

# 4Q 2021 EARNINGS REPORT

Lima, Peru, January 27, 2022. 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 2021") period ended December 31, 2021. 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/ 1,448.8 million (+36.3% YoY) due to higher prices, compared to 4Q 2020.
- 2 **Gross Profit** totaled S/ 236.9 million and **Gross Margin** was 16.4%, down from a margin of 22.9% in 4Q 2020, due to higher raw material prices and a S/39 million provision, related to the New Melt Shop start up costs, programed plant interruption and other expenses.
- 3 **EBITDA** was S/ 185.9 million (an increase of S/1.5 million YoY); while **EBITDA Margin** reached 12.8%.
- 4 **Net Profit** reached S/ 101.9 million.
- 5 **Operating Working Capital requirements** reached S/ 1,818.1 million, mainly due to higher inventories, and a reduction in accounts payables.
- 6 **CAPEX** was S/ 151.5 million, mainly corresponding to the new melt shop.
- 7 As of December 31, 2021, the **Net Debt / EBITDA** ratio increased to 1.65x, compared to December 2020 (1.26x), primarily due to higher short-term financial liabilities.
- 8 On January 27, 2022, the Board approved an investment in a new rolling mill of approximately US\$ 75 million.



Revenue  
reached S/ 1,448.8  
million  
(+36.3% YoY)

EBITDA of  
S/ 185.9 million,  
with a margin of  
12.8%

Net Profit was  
S/ 101.9 million,  
and Net Margin  
was  
7.0%

Net Debt / EBITDA  
ratio reached 1.7x  
as of December  
2021

## CONTACT INVESTOR RELATIONS

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## Financial Summary

(S/ million)	4Q 2020	4Q 2021	YoY	FY 2020	FY 2021	YoY
<b>Financial Figures</b>						
Revenue	1,063.1	<b>1,448.8</b>	36.3%	2,837.6	<b>5,235.5</b>	84.5%
Gross Profit	243.2	<b>236.9</b>	-2.6%	546.3	<b>1,294.9</b>	137.0%
Operating Profit	151.4	<b>161.4</b>	6.6%	285.6	<b>1,023.3</b>	258.3%
EBITDA	184.5	<b>185.9</b>	0.8%	411.0	<b>1,118.1</b>	172.1%
Net Profit	100.2	<b>101.9</b>	1.7%	184.0	<b>712.4</b>	287.2%
CAPEX <sup>1</sup>	107.8	<b>151.5</b>	40.6%	368.1	<b>633.1</b>	72.0%
<b>Financial Margins</b>						
Gross Margin	22.9%	<b>16.4%</b>	-6.5 p.p,	19.3%	<b>25.0%</b>	5.7 p.p,
Operating Margin	14.2%	<b>11.1%</b>	-3.1 p.p,	10.1%	<b>19.7%</b>	9.7 p.p,
EBITDA Margin	17.4%	<b>12.8%</b>	-4.5 p.p,	14.5%	<b>21.6%</b>	7.1 p.p,
Net Margin	9.4%	<b>7.0%</b>	-2.4 p.p,	6.5%	<b>13.7%</b>	7.3 p.p,
Earnings per share <sup>2</sup>	0.17	<b>0.66</b>	287.1%			
<b>Other Figures, as of</b>						
	<b>Dec, 2020</b>	<b>Dec, 2021</b>	<b>YTD</b>			
Net Debt <sup>3</sup>	518.3	<b>1,868.7</b>	260.5%			
Net Debt <sup>3</sup> / LTM <sup>4</sup> EBITDA	1.26x	<b>1.67x</b>	0.41x			

1. 4Q 2021 includes S/30.1 million of the new melt shop plant financed through a capital lease agreement; and FY 2021 includes the asset purchase of two scrap yards in USA, the acquisition of Comfer S.A., and S/146.8 million of 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 the quarter. Expressed in S/ per share.
3. Total Financial Debt (includes supplier leases)
4. LTM: last twelve months

Errata: in the previous Earnings Report the reported FY EBITDA 2021 was S/1,178.3 million, but the correct number is S/ 1,118.1 million.

### III. Income Statement

## Revenue

During 4Q 2021, Revenue reached S/ 1,448.8 million (+36.3% YoY)

Revenue increased due to higher prices.

Based on Revenue destination, domestic revenues increased by S/ 190.6 million (19.4%) YoY, and Exports increased by S/ 195.0 million (+244.2%) YoY.

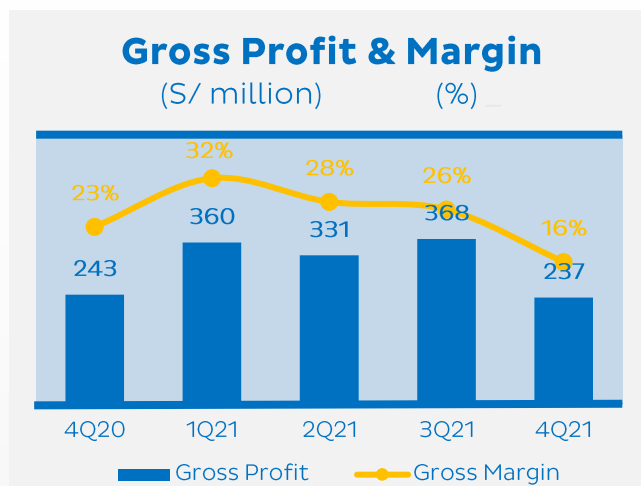
During the quarter, Exports represented 19.0% of total revenue; a 11.5 p.p. increase when compared to 7.5% in 4Q 2020. The increase in exports was mainly due to a higher volume sold to Chile and Colombia. Nonetheless, Bolivia remained as the main export market for the Company during the quarter.

On a per-category basis, the “Rebars & Wire Rod” category increased S/ 271.3 million (+37.7%) YoY. This was followed by the “Other” products category, which increased S/ 104.7 million (+43.3%) YoY, and by “Merchant bars” category which increased S/ 9.7 million (+9.4%) YoY.



## Gross Profit

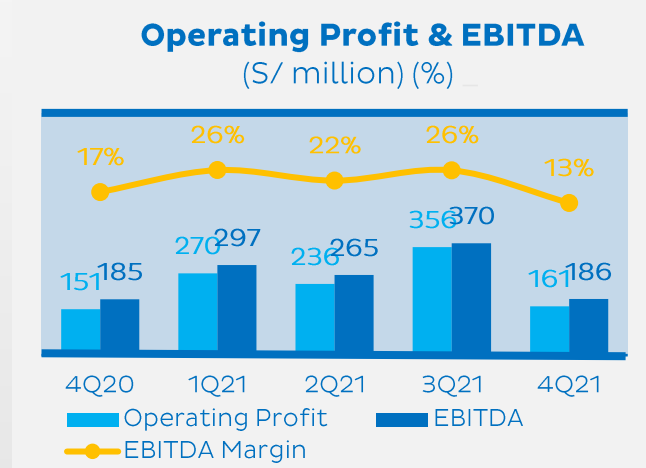
Gross Profit reached S/ 236.9 million during 4Q 2021, lower than last year's 4Q gross profit and reached a margin of 16.4%. The lower gross profit was due to: (i) higher prices of raw material, billets and finished product; and (ii) provisions of S/39 million, related to the start up costs of the new Melt Shop, programed plant interruption and other expenses.



## Operating Profit & EBITDA

Operating Profit reached S/ 161.4 million during 4Q 2021, a S/ 10.0 million increase compared to S/ 151.4 million in 4Q 2020. Operating Margin reached 11.1%, 3.1 p.p lower versus 4Q 2020.

Even though Gross Profit was lower compared to 4Q 2020, Operating Profit was boosted by other operating income of S/ 38 million due to badwill related to Comfer's acquisition.



During 4Q 2021, EBITDA reached S/ 185.9 million, an increase of S/ 1.5 million YoY, and represented an EBITDA Margin of 12.8%; 4.5 p.p. lower compared to 4Q 2020.

## Net Financial Expenses

During 4Q 2021, Net Financial Expenses reached S/ 6.6 million, S/ 3.0 million higher compared to 4Q 2020, driven by higher Financial Expenses of S/ 4.2 million.

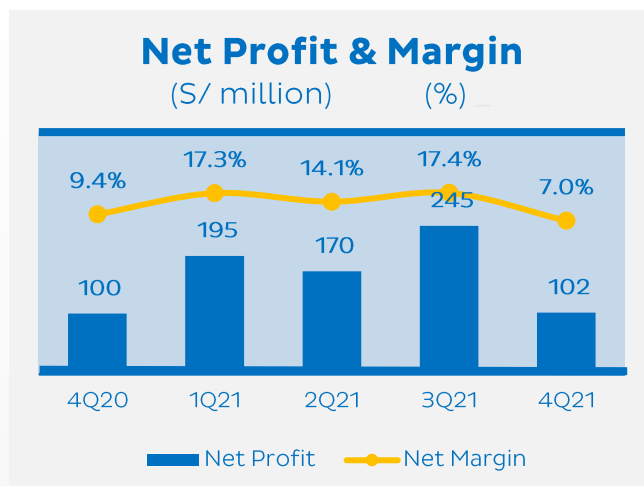
Additionally, during the quarter, the Net Exchange Rate Difference was negative and represented higher expenses of -S/ 14.6 million compared to 4Q 2020.

## Net Profit

Net Profit was S/ 101.9 million during 4Q 2021, S/ 1.7 million higher YoY. Net Margin was 7.0%.

During 4Q 2021, Net Profit was similar to that as of 4Q 2020. The Net Profit was negatively affected by Exchange Rate Differences of -S/ 16.5 million; partly offset by lower Income Taxes by S/ 7.7 million.

Earnings per Share, based on the Net Profit for the last twelve months (LTM), reached S/ 0.66 in 4Q 2021, higher than the ratio of S/ 0.17 reported in 4Q 2020 (+287.1%).



## IV. Balance Sheet

### Assets

As of December 31, 2021, Total Assets reached S/ 6,308.8 million, representing an increase of S/ 1,748.6 million versus December 31, 2020. Asset increase was driven by Current Assets, which increased by S/ 1,242.0 million, and non-current assets by S/ 506.6 million.

Current Assets were higher as of December 31, 2021, mainly due to:

- i Inventories (+S/ 1,119.7 million, or +128.6% YTD), driven by the recovery of low inventory levels following higher sales volume, higher local and international prices for finished products, raw materials and inventory in transit.
- ii Accounts receivables (+S/ 130.8 million, or +25.9%) due to higher prices.
- iii Other accounts receivable (+ S/ 47.5 million, or +314.3% YTD) are mainly explained by sales tax credit.

Days of Sales Outstanding decreased to 44.1 days as of December 31, 2021, from 64.1 days as of December 31, 2020. Days of Inventory on Hand increased to 184.1 days as of December 31, 2021, compared to 136.8 days as of December 31, 2020.

Non-Current Assets increase was mainly a result of CAPEX that consisted mainly on the acquisition of two scrap yards in the USA and investments in the new melt shop plant, which is expected to be fully operational by the first quarter of 2022. Consequently, Net, Property, Plant, and Equipment increased by S/ 462.7 million (+21.4%) YTD.

## Liabilities

As of December 2021, Total Liabilities reached S/ 3,675.4 million, a S/ 1,362.0 million or 58.9% increase YoY, driven by higher Current Liabilities by S/ 962.9 million, and an increase in Non-Current Liabilities of S/ 399.1 million.

Current Liabilities increased mainly due to a higher balance of working capital loans for inventories.

As of December 2021, Total Financial Debt (including supplier leases) reached S/ 2,491.0 million, higher than the figure as of December 2020.

Current Financial Debt as of December 31, 2021, was S/ 1,389.7 million, of which S/ 1,306.5 million represented short-term financing. Total current financial debt was S/ 1,072.6 million higher than the figure reported as of December 2020.

Non-Current Financial Debt was S/ 1,101.3 million, S/ 199.6 million higher than the figure reported in December 2020, mainly explained by the financial lease for the new melt shop.

As of December 2021, 43% of Total Debt was denominated in Peruvian Soles, while 54% was denominated in U.S. Dollars, and the remaining 3% in Bolivianos.

Net Debt to EBITDA ratio was 1.65x as of December 2021, an increase of 0.39x compared to December 2020 mainly due to an increase in short term financial debt.

## Shareholders' Equity

At the close of December 2021, Shareholders' Equity reached S/ 2,633.3 million, an increase of S/ 386.6 million compared to the figure as of December 2020.

## V. Cash Flow Statement

### Cash Flow from Operations

As of December 31, 2021, Cash Flow from Operations was -S/ 483 million, mainly explained by higher inventory levels and lower accounts payables, which were partly affected by a settlement with our gas supplier.

### Cash Flow from Investing

As of December 31, 2021, Cash Flow from Investing was -S/ 475 million which included S/486 million from the acquisition of two scrap yards in the USA, investments in the acquisition of Comfer S.A., investments in Property, Plant, and Equipment, and investments in Intangibles. These cash outflows were partly offset by S/ 45.3 million of ending Cash balance from the consolidation after Comfer's acquisition, S/ 9.6 million in interests received and S/1.7 million in dividends received.

These figures do not consider S/ 146.8 million related to the new melt shop plant, which is financed through a capital lease agreement.

### Cash Flow from Financing

As of December 31, 2021, Cash Flow from Financing was S/ 856.7 million, which included net financing of S/ 1,107.2 million, interest payments of S/ 27.1 million, financing of S/106.8 million from our gas supplier and S/330.2 million of dividends.

These figures do not consider the capital leasing agreement for the new melt shop plant.



## VI. Relevant Events

1. During the fourth quarter, the Company invested S/ 74 million as part of the construction of its upcoming new melt shop facility, S/ 30 million was financed through a financial lease, and the remaining was financed through cash. This facility will have a capacity of over 1.25 million tons of liquid steel. The total investment will be US\$ 225 million with a complementary Capex of US\$ 23 million. It is expected to operate fully as of 1Q 2022.
2. In November, Aceros Arequipa was included, for a second consecutive year, as a component of the Dow Jones Sustainability Index (DJSI) for the MILA – Pacific region.
3. Also in November, the Company was included as a component of the S&P / BVL Peru General ESG Index, which is designed to reflect the performance of those Peruvian Companies that comply with environmental, social and corporate governance criteria.
4. In December, the firm received the Great Place to Work® certificate for the period ranging from December 2021 to December 2022. This certificate is a recognition of the firm for offering a worldwide standard of work experience to its employees.
5. On January 27, 2022, the Board approved an investment in a new rolling mill of approximately US\$ 75 million. This rolling mill, which will be constructed in our Pisco facility, is expected to start operations in 2024.

### Conference Call Information

Corporacion Aceros Arequipa S.A. cordially invites you to participate in its Fourth Quarter 2021 Earnings Conference Call.

Date: Monday, January 31, 2022

Time: 12:00 pm ET / 12:00 pm Lima Time

To access the live presentation via Zoom, visit the following URL:

<https://tinyurl.com/2p8ft9mb>

## About CORPORACIÓN ACEROS AREQUIPA S.A.

**CORPORACIÓN ACEROS AREQUIPA S.A.**, founded in 1964, is the leading Peruvian company in the production and commercialization of steel products, with exports to Bolivia and other countries in the region. Its core products are rebars and wire rods 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 old melt shop (which will stay on stand by), 1,250 thousand tons with the new melt shop, and 1,250 thousand tons in its steel rolling mills. 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:

• Comfer S.A. (in liquidation process):	100.00%
• Comercial del Acero (in liquidation process):	99.99%
• Aceros America (Bolivia):	99.99%
• Aceros America (Chile):	100.00%
• Aceros America (Colombia):	100.00%
• Aceros America Corporation:	100.00%
• Transportes Barcino:	99.92%
• Aceros Arequipa Iquitos:	99.90%
• Acero Instalado:	99.90%
• Tecnología y Soluciones Constructivas:	99.99%
• Inmobiliaria Comercial del Acero Cajamarquilla:	33.65%
• Inmobiliaria Comercial del Acero Argentina:	33.65%
• 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.

### III. Unaudited Financial Statements

Corporación Aceros Arequipa S.A.	Consolidated Financial Statement of Financial Position (in thousands of Peruvian Soles)		
	Notes	December 31, 2021	December 31, 2020
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	644,541	700,462
Accounts Receivable	6	596,440	475,430
Accounts Receivable from related parties	7	39,483	29,726
Other Accounts Receivable	8	52,606	9,364
Inventories	9	1,990,122	870,411
Deferred Income tax Assets			
Other Assets	10	9,963	5,738
Assets classified as held for sale			
<b>Total Current Assets</b>		<b>3,333,155</b>	<b>2,091,131</b>
<b>Non-Current Assets</b>			
Other financial assets	13	20,629	30,121
Investments in subsidiaries, affiliates or joint ventures	11	119,485	114,323
Accounts Receivable from related parties	7	4,197	4,197
Other Accounts Receivable	8	21,209	19,128
Investment Property	14	55,554	45,974
Property, Plant and Equipment, Net	12	2,621,809	2,160,395
Intangible Assets, Net	15	88,217	59,281
Other non-financial assets	16	44,525	35,641
<b>Total Non-Current Assets</b>		<b>2,975,625</b>	<b>2,469,060</b>
<b>TOTAL ASSETS</b>		<b>6,308,780</b>	<b>4,560,191</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Other Financial Liabilities	17	1,389,691	317,051
Accounts Payable	18	579,464	789,334
Accounts Payable to related parties	7	82,082	27,473
Other Accounts Payable	19	181,156	123,024
Current Income Tax	20	27,862	40,471
<b>Total Current Liabilities</b>		<b>2,260,255</b>	<b>1,297,353</b>
<b>Non-Current Liabilities</b>			
Other Financial Liabilities	17	1,101,311	901,758
Accounts Payable			
Other Accounts Payable	31	114,289	6,891
Deferred Income Tax Liabilities	20	199,578	107,427
<b>Total Non-Current Liabilities</b>		<b>1,415,178</b>	<b>1,016,076</b>
<b>Total Liabilities</b>		<b>3,675,433</b>	<b>2,313,429</b>
<b>Shareholders' Equity</b>			
Share Capital	21	890,858	890,858
Investment Shares	21	182,408	182,408
Treasury Shares			
Other Capital Reserves		178,449	178,293
Retained Earnings		1,142,832	774,014
Other Shareholders' Equity Reserves		238,800	221,189
Non-controlling interest			
<b>Total Shareholders' Equity</b>		<b>2,633,347</b>	<b>2,246,762</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,308,708</b>	<b>4,560,191</b>

# Corporación Aceros Arequipa S.A.

## Consolidated Financial Statement of Comprehensive Income (in thousands of Peruvian Soles)

	Notes	4Q 2021	4Q 2020	FY 2021	FY 2020
Revenue	22	1,448,805	1,063,146	5,186,266	2,837,623
Cost of Goods Sold	23	-1,211,893	-819,911	-3,891,322	-2,291,279
Gross Profit (Loss)		236,912	243,235	1,294,944	546,344
Selling and Distribution Expenses	24	-54,320	-45,292	-178,511	-127,649
Administrative Expenses	25	-36,131	-36,403	-180,510	-93,336
Other Operating Income	27	62,984	3,423	187,712	9,170
Other Operating Expenses	27	-48,028	-13,573	-100,382	-48,913
Other Income (Expenses)				-	-
Operating Profit (Loss)		161,417	151,390	1,023,253	285,616
Financial Income	28	3,307	2,110	9,643	8,255
Financial Expenses	28	-9,909	-5,732	-27,114	-32,309
Other income (Expenses) from subsidiaries, affiliated and joint ventures	11	2,440	813	6,854	2,306
Exchange Rate Differences, Net	32	-16,523	-1,889	-8,380	-5,337
Profit (Loss) before taxes		140,732	146,692	1,004,256	258,531
Income Tax Expense	20	-38,802	-46,490	-291,884	-74,511
Profit (Loss) from Discontinued Operations		0	0	0	0
Net Profit (Loss)		101,930	100,202	712,372	184,020
Earnings Per Share					
Basic in Continued Operations of Common Stock		0.094	0.093	0.660	0.171
Basic in Discontinued Operations of Common Stock		0.000	0.000	0.000	0.000
<b>Total Earnings Per Share of Common Stock</b>		<b>0.094</b>	<b>0.093</b>	<b>0.660</b>	<b>0.171</b>
Basic in Continued Operations of Investment Stock (Non-voting)		0.094	0.093	0.660	0.171
Basic in Discontinued Operations of Investment Stock (Non-voting)		0.000	0.000	0.000	0.000
<b>Total Earnings Per Share of Investment Stock (Non-Voting)</b>		<b>0.094</b>	<b>0.093</b>	<b>0.660</b>	<b>0.171</b>

# Corporación Aceros Arequipa S.A.

## Consolidated Financial Statement of Cash Flow – Direct Method (in thousands of Peruvian Soles)

	Notes	FY 2021	FY 2020
<b>Cash Flow from Operating Activities</b>			
<b>Collections due to Operating Activities</b>			
Sales of Goods and Services Offered		4,960,577	2,974,847
Other Operating Collections		43,107	28,696
<b>Payments due to Operating Activities</b>			
Suppliers of Goods and Services		-4,950,336	-1,985,005
Payments and payments on account to employees		-299,246	-212,359
Income Tax		-237,029	-88,747
<b>Net Cash Generated by Operating Activities</b>		<b>-482,927</b>	<b>717,432</b>
<b>Cash Flow from Investing Activities</b>			
<b>Collections due to Investing Activities</b>			
Sale of Property, Plant and Equipment	27	0	33,725
Interests Received	28	9,643	8,255
Dividends Received		1,734	811
<b>Payments due to Investing Activities</b>			
Acquire control of subsidiaries and other firms	1	-64,164	0
Purchase of Subsidiaries, Net of Cash Acquired	1	45,274	0
Purchase of Property, Plant and Equipment	12	-357,402	-171,792
Purchase of Intangible Assets	15	-64,738	-2,391
Purchase of Other Long-Term Assets		0	0
<b>Net Cash Generated by Investing Activities</b>		<b>-429,653</b>	<b>-131,392</b>
<b>Cash Flow from Financing Activities</b>			
<b>Collections due to Financing Activities</b>			
Short term and long-term loans		2,868,801	2,050,357
<b>Payments due to Financing Activities</b>			
Short term and long-term loans amortization		-1,761,564	-2,291,502
Interests paid	28	-27,114	-32,309
Dividends paid	11	-330,271	-74,920
Other collections (payments) of cash related to financial activities		106,807	0
<b>Net Cash Generated by Financing Activities</b>		<b>856,659</b>	<b>-348,374</b>
Net Increase (Reduction) of Cash and Equivalents before Exchange Rate Changes		-55,921	237,666
Effects of Exchange Rate Changes on the balance of Cash Held in Foreign Currencies		0	17,295
Net Increase (Reduction) of Cash and Equivalents		0	0
Cash and Cash Equivalents at the beginning of the year		700,462	445,501
<b>Cash and Cash Equivalents at the end of the period</b>		<b>644,541</b>	<b>700,462</b>