



4Q2019

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 and its subsidiaries do 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 consolidated financial statements.



- 1 4Q 2019 Relevant Events
- 2 4Q 2019 and FY 2019 Results Snapshot
- 3 Operational and Financial Results
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New Melt Shop Project

During the quarter the Company invested S/ 106 million as part of its upcoming new melt shop. During January 2020 the Board of Directors approved an increase of total investment from US\$ 180 million to US\$ 208 million

New subsidiary in Chile

In November, the Company established a new subsidiary named “Aceros America”, based in Chile; aiming to strengthen its commercial relations with local raw materials suppliers. Aceros Arequipa has a 100% stake on Aceros America

Other events of the year









- 1Q 2019: Third Debt Securities Program approval by the Peruvian Securities & Exchange Commission
- 2Q 2019: Completion of a system-wise integration with Comasa
- 3Q 2019: Revamp and launch of investor relations web portal







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4Q 2019 and FY 2019 Results Snapshot (in million of Peruvian Soles S/)

P&L FIGURES

	<u>4Q 2019</u>	<u>FY 2019</u>
Revenue	767.4  -16.0 YoY (-2.0%)	3,129.1  +339.5 YoY (+12.2%)
Gross Profit	137.4 Margin: 17.9%  +7.1 YoY (+5.5%)	495.3 Margin: 15.8%  +39.9 YoY (+8.8%)
EBITDA	108.9 Margin: 14.2%  +9.5 YoY (+9.6%)	393.7 Margin: 12.6%  +31.3 YoY (+8.6%)
Net Profit	67.9 Margin: 8.8%  -23.1 YoY (-25.4%)	199.0 Margin: 6.4%  -12.8 YoY (-6.0%)

BALANCE SHEET FIGURES

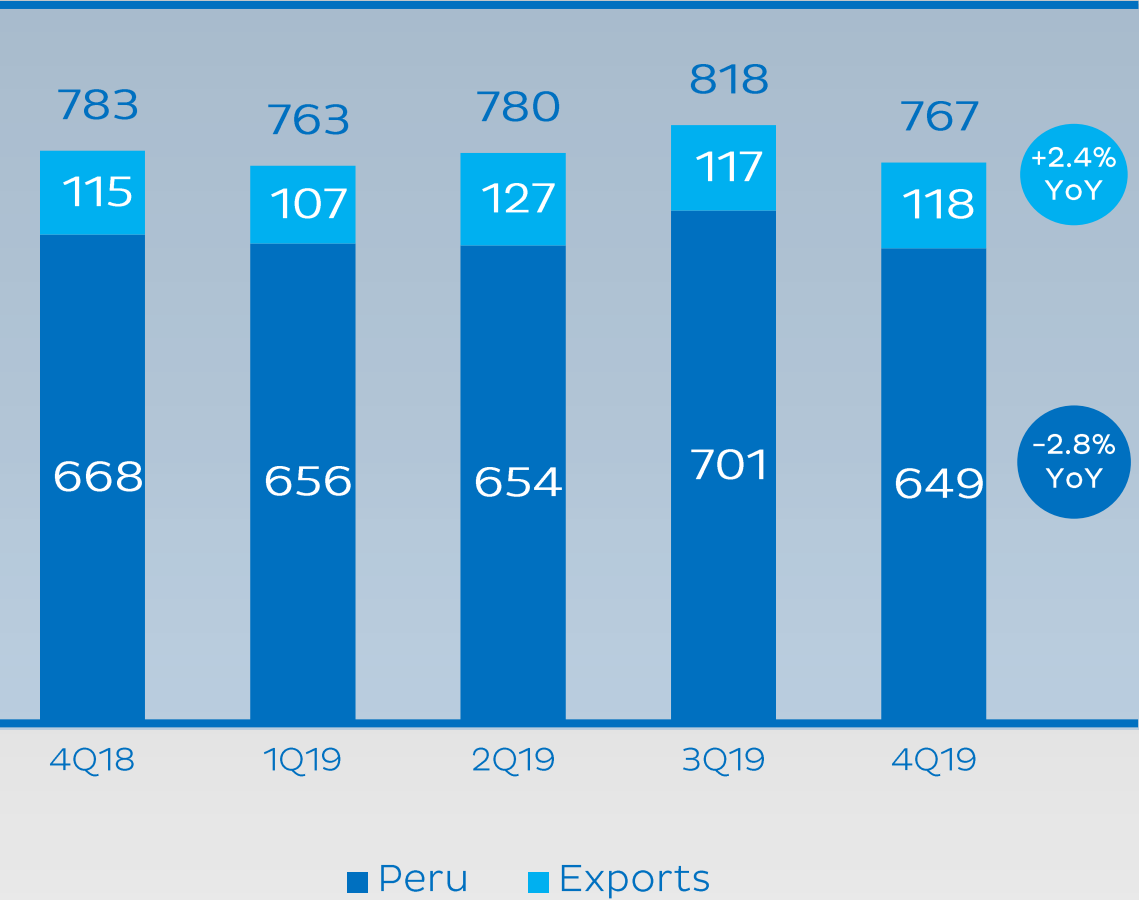
	<u>4Q 2019</u>	<u>FY 2019</u>
Capex	159.4  +58.4 YoY (+57.8%)	524.9  +262.5 YoY (+100.0%)
Working Capital <i>As of December 2019</i>		833.7  -325.4 YTD (-28.1%)
Net Debt <i>As of December 2019</i>		773.9 x EBITDA: 1.97x  -66.8 YTD (-7.9%)



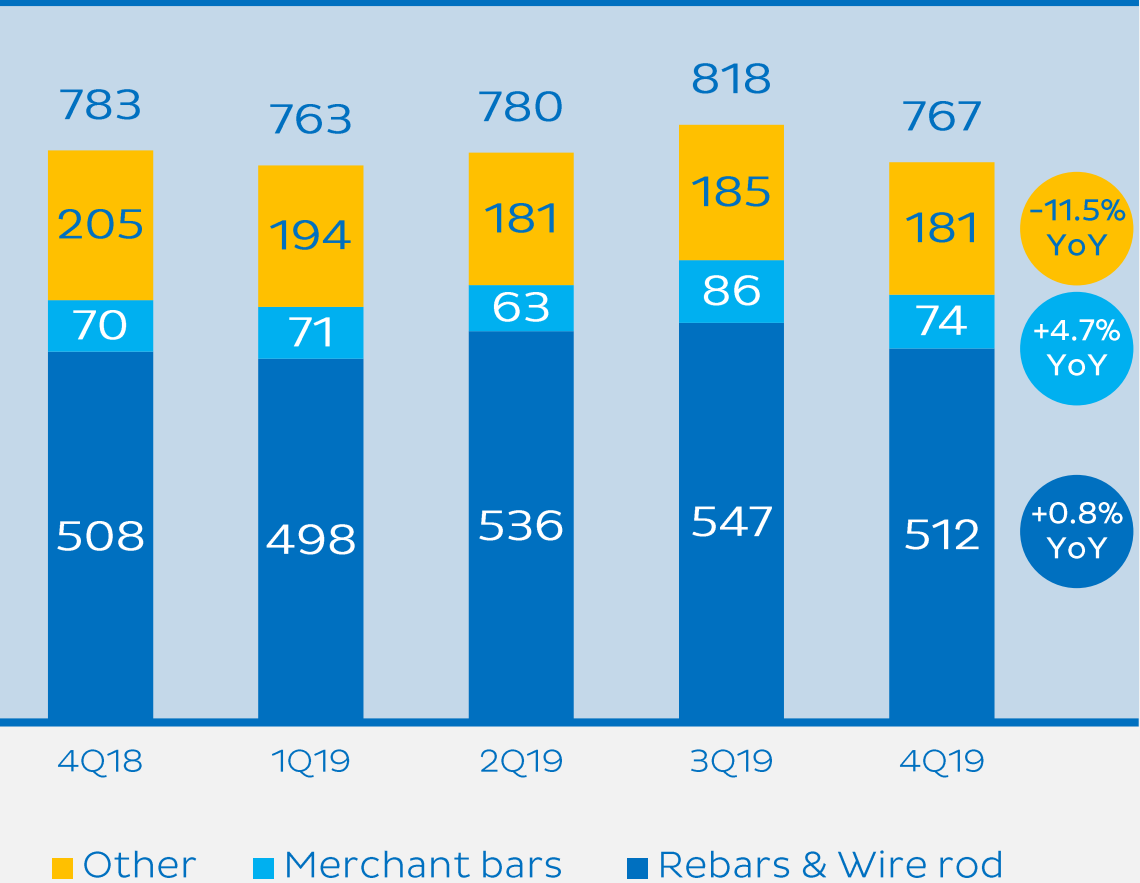
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Revenue was S/ 16 million lower (-2.0%) YoY due to lower market prices and volume of “other” products

Revenue (S/ million) by Destination



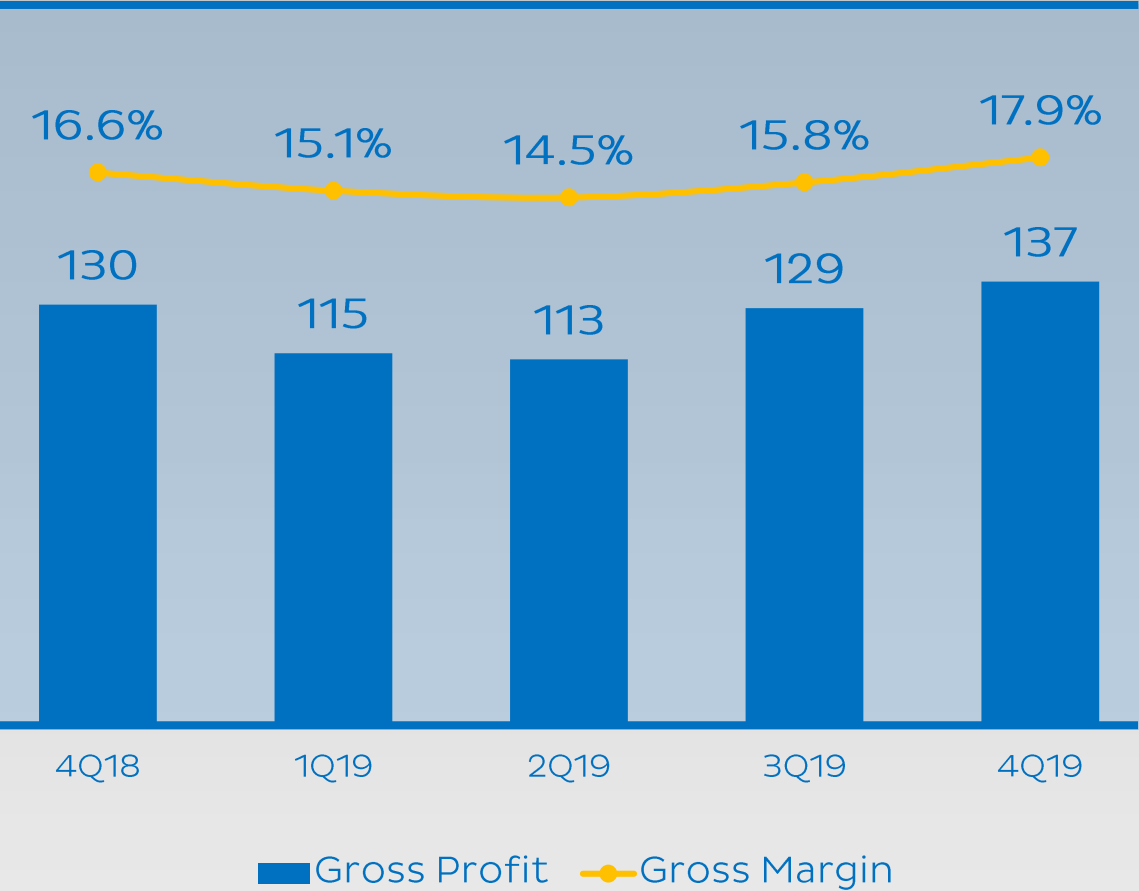
Revenue (S/ million) by Product Category



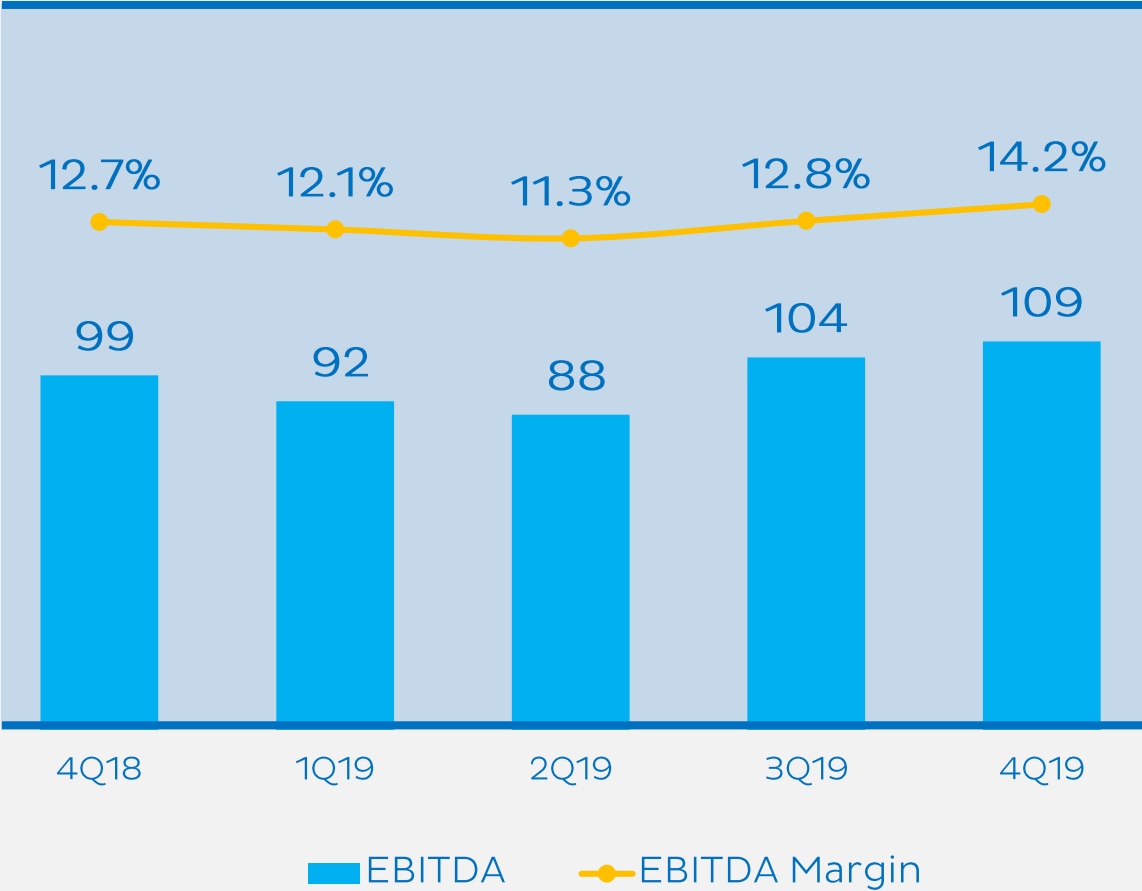
Gross Profit was S/ 7 million higher (+6% YoY), while Gross Margin increased to 18%



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



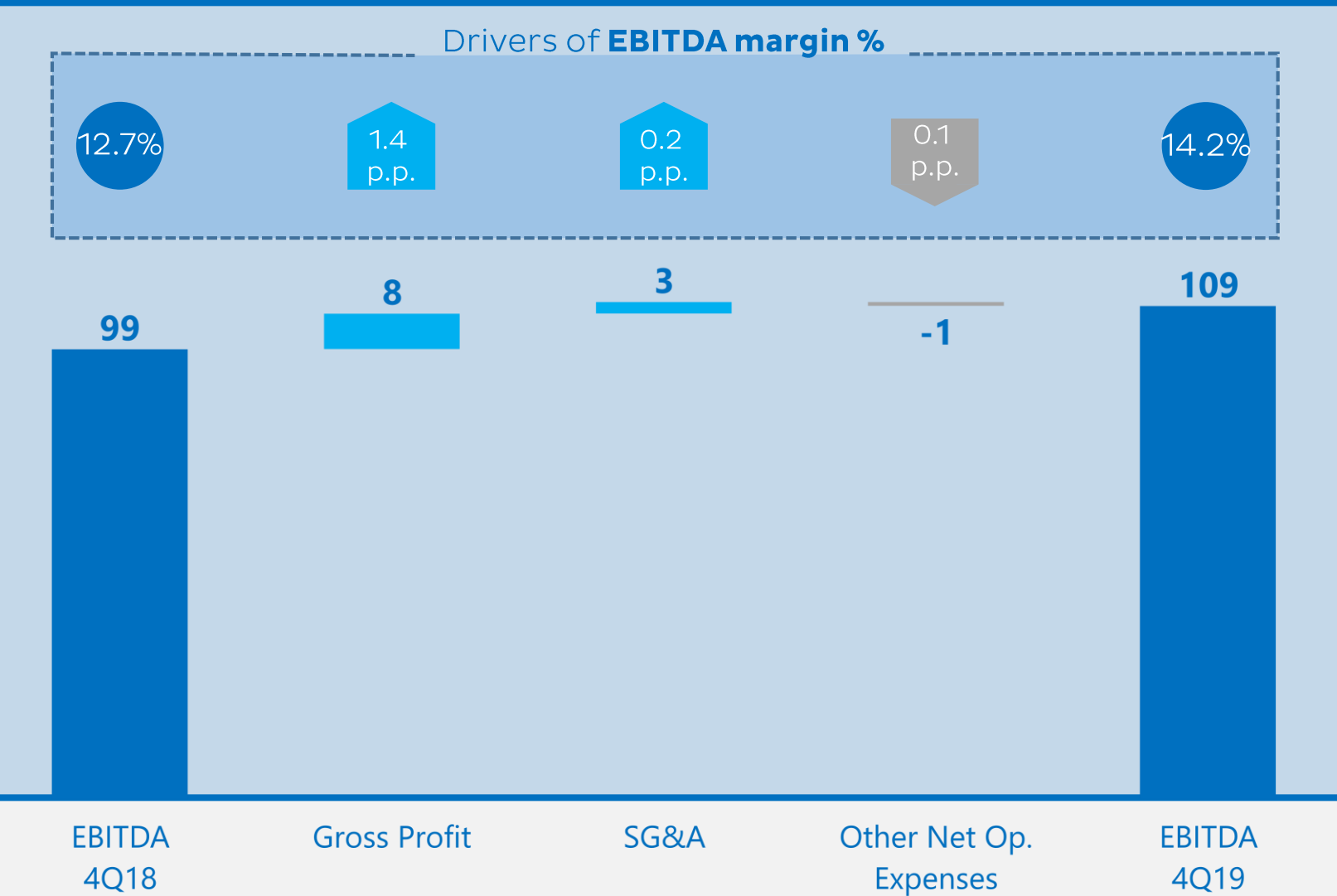
EBITDA (S/ million) / EBITDA Margin (%)



EBITDA jumped to S/ 109 million, driven by a higher Gross Profit and a reduction of SG&A expenses

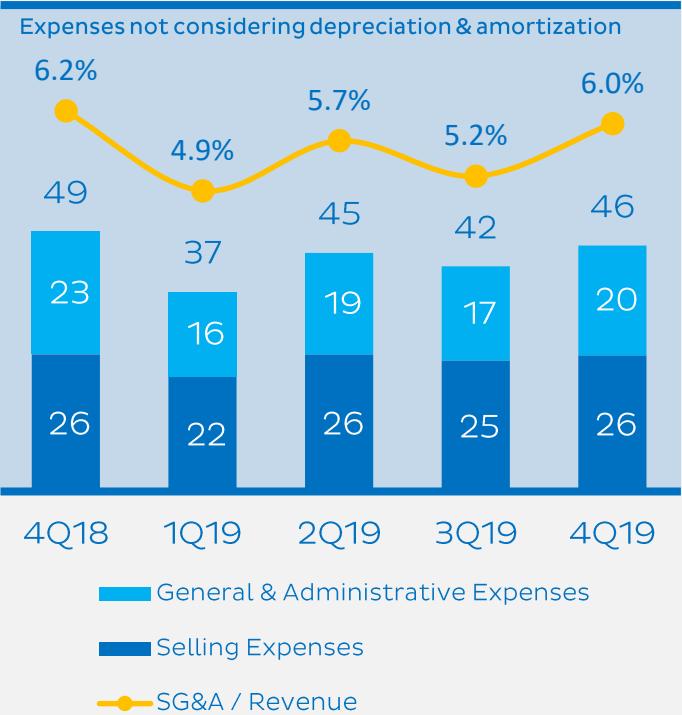


Main drivers of EBITDA YoY (S/ million)



- SG&A (excluding D&A) decreased S/ 3 million YoY and represented 6.0% of Revenue
- Other net op. expenses (excluding asset sales and writeoffs) were slightly higher

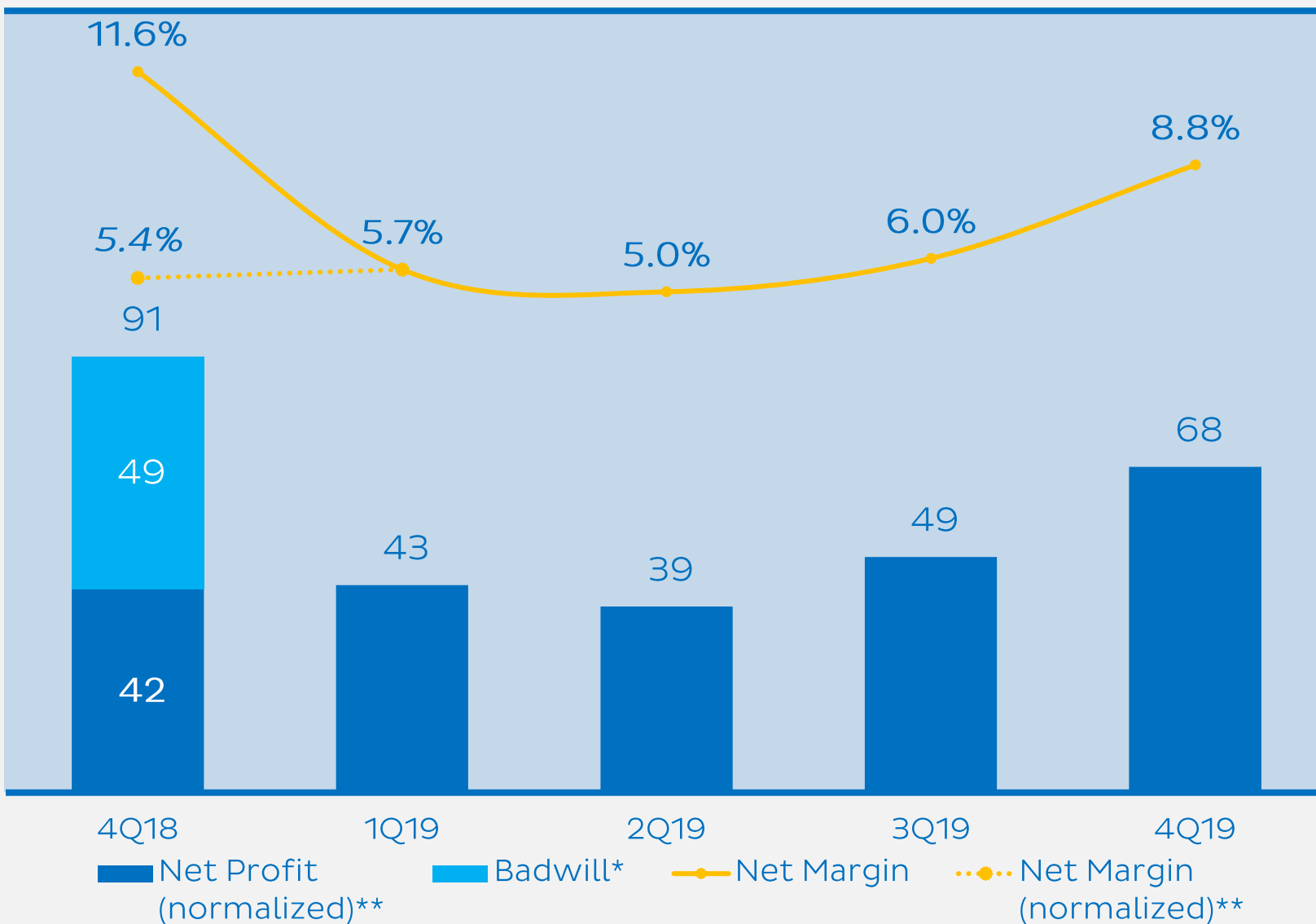
SG&A Expenses (S/ million)



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

Net Profit was S/ 68 million, a reduction of S/ 23 million, but S/ 25 million higher, not considering the badwill effect in 4Q18

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

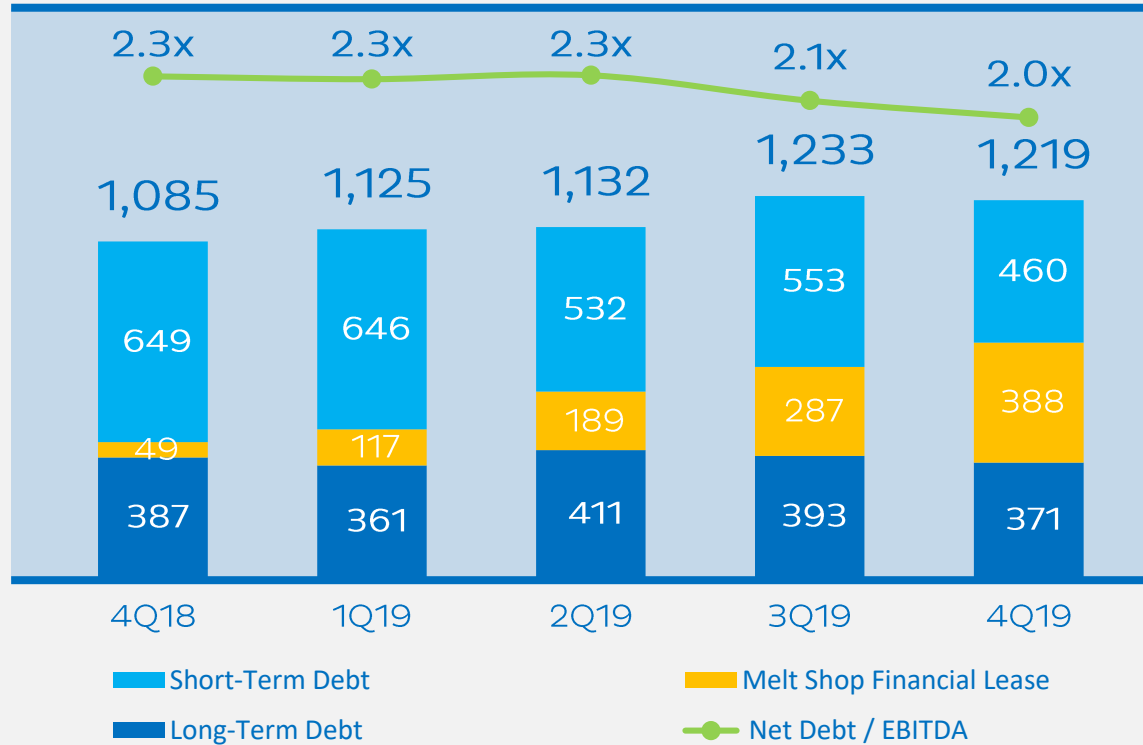


- Lower Operating Profit by S/ 37 million (S/ 14 million higher if not considering badwill effect)
- Net Financial Expenses was S/ 4 million lower
- Income from investments in other Companies was slightly higher
- Exchange Rate Differences were negative S/ 1 million but S/ 3 million higher

Note: (*) 4Q18 badwill originated after the Comasa takeover, net of deferred taxes. To be amortized in the following periods.
(**) Net Margin excluding Badwill.

Total debt increased due to new melt shop project financing

Total Debt by Type (S/ million)



Other Financial Ratios

Value as of
Dec 31, 2019

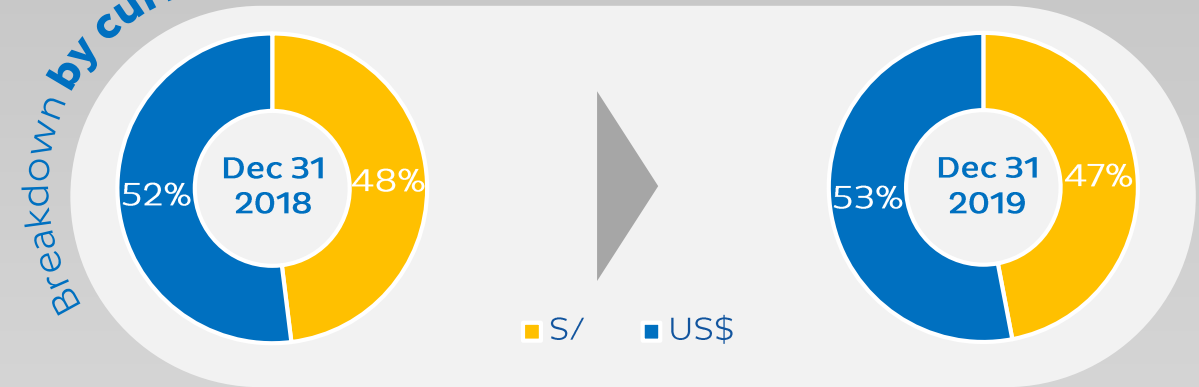
Leverage (Total Liabilities / Shareholders' Equity) 0.68x

Financial Expenses Coverage (LTM EBITDA / LTM Fin. Expenses) 9.52x

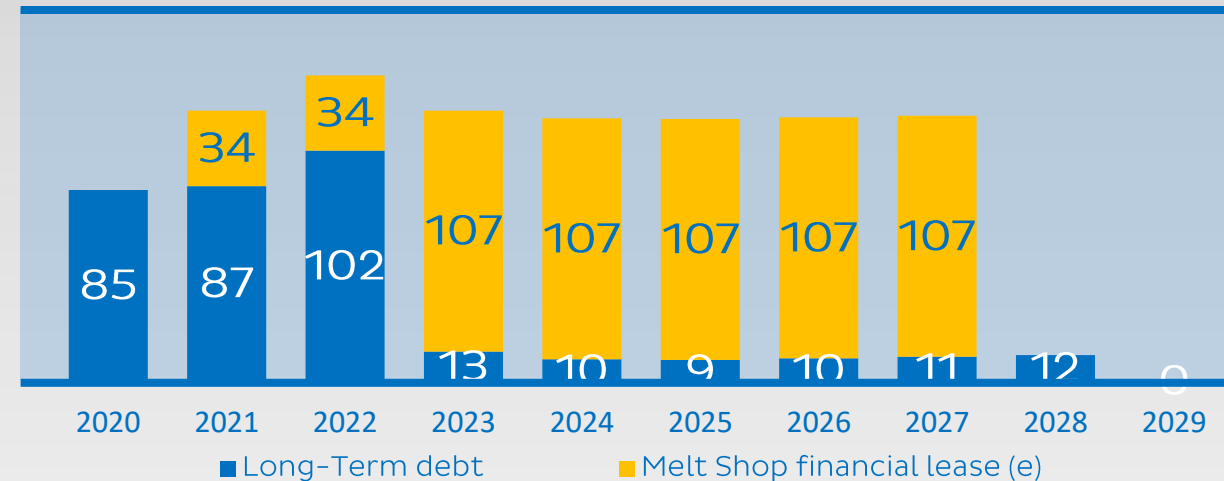
Liquidity (Current Assets / Current Liabilities) 2.00x

Note: The new melt shop financial lease Net/Debt to EBITDA limit, based on non consolidated financial statements, is 4.50x until 2020 and 3.50x starting 2021.

Breakdown by currency



Long Term Debt Amortization Schedule (estimated S/ million)



Note:

(1) Only showing amortization of debt with financial institutions. Does not consider Leasings with suppliers with a balance of S/ 24 million

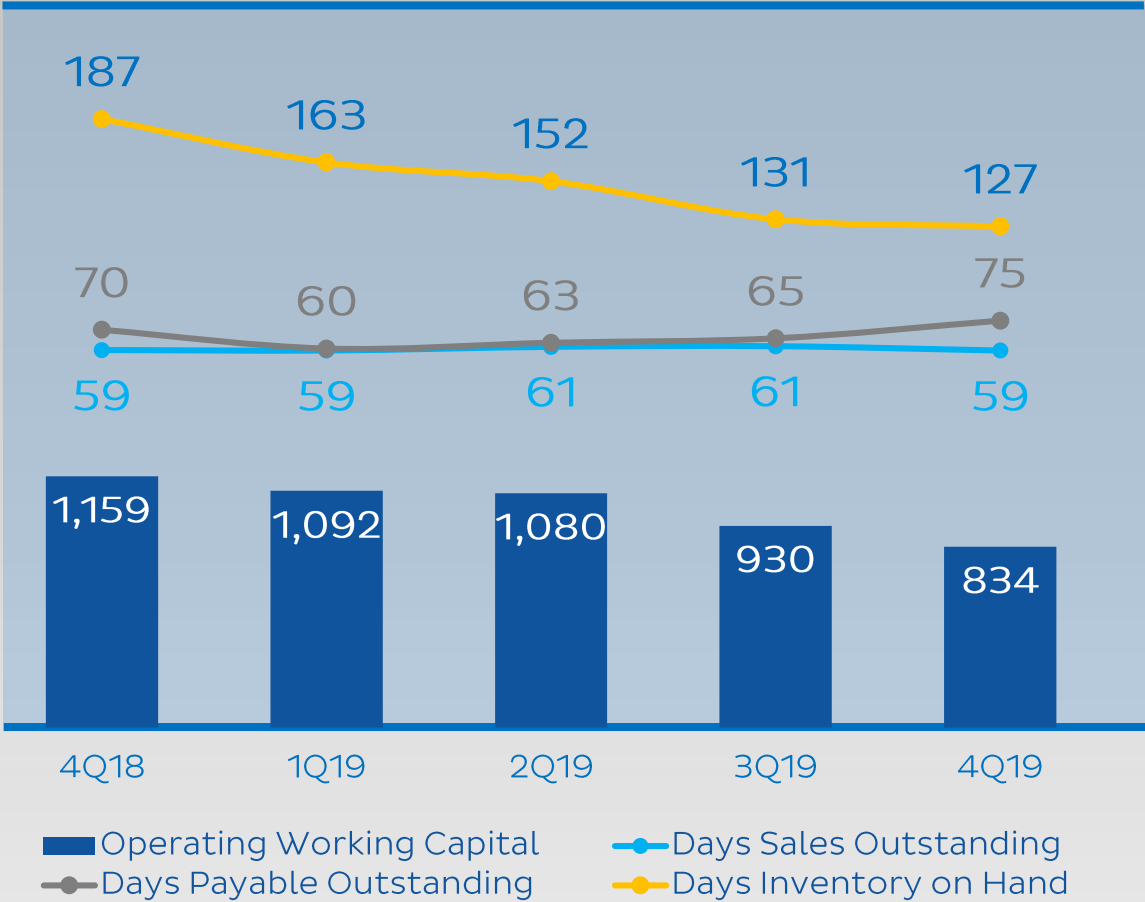
(2) The amortization schedule of the new melt shop Financial lease considers the full disbursement of the financial lease.

(3) For illustration purposes USD / PEN = 3.35

Lower Working Capital requirements of S/ 834 million;
CAPEX for the FY 2019 was S/ 525 million



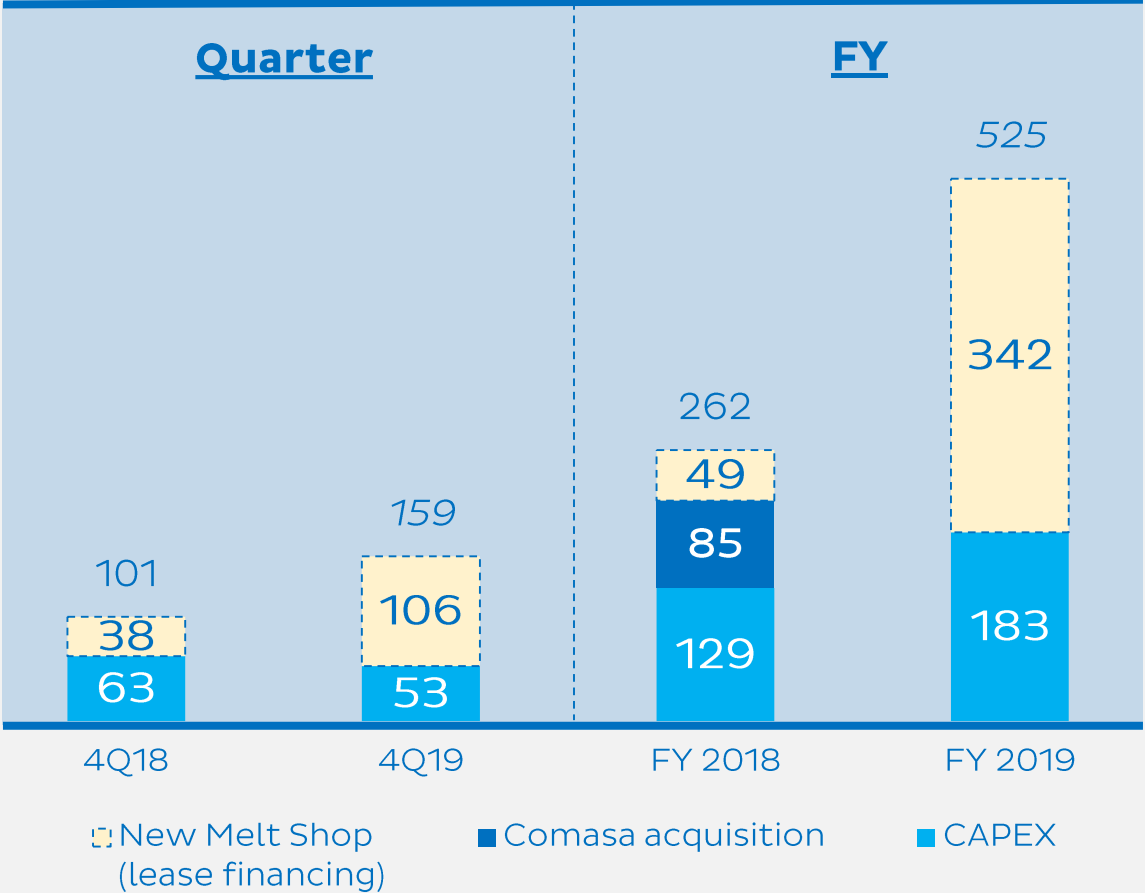
Operating Working Capital (S/ million)



As of December 2019, Operating Working Capital requirements were lower vs December 2018 mainly due to a significant reduction of inventories

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

CAPEX (S/ million)

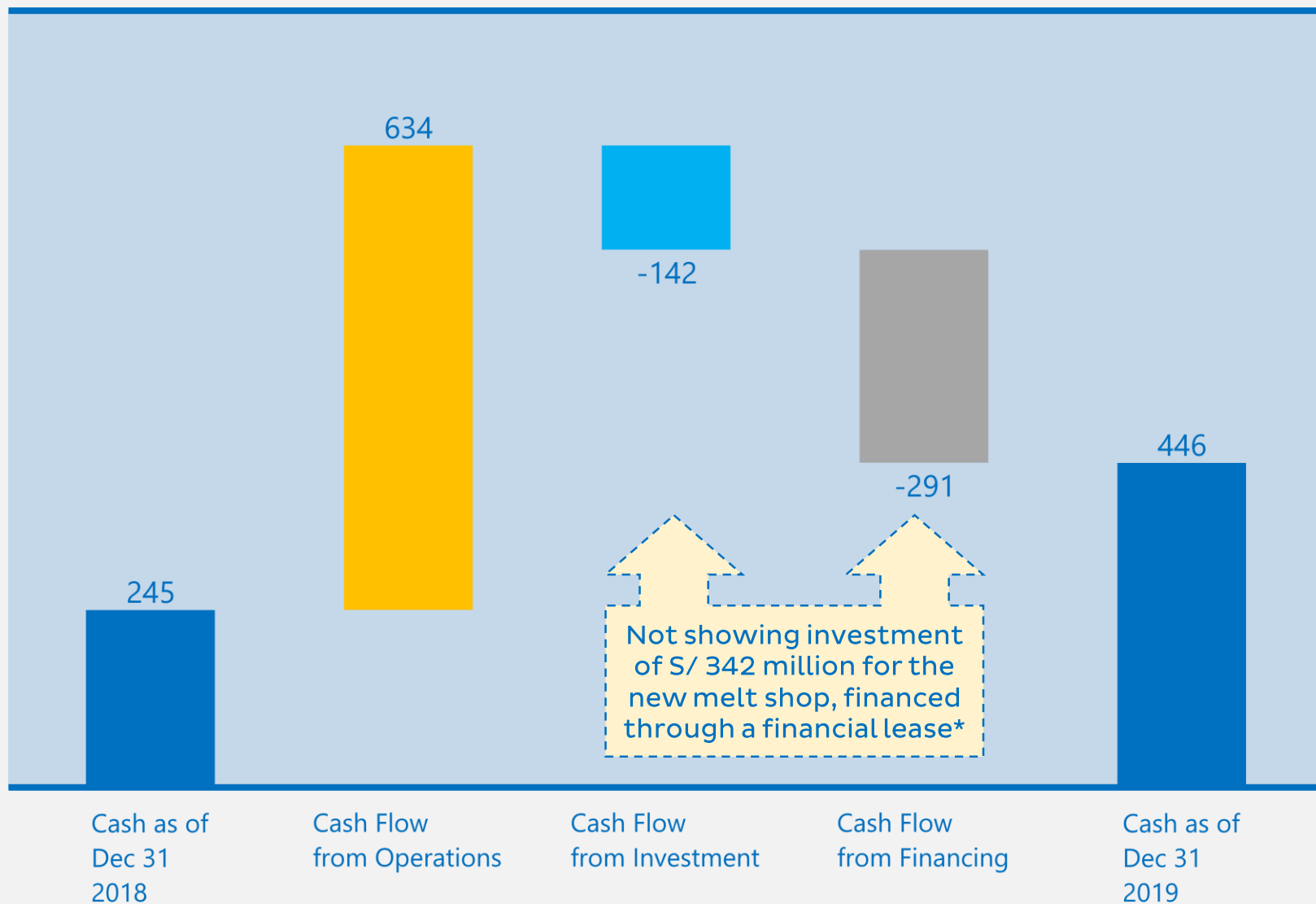


For the FY 2019, CAPEX mainly included investments in land for the new warehouse in Lurin district, new warehouses in Bolivia, new Melt Shop, upgrades to Rolling Mill, among other

Note: CAPEX in financial statements does not consider the melt shop project (US\$ 208 million), financed through a financial lease (balance as of December: S/ 387.8 million).

The cash position was S/ 446 million, a S/ 201 million increase versus December 2018

Cash flow generation as of December 2019 (S/ million)



Cash and Equivalents increased S/ 201 million

- CF from Operations was positive mainly due to EBITDA generation and lower working capital requirements
- CF from Investment was negative mainly due to investments in fixed assets of S/ 183 million, partly offset by asset sales of S/ 27 million and interests and dividends received of S/ 13 million S/ 0.3 million, respectively
- CF from Financing was negative due to debt service and dividend payments of S/ 71 million

Note: As of December 31, 2019, total investment for the new Melt Shop reached S/ 391 million.



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	FY 2019	Guidance FY 2020
Revenue Growth	12.2%	2 – 4%
EBITDA (S/ million)	394	420 – 460
CAPEX (S/ million)	524.9	600 – 700
Dividends paid (S/ million)	70.6 +25% YoY	>70
EPS (S/)	0.19 +21.9% YoY [Normalized]	>0.20

Note: Capex considers the Meltshop project, which is not included in cash flow statement.
EPS variation calculated based on a 2018 Net Profit excluding S/48.5 million of badwill.

Q&A



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SILGADO**
(CEO)



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

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