

4Q 2018 EARNINGS REPORT

Lima, Peru, February 1, 2019. Corporación Aceros Arequipa S.A. ("The Company" or "Aceros Arequipa") (BVL: CORAREC1 and CORAREI1) announced its unaudited financial results corresponding to the Fourth Quarter ("4Q 2018") and full year ("FY 2018") periods ended December 31, 2018. 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 individual statements should be read in conjunction with the Financial Statements and Notes, published at the Peruvian Securities and Exchange Commission (Superintendencia del Mercado de Valores - SMV).

I. Main highlights

- 1 **Revenue** reached S/ 2,623.1 million (+11.2% YoY) during FY 2018 and S/ 657.1 million (+3.8% YoY) for 4Q 2018. Both results were driven by price recovery.
- 2 **Gross Profit** totaled S/ 422.2 million (+24.1% YoY) during FY 2018. During 4Q 2018 the result was S/ 110.6 (-7.3% YoY). **Gross Margin** reached 16.1% (+1.7 p.p. YoY) as of FY 2018. During 4Q 2018 it was 16.8% (-2.0 p.p. YoY).
- 3 As of FY 2018, **EBITDA** reached S/ 343.5 million (+32.1% YoY). For 4Q 2018 the result was S/ 89.8 million (-7.9% YoY). **EBITDA Margin** was 13.1% (+2.1 p.p. YoY) as of FY 2018. During 4Q 2018 it was 13.7% (-1.7 p.p. YoY).
- 4 As of December 2018, **Gross Financial Debt** amounted to S/ 861.3 million which reflected a Net Debt / EBITDA ratio of 1.84x, higher than the 1.23x at December 2017 primarily due to increased working capital loans.
- 5 In November, Aceros Arequipa successfully created "Tecnología y Soluciones Constructivas S.A.C.", a new subsidiary focused on value-added services for the construction industry.
- 6 In December, the Shareholders' meeting of the Company approved the amortization of "common" and "investment" shares issued by the Company and held in treasury.



During 4Q 2018
Revenue was
S/ 657 million
(+3.8% YoY)

EBITDA was S/ 90
million with a
margin of 13.7%,
while in FY 2018 it
reached S/ 343
million (+32.1% YoY)

Net Profit reached
S/ 42 million and
Net Margin was
6.5%

Net Debt / EBITDA
ratio reached 1.8x
as of Dec, 2018

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Financial Summary

(\$/ million)	4Q 2018	4Q 2017	YoY	FY 2018	FY 2017	Var
Financial Figures						
Revenue	657.1	633.2	3.8%	2,623.1	2,359.8	11.2%
Gross Profit	110.6	119.2	-7.3%	422.2	340.2	24.1%
Operating Profit	60.9	70.9	-14.0%	232.2	163.0	42.4%
EBITDA	89.8	97.5	-7.9%	343.5	260.1	32.1%
Net Profit	42.4	58.5	-27.5%	163.2	127.9	27.6%
Capex ¹	76.9	29.3	162.4%	224.5	66.3	238.5%
Financial Margins						
Gross Margin	16.8%	18.8%	-2.0 p.p.	16.1%	14.4%	1.7 p.p.
Operating Margin	9.3%	11.2%	-1.9 p.p.	8.9%	6.9%	1.9 p.p.
EBITDA Margin	13.7%	15.4%	-1.7 p.p.	13.1%	11.0%	2.1 p.p.
Net Margin	6.5%	9.2%	-2.8 p.p.	6.2%	5.4%	0.8 p.p.
Earnings per share ²	0.15	0.12	27.6%			
Other Figures, as of						
	Dec, 2018	Dec, 2017	YTD			
Net Debt ³	632.3	320.0	97.6%			
Net Debt ³ / LTM ⁴ EBITDA	1.84x	1.23x	0.61x			

1. FY Capex considers \$/84.6 million for the Comercial del Acero ("Comasa") takeover. This item does not consider the capex related to the new melt shop plant (financed through a capital lease agreement) and an advance payment to the new melt shop supplier SMS. The capital lease registered \$/ 38.2 million during 4Q 2018 and \$/49.0 million during FY 2018. The advance payment to SMS was \$/ 18.8 million in 2018.
2. Earnings per share (EPS) defined as Net Profit LTM / Total Stock at the end of quarter excluding treasury stock. Expressed in \$/ per share
3. Financial Debt excludes operating lease
4. LTM: last twelve months

II. Income Statement

Revenue

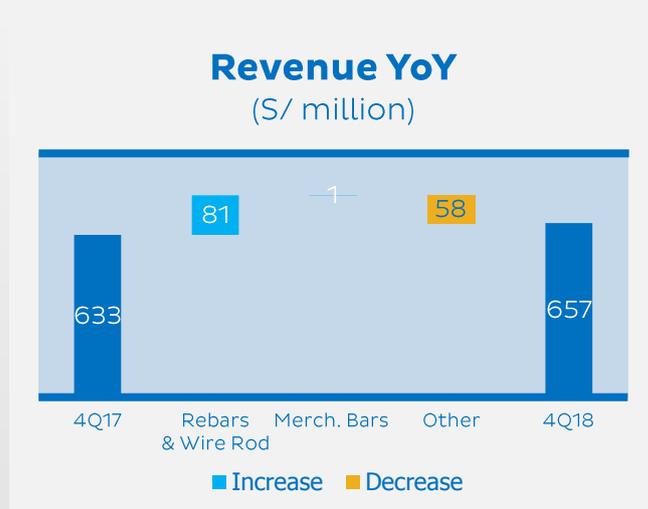
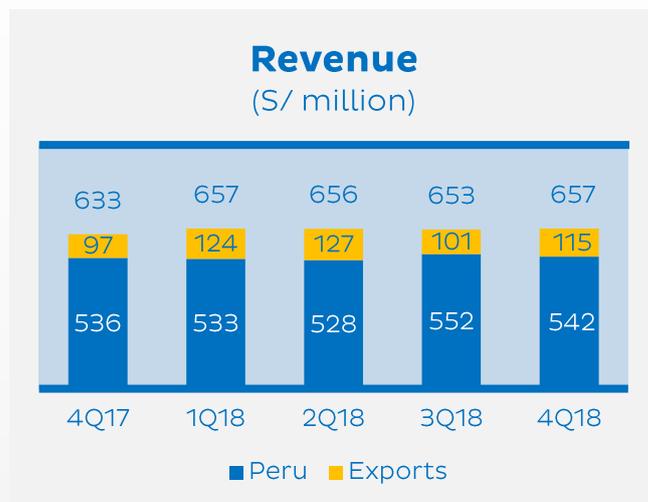
During 4Q 2018, Revenue reached S/ 657.1 million (+3.8% YoY)

Revenue increase was mainly driven by higher average selling prices. Both, Exports and Peruvian Revenue increased S/ 18.2 million (+ 18.8%) YoY and S/ 5.8 million (+1.1%) YoY, respectively.

During the quarter, Export Revenue represented 17.5% of Total Revenue, compared to 15.3% in 4Q 2017. Bolivia remains the main destination for the Company's exports and represented 97.8% of Export Revenue during the quarter.

On a per-category basis, Revenue increase was mainly driven by i) "Rebars and wire rod" core category, which increased S/ 80.7 million (+19.1%) YoY, explained by higher average selling prices and volume; and ii) "merchant bars", with a slight increase of S/ 0.7 million (+1.1%) YoY. These Revenue increased despite lower sales of "other" products, which include lower revenues of round bars for grinding balls, by S/ 63.6 million (-86.7%) YoY, as a result of a shortage of high carbon billet. However, the new Melt Shop under construction will allow the Company to mitigate this risk in the future.

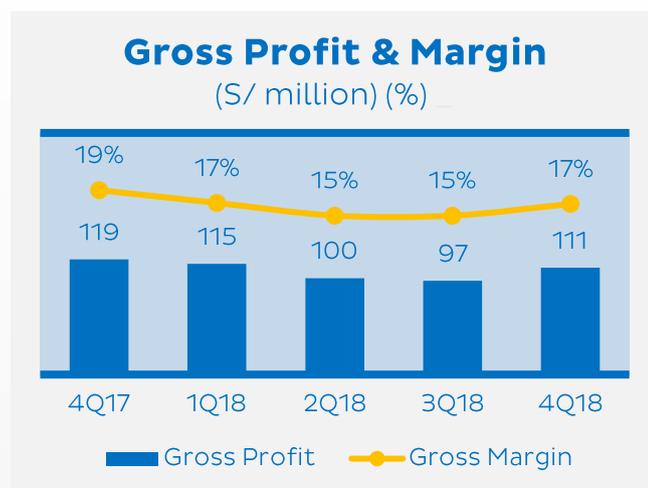
Revenue during FY 2018 was S/ 2,623.1 million, which represents an increase of S/ 263.3 million (+11.2%) compared to FY 2017.



Gross Profit

Gross Profit reached S/ 110.6 million (-7.3% YoY) during 4Q 2018, mainly driven by lower Revenues of “other” products and higher prices of raw materials. Consequently, despite the better pricing environment, Gross Margin fell to 16.8% (-2.0 p.p. YoY).

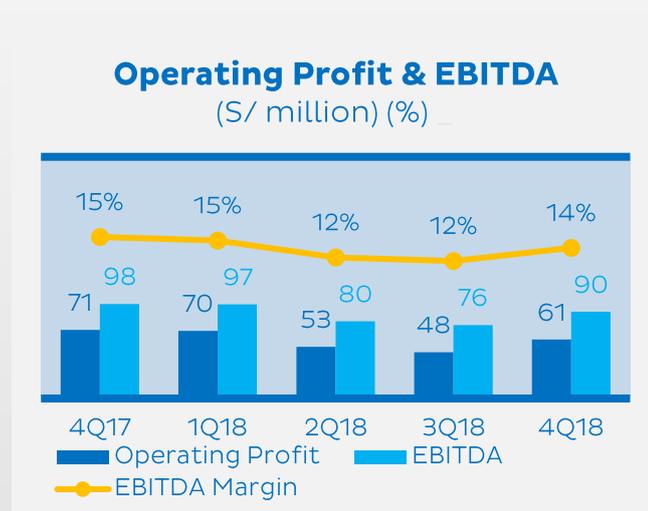
During FY 2018, Gross Profit was S/ 422.2 million (+24.1%) which represents an increase of S/ 81.9 million compared to FY 2017.



Operating Profit & EBITDA

Operating Profit reached S/ 60.9 million (-14.0% YoY) during 4Q 2018 from S/ 70.9 million, and Operating Margin reached 9.3%.

Earnings before interest, taxes, depreciation and amortization (EBITDA) during 4Q 2018 reached S/ 89.8 million (-7.9% YoY), which resulted in an EBITDA Margin of 13.7%; 1.7 p.p. lower compared to 4Q 2017.



Operating Profit and EBITDA were lower mainly due to a lower Gross Profit and higher Other Net Operating Expenses. These were S/ 4.9 million higher versus 4Q 2017 mainly as a result of fixed assets write-off and employee termination payments.

In contrast, Selling, General and Administrative (SG&A) expenses in 4Q 2018 were S/ 3.6 million lower YoY, mainly due to a reduction in personnel, marketing, distribution and other sales expenses. SG&A as a percentage of Revenue reached 6.0%, a decrease of 0.8 p.p. compared to 4Q 2017.

During FY 2018, EBITDA was S/ 343.5 million, which represents an increase of S/ 83.4 million (+32.1%) compared to FY 2017.

Net Financial Expenses

During 4Q 2018, Net Financial Expenses were S/ 7.2 million, a S/ 1.2 million increase YoY due to higher Financial expenses of S/ 1.7 million, as Gross Financial Debt was higher.

Additionally, Exchange Rate Differences were negative by S/ 2.4 million, a S/ 2.5 million decrease due to an increase in working capital loans denominated in USD in December.

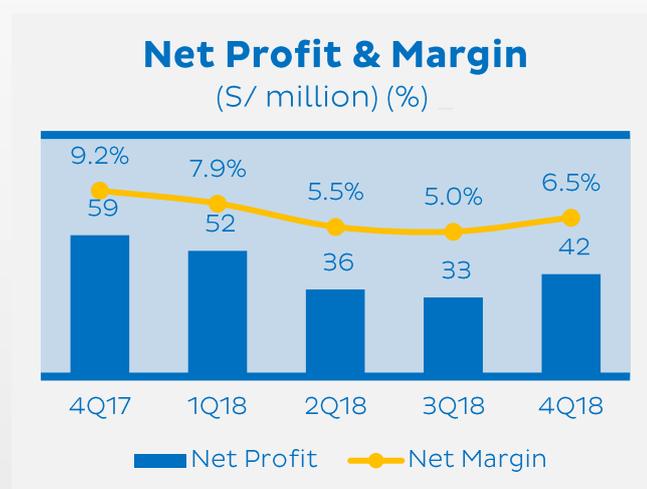
Net Profit

Net Profit reached S/ 42.4 million during 4Q 2018 (-27.5% YoY).

Net Profit decrease was mainly due to a lower Operating Profit by S/ 9.9 million and lower Other Income from Investments in Related Companies by S/ 7.9 million, which as of 4Q 2017 considered asset sales from the Company's subsidiary *Transportes Barcino S.A.* of S/ 7.3 million.

Nonetheless, during FY 2018, Net Profit rose S/ 35.3 million (+27.6%) YoY, to S/ 163.2 million, in line with a higher Operating Profit for the year.

Consequently, Earnings per Share, considering Last-Twelve-Months Net Profit, reached S/ 0.15 in 4Q 2018, higher than the S/ 0.12 reported in 4Q 2017.



III. Balance Sheet

Assets

As of December 2018, Total Assets reached S/ 3,546.2 million, increasing S/ 443.4 million versus December 2017 as Current Assets increased by S/ 242.0 million and Non-Current Assets by S/ 201.4 million.

Current Assets were higher during the year mainly due to a higher balance of:

- i Accounts Receivable, including to related parties (+S/ 93.2 million, or 30.7% YTD), partially due to better revenues in Bolivia, where the Company increased its market share.
- ii Other Accounts Receivable (+S/ 15.2 million, or 98.9% YTD), mainly due to a higher Value-added Tax balance of S/ 24.0 million versus S/ 4.0 million as of December 2017.
- iii Inventories (+S/ 232.5 million, or 33.4% YTD), mainly due to a higher stock of finished products as prices of raw materials were higher, and an increase in the stock of produced billets during the rolling mill maintenance shutdown in October to be consumed during the following months.

These incremental accounts were partly offset by a lower Cash and Equivalents balance by S/ 89.2 million, or -28.0% YTD, mainly as a result of the Comercial del Acero S.A. ("Comasa") cash acquisition.

Days Sales Outstanding increased to 54.4 days as of December 2018 from 46.3 as of December 2017; while Days Inventory on Hand increased to 151.7 days as of December 2018 from 123.9 days as of December 2017.

Non-Current Assets increase was driven by capex, mainly due to investments in the new melt shop plant under construction and the acquisition of 114.3 million shares of Comercial del Acero S.A. ("Comasa") in September. Consequently, Net, Property, Plant and Equipment was S/ 103 million higher (+7.6% YTD), while Investments increased S/ 89.0 million (+36.8% YTD).

Liabilities

As of December 2018, Total Liabilities increased by S/ 336.4 million to S/ 1,587.0 million driven by higher Current Liabilities by S/ 363.4 million, which were partly offset by lower Non-Current Liabilities by S/ 27.0 million.

Current Liabilities were higher mainly due to a higher balance of:

- i Current Financial Liabilities (+S/ 250.8 million, or 86.1% YTD), mainly due to higher working capital financing in anticipation of the aforementioned plant maintenance shutdown, higher prices of raw materials, and two bridge loans that were used to finance capex.
- ii Accounts Payable, including to related parties (+S/ 90.4 million, or 24.7% YTD)
- iii Other Current Liabilities (+S/ 22.2 million, or 37.3% YTD)

Days of Payables Outstanding increased to 74.6 days as of December 2018 from 65.2 as of December 2017.

As of December 2018, Total Financial Debt was S/ 861.3 million (excluding operating leases of S/ 5.8 million), S/ 223.1 million higher than as of December 2017.

Current Financial Debt as of December 2018 was S/ 538.7 million, S/ 251.1 million higher than as of December 2017. Balance as of December 2018 includes Working Capital Financing of S/ 388.2 million.

Non-Current Financial Debt was S/ 325.1 million, S/ 31.2 million lower than as of December 2017.

As of December 2018, 50% of Total Debt was denominated in Soles, while the remainder was denominated in U.S. Dollars.

Shareholders' Equity

At the end of December 2018, Shareholders' Equity was S/ 1,959.2 million, S/ 107.0 million higher compared to S/ 1,852.2 million as of December 2017.

The increase is mainly explained by an increase in the accumulated Net Profit of S/ 97.8 million. It's important to point out that during 2018, dividends paid reached S/ 56.4 million.

In December 2018 the Company's Shareholder Meeting approved the amortization of "common" and "investment" shares issued by the Company and held in treasury. Consequently, Share Capital and Investment Shares accounts were reduced by S/ 61.9 million, while the same amount was deducted from the Treasury Shares account, having no impact in overall Shareholders' Equity.

IV. Cash Flow Statement

Cash Flow from Operations

For 2018, Cash Flow from Operations was S/ 29.0 million as higher inventories and accounts receivables were offset by EBITDA generation.

Cash Flow from Investing

For 2018, Cash Outflow from Investing was -S/ 187.8 million, mainly due to investments in fixed assets of S/ 140.0 million and our takeover of Comasa for S/ 84.6 million which was financed by the Company's cash reserves.

This figures do not include capex related to the new melt shop plant, which is financed through a capital lease agreement, and an advance payment to the new melt shop supplier SMS of S/ 18.8 million.

Cash Flow from Financing

For 2018, Cash Flow from Financing was positive S/ 69.2 million, mainly as a result of new loans to finance working capital requirements and two bridge loans for capex, partly offset by interest payments of S/ 33.0 million and dividends paid of S/ 56.4 million.

This figures do not include the leasing agreement for the new melt shop plant

V. Relevant Events in 2018

- 1 In January 2018, the Company approved an investment of US\$ 180 million for a new steelmaking plant of more than 1,250 thousand tons. The project will be 100% financed by a financial lease agreement. The project is currently on schedule and we expect a successful implementation of the steel Melt Shop.
- 2 In September 2018, the Company invested S/ 84.6 million to increase its ownership stake in Comercial del Acero S.A (“Comasa”) to 100%. Comasa, with total 2017 revenues of S/ 424 million, is a leading player in the commercialization of flat steel products, steel beams and merchant bars & profiles in Peru. The acquisition was financed with the Company’s cash reserves. The Company identified and began the implementation of a series of initiatives to drive efficiencies, capture synergies and boost value. Aceros Arequipa expects to successfully achieve a first stage integration of this subsidiary during the second quarter 2019. Regarding COMASA’s transaction, our external advisors are currently revising the Purchase-Price-Allocation of the acquisition to be reflected in our financial statements.
- 3 In September 2018, the Shareholders’ meeting of the Company approved the structuring of its 3rd debt securities program to a maximum of US\$ 300 million in bonds and/or commercial papers/bills. This program was approved in January by the Peruvian Securities and Exchange Commission (Superintendencia del Mercado de Valores - SMV).
- 4 In November 2018 the Company successfully created “Tecnología y Soluciones Constructivas S.A.C.”, a new subsidiary focused on value-added services, such as detail engineering and Building Information Modeling (BIM) for the construction industry.
- 5 In December 2018 the Shareholders’ meeting of the Company approved the amortization of the common and investment shares issued by the Company and held in treasury, and the consequential reduction of the Company’s share capital and the account “Treasury Shares”.

Conference Call Information

Corporación Aceros Arequipa S.A. cordially invites you to participate in its Fourth Quarter 2018 Earnings Conference Call

Date: Tuesday, February 5, 2019

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

Dial in numbers:

From the U.S.: 1-877-830-2576

International: 1-785-424-1726

Passcode: AASA

To access the live webcast presentation, visit:

<https://services.choruscall.com/links/corarec1190205.html>

About CORPORACIÓN ACEROS AREQUIPA S.A.

CORPORACIÓN ACEROS AREQUIPA S.A., founded in 1964, is the leading Peruvian Company in production and commercialization of steel products, with exports to Bolivia and other countries in the region. Its core products are rebars and wire rod and other products for the construction industry as well as merchant bars & profiles and flat steel products. The Company has an industrial facility located in Pisco, Peru with an average per-year capacity of 850 thousand tons for its melt shop and 1,250 thousand tons in steel rolling mill. 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.

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.

VI. Unaudited Financial Statements

Corporación Aceros Arequipa S.A.		Individual Financial Statement of Financial Position (In thousands Peruvian Soles)	
	Notes	December 31, 2018	December 31, 2017
Assets			
Current Assets			
Cash and Cash Equivalents	5	228,988	318,194
Accounts Receivable	6	335,005	267,235
Accounts Receivable from related parties	7	61,631	36,219
Other Accounts Receivable	8	30,499	15,331
Inventories	9	927,685	695,209
Other non-financial assets	10	5,213	3,070
Assets classified as held for sale	1	63,161	74,952
Total Current Assets		1,652,182	1,410,210
Non-Current Assets			
Investments in subsidiaries, affiliates or joint ventures	11	330,936	241,939
Accounts Receivable from related parties	7	13,725	8,549
Other Accounts Receivable	8	16,890	8,615
Property, Plant and Equipment, Net	12	1,454,874	1,351,902
Intangible Assets, Net	13	40,127	43,727
Other non-financial assets	14	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			
Current Liabilities			
Other Financial Liabilities	15	541,989	291,232
Accounts Payable	16	434,753	349,479
Accounts Payable to related parties	7	21,320	16,172
Other Accounts Payable	17	64,340	47,944
Current Income Tax	18	17,381	11,565
Total Current Liabilities		1,079,783	716,392
Non-Current Liabilities			
Other Financial Liabilities	15	325,104	356,343
Other Accounts Payable	17	24,499	
Deferred Income Tax Liabilities	18	157,597	177,818
Total Non-Current Liabilities		507,200	534,161
Total Liabilities		1,586,983	1,250,553
Shareholders' Equity			
Share Capital	19	890,858	941,875
Investment Shares	19	190,052	200,936
Treasury Shares	19	-7,644	-69,545
Other Capital Reserves	19	165,074	152,169
Retained Earnings	19	500,394	402,603
Other Shareholders' Equity Reserves	19	220,482	224,206
Total Shareholders' Equity		1,959,216	1,852,244
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,546,199	3,102,797

Corporación Aceros Arequipa S.A. Individual Financial Statement of Comprehensive Income
(In thousands Peruvian Soles)

	Notes	4Q 2018	4Q 2017	FY 2018	FY 2017
Revenue	20	657,140	633,167	2,623,078	2,359,788
Cost of Goods Sold	21	-546,560	-513,931	-2,200,892	-2,019,535
Gross Profit (Loss)		110,580	119,236	422,186	340,253
Selling and Distribution Expenses	22	-19,342	-22,431	-76,173	-83,872
Administrative Expenses	23	-20,189	-20,732	-76,880	-72,689
Other Operating Income	25	15,479	2,856	21,543	21,173
Other Operating Expenses	25	-25,579	-8,070	-58,452	-41,827
Operating Profit (Loss)		60,949	70,859	232,224	163,038
Financial Income	26	2,202	1,622	8,388	4,603
Financial Expenses	26	-9,378	-7,646	-33,074	-32,244
Other income (Expenses) from subsidiaries, affiliated and joint ventures	11	2,953	10,821	16,383	29,971
Exchange Rate Differences, Net	30	-2,370	95	-1,745	1,769
Profit (Loss) before taxes		54,356	75,751	222,176	167,137
Income Tax Expense	18	-11,944	-17,240	-58,942	-39,240
Profit (Loss) from Discontinued Operations		0	1	2	3
Net Profit (Loss)		42,412	58,512	163,236	127,900
Earnings Per Share					
Basic in Continued Operations of Common Stock	28	0.039	0.054	0.150	0.112
Basic in Discontinued Operations of Common Stock		0.000	0.000	0.000	0.000
Total Earnings Per Share of Common Stock		0.039	0.054	0.150	0.112
Basic in Continued Operations of Investment Stock (Non-voting)	28	0.039	0.054	0.150	0.112
Basic in Discontinued Operations of Investment Stock (Non-voting)		0.000	0.000	0.000	0.000
Total Earnings Per Share of Investment Stock (Non-Voting)		0.039	0.054	0.150	0.112

Corporación Aceros Arequipa S.A.

Individual Financial Statement of Cash Flow - Direct Method (In thousands Peruvian Soles)

	Notes	Jan 01 - Dec 31 2018	Jan 01 - Dec 31 2017
Cash Flow from Operating Activities			
Collections due to Operating Activities			
Sales of Goods and Services Offered		2,555,239	2,253,807
Other Operating Collections		16,688	24,337
Payments due to Operating Activities			
Suppliers of Goods and Services		-2,286,264	-1,812,010
Payments and payments on account to employees		-176,557	-181,830
Income Tax		-79,721	-66,258
Net Cash Generated by Operating Activities		29,385	218,046
Cash Flow from Investing Activities			
Collections due to Investing Activities			
Sale of Property, Plant and Equipment		14,800	14,560
Interests Received		8,388	4,604
Dividends Received		13,486	3,717
Payments due to Investing Activities			
Purchase of Subsidiaries, Net of Cash Acquired		-84,584	0
Purchase of Property, Plant and Equipment	12	-134,502	-62,419
Purchase of Intangible Assets	13	-5,367	-3,863
Purchase of Other Long Term Assets	14	0	-27
Net Cash Generated by Investing Activities		-187,779	-43,428
Cash Flow from Financing Activities			
Collections due to Financing Activities			
Short term and long term loans	15	1,254,753	686,333
Payments due to Financing Activities			
Short term and long term loans amortization	15	-1,096,186	-696,974
Interests paid	26	-33,012	-32,243
Dividends paid		-56,367	-40,130
Net Cash Generated by Financing Activities		69,188	-83,014
Net Increase (Reduction) of Cash and Equivalents before Exchange Rate Changes		-89,206	91,604
Effects of Exchange Rate Changes on the balance of Cash Held in Foreign Currencies		0	0
Net Increase (Reduction) of Cash and Equivalents		-89,206	91,604
Cash and Cash Equivalents at the beginning of the year		318,194	226,590
Cash and Cash Equivalents at the end of the period		228,988	318,194