

4Q 2019 EARNINGS REPORT

Lima, Peru, January 30, 2019. Corporación Aceros Arequipa S.A. ("the Company" or "Aceros Arequipa") (BVL: CORAREC1 and CORAREI1) announced its unaudited consolidated financial results corresponding to the Fourth Quarter ("4Q 2019") and full year ("FY 2019") period ended December 31, 2019. 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 in conjunction 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/ 767.4 million (-2.0% YoY) during 4Q 2019, mainly due to lower average sales prices.
- 2 **Gross Profit** totaled S/ 137.4 million (+5.5% YoY) and **Gross Margin** was 17.9% (+1.3 p.p. YoY).
- 3 **EBITDA** jumped to S/ 108.9 million (+9.6% YoY); while **EBITDA Margin** reached 14.2% (+1.5 p.p. YoY).
- 4 **Capex for the quarter** was S/ 159.4 million, which includes S/ 106.0 million destined for the new melt shop project.
- 5 **Net Profit decreased** by S/ 23.1 million, as results of 4Q 2018 include badwill effect of S/ 48.5 million, as a result of Comasa acquisition. Normalized Net Profit increased by S/ 25.4 million, or 60.0% YoY.
- 6 **Operating Working Capital requirements continued to decline compared to December 2018 and reached S/ 833.7 million**, mainly due to a reduction of Inventories and a higher Accounts Payable balance.
- 7 As of December 31, 2019, **Gross Financial Debt** amounted to S/ 1,219.4 million, which reflected a Net Debt / EBITDA ratio of 1.97x; a decrease from 2.32x as of December 2018, primarily due to a higher EBITDA during the year and a higher cash balance.
- 8 In November, Aceros Arequipa formed a subsidiary in Chile named "Aceros America.", focused on strengthening its relationship with scrap suppliers.



Revenue
was S/767 million
(-2.0% YoY)

EBITDA reached
S/ 109 million, with
a 14.2% margin

Net Profit was S/
68 million, and Net
Margin was 8.8%

Net Debt / EBITDA
ratio reached 2.0x
as of December
2019

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Financial Summary

(S/ million)	4Q 2018	4Q 2019	YoY	FY 2018	FY 2019	YoY
Financial Figures						
Revenue	783.4	767.4	-2.0%	2,789.7	3,129.1	12.2%
Gross Profit	130.3	137.4	5.5%	455.4	495.3	8.8%
Operating Profit	115.6	79.0	-31.7%	294.5	281.3	-4.5%
EBITDA	99.4	108.9	9.6%	362.4	393.7	8.6%
Net Profit	90.9	67.9	-25.4%	211.8	199.0	-6.0%
CAPEX ¹	101.0	159.4	57.8%	262.4	524.9	100.0%
Financial Margins						
Gross Margin	16.6%	17.9%	1.3 p.p.	16.3%	15.8%	-0.5 p.p.
Operating Margin	14.8%	10.3%	-4.5 p.p.	10.6%	9.0%	-1.6 p.p.
EBITDA Margin	12.7%	14.2%	1.5 p.p.	13.0%	12.6%	-0.4 p.p.
Net Margin	11.6%	8.8%	-2.8 p.p.	7.6%	6.4%	-1.2 p.p.
Earnings per share ²	0.20	0.19	-6.0%			
Other Figures, as of				Dec, 2018	Dec, 2019	YTD
Net Debt ³				840.7	773.9	-7.9%
Net Debt ³ / LTM ⁴ EBITDA				2.32x	1.97x	-0.35x

1. 4Q 2019 includes CAPEX of S/ 106.0 million, related to the new melt shop plant (financed through a capital lease agreement).
2. Earnings per share (EPS) defined as Net Profit LTM / Total Stock at the end of quarter, excluding treasury stock. Expressed in S/ per share
3. Total Financial Debt (includes leases with suppliers)
4. LTM: last twelve months

II. Income Statement

Revenue

During 4Q 2019, Revenue reached S/ 767.4 million (-2.0% YoY).

Revenue declined mainly due to lower market prices. Domestic revenues lowered by S/ 18.8 million (-2.8%) YoY, while Exports increased by S/ 2.8 million (+2.4%) YoY.

During the quarter, Export Revenue represented 15.4% of Total Revenue, a 0.7 p.p. increase when compared to 14.7% in 4Q 2018. The increase in Exports was mainly due to higher sales in the Bolivian market which, remained as the main destination for the Company's exports during the quarter.

On a per-category basis, the main driver for lower Revenue YoY was the "Other" products category, which decreased by S/ 23.6 million (-11.5%). Nonetheless, revenue from core categories, such as "Rebars & Wire rod" and "Merchant Bars", increased by S/ 4.3 million (+0.8%) and S/ 3.3 million (+4.7%), respectively YoY.

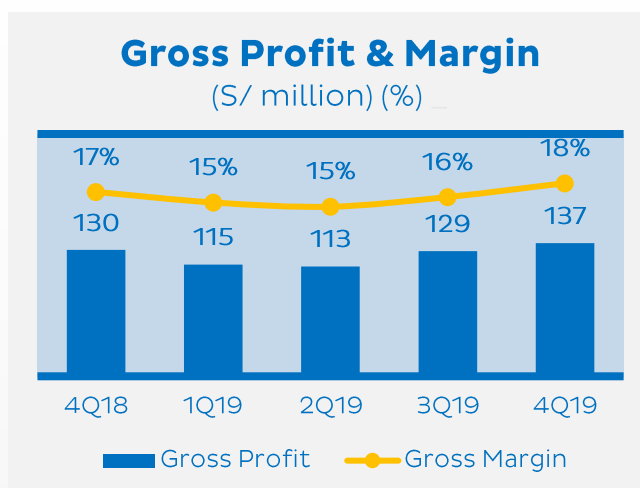
Despite lower Revenue during the quarter, Revenue for the FY 2019 increased 339.5 million (+12.2%) and reached S/ 3,129.1 million, compared to the FY 2018.



Gross Profit

Gross Profit increased by S/ 7.1 million (+5.5%) YoY and reached S/ 137.4 million during 4Q 2019, mainly driven by lower prices of raw materials and lower energy costs. Moreover, Gross Margin was 17.9% (+1.3 p.p. YoY).

During FY 2019, Gross Profit was S/ 495.3 million, which represents an increase of S/ 39.9 million (+8.8%) compared to FY 2018.



Operating Profit & EBITDA

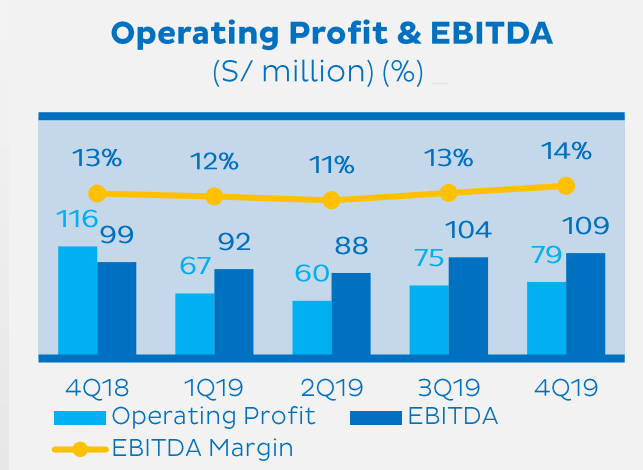
Operating Profit reached S/ 79.0 million during 4Q 2019, a S/ 36.6 million (-31.7%) reduction compared to S/ 115.6 million in 4Q 2018. Operating Margin was 10.3%, 4.5 p.p lower versus 4Q 2018.

It is important to note that 4Q 2018 figures include a goodwill income related to Comasa's acquisition. Excluding this effect, Operating Profit would have increased by S/ 14.0 million (+21.5%) YoY,

mainly due to higher Gross Profit and lower Other Net Operating Expenses by S/ 6.9 million, which declined as asset write-offs and employee termination payments were lower.

SG&A slightly increased mainly due as higher Selling Expenses of S/ 2.5 million, which was offset by lower Administrative expenses of S/ 2.4 million. SG&A as a percentage of Revenue reached 7.1%, a similar figure to that of 4Q 2018.

Nonetheless, during 4Q 2019, earnings before interest, taxes, depreciation and amortization (EBITDA) jumped to S/ 108.9 million (+28.6% YoY). This represented an EBITDA Margin of 14.2%, which was 1.5 p.p. higher compared to 4Q 2018 mainly due to a higher gross profit and lower SG&A, excluding depreciation and amortization expenses.



During FY 2019, EBITDA was S/ 393.7 million, which represents an increase of S/ 31.3 million (+8.6%) compared to FY 2018.

Net Financial Expenses

During 4Q 2019, Net Financial Expenses was S/ 4.6 million, S/ 4.1 million lower versus 4Q 2018, driven by higher Financial Income by S/ 1.7 million and lower Financial Expenses by S/ 2.4 million. During FY 2019, Net Financial Expenses reached S/ 28.8 million (+5.7%) versus FY 2018.

On the other hand, the Net Exchange Rate Difference was negative by S/ 1.3 million, which represented a S/ 3.2 million of lower expense YoY. During FY 2019 Net Exchange Rate Difference was positive and reached S/ 1.0 million, S/ 5 million higher than the one reported during FY 2018.

Net Profit

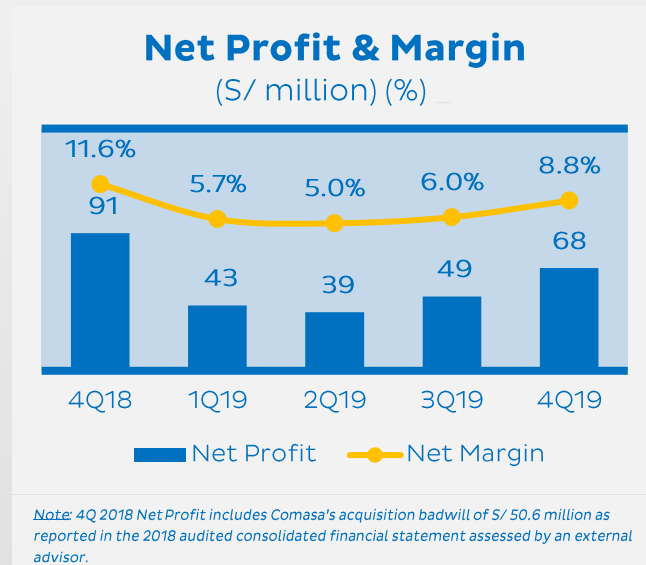
Net Profit reached S/ 67.9 million during 4Q 2019 and was S/ 23.1 million lower (-25.4%) YoY. Net Margin reached 8.8%.

This decrease is a result of the inclusion of S/ 48.5 million of net badwill effect in the financial statements of 4Q 2018, following the acquisition of Comasa.

Excluding this effect, Net Profit would increase S/ 25.5 million (+60.0%) YoY.

Earnings per Share, considering Net Profit for the last twelve months (LTM), reached S/ 0.19 in 4Q 2019, lower than the S/ 0.20 reported in 4Q 2018. Excluding the badwill effect, Earnings per Share in 4Q 2018 would reach S/ 0.15.

During FY 2019, Net Profit reached S/ 199.0 million with a Net Margin of 6.4%; which was S/ 12.8 million lower (-6.0%) compared to FY 2018, or S/ 35.8 million higher (+21.9%), excluding the badwill effect, included in 4Q 2018.



III. Balance Sheet

Assets

As of December 31, 2019, Total Assets reached S/ 4,164.1 million, representing an increase of S/ 322.9 million versus December 31, 2018. Non-Current Assets increased by S/ 397.4 million, partially offset by a reduction of Current Assets of S/ 74.4 million.

Current Assets decreased as of December 31, 2019, mainly due to a lower balance of:

- i Inventories (–S/ 279.6 million, or –23.1% YTD), driven by a lower stock of billets, scrap metal and finished products; following higher Revenue during the year.
- ii Available for Sale Assets (–S/ 52.6 million, or –83.2% YTD) as the Company sold real estate property regarding its previous operation in Arequipa.
- iii Lower sales tax credit.

These decreases were partially offset by a higher balance of Cash and Equivalents, which increased by S/ 200.7 million, or +82.0% YTD, mainly as a result of the EBITDA generation and a reduction in inventories; as well as by higher Accounts Receivable by S/ 55.8 million, mainly due to a higher Revenue for FY 2019 and the receivable portion of the sale of real estate property in Arequipa.

Days of Sales Outstanding lowered to 58.6 days as of December 31, 2019, from 58.9 days as of December 31, 2018. Days of Inventory on Hand dropped to 127.4 days as of December 31, 2019 compared to 186.8 days as of December 31, 2018.

Non-Current Assets increase was driven by CAPEX, mainly due to investments in the new melt shop plant, which is currently under construction. Consequently, Net, Property, Plant and Equipment increased by S/ 400.4 million (+26.1%) YTD.

Liabilities

At the close of December 2019, Total Liabilities reached S/ 2,027.0 million, an increase of S/ 193.6 million, driven by higher Non-Current Liabilities by S/ 277.3 million, which were partly offset by lower Current Liabilities by S/ 83.7 million.

Current Liabilities decreased mainly due to a lower balance of Current Financial Debt (-S/186.5 million, or -25.3% YTD), as Working Capital financing requirements lowered. This was partly offset by higher Accounts Payable.

Days of Payables Outstanding increased to 75.2 days as of December 2019 from 70.1 days as of December 2018.

As of December 2019, Total Financial Debt reached S/ 1,219.4 million (including supplier leases), S/ 133.9 million higher than as of December 2018.

Current Financial Debt as of December 30, 2019 was S/ 550.6 million, which was S/ 186.5 million lower than the figure reported as of December 2018, and of which S/ 460.4 million represented Working Capital Financing.

Non-Current Financial Debt was S/ 668.8 million, S/ 320.4 million higher than the figure reported at December 2018, mainly explained by the financial lease for the new melt shop.

As of December 2019, 47% of Total Debt was denominated in Soles, while the remainder was denominated in U.S. Dollars.

Net Debt to EBITDA ratio lowered to 1.97x as of December 2019, a reduction of 0.35x compared to December 2018.

Shareholders' Equity

At the close of December 2019, Shareholders' Equity was S/ 2,137.1 million, S/ 129.3 million higher compared to S/ 2,007.7 million as of December 2018. This increase was mainly explained by the FY 2019 Net Profit after deducting the dividend payment of S/ 70.6 million.

IV. Cash Flow Statement

Cash Flow from Operations

As of December 31, 2019, Cash Flow from Operations was S/ 633.9 million, mainly explained by EBITDA generation during the year and lower Working Capital requirements after a reduction of inventory levels.

Cash Flow from Investing

As of December 31, 2019, Cash Flow from Investing was -S/ 142.4 million, mainly due to investments in fixed assets of S/ 177.3 million and intangibles of S/ 5.4 million. These were partly offset by S/ 27.4 million of asset sales, mainly consisting of down payment of real estate property in Arequipa, and S/ 12.5 million of interests received.

These figures don't include S/ 342.2 million related to the new melt shop plant, which is financed through a capital lease agreement.

Cash Flow from Financing

As of December 31, 2019, Cash Flow from Financing was -S/ 290.7 million, which includes dividend payments of S/ 70.6 million and interest payments of S/ 41.3 million.

These figures don't include the capital leasing agreement of S/ 338.4 million for the new melt shop plant.

V. Relevant Events during 4Q 2019

- 1 During the quarter the Company invested S/ 106 million as part of the construction of its upcoming new melt shop facility, which will reach over 1.25 million tons of liquid steel capacity. In January 2020 the Board of Directors approved an increase of total investment from US\$ 180 million to US\$ 208 million. Works are on schedule and it is expected to be completed on 3Q 2020.
- 2 In November 2019, the Company formed a subsidiary in Chile named “Aceros America”. Aceros America has been established to boost the commercial relationships between the Company and local scrap suppliers.

Conference Call Information

Corporación Aceros Arequipa S.A. cordially invites you to participate in its Fourth Quarter 2019 Earnings Conference Call

Date: Friday, January 31, 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/corarec1200131CN2lcspw.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. Currently, Aceros Arequipa has a stake in the following companies:

• Transportes Barcino:	99.92%
• Comercial del Acero:	99.99%
• Inmobiliaria Comercial del Acero Cajamarquilla:	33.65%
• Inmobiliaria Comercial del Acero Argentina:	33.65%
• Aceros del Altiplano:	99.00%
• Aceros Arequipa Iquitos:	99.90%
• Tecnología y Soluciones Constructivas:	99.90%
• Acero Instalado:	99.90%
• Aceros America	100.00%
• 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.

VI. Unaudited Financial Statements

Corporación Aceros Arequipa S.A.		Consolidated Financial Statement of Financial Position (In thousand Peruvian Soles)	
	Notes	December 31, 2019	December 31, 2018
Assets			
Current Assets			
Cash and Cash Equivalents	5	445,501	244,765
Accounts Receivable	6	481,260	432,417
Accounts Receivable from related parties	7	28,364	24,041
Other Accounts Receivable	8 & 10	59,941	56,101
Inventories	9	931,970	1,211,560
Other non-financial assets		0	0
Assets classified as held for sale	1	10,597	63,161
Total Current Assets		1,957,633	2,032,045
Non-Current Assets			
Other financial assets	13	28,939	27,651
Investments in subsidiaries, affiliates or joint ventures	11	112,796	107,822
Accounts Receivable from related parties	7	4,197	4,535
Other Accounts Receivable	8	13,591	9,129
Property, Plant and Equipment, Net	12	1,931,331	1,531,291
Intangible Assets, Net	14	79,557	91,188
Deferred Income tax Assets	19	0	0
Other non-financial assets	15	36,024	37,465
Total Non-Current Assets		2,206,435	1,809,081
TOTAL ASSETS		4,164,068	3,841,126
Liabilities and Shareholders' Equity			
Current Liabilities			
Other Financial Liabilities	16	550,591	737,062
Accounts Payable	17	531,581	437,177
Accounts Payable to related parties	7	18,578	17,523
Other Accounts Payable	18	98,958	99,650
Current Income Tax	19	18,702	10,692
Total Current Liabilities		1,218,410	1,302,104
Non-Current Liabilities			
Other Financial Liabilities	16	668,811	348,403
Accounts Payable	17	0	656
Other Accounts Payable	17	6,754	7,761
Deferred Income Tax Liabilities	19	133,024	174,470
Total Non-Current Liabilities		808,589	531,290
Total Liabilities		2,026,999	1,833,394
Shareholders' Equity			
Share Capital	20	890,858	890,858
Investment Shares	20	190,052	190,052
Treasury Shares	20	-7,644	-7,644
Other Capital Reserves	20	178,261	165,074
Retained Earnings	20	667,530	548,910
Other Shareholders' Equity Reserves	20	218,012	220,482
Total Shareholders' Equity		2,137,069	2,007,732
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,164,068	3,841,126

Corporación Aceros Arequipa S.A.

Consolidated Financial Statement of Comprehensive Income (In thousand Peruvian Soles)

	Notes	4Q 2019	4Q 2018	FY 2019	FY 2018
Revenue	21	767,356	783,383	3,129,144	2,789,681
Cost of Goods Sold	22	-629,973	-653,101	-2,633,855	-2,334,296
Gross Profit (Loss)		137,383	130,282	495,289	455,385
Selling and Distribution Expenses	23	-30,565	-28,073	-113,820	-89,959
Administrative Expenses	24	-24,262	-26,686	-86,007	-85,814
Other Operating Income	26	57,901	15,059	66,018	22,786
Other Operating Expenses	26	-61,475	-25,579	-80,185	-58,452
Other Income (Expenses)			50,558	0	50,558
Operating Profit (Loss)		78,982	115,561	281,295	294,504
Financial Income	27	3,942	2,259	12,537	8,378
Financial Expenses	27	-8,567	-10,993	-41,343	-35,634
Other income (Expenses) from subsidiaries, affiliated and joint ventures	11	1,338	1,034	4,953	9,869
Exchange Rate Differences, Net	31	-1,294	-4,518	1,022	-4,211
Profit (Loss) before taxes		74,401	103,343	258,464	272,906
Income Tax Expense	19	-6,533	-12,415	-59,473	-61,156
Profit (Loss) from Discontinued Operations		0	0	0	0
Net Profit (Loss)		67,868	90,928	198,991	211,750
Earnings Per Share					
Basic in Continued Operations of Common Stock		0.063	0.084	0.180	0.200
Basic in Discontinued Operations of Common Stock		0.000	0.000	0.000	0.000
Total Earnings Per Share of Common Stock		0.063	0.084	0.180	0.200
Basic in Continued Operations of Investment Stock (Non-voting)		0.063	0.084	0.180	0.200
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)		0.063	0.084	0.180	0.200

Corporación Aceros Arequipa S.A.

Consolidated Financial Statement of Cash Flow – Direct Method (In thousand Peruvian Soles)

	Notes	Jan 01 – Dec 31 2019	Jan 01 – Dec 31 2018
Cash Flow from Operating Activities			
Collections due to Operating Activities			
Sales of Goods and Services Offered		3,121,398	2,555,067
Other Operating Collections		31,727	45,456
Payments due to Operating Activities			
Suppliers of Goods and Services		-2,200,473	-2,368,635
Payments and payments on account to employees		-216,660	-180,723
Income Tax		-102,114	-92,903
Net Cash Generated by Operating Activities		633,878	-41,738
Cash Flow from Investing Activities			
Collections due to Investing Activities			
Sale of Property, Plant and Equipment	26	27,439	13,410
Interests Received	27	12,537	8,378
Dividends Received		339	336
Payments due to Investing Activities			
Gain of Control of Subsidiaries or Other Businesses		0	-84,584
Purchase of Subsidiaries, Net of Cash Acquired		0	32,631
Purchase of Property, Plant and Equipment	12	-177,322	-124,055
Purchase of Intangible Assets	14	-5,391	-4805
Purchase of Other Long Term Assets		-7	-10
Net Cash Generated by Investing Activities		-142,405	-158,699
Cash Flow from Financing Activities			
Collections due to Financing Activities			
Short term and long-term loans	16	2,024,210	1,641,648
Payments due to Financing Activities			
Short term and long-term loans amortization	16	-2,203,040	-1,423,343
Interests paid	27	-41,343	-35,634
Dividends paid	20	-70,564	-62,346
Net Cash Generated by Financing Activities		-290,737	120,325
Net Increase (Reduction) of Cash and Equivalents before Exchange Rate Changes		200,736	-80,112
Effects of Exchange Rate Changes on the balance of Cash Held in Foreign Currencies		0	-11,460
Net Increase (Reduction) of Cash and Equivalents		200,736	-91,572
Cash and Cash Equivalents at the beginning of the year		244,765	336,337
Cash and Cash Equivalents at the end of the period	5	445,501	244,765