

# 1Q 2023 EARNINGS REPORT

Lima, Peru, April 26, 2023. Corporación Aceros Arequipa S.A. ("the Company" or "Aceros Arequipa") (BVL: CORAREC1 and CORAREI1) announced its unaudited consolidated financial results corresponding to the First Quarter ("1Q 2023") period ended March 31, 2023. Financial figures are reported on a consolidated and individual basis in nominal Peruvian Soles (S/) and are in accordance with International Financial Reporting Standards ("IFRS"). The following consolidated statements should be read together with the Financial Statements and Notes, published at the Peruvian Securities and Exchange Commission (*Superintendencia del Mercado de Valores - SMV*).

## I. Highlights

- 1 **Revenue** reached S/ 1,220.2 million, -7.3% YoY mainly due to lower prices.
- 2 **Gross Profit** totaled S/ 132.5 million and **Gross Margin** was 10.9%, down from 15.0% during 1Q 2022, mainly due to lower prices and sales to non-recurrent markets.
- 3 **EBITDA reduced** S/ 51.6 million YoY to S/ 128.1 million; while **EBITDA Margin** reached 10.5%.
- 4 **Net Profit** reached S/ 34.6 million, S/ 61.7 million lower YoY affected by a lower operating profit, higher interest expenses, and lower income from exchange rate differences.
- 5 **Operating Working Capital requirements lowered** S/ 143.6 million to S/ 1,968.5 million, mainly due to lower inventories.
- 6 **CAPEX for the quarter was** S/ 100.9 million, mainly explained by the new warehouse and steel center in Lurin, investments for non-ferrous recovery, the tube plant in Bolivia, among others.
- 7 As of March 31, 2023, the **Net Debt / EBITDA** ratio increased to 3.76x, higher than as of December 2022 (3.62x), primarily due to a lower LTM EBITDA.
- 8 In March the Annual Shareholders Meeting approved a dividend payment of US\$ 6.6 million, which was paid on April 24, 2023.



Revenue  
reached S/ 1,220.2  
million

EBITDA of  
S/ 128.1 million,  
with a margin of  
10.5%

Net Profit was  
S/ 34.6 million, and  
Net Margin was  
2.8%

Net Debt / EBITDA  
ratio reached 3.8x  
as of March 2023

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## Financial Summary

(S/ million)	1Q 2022	1Q 2023	YoY
<b>Financial Figures</b>			
Revenue	1,315.8	<b>1,220.2</b>	-7.3%
Gross Profit	197.9	<b>132.5</b>	-33.1%
Operating Profit	133.5	<b>70.3</b>	-47.4%
EBITDA	179.7	<b>128.1</b>	-28.7%
Net Profit	96.2	<b>34.6</b>	-64.1%
CAPEX	129.0	<b>100.9</b>	27.9%
<b>Financial Margins</b>			
Gross Margin	15.0%	<b>10.9%</b>	-4.2 p.p,
Operating Margin	10.1%	<b>5.8%</b>	-4.4 p.p,
EBITDA Margin	13.7%	<b>10.5%</b>	-3.2 p.p,
Net Margin	7.3%	<b>2.8%</b>	-4.5 p.p,
Earnings per share <sup>1</sup>	0.57	<b>0.17</b>	-70.5%
<b>Other Figures, as of</b>			
	<b>Dec, 2022</b>	<b>Mar, 2023</b>	<b>YTD</b>
Net Debt <sup>2</sup>	2,407.6	<b>2,307.1</b>	-4.2%
Net Debt <sup>2</sup> / LTM <sup>3</sup> EBITDA	3.62	<b>3.76</b>	0.14x

1. Earnings per share (EPS) is defined as Net Profit LTM / Total Stock at the end of the quarter. Expressed in S/ per share
2. Net Debt = Total Financial Debt (includes supplier leases) - Cash
3. LTM: last twelve months

### III. Income Statement

## Revenue

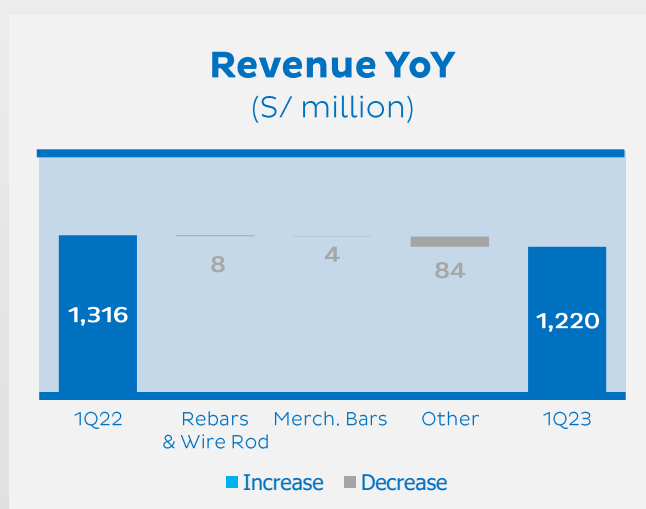
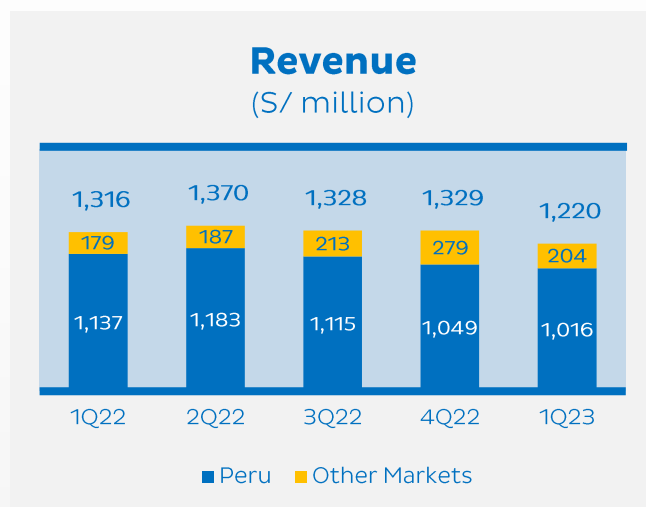
During 1Q 2023, Revenue was S/ 1,220.2 million (-7.3% YoY).

Revenue decreased mainly due to lower prices and volume of steel sheets, and lower prices of wires, nails and tubes. Spot Rebar & Wire rod sales to other (non-recurring) markets with lower prices also drove average prices down.

Revenues in Peru decreased by S/ 121.2 million (-10.7%) YoY as volume and prices were lower. This was partially offset by an increase in sales to Other Markets by S/ 25.5 million (+14.2%) YoY.

During the quarter, Revenue from Other Markets represented 16.7% of total Revenue; higher than 13.6% in 1Q 2022. The increase in Other Markets was mainly due to spot sales to non-recurring markets. Bolivia remained the main source of Revenue among “other markets” for the Company during the quarter.

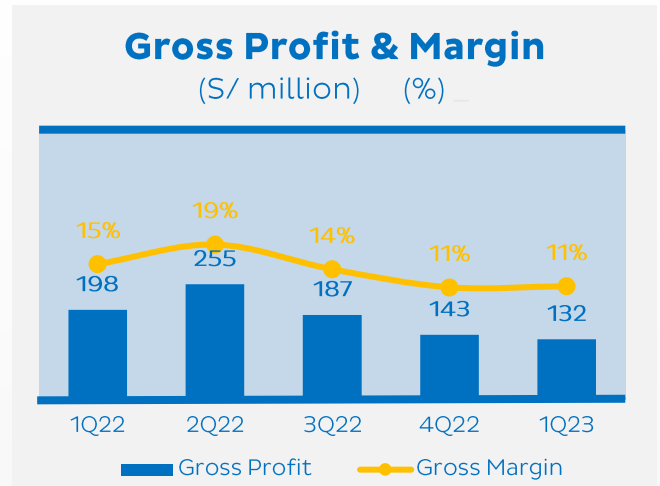
On a per-category basis, the “Other” products category decreased S/83.6 million (-24.2% YoY), “Rebars & Wire Rod” category decreased S/ 7.8 million (-0.9% YoY), while the “Merchant bars” products category lowered S/ 4.3 million (-4.0% YoY).



## Gross Profit

Gross Profit was lower YoY and reached S/ 132.5 million with a margin of 10.9%.

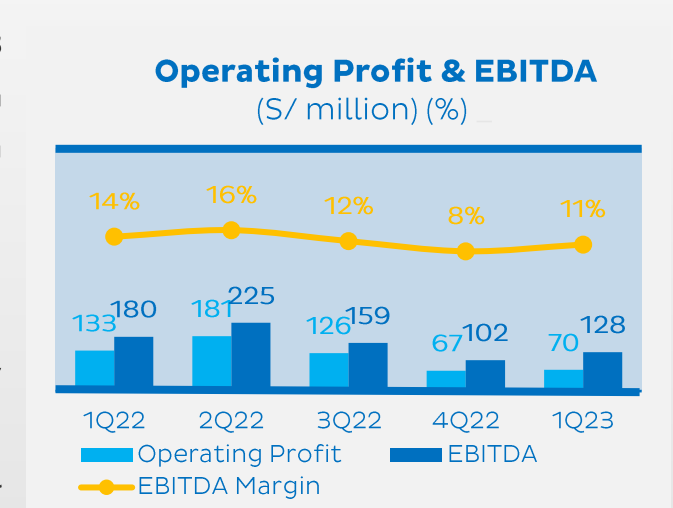
Gross profit was lower mainly as a result of lower prices and lower volume sold in some categories.



## Operating Profit & EBITDA

Operating Profit reached S/ 70.3 million during 1Q 2023, a S/ 63.2 million decrease compared to S/ 133.5 million during 1Q 2022. Operating Margin reached 5.8%, 4.4 p.p. lower compared to 1Q 2022.

Operating Profit decrease was partially offset by lower SG&A. The reduction in SG&A was driven by lower personnel expenses (variable) and allowances for doubtful accounts.



During 1Q 2023, EBITDA reached S/ 128.1 million, a decrease of S/ 51.6 million YoY, and represented an EBITDA Margin of 10.5%; 3.2 p.p. lower compared to 1Q 2022.

## Net Financial Expenses

During 1Q 2023, Net Financial Expenses reached S/ 32.7 million, S/ 23.3 million higher compared to 1Q 2022, driven by higher Financial Expenses of S/ 41.2 million, mainly due to the interest of the melt shop's lease, an increase in working capital financing, and higher interest rates.

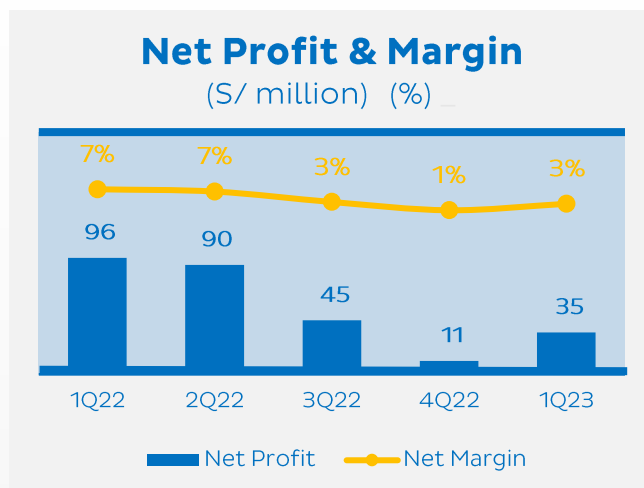
During the quarter, the Net Exchange Rate Difference had a positive effect and totaled S/ 11.7 million, but was lower compared to S/ 30.6 million in 1Q 2022.

## Net Profit

Net Profit was S/ 34.6 million during 1Q 2023, S/ 61.7 million lower YoY. Net Margin was 2.8%.

During 1Q 2023, Net Profit was lower YoY as a result of a lower Operating Profit. Net Profit was also negatively affected by higher Net Financial Expenses and a lower income from Exchange Rate Differences

Earnings per Share, based on the Net Profit for the last twelve months (LTM), reached S/ 0.17 in 1Q 2023, lower compared to the S/ 0.57 reported at the end of 1Q 2022.



## IV. Balance Sheet

### Assets

As of March 31, 2023, Total Assets reached S/ 6,554.2 million, representing a reduction of S/ 245.0 million versus December 31, 2022.

Asset decrease was driven by a reduction of current assets, which lowered S/ 296.3 million. Non-current assets were S/ 51.3 million higher.

Current Assets were lower as of March 31, 2023, mainly due to:

- i Inventories (-S/ 267.5 million, or -12.6% YTD)
- ii Cash (- S/ 57.3 million, or -9.1% YTD)
- iii Other accounts receivable (- S/ 9.8 million, or -14.2% YTD)

Days of Sales Outstanding reached 39.0 days as of March 31, 2023, lower than 36.8 days as of December 31, 2022.

Days in Inventory decreased to 147.8 days as of March 31, 2023, compared to 167.9 days as of December 31, 2022.

Non-Current Assets' increase was mainly a result of CAPEX.

## Liabilities

As of March 31, 2023, Total Liabilities reached S/ 3,816.5 million, a S/ 253.1 million or 6.2% reduction YTD, driven by lower Current Liabilities by S/ 217.3 million, and Non-Current Liabilities by S/ 35.8 million.

Current Liabilities lowered YTD mainly due to a lower working capital financing.

As of March 2023, Total Financial Debt (including supplier leases) reached S/ 2,882.3 million, lower than that as of December 2022.

Current Financial Debt as of March 31, 2023, was S/ 1,765.4 million, of which S/ 1,567.2 million represented short-term financing. Total current financial debt was S/ 122.0 million lower than the figures reported as of December 2022.

Non-Current Financial Debt was S/ 1,116.9 million, S/ 35.8 million lower than the figures reported as of December 2022.

As of March 2023, 51% of Total Debt was denominated in Peruvian Soles, while 41% was denominated in U.S. Dollars, 6% in Bolivianos, and the remaining 3% in Colombian and Chilean Pesos.

Net Debt to EBITDA ratio was 3.76x as of March 2023, an increase of 0.14x compared to December 2022 mainly due to a lower LTM EBITDA.

## Shareholders' Equity

At the close of March 2023, Shareholders' Equity reached S/ 2,737.7 million, an increase of S/ 8.1 million compared to the figures as of December 2022, mainly explained by the accrued 1Q 2023 results after deducting cash dividends.

## V. Cash Flow Statement

### Cash Flow from Operations

As of March 31, 2023, Cash Flow from Operations was positive S/ 239.1 million, mainly explained by EBITDA generation during the quarter and a reduction of inventories, partially compensated by supplier payments and an increase in accounts receivables.

### Cash Flow from Investing

As of March 31, 2023, Cash Flow from Investing was negative S/ 92.2 million which included investments in the new warehouse and Steel Center in Lurin, the New Melt shop in Pisco, and the new Rolling Mill line, Non-ferrous recovery process, tube plant in Bolivia, among other. These cash outflows were partly offset by S/ 8.5 million in interests received.

### Cash Flow from Financing

As of March 31, 2023, Cash Flow from Financing was negative S/ 204.1 million, which included net financing of -S/ 162.9 million and interest payments of S/ 41.2 million.



## VI. Relevant Events

1. During March, BBVA granted a \$40 million sustainable import financing line for raw material purchases to Aceros Arequipa, the first of its kind in the Peruvian steel sector. Aceros Arequipa has consumed more than 7.6 million tons of scrap since 2012, and this financing will allow the company to remain an active participant in the ferrous scrap recycling value chain in the country. This alliance supports three United Nations Sustainable Development Goals: Good Health and Well-being, Sustainable Cities and Communities, and Responsible Consumption and Production.
2. In March, the Shareholder's Meeting approved a cash dividend payment of approximately S/ 98.6 million, following the Company's dividend policy. The Company made advanced payments of S/ 35.8 million and S/ 38.1 million in August and November 2022, respectively; resulting in a remaining amount of approximately S/ 24.7 million or US\$ 6.6 million, paid on April 2023.
3. In April, Corporación Aceros Arequipa (CAASA) received the "Perú Limpio" recognition at the I Business Meeting "Business Leaders in Sustainability and Environmental Empathy" organized by the Ministry of Environment. CAASA fulfilled four specific goals, demonstrating its environmental empathy and commitment to the sustainability of the country, and continues to contribute to the competitiveness and productivity of Peru through its circular economy approach.

## Conference Call Information

Corporacion Aceros Arequipa S.A. cordially invites you to participate in its First Quarter 2023 Earnings Conference Call.

Date: Thursday, April 27, 2023

Time: 1:00 pm ET / 12:00 pm Lima Time

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

<https://tinyurl.com/y4u9scn2>

## About CORPORACIÓN ACEROS AREQUIPA S.A.

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

• Aceros America (Bolivia):	99.00%
• Aceros America (Colombia):	100.00%
• Aceros America Corporation:	100.00%
• Aceros America (Chile):	100.00%
• Aceros America (Ecuador):	100.00%
• Aceros Arequipa Iquitos:	99.90%
• Acero Instalado:	99.90%
• Transportes Barcino:	99.99%
• Tecnología y Soluciones Constructivas:	99.99%
• Comfer S.A. (in liquidation process):	100.00%
• Comercial del Acero (in liquidation process):	99.99%
• Inmobiliaria Comercial del Acero Cajamarquilla:	33.65%
• Inmobiliaria Comercial del Acero Argentina:	33.65%
• Celepsa:	10.00%

### Disclaimer

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

### III. Unaudited Financial Statements

Corporación Aceros Arequipa S.A.		Consolidated Financial Statement of Financial Position (in thousands of Peruvian Soles)	
	Notes	March 31, 2023	December 31, 2022
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	575,138	632,422
Accounts Receivable	6	526,811	515,516
Accounts Receivable from related parties	7	40,992	31,308
Other Accounts Receivable	8	58,989	68,748
Inventories	9	1,859,917	2,127,431
Deferred Income tax Assets	20	106,415	93,991
Other Assets	10	17,845	12,994
Assets classified as held for sale		-	-
<b>Total Current Assets</b>		<b>3,186,107</b>	<b>3,482,410</b>
<b>Non-Current Assets</b>			
Other financial assets	13	48,072	55,512
Investments in subsidiaries, affiliates or joint ventures	11	97,332	95,617
Accounts Receivable from related parties	7	-	-
Other Accounts Receivable	8	11,688	11,650
Investment Property	14	72,969	73,113
Property, Plant and Equipment, Net	12	3,012,679	2,955,109
Intangible Assets, Net	15	73,761	76,967
Deferred Assets	19	16,763	13,892
Other non-financial assets	16	34,827	34,922
<b>Total Non-Current Assets</b>		<b>3,368,091</b>	<b>3,316,782</b>
<b>TOTAL ASSETS</b>		<b>6,554,198</b>	<b>6,799,192</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Other Financial Liabilities	17	1,765,382	1,887,346
Accounts Payable	18	467,782	537,702
Accounts Payable to related parties	7	32,326	30,956
Other Accounts Payable	19	142,391	169,218
Current Income Tax	20	-	-
<b>Total Current Liabilities</b>		<b>2,407,881</b>	<b>2,625,222</b>
<b>Non-Current Liabilities</b>			
Other Financial Liabilities	17	1,116,903	1,152,688
Other Accounts Payable	31	58,632	59,319
Deferred Income Tax Liabilities	20	233,101	232,405
<b>Total Non-Current Liabilities</b>		<b>1,408,636</b>	<b>1,444,412</b>
<b>Total Liabilities</b>		<b>3,816,517</b>	<b>4,069,634</b>
<b>Shareholders' Equity</b>			
Share Capital	21	890,858	890,858
Investment Shares	21	182,408	182,408
Treasury Shares		-	-
Other Capital Reserves	21	178,635	178,449
Retained Earnings	21	1,272,898	1,262,841
Other Shareholders' Equity Reserves	21	212,882	215,002
Non-controlling interest		-	-
<b>Total Shareholders' Equity</b>		<b>2,737,681</b>	<b>2,729,558</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,554,198</b>	<b>6,799,192</b>

# Corporación Aceros Arequipa S.A.

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

	Notes	1Q 2023	1Q 2022	1Q 2023	1Q 2022
Revenue	22	1,220,152	1,315,835	1,220,152	1,315,835
Cost of Goods Sold	23	-1,087,690	-1,117,933	-1,087,690	-1,117,933
Gross Profit (Loss)		132,462	197,902	132,462	197,902
Selling and Distribution Expenses	24	-34,891	-37,197	-34,891	-37,197
Administrative Expenses	25	-24,208	-33,885	-24,208	-33,885
Other Operating Income	27	3,296	26,318	3,296	26,318
Other Operating Expenses	27	-6,403	-19,665	-6,403	-19,665
Other Income (Expenses)		-	-	-	-
Operating Profit (Loss)		70,256	133,473	70,256	133,473
Financial Income	28	8,491	2,327	8,491	2,327
Financial Expenses	28	-41,224	-11,722	-41,224	-11,722
Other income (Expenses) from subsidiaries, affiliated and joint ventures	11	1,733	-9,604	1,733	-9,604
Exchange Rate Differences, Net	32	11,704	30,603	11,704	30,603
Profit (Loss) before taxes		50,960	145,077	50,960	145,077
Income Tax Expense	20	-16,407	-48,854	-16,407	-48,854
Profit (Loss) from Discontinued Operations		-	-	-	-
Net Profit (Loss)		34,553	96,223	34,553	96,223
Earnings Per Share					
Basic in Continued Operations of Common Stock		0.032	0.089	0.032	0.089
Basic in Discontinued Operations of Common Stock		-	-	-	-
<b>Total Earnings Per Share of Common Stock</b>		<b>0.032</b>	<b>0.089</b>	<b>0.032</b>	<b>0.089</b>
Basic in Continued Operations of Investment Stock (Non-voting)		0.032	0.089	0.032	0.089
Basic in Discontinued Operations of Investment Stock (Non-voting)		-	-	-	-
<b>Total Earnings Per Share of Investment Stock (Non-Voting)</b>		<b>0.032</b>	<b>0.089</b>	<b>0.032</b>	<b>0.089</b>

# Corporación Aceros Arequipa S.A.

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

	Notes	1Q 2023	1Q 2022
<b>Cash Flow from Operating Activities</b>			
<b>Collections due to Operating Activities</b>			
Sales of Goods and Services Offered		1,277,436	1,310,998
Other Operating Collections		36,910	-17,873
<b>Payments due to Operating Activities</b>			
Suppliers of Goods and Services		-983,341	-1,233,257
Payments and payments on account to employees		-80,166	-129,243
Income Tax		-10,730	-36,106
<b>Net Cash Generated by Operating Activities</b>		<b>240,109</b>	<b>-105,481</b>
<b>Cash Flow from Investing Activities</b>			
<b>Collections due to Investing Activities</b>			
Sale of Property, Plant and Equipment	27	124	0
Interests Received	28	8,491	2,327
Dividends Received			4,197
<b>Payments due to Investing Activities</b>			
Acquire control of subsidiaries and other firms	1		
Purchase of Subsidiaries, Net of Cash Acquired	1		
Purchase of Property, Plant and Equipment	12	-100,432	-96,995
Purchase of Intangible Assets	15	-350	-188
Purchase of Other Long-Term Assets		0	-27
<b>Net Cash Generated by Investing Activities</b>		<b>-92,167</b>	<b>-90,686</b>
<b>Cash Flow from Financing Activities</b>			
<b>Collections due to Financing Activities</b>			
Short term and long-term loans		592,409	795,417
<b>Payments due to Financing Activities</b>			
Short term and long-term loans amortization		-756,635	-537,731
Interests paid	28	-41,000	-11,722
Dividends paid	11		
Other collections (payments) of cash related to financial activities			
<b>Net Cash Generated by Financing Activities</b>		<b>-205,226</b>	<b>245,964</b>
Net Increase (Reduction) of Cash and Equivalents before Exchange Rate Changes		-57,284	49,797
Effects of Exchange Rate Changes on the balance of Cash Held in Foreign Currencies			
Net Increase (Reduction) of Cash and Equivalents		-57,284	49,797
Cash and Cash Equivalents at the beginning of the year		632,422	644,541
<b>Cash and Cash Equivalents at the end of the period</b>		<b>575,138</b>	<b>694,338</b>