



4Q2018

EARNINGS
PRESENTATION

This Earnings 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 does not undertake any obligation to update the forward-looking statements included in this Earnings Presentation to reflect subsequent events or circumstances.

This information corresponds to individual statements.



- 1 4Q 2018 Relevant Events
- 2 4Q 2018 and FY 2018 Results Snapshot
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New Melt Shop Project

Project for a new melt shop with 1.25 million tons capacity is on schedule and due mid-2020

New Tube Plant

Operations started in November. Production capacity is expected to reach 36 thousand tons per year

Integration of Comercial del Acero S.A. (COMASA)

The Company identified and began to implement a series of initiatives to drive efficiencies, capture synergies and boost growth

Creation of new tech subsidiary “Tecnología y Soluciones Constructivas S.A.C.”

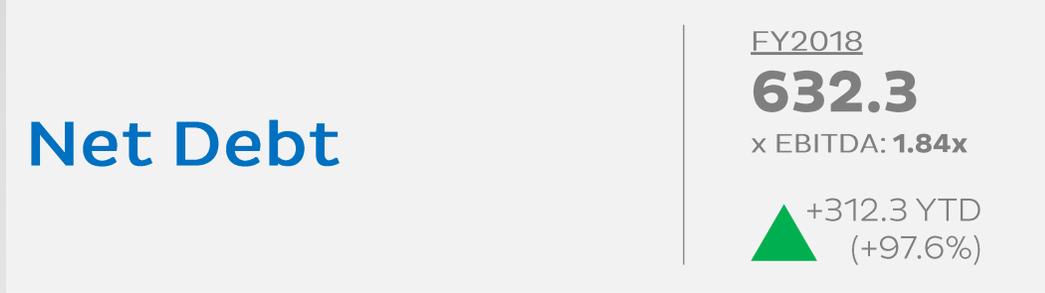
In November, the Company created this subsidiary focused on value-added services, such as detailed engineering and Building Information Modeling (BIM) for the construction industry

Treasury stock amortization

In December, the Company’s Shareholders’ meeting approved the amortization of both common and investment shares issued by the Company and held in Treasury



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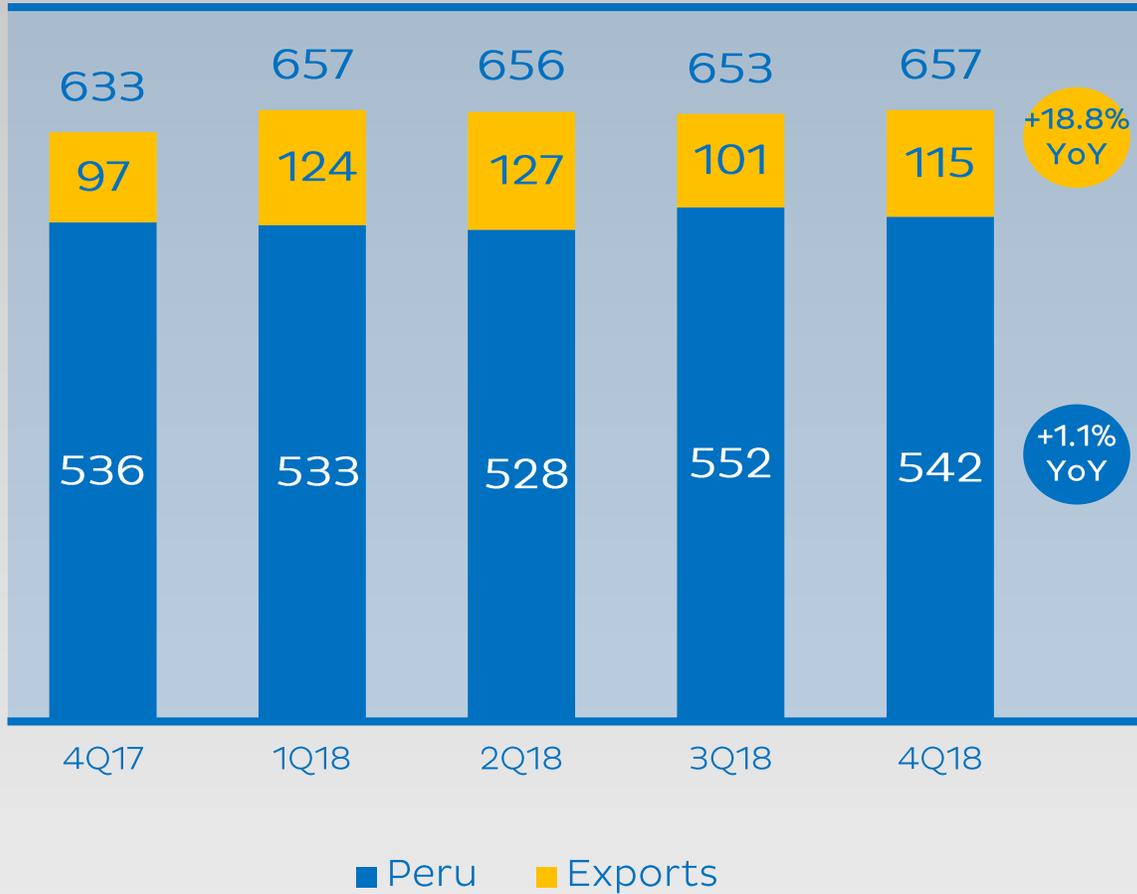




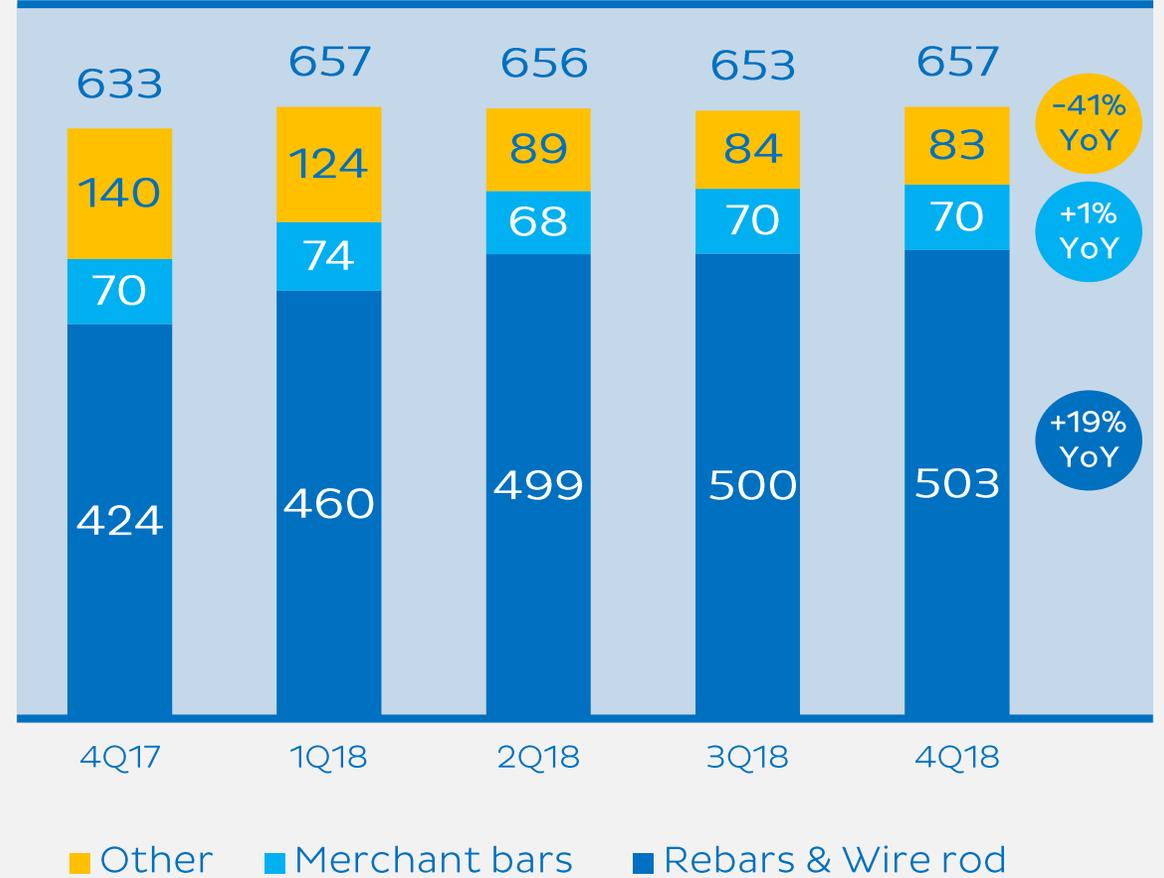
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Revenue increased by S/ 24.0 million (3.8%) YoY
 Exports were higher +19% YoY and Local increased +1%

Revenue (S/ million) **by Region**



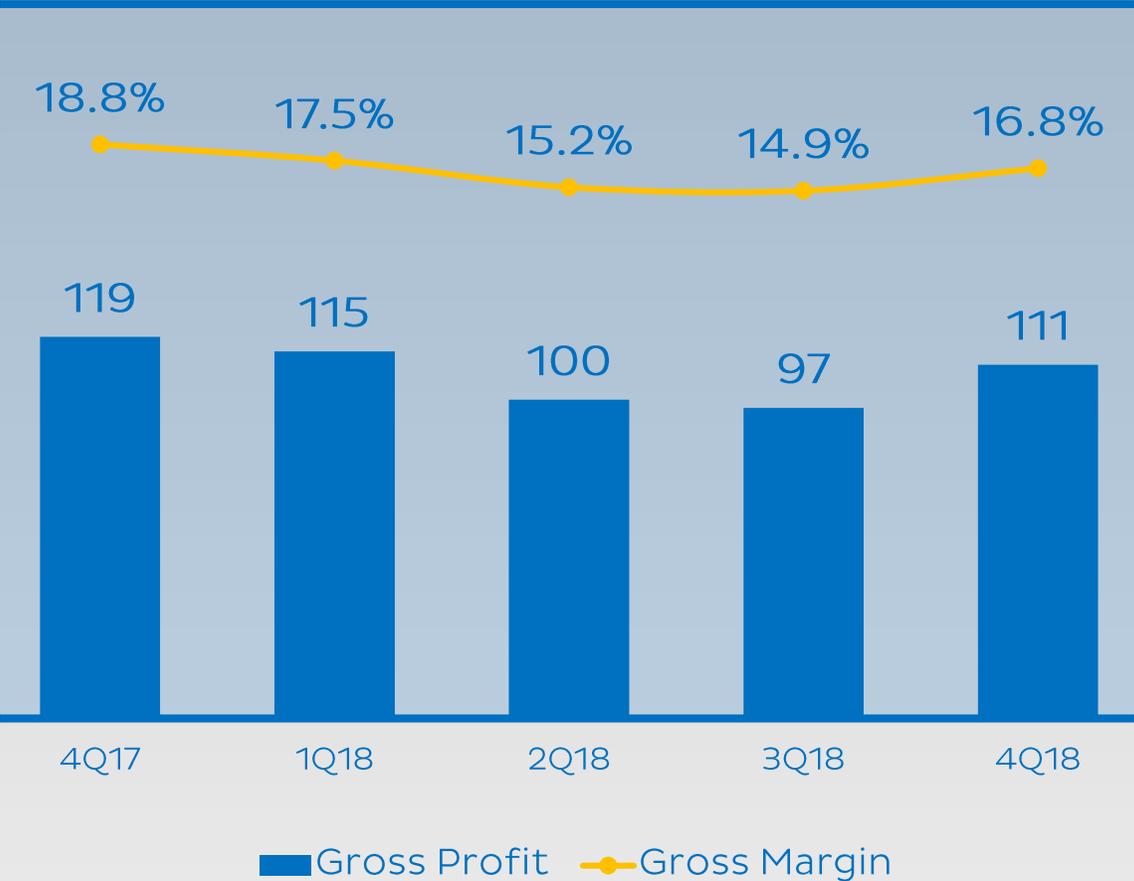
Revenue (S/ million) **by Product Category**



Gross Profit declined by S/ 9 million YoY and Gross Margin was 17%; EBITDA Margin reached 14%



Gross Profit (S/ million) / Gross Margin (%)

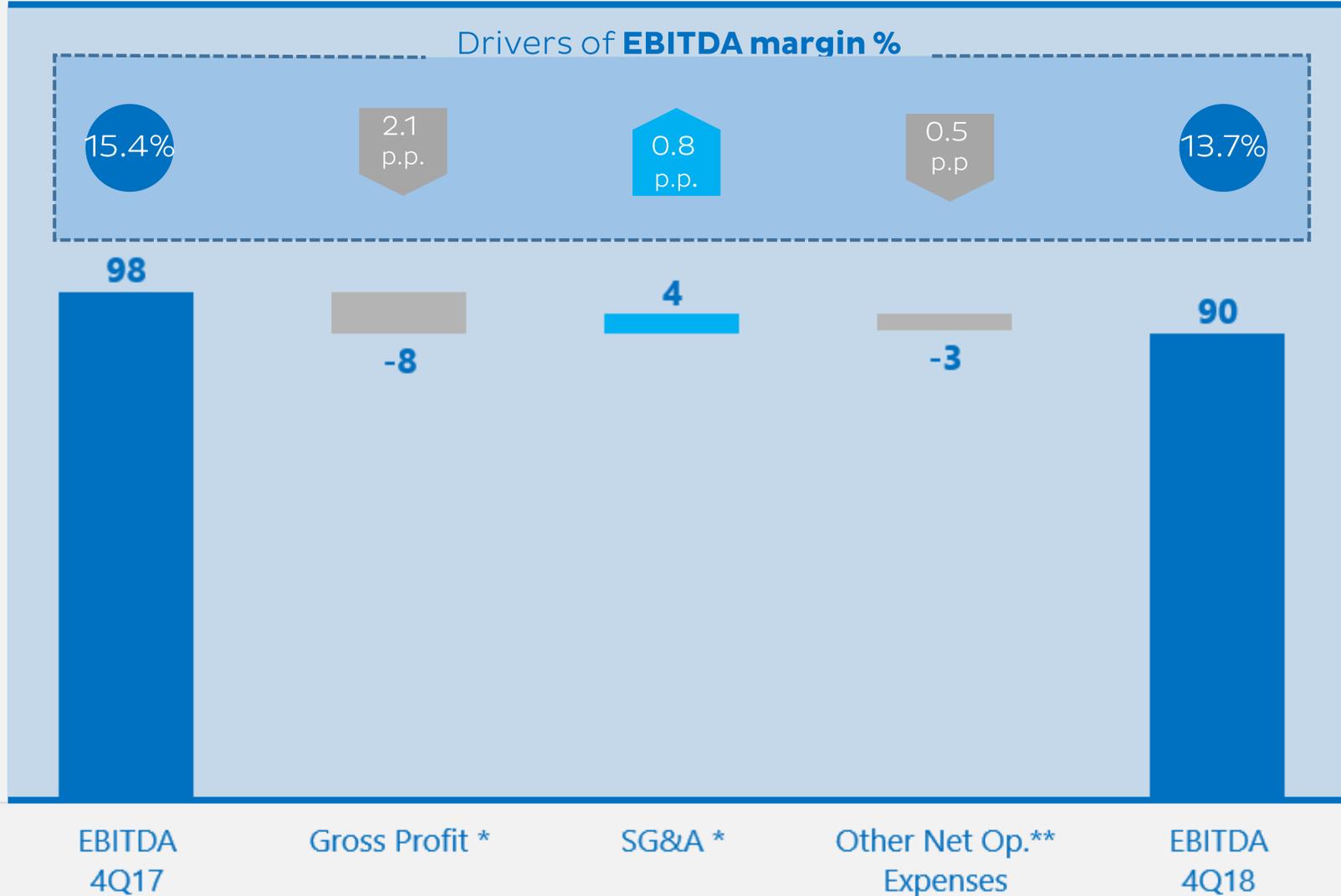


EBITDA (S/ million) / EBITDA Margin (%)



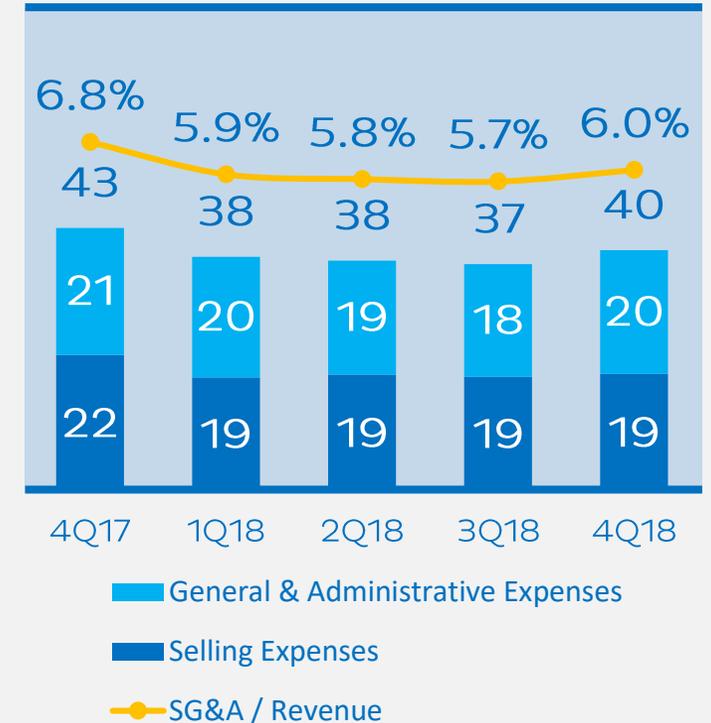
EBITDA was S/ 90 million. S/ 8 million lower YoY due to a lower Gross Profit, partly offset by a reduction of SG&A

Main drivers of EBITDA YoY (S/ million)



- **Gross Profit:**
 - Lower revenue of grinding balls
 - Higher prices of raw materials
- **SG&A decreased S/ 4* million**
 - Lower Personnel Expenses
 - Lower Selling Expenses
- **Other net op. expenses increased** due to employee termination payments and provisions

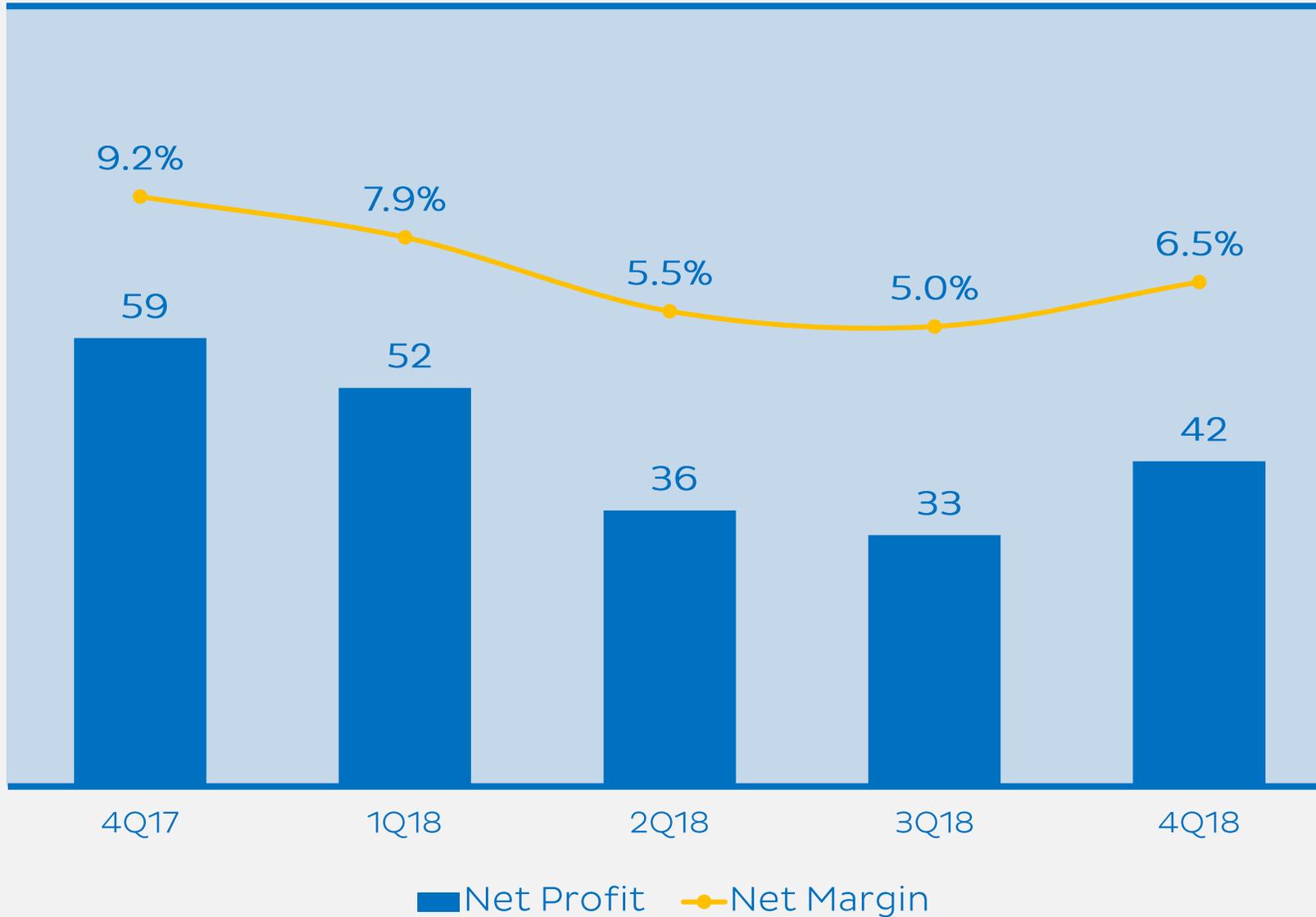
SG&A Expenses (S/ million)



Note: (*) Gross Profit and SG&A excludes Depreciation and Amortization.
 (**) Other Net Operating Expenses does no consider fixed asset sales and write-offs.

Net Profit was S/ 42 million. S/ 17 million lower YoY, mainly due to a lower Operating Profit and lower income from subsidiaries

Net Profit (S/ million) / Margin (%)



- **Net Financial Expenses increased S/ 1.2 million**
 - Higher Financial Expenses of S/ 1.7 million
 - Higher Financial Income of S/ 0.6 million
- **Income from subsidiaries was S/ 7.9 million lower**
 - In 4Q 2017 the subsidiary Transportes Barcino S.A. reported fixed asset sales for S/ 7 million.

The Company's financial position remained solid despite an increase in Working Capital Loans

Total Debt by Type (S/ million)



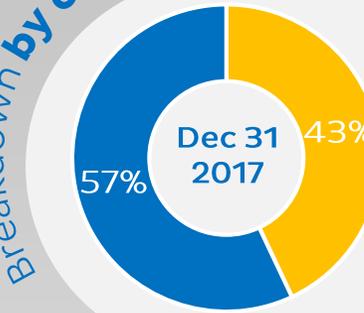
Note: (*) Short-Term Debt includes Working Capital Loans and two bridge loans (S/33.3 million each bridge loan).

Amortization Schedule (S/ million)

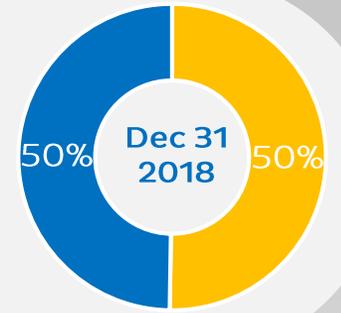


Note: The amortization schedule of the new melt shop Financial lease considers the full disbursement of the financial lease. USD / PEN = 3.35

Breakdown by currency



■ S/ ■ US\$



Breakdown by type



■ Financial leases
■ Long Term Loans
■ Short Term Debt



Other Financial Ratios

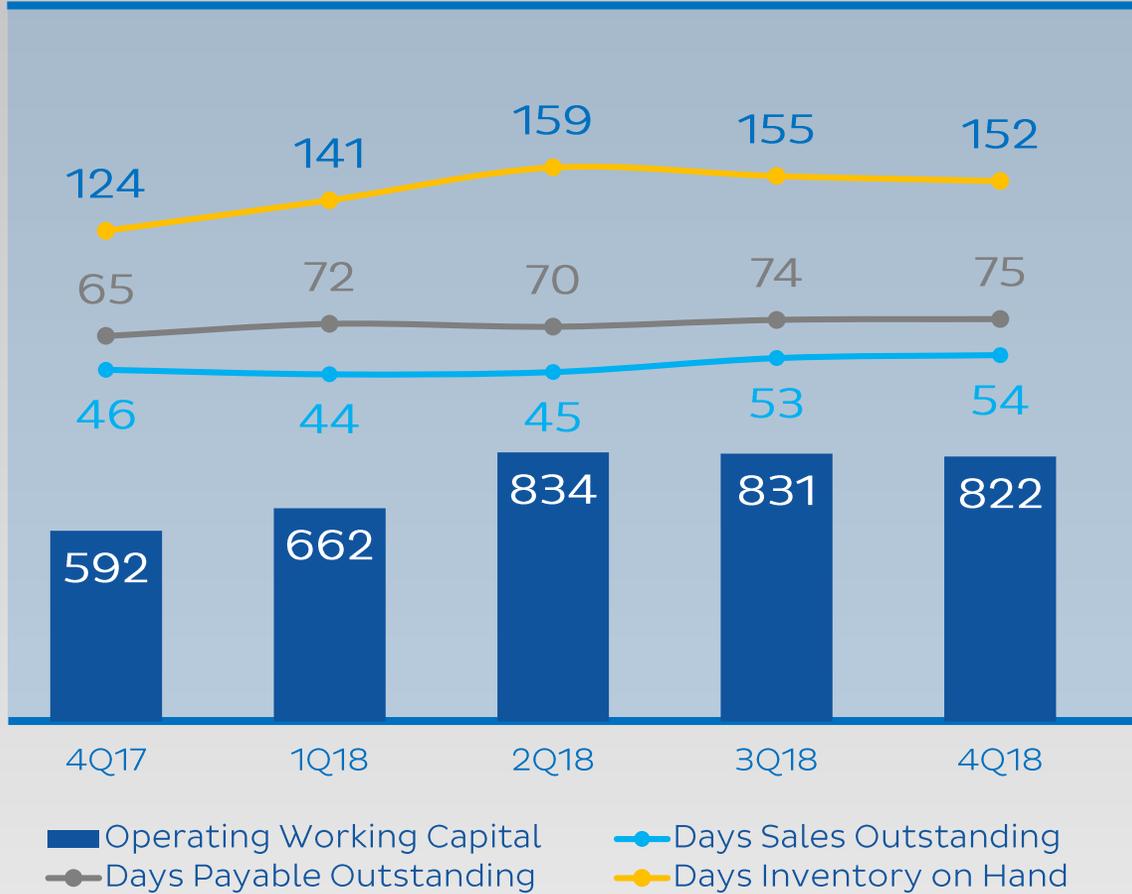
	Limits	Value as of Dec 31 2018
Debt service coverage ratio (DSCR)	min 1.2x	2.14x
Net Debt / EBITDA **	max 3.0x	1.84x
Liquidity (Current Assets / Current Liabilities)	min 1.0x	1.53x

Note: (**) The new melt shop financial lease limit is 4.50x until 2020 and 3.50x starting 2021.

Operating Working Capital requirements were S/ 822 million; CAPEX for FY 2018 was S/ 224 million



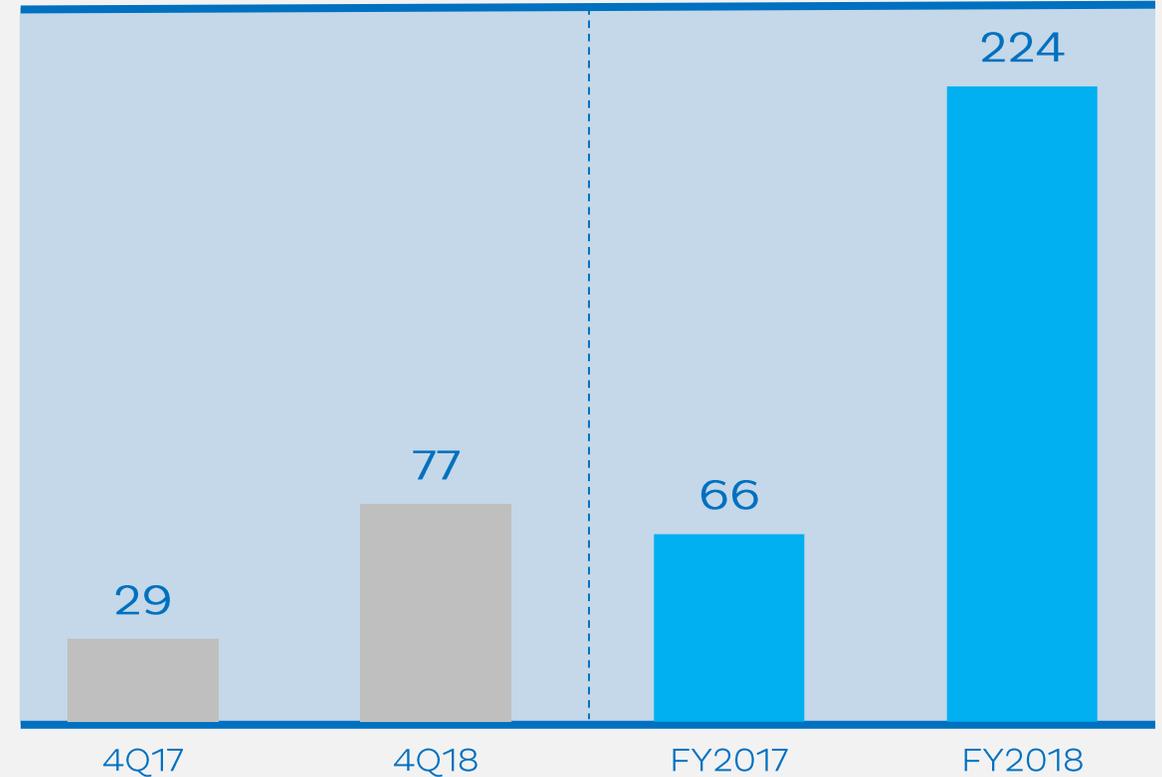
Operating Working Capital (S/ million)



Higher stock of finished products due to an increase in prices of raw materials and higher stock of produced billets during the Rolling Mill maintenance shutdowns in October, to be consumed during the following months

Note: Operating Working Capital excludes Cash and Equivalents, available for Sell Assets and Financial Liabilities.

CAPEX (S/ million)



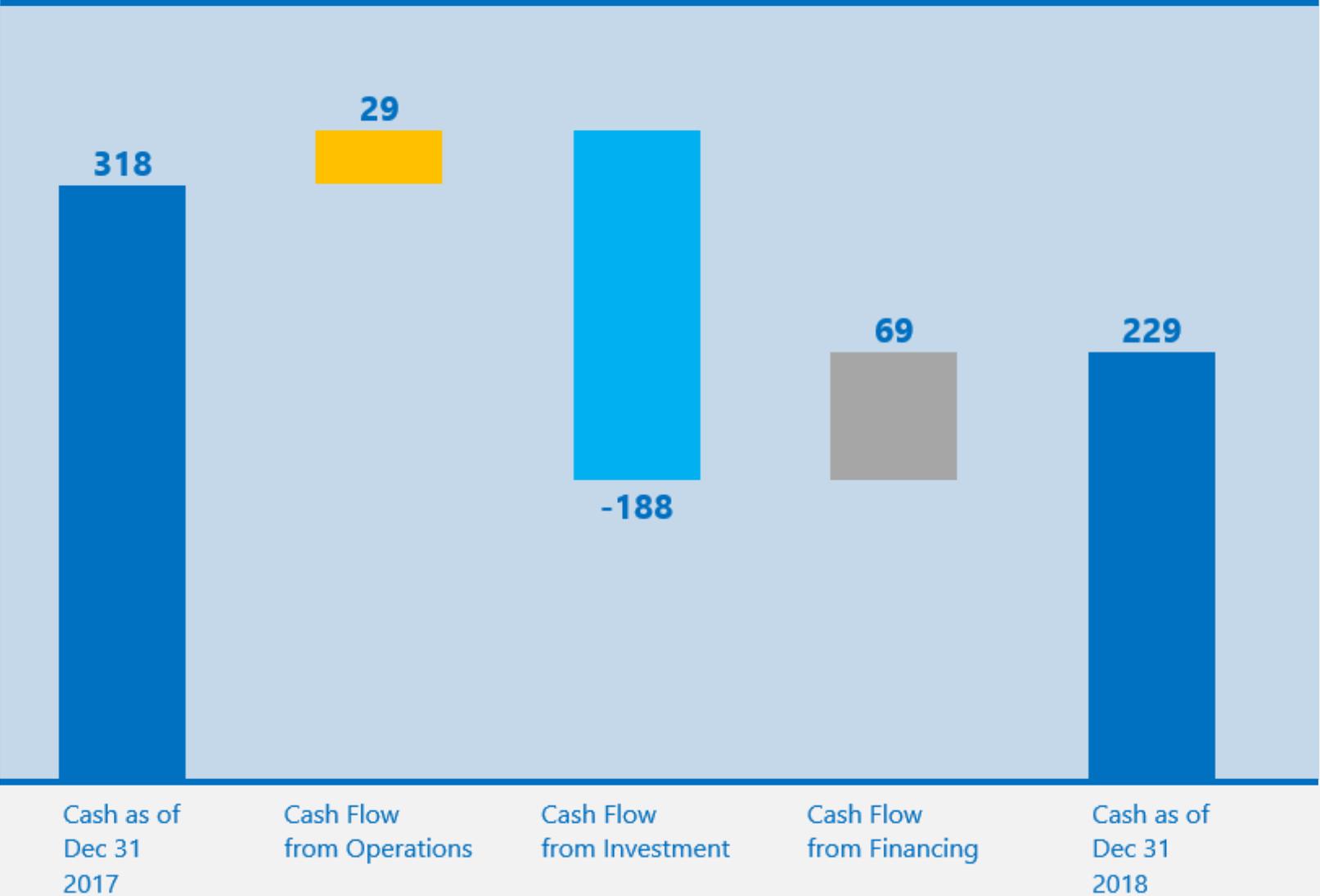
As of FY 2018, CAPEX included the Comasa takeover, tubes plant, merchant bars line automation and land acquisition for future development in the Lurin district

Note: CAPEX does not consider the melt shop project which is being financed through a financial lease (S/49.0 million) and an advance payment to SMS (S/18.8 million).

The cash position was S/ 229 million, an S/ 89 million reduction during the year



Cash flow generation for FY 2018 (S/ million)



Cash and Equivalents decreased S/ 89 million

- CF from Operations was positive due to a higher profit offsetting higher working capital requirements
- CF from Investment was negative mainly due to investments in fixed assets and the takeover of COMASA in September
- CF from Financing was positive due to debt incurred for working capital financing

Note: Cash Flow From Investment includes Capex (S/224 million) which was offset by sales of property, plant and equipment (S/15 million), interest received (S/ 8.4 million) and dividends received (S/ 14.5 million).



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	FY 2018	Guidance FY 2019
Revenue Growth	11.2%	2% - 4%
EBITDA Margin	13.1%	12% - 13%
CAPEX + Melt Shop project (S/ million)	292.2	600 - 760
Dividends (S/ million)	56.4 +40.6 YoY	60.0 +6.4% YoY
EPS (S/)	0.15 +27.6% YoY	>0.15

Note: Capex 2018 considers Comasa's acquisition of S/84.6 million. Dividends paid during the year.

Q&A



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**MR.
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