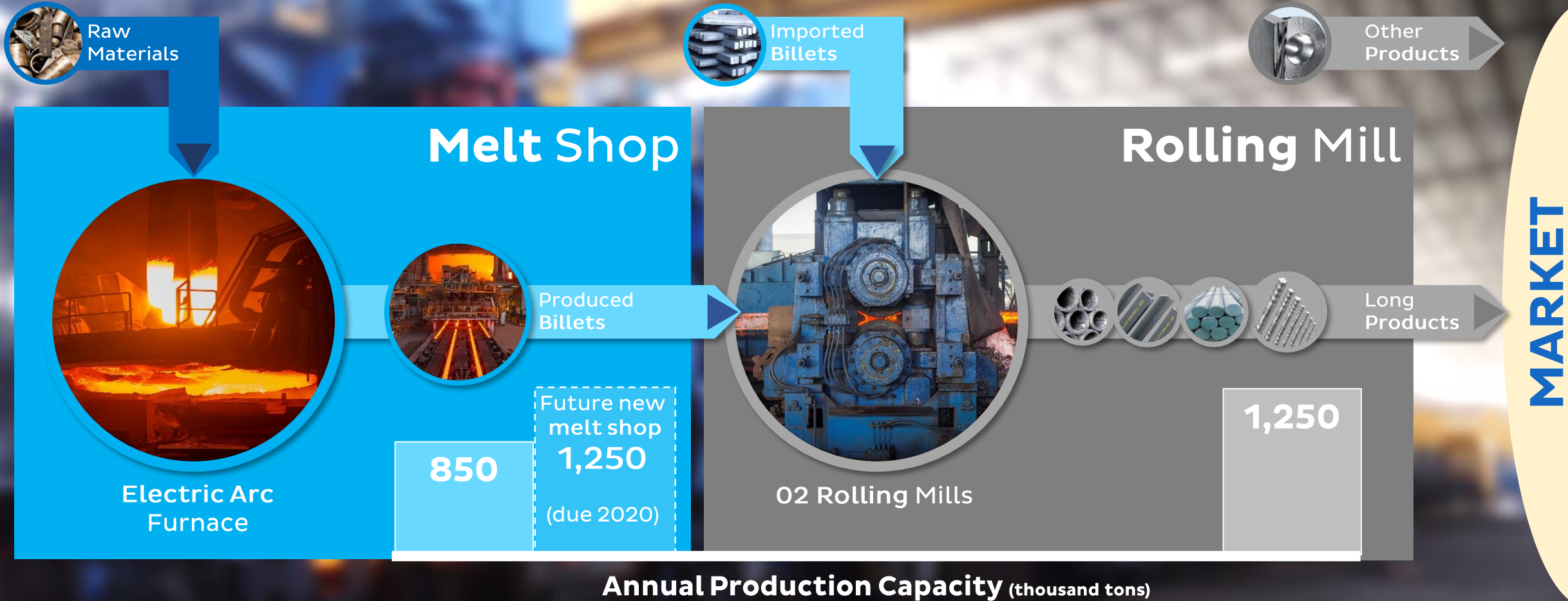
MINING

Consumables for crushing and mine support



✓ **New melt-shop (2020) Opens a new market:** Round balls for grinding mining balls





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



Track Record of strategic investments



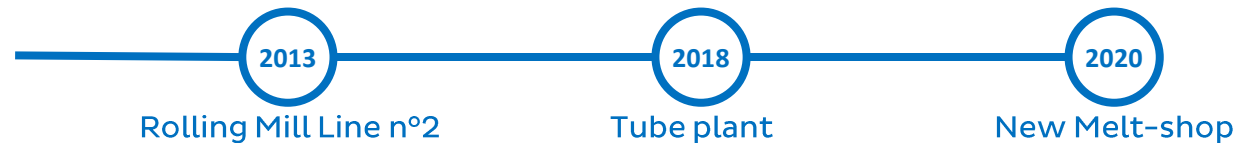
Largest long-steel products producer in Peru



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



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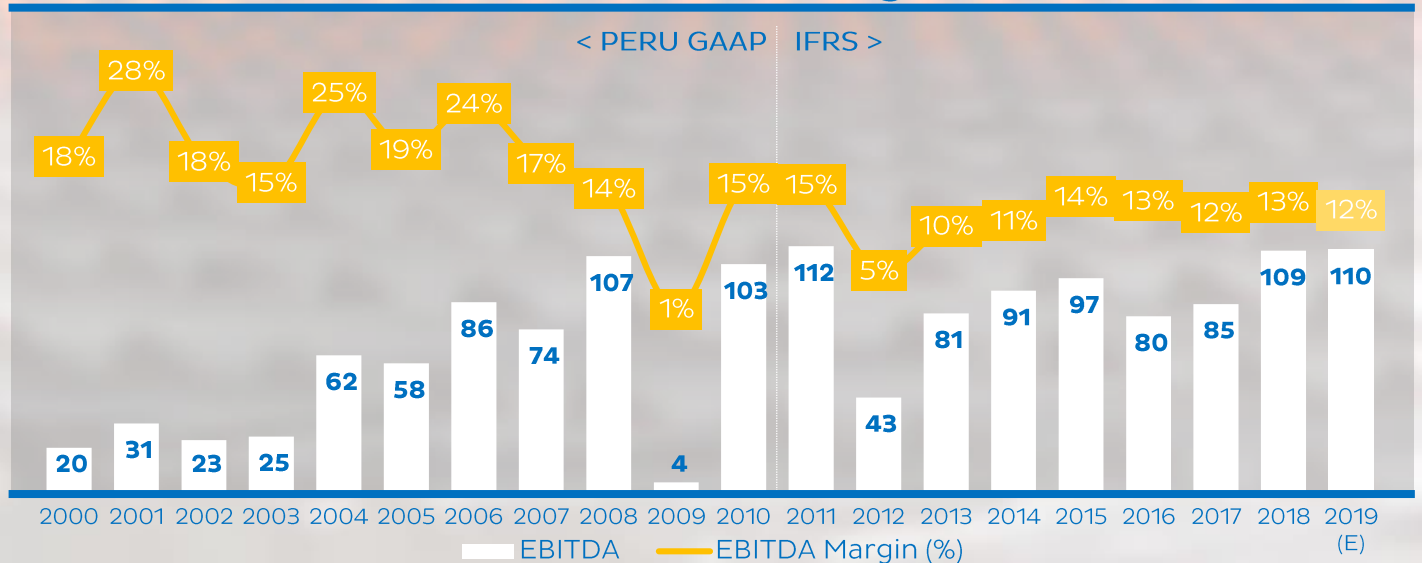
A track record of **growth** and **value** generation...

...supports our **target of 80% EBITDA increase** for the next 4 years...

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



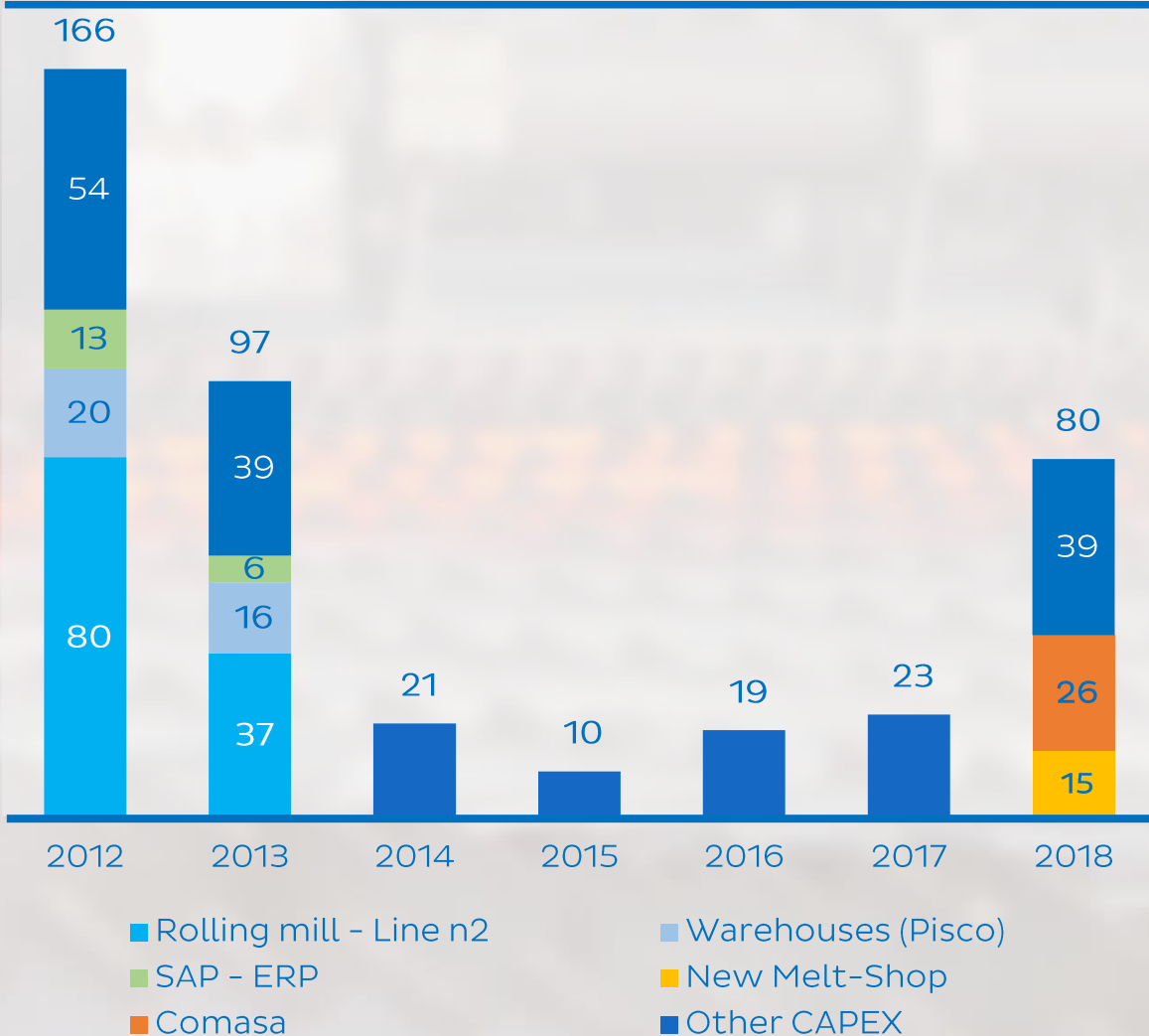
EBITDA (US\$ million) & EBITDA margin (%)



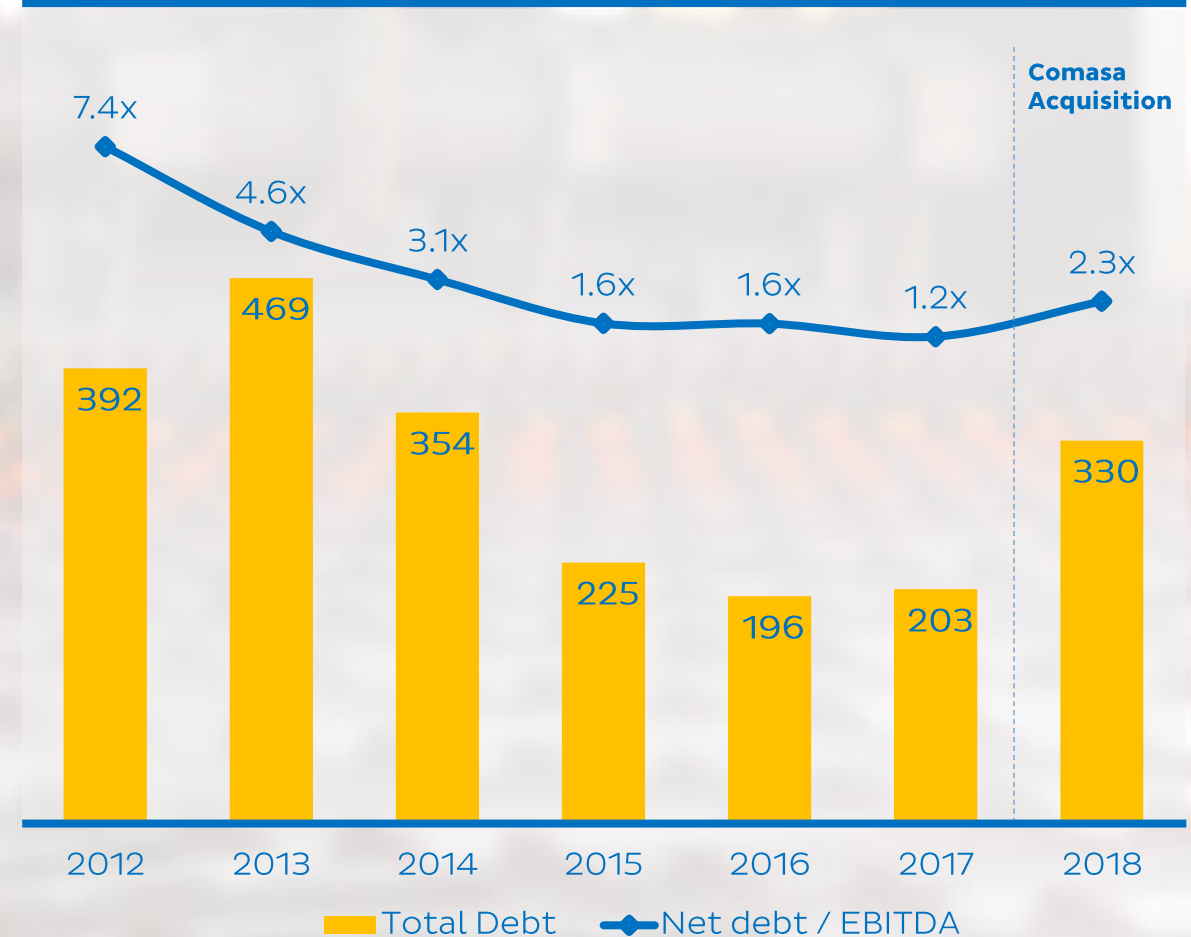
*Starting 2011, the Company reports under IFRS, previously it reported under Peru GAAP

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

CAPEX (US\$ million)



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



Growth strategy for the next ten years

2018



Tube Plant



Tecnología y Soluciones Constructivas (TSC)



COMASA



Corporación Aceros Arequipa Projects

2019



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



Distribution Center Bolivia Santa Cruz / La Paz



International Scrapyards



Subsidiaries

2020-22



New Melt-Shop



Distribution Center in Lurin, Lima

2023-28



Mini Blast Furnace – Pig Iron capacity



Rolling Mill Line 3

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

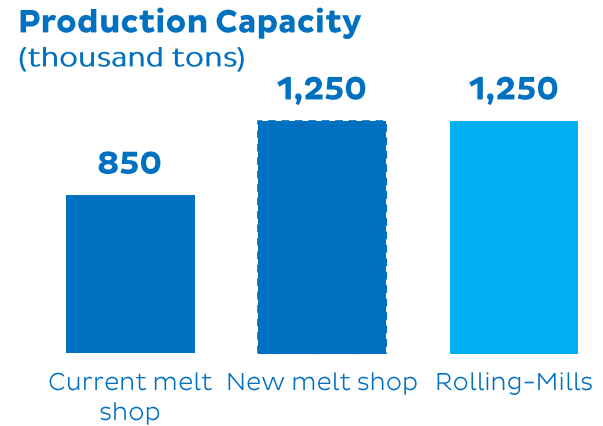
The project includes new:

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

Total Investment US\$ 180 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

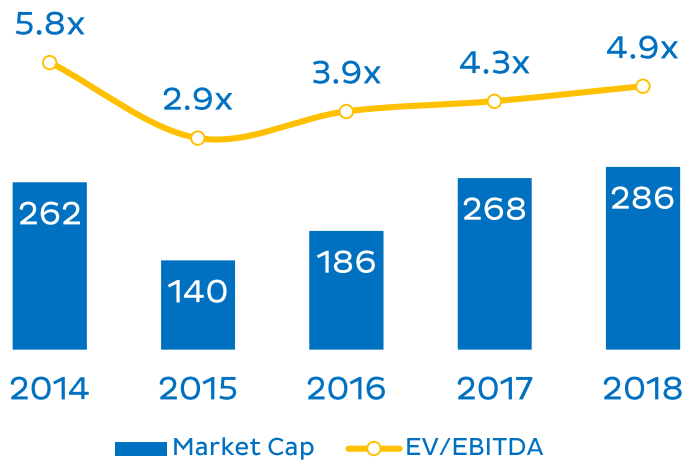


continued to trade at attractive multiples as of the end of 2018

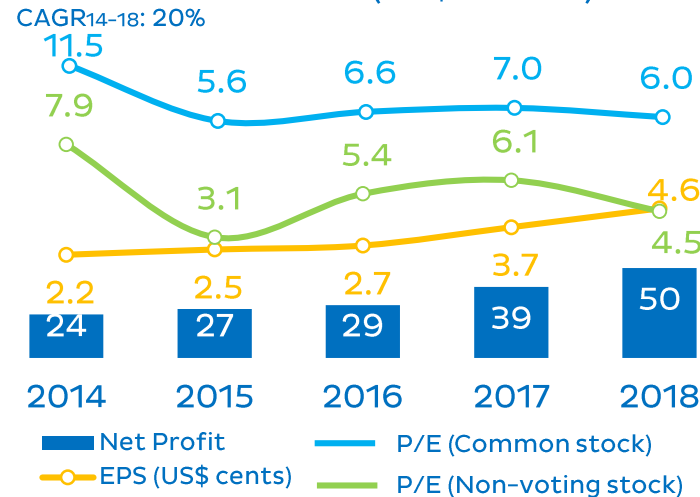
Dividend payout policy of 40% of annual net profit

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

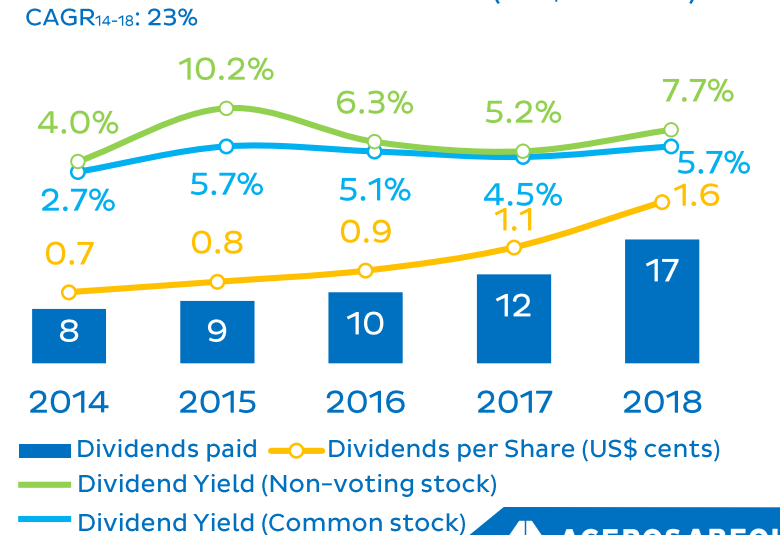
Market Valuation (US\$ million)



Net Profit (US\$ million)



Dividends Paid (US\$ million)



Note: Market Cap does not consider Treasury stock

Note: Net Profit 2018 does not consider badwill

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Board of Directors



Chairman

Ricardo Cilloniz C.

- Chairman since 2007
- MBA at Michigan State University

Board Members

- Fernando **Carbajal*** (VP)
- José Antonio **Baertl**
- Pedro **Blay**
- Ricardo **Bustamante**
- Renee **Cillóniz**
- Manuel **Montori***
- Enrique **Olazabal***
- Jose **Peschiera**
- Giselle **Ferrand***
- Diego **Urquiaga***
- Andreas **Von Wedemeyer**

*Independent

Special Committees

- Ethics
- Audit & Risk Management
- Human Resources

Management Team



CEO

Tulio Silgado

- CEO since 2015
- Kellogg School of Management



CFO, IRO

Ricardo Guzman

- CFO since 2017
- MBA at University of Chicago Booth School of Business



- **Production** – Augusto Cornejo
- **Commercial** – Gonzalo Arrospide
- **Projects and Mining** – Ricardo Cilloniz Rey
- **Strategy and Risks** – Fernando Bustamante
- **Strategic Sourcing** – Diego Arrospide
- **Supply Chain** – Mariana Talavera
- **Human Resources** – Marcelo Zevallos
- **IT** – Rafael Cáceres
- **Legal** – Francisco Alayza
- **Internal Audit** – Humberto Barragan

Corporate Governance



¿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

Our mid-term goals (2022)

+80%
EBITDA

x2
Enterprise Value

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



**INVESTORS
PRESENTATION**

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