

3Q 2018 EARNINGS REPORT

Lima, Peru, October 25, 2018. Corporación Aceros Arequipa S.A. ("The Company" or "Aceros Arequipa") (BVL: CORAREC1 and CORAREI1) announced today its unaudited financial results corresponding to the Third Quarter ("3Q 2018") and first nine-months ("9M 2018") periods ended September 30, 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/ 1,965.9 million (+13.9% YoY) as of 9M 2018 and S/ 653.2 million (+1.4% YoY) for 3Q 2018. Both results were driven by price recovery.
- 2 Gross Profit** registered S/ 311.6 million (+41.0% YoY) as of 9M 2018. During 3Q 2018 the result was S/ 97.2 (-9.2% YoY).
Gross Margin reached 15.9% (+ 3.0 p.p. YoY) as of 9M 2018. During 3Q 2018 the result was 14.9% (- 1.7 p.p. YoY).
- 3 As of 9M 2018, EBITDA** reached S/ 253.7 million (+56.1% YoY). For 3Q 2018 the result was S/ 75.9 million (-11.3% YoY).
As of 9M 2018, EBITDA Margin was 12.9% (+ 3.5 p.p. YoY). For 3Q 2018 the result was 11.6% (- 1.7 p.p. YoY).
- 4 As of September 2018, Gross Financial Debt** amounted S/ 817.7 million which culminated in a Net Debt / EBITDA ratio of 1.68x.
- 5 On September Aceros Arequipa** successfully acquired an additional 66.4% stake in Comercial del Acero S.A ("Comasa").¹ and reached 100% of ownership.
- 6 On October 25 of 2018, the Board of Directors** approved a dividend of S/ 22.6 million (+41.5% YoY).



During 3Q 2018
Revenue was
S/ 653 million
(+1.4% YoY)

EBITDA was S/ 76
million with a
margin of 11.6%,
while in 9M 2018
reached S/ 254
million (+56.1% YoY)

Net Profit reached
S/ 33 million and
Net Margin was
5.0%

Net Debt / EBITDA
ratio reached 1.7x
as of Sep, 2018

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Financial Summary

(\$/ million)	3Q 2018	3Q 2017	YoY	9M 2018	9M 2017	Var
Financial Figures						
Revenue	653.2	644.2	1.4%	1,965.9	1,726.6	13.9%
Gross Profit	97.2	107.1	-9.2%	311.6	221.0	41.0%
Operating Profit	47.8	59.4	-19.6%	171.3	92.2	85.8%
EBITDA	75.9	85.5	-11.3%	253.7	162.5	56.1%
Net Profit	32.8	40.2	-18.4%	120.8	69.4	74.1%
Capex ¹	110.7	8.1	1,266.7%	147.5	37.0	298.7%
Financial Margins						
Gross Margin	14.9%	16.6%	-1.7 p.p.	15.9%	12.8%	3.0 p.p.
Operating Margin	7.3%	9.2%	-1.9 p.p.	8.7%	5.3%	3.4 p.p.
EBITDA Margin	11.6%	13.3%	-1.7 p.p.	12.9%	9.4%	3.5 p.p.
Net Margin	5.0%	6.2%	-1.2 p.p.	6.1%	4.0%	2.1 p.p.
Earnings per share ²	0.17	0.08	112.5%			
Other Figures, as of						
	Sep, 2017	Dec, 2017	YTD			
Net Debt ³	589.6	320.0	84.2%			
Net Debt ³ / LTM ³ EBITDA	1.68x	1.23x	0.45x			

1. Capex considers the investment of \$/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 by a capital lease agreement). This investment registered \$/ 29.6 million during 3Q 2018 and \$/29.6 million as of 9M 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

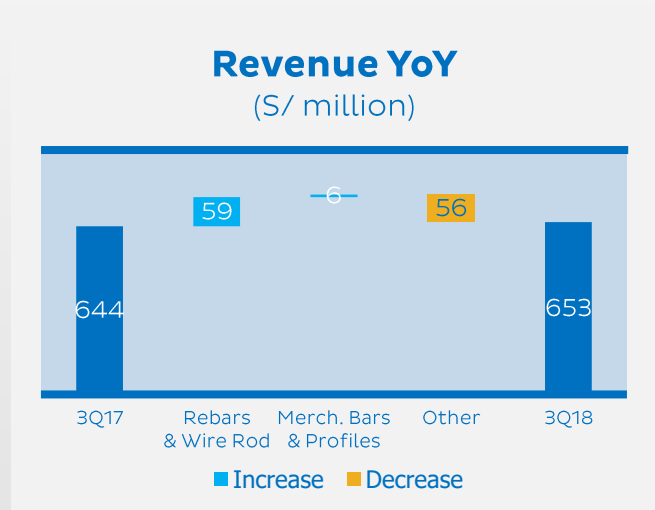
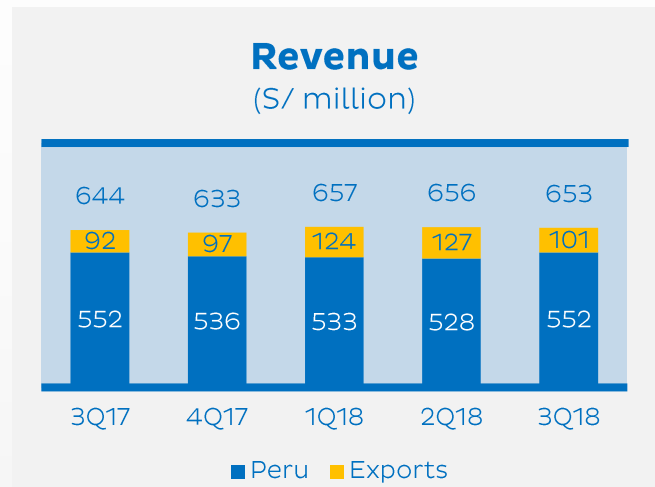
During 3Q 2018, Revenue reached S/ 653.2 million (+1.4% YoY)

Revenue increase was mainly driven by higher average selling prices. Export Revenue, rose S/ 8.6 million (+ 9.3%) YoY and Peruvian Revenue S/ 0.4 million (+0.1%) YoY.

During the quarter, export Revenue represented 15.4% of Total Revenue, compared to 14.3% in 3Q 2017. Bolivia remains the main destination for the Company's exports and represented 96.3% 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/ 59.4 million (+13.5%) YoY, explained by higher average selling prices; and ii) "merchant bars & profiles", which increased S/ 5.6 million (+8.7%) YoY. Nonetheless, Revenue increases were partially offset by lower sales of "other" products, which include round bars for grinding balls, by S/ 56.2 million (-40.1%) YoY, as a result of shortage of high carbon billet supply. However, our future Melt Shop will allow us to mitigate this risk in the future.

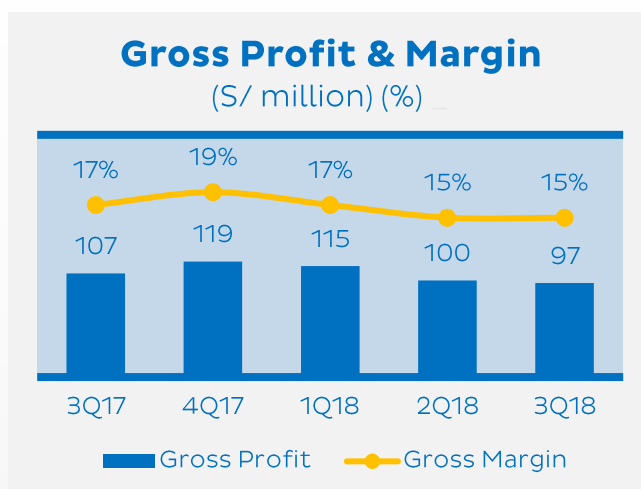
Revenue in 9M 2018 was S/ 1,965.9 million, which represents an increase of S/ 239.3 million (+13.9%) compared to 9M 2017.



Gross Profit

Gross Profit reached S/ 97.2 million (-9.2% YoY) during 3Q 2018, mainly driven by higher prices of raw materials and lower Revenues of “other” products. Consequently, Gross Margin fell to 14.9% (-1.7 p.p. YoY).

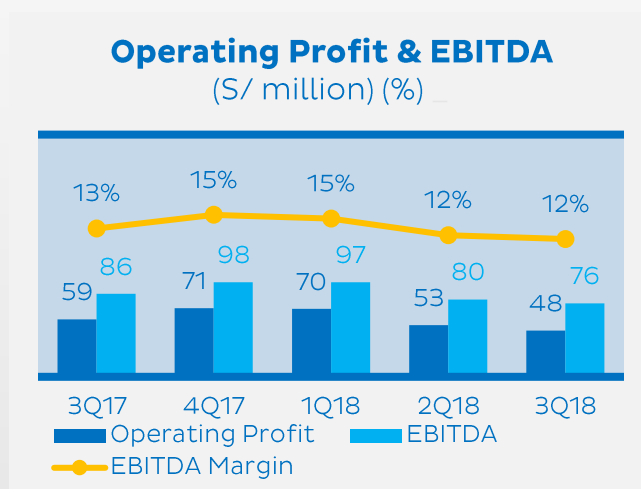
In 9M 2018, Gross Profit was S/ 311.6 million (+41.0%YoY) which represents an increase of S/ 90.6 million compared to 9M 2017.



Operating Profit & EBITDA

Operating Profit reached S/ 47.8 million (-19.6% YoY) during 3Q 2018 from S/ 59.4 million, and Operating Margin reached 7.3%.

Earnings before interest, taxes, depreciation and amortization (EBITDA) during 3Q 2018 reached S/ 75.9 million (-11.3% YoY), which resulted in an EBITDA Margin of 11.6%; 1.7 p.p. lower compared to 3Q 2017.



Lower Operating Profit and EBITDA was mainly due to a lower Gross Profit and increased Other Net Operating Expenses. These were S/ 6.1 million higher versus 3Q 2017 as a result of fees paid for the Comasa² acquisition and asset provisions.

In contrast, Selling, General and Administrative (SG&A) expenses in 3Q 2018 were S/ 4.4 million lower YoY, mainly due to a reduction in Personnel and advertising expenses. SG&A as a percentage of Revenue reached 5.7%, a decrease of 0.8 p.p. compared to 3Q 2017.

² For further information about Comercial del Acero S.A. please take a look at section V.

In 9M 2018, EBITDA was S/ 253.7 million, which represents an increase of S/ 91.1 million (+56.1%) YoY compared to 9M 2017.

Net Financial Expenses

During 3Q 2018, Net Financial Expenses were S/ 6.8 million, a S/ 0.1 million reduction YoY due to higher Financial Income of S/ 1.0 million

Additionally, Exchange Rate Differences were positive by S/ 1.0 million, a S/ 0.7 million increase YoY due to Aceros Arequipa's well balanced structure of USD based Assets and Liabilities.

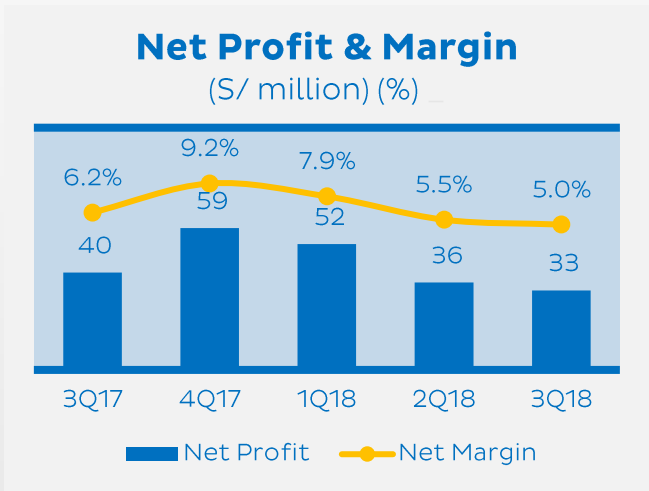
Net Profit

Net Profit totaled S/ 32.8 million during 3Q 2018 (-18.4% YoY) compared to 3Q 2017.

The Net Profit decrease was mainly due to a lower Operating Profit which outweighed slightly lower Net Financial Expenses and higher Other Income from Investments in Related Companies (S/ 1.2 million, which as of 3Q 2018 considers a 100% stake in Comasa³).

However, in 9M 2018, Net Profit increased S/ 51.4 million (+74.1%) YoY, from 9M 2017, to S/ 120.8 million.

Consequently, Earnings per Share, considering Last-Twelve-Months Net Profit, reached S/ 0.17 in 3Q 2018, higher than the S/ 0.08 reported in 3Q 2017.



³ For further information about Comercial del Acero S.A. please take a look at section V.

III. Balance Sheet

Assets

As of September 2018, Total Assets reached S/ 3,451.0 million, increasing S/ 348.2 million versus December 2017 mainly due to an increase in Current Assets by S/ 259.9 million coupled with higher Non-Current Assets of S/ 88.2 million.

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

- i Accounts Receivable including to related parties (+S/ 77.5 million, or 25.6% YTD) due to higher Revenue.
- ii Other Accounts Receivable (+S/ 20.7 million, or 134.8% YTD), mainly due to a higher Value-added Tax balance of S/ 27.3 million versus S/ 4.0 million as of December 2017.
- iii Inventories (+S/ 235.4 million, or 33.9% YTD), mainly due to higher finished products in anticipation of a plant maintenance shutdown due in October, higher prices of raw materials and additional billet imports to be consumed over the following months.
- iv Non-Current Assets Available for Sale (+S/ 10.6 million, or 14.1% YTD)

These incremental accounts were partly offset by a lower Cash and Equivalents balance by S/ 90.1 million, or -28.3% YTD, as a result of Comasa's⁴ cash acquisition.

Days Sales Outstanding increased to 52.8 days as of September 2018 from 46.3 as of December 2017; while Days Inventory on Hand increased to 154.5 days as of September 2018 from 123.9 days as of December 2017.

Non-Current Assets increase was mainly driven by the acquisition of 114.3 million shares of Comasa⁵, which explains a higher balance of Investments of S/ 84.8 million (+35.1% YTD). Net, Property, Plant and Equipment was S/ 3.5 million higher, from S/ 1,351.9 million as of December 2017 to S/ 1,355.4 million as of September 2018.

⁴ For further information about Comercial del Acero S.A. please take a look at section V.

Liabilities

As of September 2018, Total Liabilities increased by S/ 261.1 million to S/ 1,511.7 million on higher Current Liabilities by S/ 328.4 million, which were partly offset by lower Non-Current Liabilities by S/ 67.3 million.

Current Liabilities were higher mainly due to:

- i Current Financial Liabilities (+S/ 228.2 million, or 78.4% YTD), mainly due to more working capital financing in anticipation of a plant maintenance shutdown due in October and higher prices.
- ii Accounts Payable, including to related parties (+S/ 81.0 million, or 22.2% YTD)
- iii Other Current Liabilities (+S/ 19.2 million, or 32.2% YTD)

Days of Payables Outstanding increased to 74.2 days as of September 2018 from 65.2 as of December 2017.

Total Financial Debt was S/ 817.7 million (excluding operating leases of S/ 6.7 million), S/ 179.5 million higher than at December 2017.

Current Financial Debt as of September 2018 was S/ 515.9 million, S/ 228.3 million higher than at December 2017, of which Working Capital Financing represented S/ 433.8 million.

Non-Current Financial Debt was S/ 301.8 million, S/ 48.8 million lower than December 2017.

As of September 2018, 56% of Total Debt was denominated in Soles, while the remainder was denominated in U.S. Dollars.

Shareholder's Equity

At the end of September 2018, Shareholder's Equity was S/ 1,939.3 million, S/ 87.0 million higher compared to S/ 1,852.2 million as of December 2017, explained by a cumulated Net Profit of S/ 120.8 million, partly offset by dividends declared of S/ 33.8 million.

IV. Cash Flow Statement

Cash Flow from Operations

As of September 2018, Cash Flow from Operations was negative S/ 51.1 million, mainly due to higher inventories and accounts receivables.

Cash Flow from Investing

As of September 2018, Cash Outflow from Investing was -S/ 124.7 million, mainly due to our takeover of Comasa⁶ for S/ 84.6 million which was financed by the Company's cash reserves, and other investments in fixed assets of S/ 60.8 million.

Cash Flow from Financing

As of September 2018, Cash Flow from Financing was positive S/ 85.7 million, mainly as a result of new loans to finance working capital requirements, partly offset by interest payments of S/ 23.7 million and dividends paid of S/ 33.8 million.

⁶ For further information about Comercial del Acero S.A. please take a look at section V.

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. Up to date the project is on schedule and we have signed contracts with major suppliers, thus 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. 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.
- 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.

Conference Call Information

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

Date: Monday, October 29, 2018

Time: 12:30 pm ET / 11:30 am 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://webcasts.eqs.com/aceros20181029>

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	September 30, 2018	December 31, 2017
Assets			
Current Assets			
Cash and Cash Equivalents	5	228,133	318,194
Accounts Receivable	6	328,482	267,235
Accounts Receivable from related parties	7	52,520	36,219
Other Accounts Receivable	8	36,000	15,331
Inventories	9	930,620	695,209
Other non-financial assets	10	8,836	3,070
Assets classified as held for sale	1	85,549	74,952
Total Current Assets		1,670,140	1,410,210
Non-Current Assets			
Investments in subsidiaries, affiliates or joint ventures	11	326,770	241,939
Accounts Receivable from related parties	7	11,081	8,549
Other Accounts Receivable	8	9,191	8,615
Property, Plant and Equipment, Net	12	1,355,425	1,351,902
Intangible Assets, Net	13	39,584	43,727
Other non-financial assets	14	38,769	37,855
Total Non-Current Assets		1,780,820	1,692,587
TOTAL ASSETS		3,450,960	3,102,797
Liabilities and Shareholder's Equity			
Current Liabilities			
Other Financial Liabilities	15	519,434	291,232
Accounts Payable	16	433,282	349,479
Accounts Payable to related parties	7	13,380	16,172
Other Accounts Payable	17	60,840	47,944
Current Income Tax	18	17,848	11,565
Total Current Liabilities		1,044,784	716,392
Non-Current Liabilities			
Other Financial Liabilities	15	304,954	356,343
Deferred Income Tax Liabilities	18	161,949	177,818
Total Non-Current Liabilities		466,903	534,161
Total Liabilities		1,511,687	1,250,553
Shareholder's Equity			
Share Capital	19	941,875	941,875
Investment Shares	19	200,936	200,936
Treasury Shares	19	-69,545	-69,545
Other Capital Reserves	19	164,959	152,169
Retained Earnings	19	476,852	402,603
Other Shareholder's Equity Reserves	19	224,196	224,206
Total Shareholder's Equity		1,939,273	1,852,244
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		3,450,960	3,102,797

Corporación Aceros Arequipa S.A.

Individual Financial Statement of Comprehensive Income (In thousands Peruvian Soles)

	Notes	3Q 2018	3Q 2017	9M 2018	9M2017
Revenue	20	653,202	644,226	1,965,938	1,726,621
Cost of Goods sold	21	-555,957	-537,159	-1,654,332	-1,505,604
Gross Profit (Loss)		97,245	107,067	311,606	221,017
Selling and distribution expenses	22	-18,857	-21,732	-56,831	-61,441
Administrative Expenses	23	-18,389	-19,886	-56,691	-51,957
Other Operating Income	25	1,516	6,151	6,064	18,317
Other Operating Expenses	25	-13,715	-12,176	-32,873	-33,757
Operating Profit (Loss)		47,800	59,424	171,275	92,179
Financial Income	26	2,254	1,250	6,186	2981
Financial Expenses	26	-9,052	-8,166	-23,696	-24,598
Other income (Expenses) from subsidiaries, affiliated and joint ventures	11	4,176	3,026	13,430	19,150
Exchange Rate Differences, Net	30	969	303	625	1,674
Profit (Loss) before taxes		46,147	55,837	167,820	91,386
Income Tax Expense	18	-13,354	-15,641	-46,998	-22,000
Profit (Loss) from Discontinued Operations		0	0	0	0
Net Profit (Loss)		32,793	40,196	120,822	69,386
Earnings Per Share					
Basic in Continued Operations of Common Stock	28	0.030	0.037	0.111	0.063
Basic in Discontinued Operations of Common Stock		0.000	0.000	0.000	0.000
Total Earnings Per Share of Common Stock		0.030	0.037	0.111	0.063
Basic in Continued Operations of Investment Stock (Non-voting)	28	0.030	0.037	0.111	0.063
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)		0.030	0.037	0.111	0.063

Corporación Aceros Arequipa S.A.

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

	Notes	Jan 01 - Sep 30 2018	Jan 01 - Sep 30 2017
Cash Flow from Operating Activities			
Collections due to Operating Activities			
Sales of Goods and Services Offered		1,882,585	1,571,807
Other Operating collections		402	26,877
Payments due to Operating Activities			
Suppliers of Goods and Services		-1,738,660	-1,406,716
Payments and payments on account to employees		-134,581	-133,861
Income Tax		-60,821	-32,949
Net Cash Generated by Operating Activities		-51,075	25,158
Cash Flow from Investing Activities			
Collections due to Investing Activities			
Sale of Property, Plant and Equipment		3,514	14,444
Interests Received	26	6,177	2,981
Dividends Received		13,150	2,478
Payments due to Investing Activities			
Purchase of Subsidiaries, Net of Cash Acquired		-84,584	0
Purchase of Property, Plant and Equipment	12	-60,799	-34,015
Purchase of Intangible Assets	13	-2,133	-2,952
Purchase of Other Long Term Assets	14	0	-24
Net Cash Generated by Investing Activities		-124,675	-17,088
Cash Flow from Financing Activities			
Collections due to Financing Activities			
Short term and long term loans	15	878,512	581,597
Payments due to Financing Activities			
Short term and long term loans amortization	15	-735,344	-495,018
Interests paid	26	-23,696	-24,597
Dividends paid		-33,783	-24,159
Net Cash Generated by Financing Activities		83,512	37,823
Net Increase (Reduction) of Cash and Equivalents before Exchange Rate Changes		-90,061	45,893
Effects of Exchange Rate Changes on the balance of Cash Held in Foreign Currencies		0	0
Net Increase (Reduction) of Cash and Equivalents		-90,061	45,893
Cash and Cash Equivalents at the beginning of the year		318,194	226,590
Cash and Cash Equivalents at the end of the period		228,133	272,483