



3Q 2018
EARNINGS
PRESENTATION

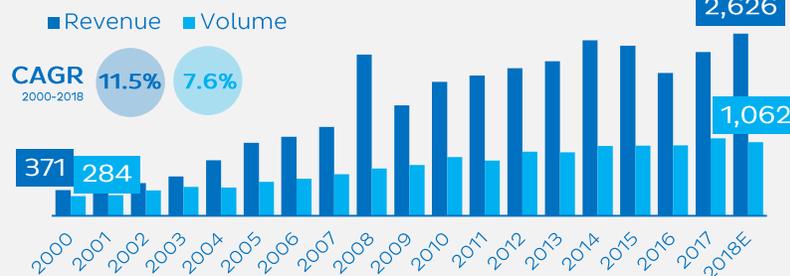
This Earnings Presentation may contain forward-looking statements concerning management's current expectations for future operating and financial performance, based on assumptions currently believed to be valid and recent acquisitions, its financial and business impact, management's beliefs and objectives 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.



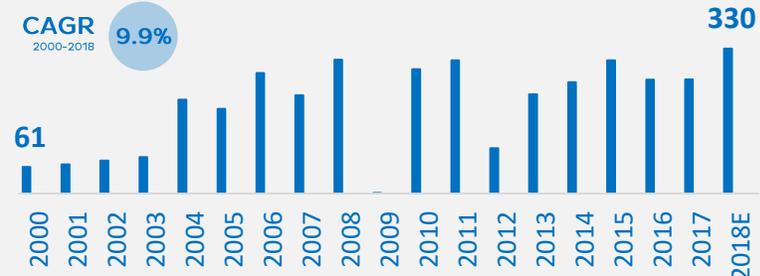
- 1** **CORPORACION ACEROS AREQUIPA** at a Glance
- 2** 2018 Relevant Events
- 3** Corporate Strategy
- 4** New Melt Shop Project
- 5** Comercial del Acero S.A. (COMASA) Takeover
- 6** Operational and Financial Results
- 7** Guidance

- **Leading Peruvian steel company** founded in 1964
- Main activities aimed at the **construction, industrial and mining sectors**
- **Annual capacity of 850k TM of steel melt shop and 1,250k TM of rolling mill** in facilities located at Pisco city (240 km southern Lima).

Revenue (S/ million) Volumen (TM k)



EBITDA (S/ million)

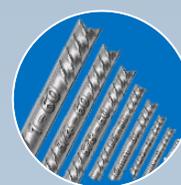


Footprint



Product Portfolio

PRODUCED (LONG)



Rebar



Wire rod

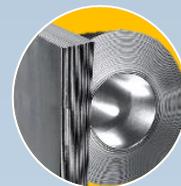


Merchant bars **



Round bars (for grinding balls)

IMPORTED



Sheets, plates & coils



Corrugated steel sheets



Tubes

Revenue Breakdown



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

**Includes angles, flats, rounds, squares and steel channels.



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New Melt Shop Project

In January, the Company approved an investment of US\$ 180 million to increase its nominal steelmaking capacity to 1,250 thousand tons with a new plant. The project will be 100% financed through a leasing agreement.

Tube Plant

The Company invested US\$ 7 million in a Tube Plant to replace third-party maquila aiming to reduce costs, secure constant supply and increase market share. This plant will start operating on November 2018.

Takeover of Comercial del Acero S.A (COMASA)

In September, the Company invested S/ 84.6 million to successfully acquire additional 66.4% of COMASA, a leading player in the commercialization of steel products in Peru, to reach a 100% ownership stake.

Debt securities program structuring

In September, 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.



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Corporate strategy



Leading market share across all core product lines (rebars, wire rods and merchant bars and now with Comasa will also include flats, tubes and beams)



Steel solutions for major Peruvian infrastructure projects



Boost revenues through value-added steel products & services



Culture of continuous innovation & improvement



Expense optimization processes



Workforce development initiatives



Continuous cost reduction initiatives



Focus on process automation and optimization



Supply chain & production process optimization

Continuous assessment & analysis of investment opportunities :



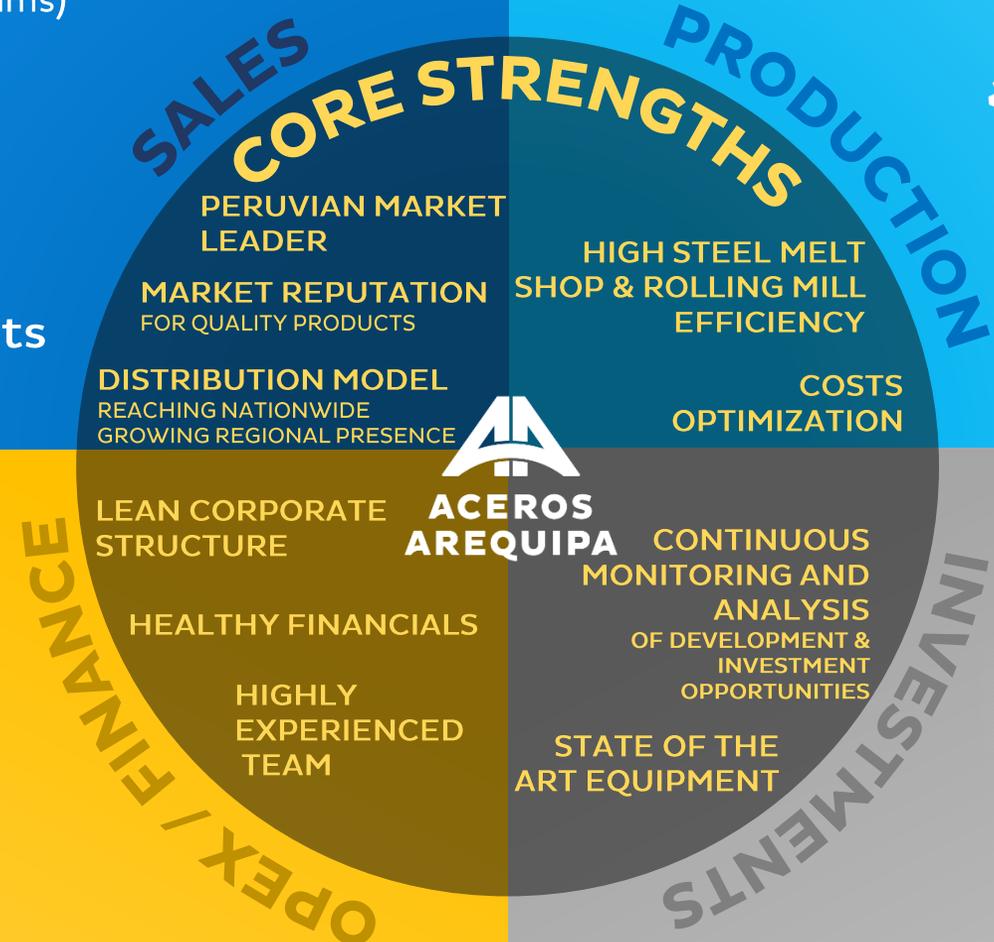
Expansion and improvement projects



Vertical integration initiatives



Inorganic growth opportunities



ISO 9001

ISO 14001

OHSAS 18001

Climate Action Member
Word Steel Association

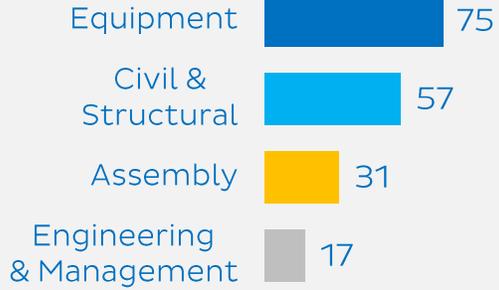
ESR
Corporate Social Responsibility Certificate



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New Melt Shop Project

USD 180 million



Estimated breakdown

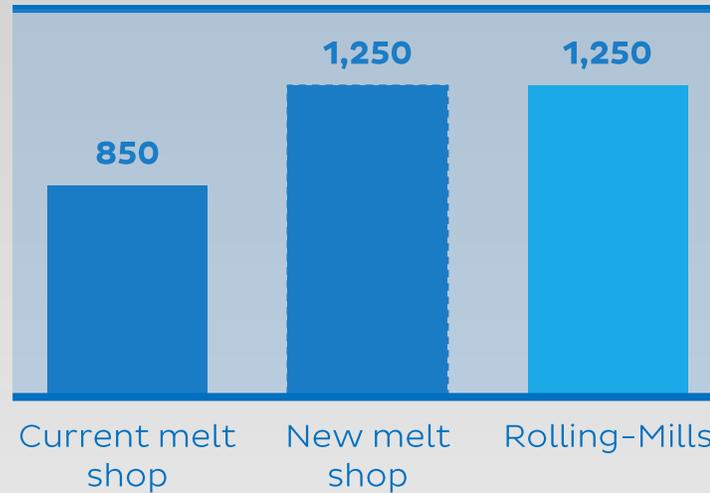
The project includes:

- Electric arc furnace
- Continuous casting machine
- Fume treatment plant
- Water treatment plant



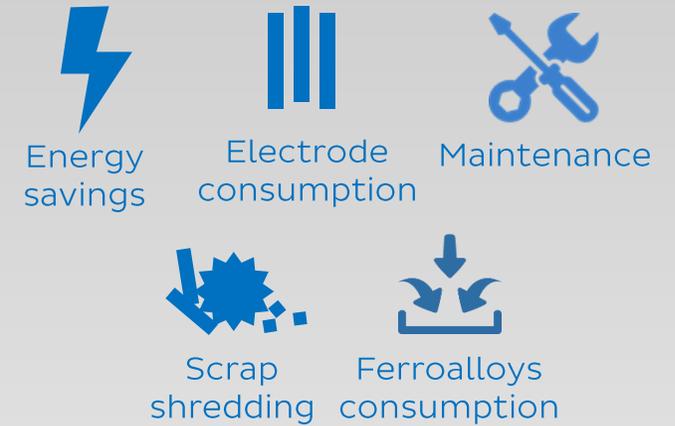
1 New melt shop will match actual Rolling Mill capacity

Production Capacity (000 tons)



Reduction of imported steel billet

2 Transformation costs reduction



3 Raw materials flexibility

4 Produce high-carbon steel for the mining industry

Note 1: Capacity figures represent nominal capacity
Note 2: Current meltshop will be shutdown until needed



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KEY TRANSACTION FIGURES

Date	Sep 03, 2018
Takeover	Public Offering
Shares Acquired*	114,301,556 (66.4%)
Price per share (S/)	0.74
Total payment (S/ Million)	84.6
Net Debt (as of 30 Jun 2018) S/ million	74.6
EBITDA (S/ million)	46.4
EV / EBITDA LTM Jun 2018	4.4x

Synergies

This transaction will create significant synergies which are currently being studied.

Rationale

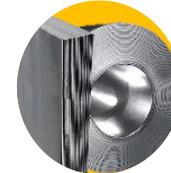


Market Leadership

With COMASA's acquisition, Aceros Arequipa will also become the #1 player in flats and tubes steel products in Peru.



Portfolio Strengthening



Plates, sheets & coils



Tubes



Merchant bars



Beams



Nationwide sales

Comasa's products complement Aceros Arequipa's product portfolio



Financial figures



Note: Aceros Arequipa already owned a 33.7% stake in Comercial del Acero. With the takeover it reached a 100% stake.



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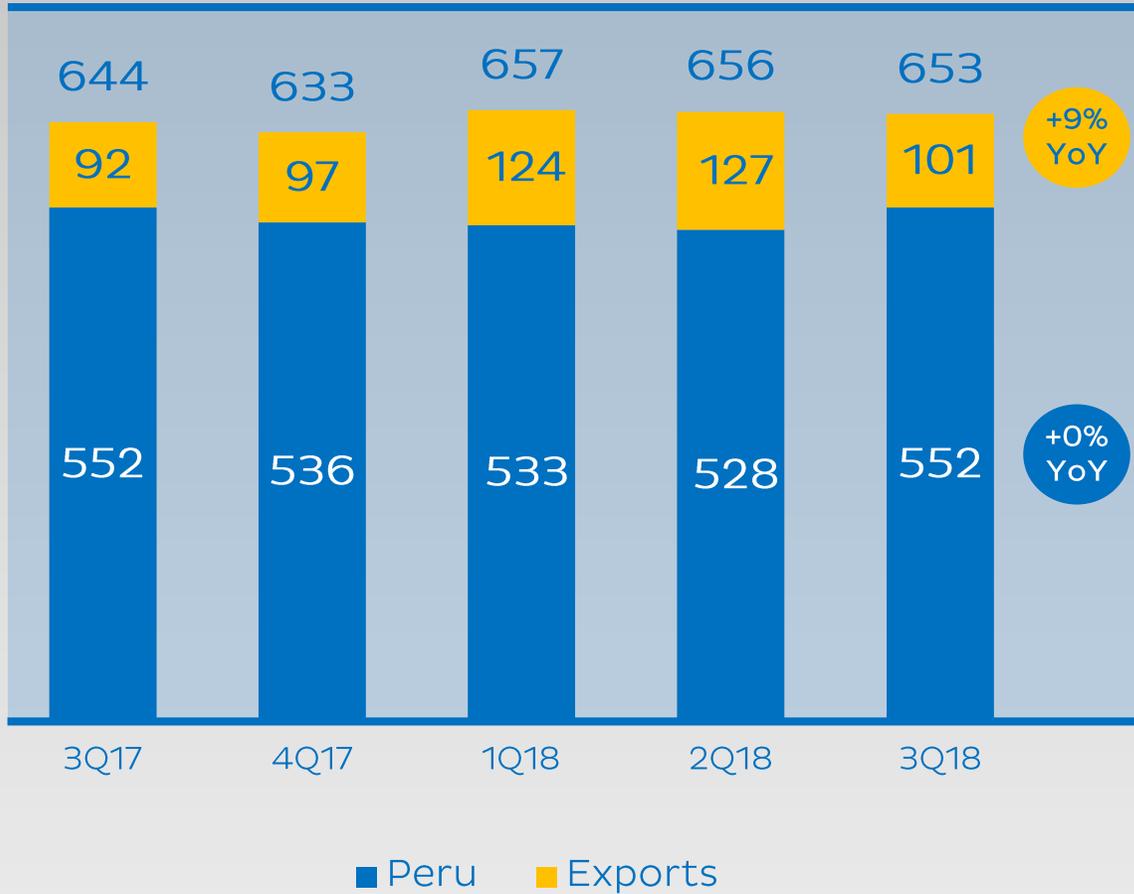
Operational and financial results (in millions of Peruvian Soles S/)



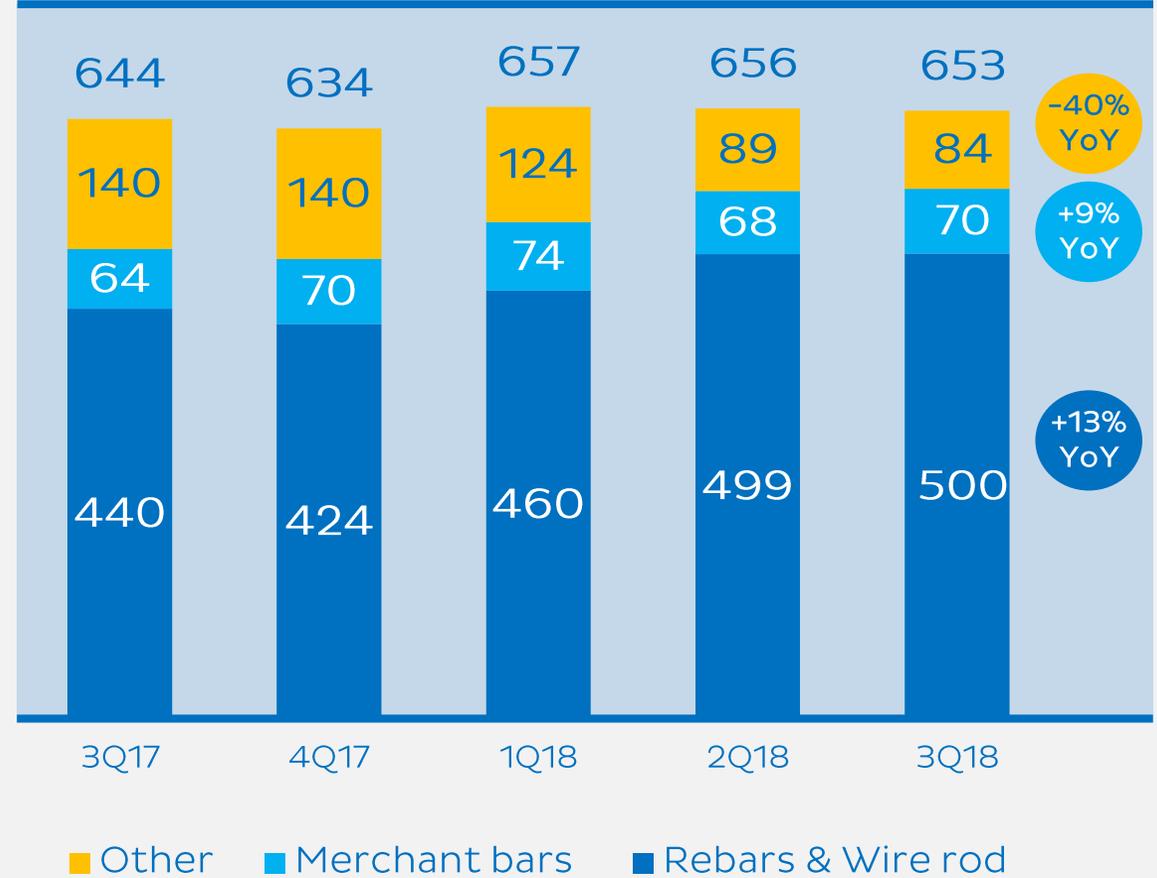
	<p>Revenue 653.2</p> <p style="text-align: right;">9M2018: 1,965.9</p>	<p> +9.0 YoY (+1.4%)</p> <p> +13.9% YoY</p>	<p>Net Profit 32.8</p> <p style="text-align: right;">9M2018: 120.8</p>	<p>Margin: 5.0%</p> <p> -7.4 YoY (-18.4%)</p> <p> +174.1% YoY</p>
	<p>Gross Profit 97.2</p> <p style="text-align: right;">9M2018: 311.6</p>	<p>Margin: 14.9%</p> <p> -9.8 YoY (-9.2%)</p> <p> +41.0% YoY</p>	<p>Capex</p> <p style="text-align: right;">9M2018: 148</p>	<p>+298.7% YoY</p>
	<p>Operating Profit 47.8</p> <p style="text-align: right;">9M2018: 171.3</p>	<p>Margin: 7.3%</p> <p> -11.6 YoY (-19.6%)</p> <p> +185.8% YoY</p>	<p>Net Debt</p> <p style="text-align: right;">589.6</p> <p style="text-align: right;">Net Debt / EBITDA: 1.68x</p>	<p>+266.9 YTD (+81.0%)</p>
	<p>EBITDA 75.9</p> <p style="text-align: right;">9M2018: 253.7</p>	<p>Margin: 11.6%</p> <p> -9.7 YoY (-11.3%)</p> <p> +56.1% YoY</p>		

Revenue increase by S/ 9 million (1.4%) YoY
Exports +9% YoY and Local remained flat

Revenue (S/ million) by Region



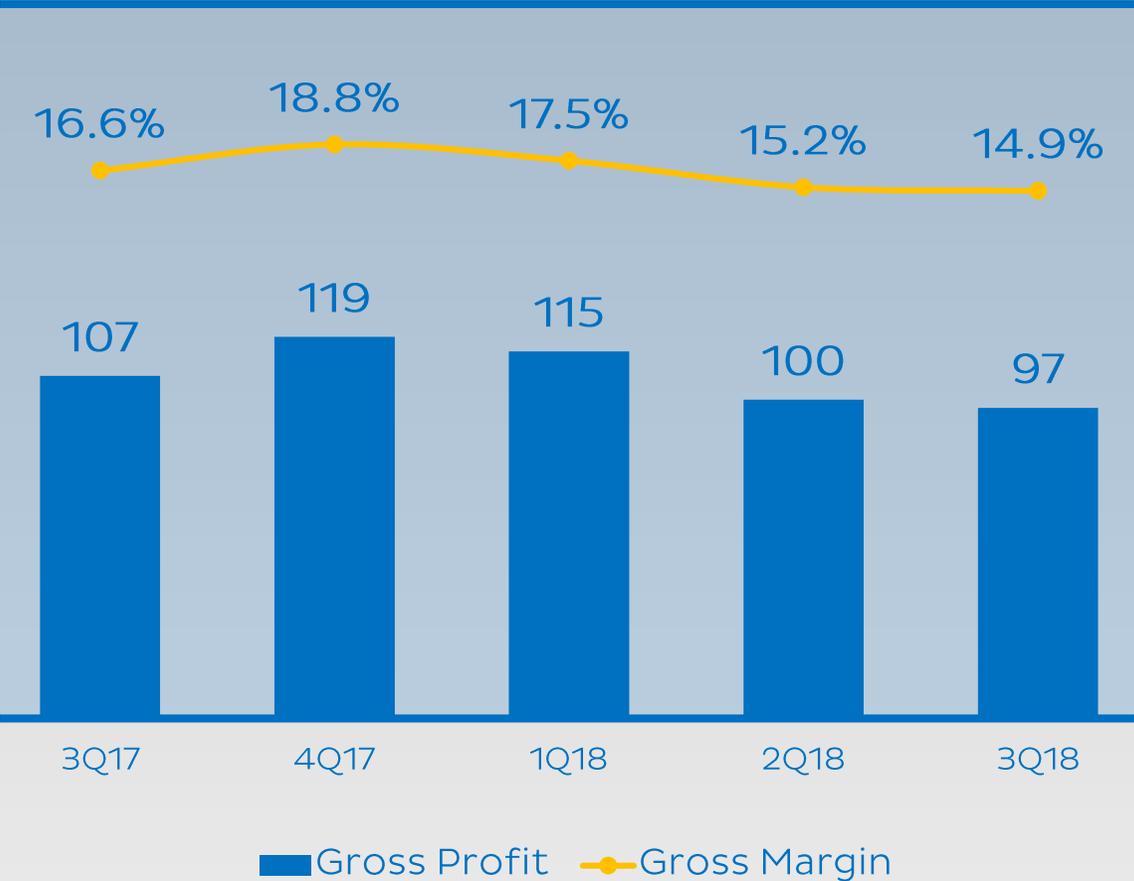
Revenue (S/ million) by Product Category



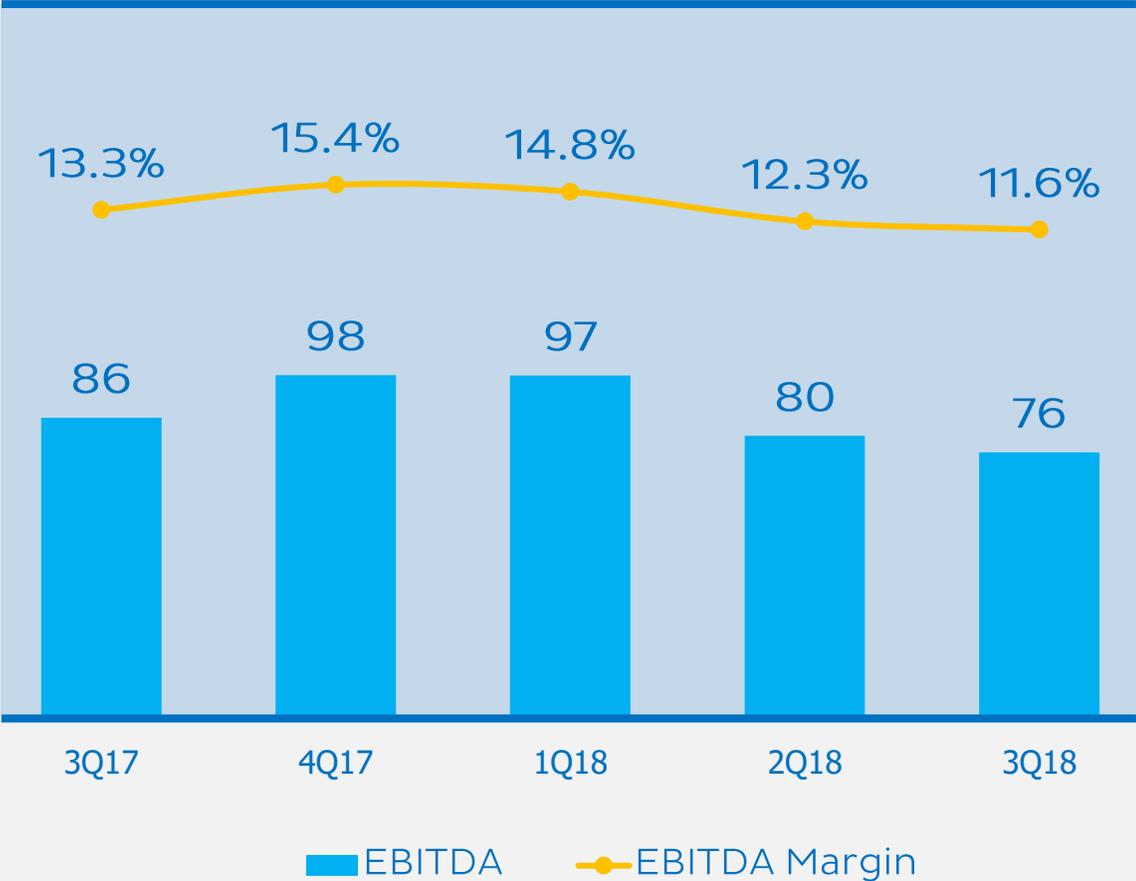
Gross Profit and EBITDA declined by S/ 10 million YoY and Gross Margin was 15%; EBITDA Margin was 12%



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



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



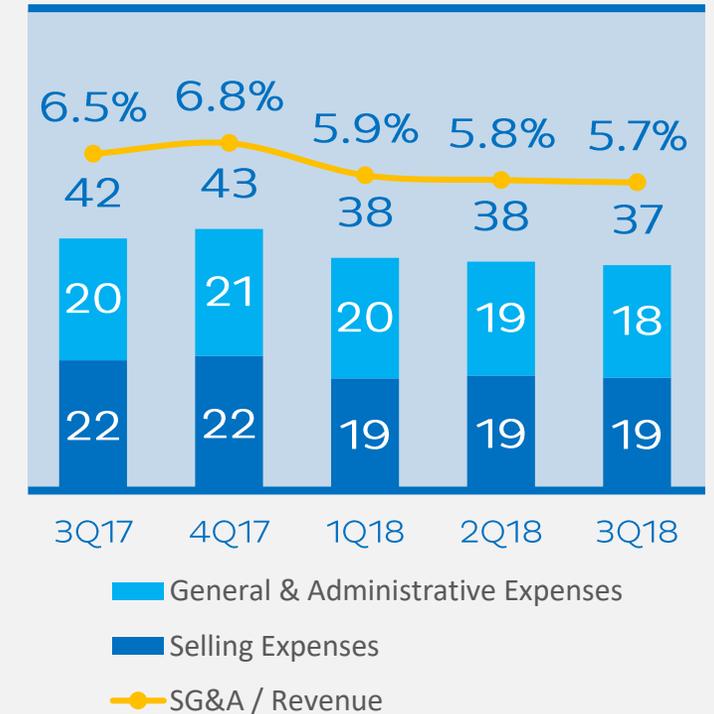
EBITDA was S/ 76 million. S/ 10 million lower YoY due to a lower Gross Profit, partly offset by lower SG&A

Main drivers of EBITDA YoY (S/ million)



- **Gross Profit:**
 - Round bars for grinding balls reduction revenue
 - Increase in raw materials prices
- **SG&A decreased S/ 5* million**
 - Lower Personnel Expenses
 - Lower advertisement Expenses
- **Other net op. expenses increased** due to Comasa's takeover fees

SG&A expenses (S/ million)

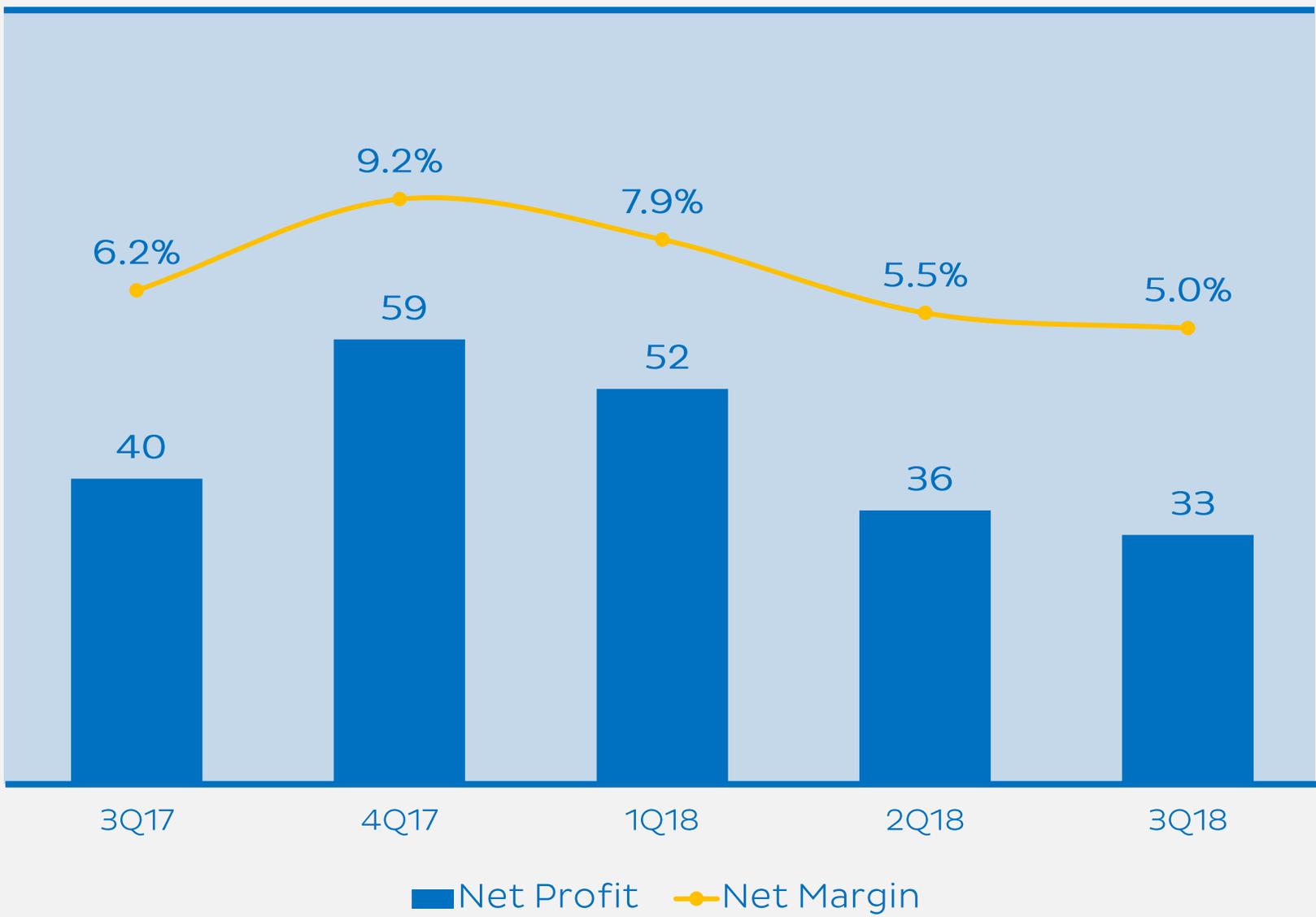


*Note: SG&A excluding Depreciation and Amortization

Net Profit was S/ 33 million. S/ 7 million lower YoY, mainly due to a lower Operating Profit



Net Profit & Margin (S/ million)

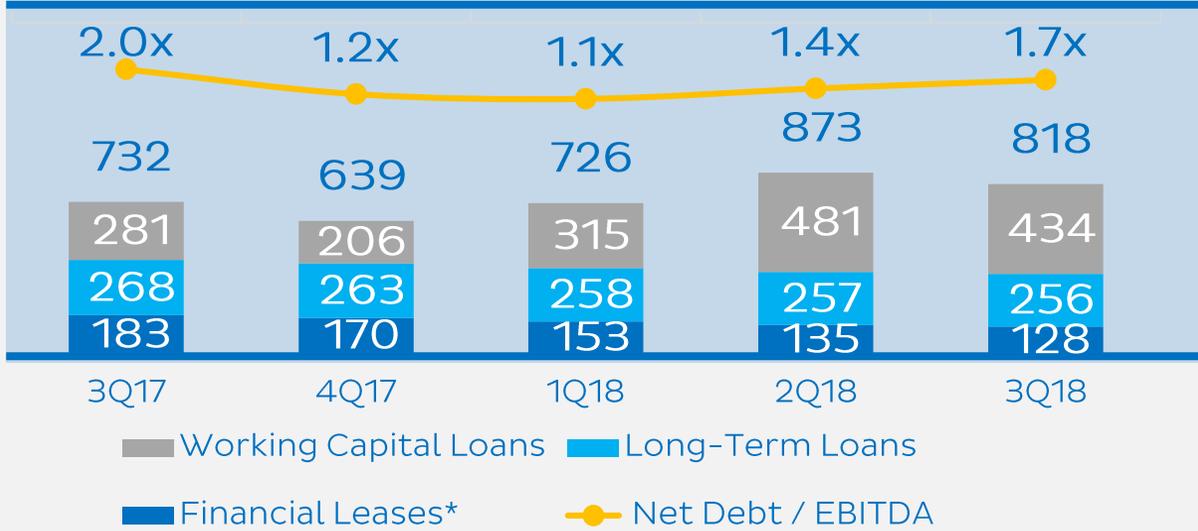


- **Net Financial Expenses reduced S/ 0.1 million**
 - Higher Financial Income of S/ 1.0 million
 - Higher Financial Expenses of S/ 0.9 million
- **Income from Subsidiaries rose S/ 1.2 million**

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



Total Debt by Type (S/ million)

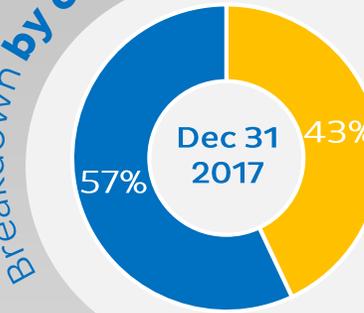


(*) Note: includes part of the melt shop project.

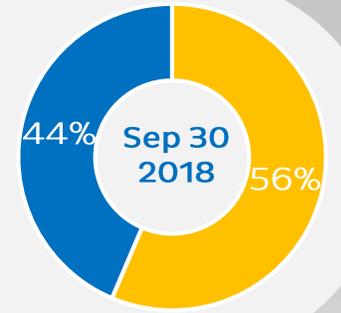
Amortization Schedule (S/ million)



Breakdown by currency



■ S/ ■ US\$



Breakdown by type



■ Financial leases
■ Long Term Loans
■ Working Capital Loans



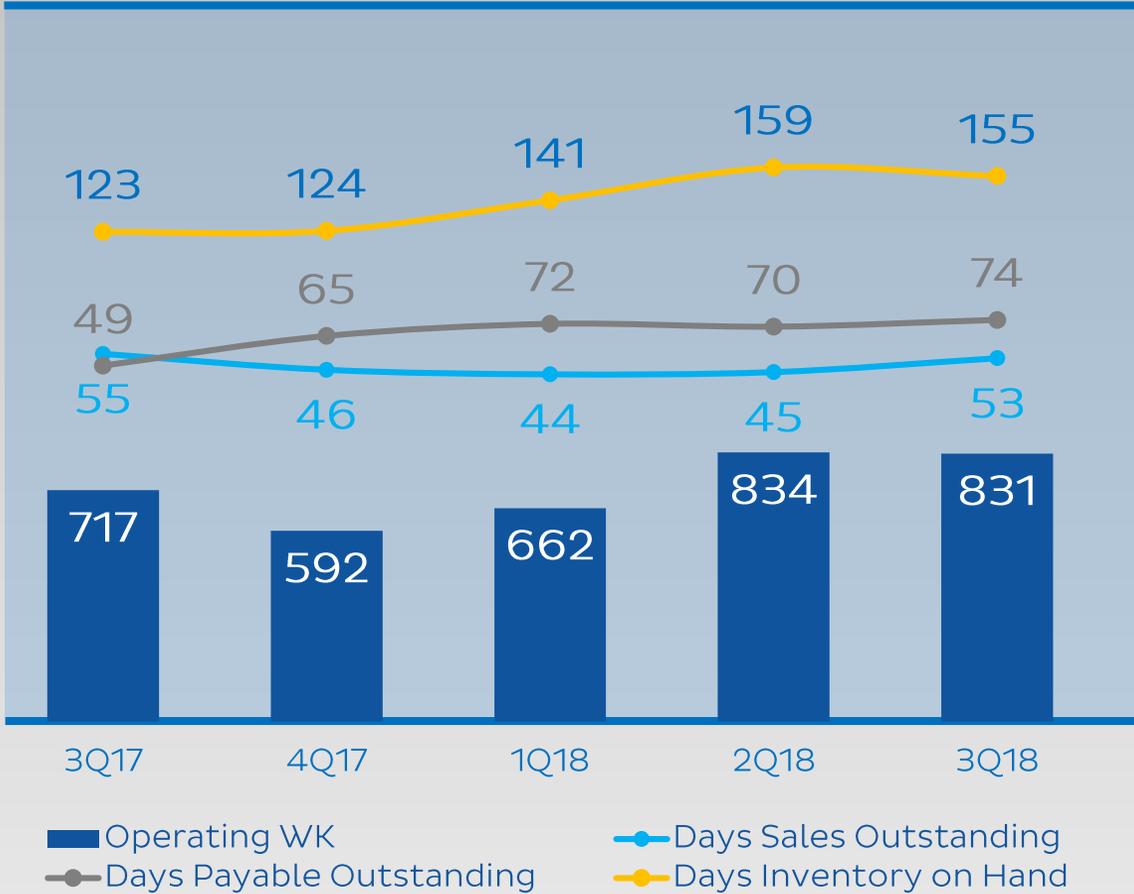
Other Financial Ratios

	Limits	Value as of Sep 30 2018
Debt service coverage ratio (DSCR)	min 1.2x	1.85x
Net Debt / EBITDA	max 3.0x	1.68x
Liquidity (Current Assets / Current Liabilities)	min 1.0x	1.92x

Operating Working Capital requirements were S/ 831 million; CAPEX as 9M 2018 was S/ 148 million



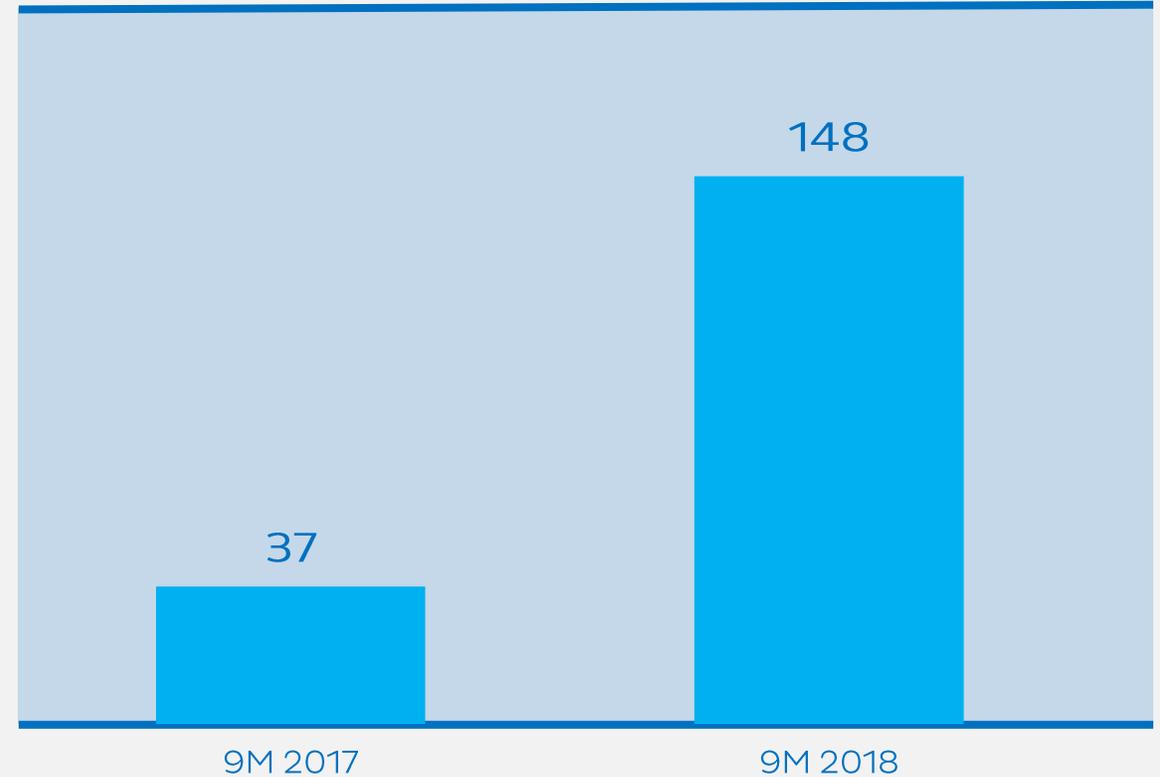
Operating Working Capital (S/ million)



• **Higher stock of finished products in advance of plant maintenance shutdown due October, higher prices of raw materials and imported billets to be consumed in the following months**

Note: Operating WK Excludes Cash and Equivalents, Available for Sell Assets, Financial Liabilities

CAPEX (S/ million)

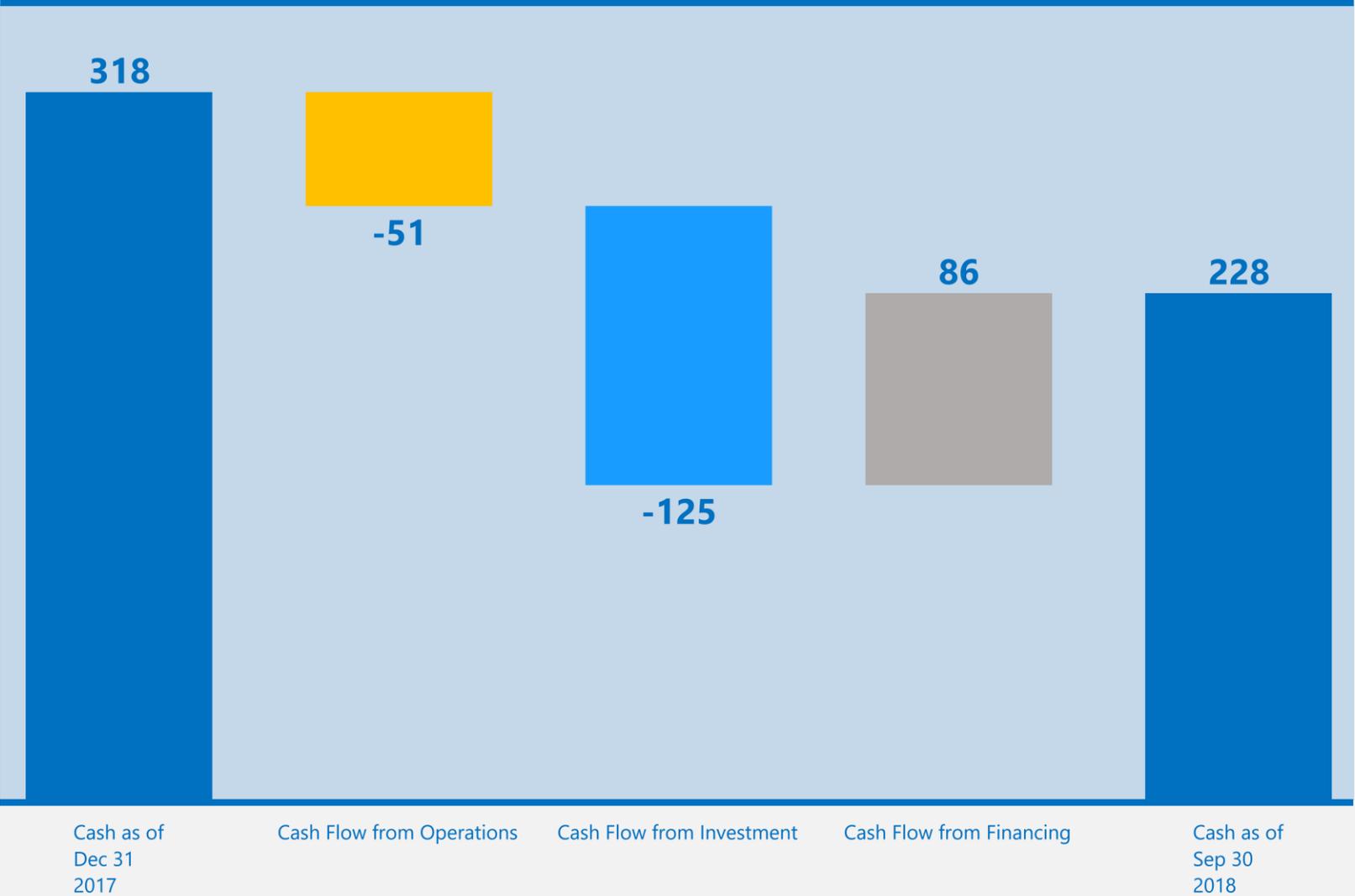


As of 9M 2018, CAPEX included the Comasa's takeover, tubes plant and merchant bars line automation. The CAPEX does not consider the melt shop project which is being financed through a financial lease (S/ 29.6 million).

The cash position was S/ 228 million, a S/ 90 million reduction during the year



Cash flow generation as of September 2018 (S/ million)



Cash and Equivalents reduced by S/ 90 million

- CF from Operations was negative due to higher inventories and receivables
- CF from Investment was negative mainly due to the takeover of COMASA in August. This cash flow does not consider the melt shop project.
- CF from Financing was positive due to debt incurred for working capital financing



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	FY 2017	Guidance 2018
Revenue Growth	14.8%	10.0% - 12.0%
EBITDA Margin	11.0%	11.5% - 12.5%
CAPEX (S/ million)	65	180 - 200
Dividends (S/ million)	40.1 +20.8 YoY	56.4 +40.5% YoY
EPS (S/)	0.12 +36.1% YoY	0.14 - 0.15 20% - 23% YoY

Note: Capex does not consider the melt shop Project, which is being financed through a financial lease. Dividends paid during the year.

Q&A



**MR.
RICARDO
CILLONIZ**
(CHAIRMAN)



**MR.
TULIO
SILGADO**
(CEO)



**MR.
RICARDO
GUZMAN**
(CFO, IRO)

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