

2Q 2019 EARNINGS REPORT

Lima, Peru, July 23, 2019. Corporación Aceros Arequipa S.A. (“the Company” or “Aceros Arequipa”) (BVL: CORAREC1 and CORAREI1) announced its unaudited consolidated financial results corresponding to the Second Quarter (“2Q 2019”) and first six-months (“6M 2019”) period ended June 30, 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/ 780.4 million (+18.5% YoY) during 2Q 2019, mainly due to the inclusion of revenues from *Comercial del Acero* (“Comasa”) in the consolidated financial statements, following its acquisition in September 2018.
- 2 **Gross Profit** totaled S/ 113.4 million (+10.2% YoY) during the quarter. **Gross Margin** was 14.5% (-1.1 p.p. YoY) during the same period.
- 3 During 2Q 2019, **EBITDA** reached S/88.3 million (+6.8% YoY). **EBITDA Margin** was 11.3% during the same period (-1.2 p.p. YoY).
- 4 As of June 30, 2019, **Gross Financial Debt** amounted to S/ 1,132.3 million, which reflected a **Net Debt / EBITDA** ratio of 2.30x, which was lower than the 2.33x at December 2018, primarily due to a higher cash balance and lower working capital financing. **Note:** *The 2Q 2019 ratio does not consider Comasa’s full LTM EBITDA as it was acquired in September 2018.*

Note: 4Q 2018 unaudited consolidated financial statements published at the Peruvian Securities and Exchange Commission (Superintendencia del Mercado de Valores – SMV) does not include Comasa’s acquisition goodwill as reported in the 2018 audited consolidated financial statement assessed by an external advisor.



During 2Q 2019
Revenue was
S/ 780 million
(+18.5% YoY)

EBITDA was S/ 88
million with a
margin of 11.3%,

Net Profit reached
S/ 39 million and
Net Margin was
5.0%

Net Debt / EBITDA
ratio reached 2.3x
as of June 2019

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Financial Summary

(\$/ million)	2Q 2018	2Q 2019	YoY	6M 2018	6M 2019	YoY
Financial Figures						
Revenue	658.6	780.4	18.5%	1,317.5	1,543.3	17.1%
Gross Profit	102.9	113.4	10.2%	219.4	228.7	4.2%
Operating Profit	55.6	59.7	7.2%	126.9	126.9	0.0%
EBITDA	82.7	88.3	6.8%	181.3	180.4	-0.5%
Net Profit	36.0	38.8	7.6%	88.0	82.0	-6.8%
CAPEX ¹	48.2	93.7	94.4%	59.1	182.8	209.4%
Financial Margins						
Gross Margin	15.6%	14.5%	-1.1 p.p.	16.7%	14.8%	-1.8 p.p.
Operating Margin	8.4%	7.6%	-0.8 p.p.	9.6%	8.2%	-1.4 p.p.
EBITDA Margin	12.7%	11.3%	-1.3 p.p.	13.8%	11.7%	-2.1 p.p.
Net Margin	5.5%	5.0%	-0.5 p.p.	6.7%	5.3%	-1.4 p.p.
Earnings per share ²	0.17	0.19	10.2%			
Other Figures, as of				Dec, 2018	Jun, 2019	YTD
Net Debt ³				840.7	825.7	-1.8%
Net Debt ³ / LTM ⁴ EBITDA				2.33x	2.30x	-0.03x

1. 2Q 2019 considers a \$/ 72.7 million CAPEX 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 \$/ per share
3. Total Financial Debt (includes leases with suppliers)
4. LTM: last twelve months

II. Income Statement

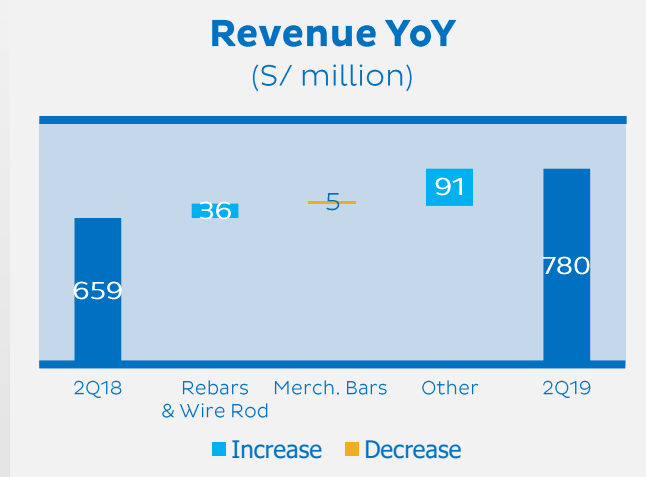
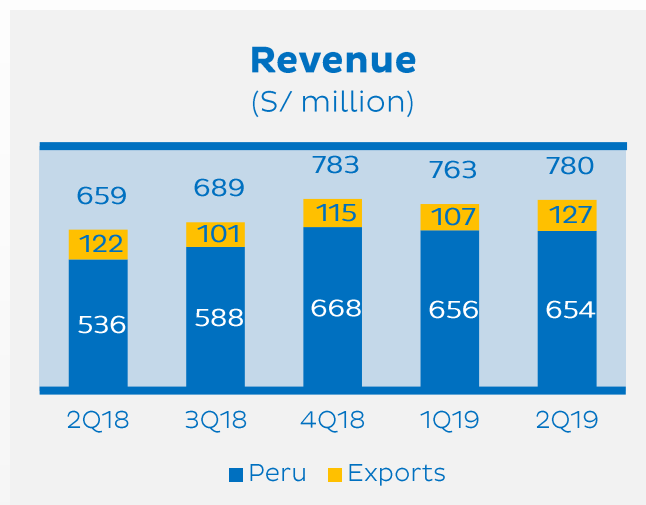
Revenue

During 2Q 2019, Revenue reached S/ 780.4 million (+18.5% YoY).

This increase was mainly explained by the inclusion of the revenues from Comasa in the consolidated financial statements, following its acquisition in September 2018. Domestic revenues increased by S/ 117.3 million (+21.9% YoY) and Exports increased by S/ 4.6 million (3.7% YoY), respectively.

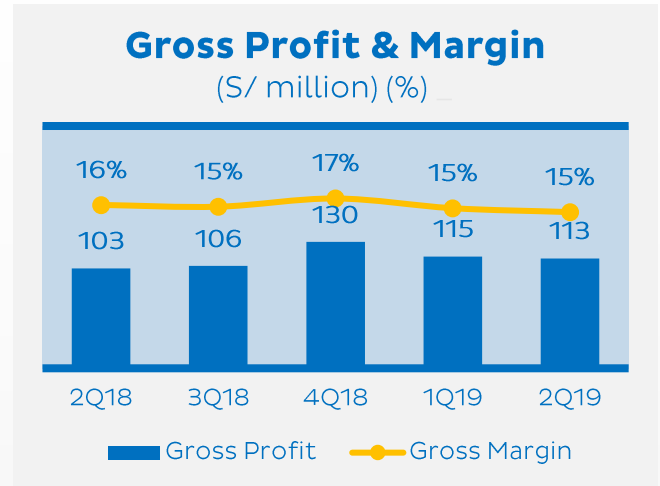
During the quarter, Export Revenue represented 16.3% of Total Revenue, compared to 18.6% in 2Q 2018. Bolivia remains the main destination for the Company's exports during the quarter. The increase in Exports was mainly due to revenues from markets other than Bolivia.

On a per-category basis, the revenue increase was mainly driven by: i) the "Other" category, which increased by S/ 91 million (+101% YoY), mainly explained by revenue from Comasa and ii) the "rebars and wire rod" core category, which increased by S/ 36 million (+7.1% YoY).



Gross Profit

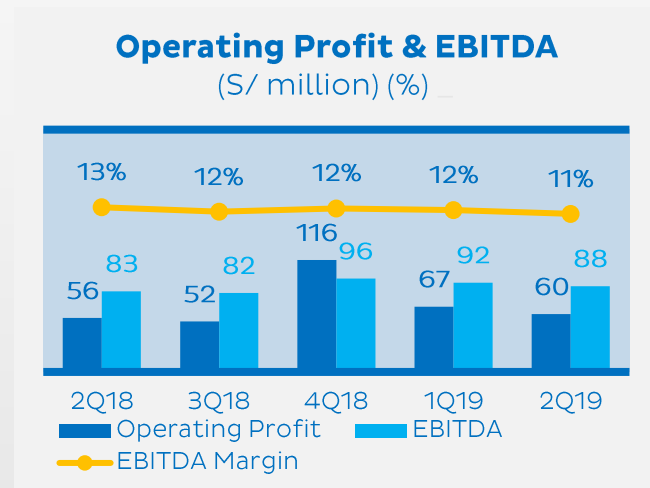
Gross Profit reached S/ 113.4 million (+10.2% YoY) during 2Q 2019, mainly driven by Comasa's Gross Profit, which was included in the consolidated financial statements for September 2018. Nonetheless, Gross Margin was 14.5% (-1.1 p.p. YoY).



Operating Profit & EBITDA

Operating Profit reached S/ 59.7 million (+7.2% YoY) during 2Q 2019 compared to the S/ 55.6 million in 2Q 2018, and Operating Margin reached 7.6%.

During 2Q 2019, earnings before interest, taxes, depreciation and amortization (EBITDA) reached S/ 88.3 million (+6.8% YoY), which resulted in an EBITDA Margin of 11.3%; this was 1.2 p.p. lower compared to 2Q 2018.



Operating Profit rose, mainly due to an increase in revenues and a reduction in other expenses, partly offset by higher COGS and SG&A. In 2Q 2019, EBITDA grew compared to 2Q 2018, due to an increase in Revenues.

Selling Expenses increased mainly due to the inclusion of Comasa's expenses in 2Q 2019, which were not reflected in 2Q 2018 prior to its acquisition in September of that year. SG&A as a percentage of Revenue reached 6.5%, compared to 6.0% during 2Q 2018.

Other Net Operating Expenses reached S/ 2.8 million, a decrease of S/ 5.2 million compared to 2Q 2018, due to a reduction in asset write-offs.

Net Financial Expenses

During 2Q 2019, Net Financial Expenses were S/ 7.2 million, a S/ 1.3 million increase YoY due to higher Financial expenses, which reached S/ 10.2 million.

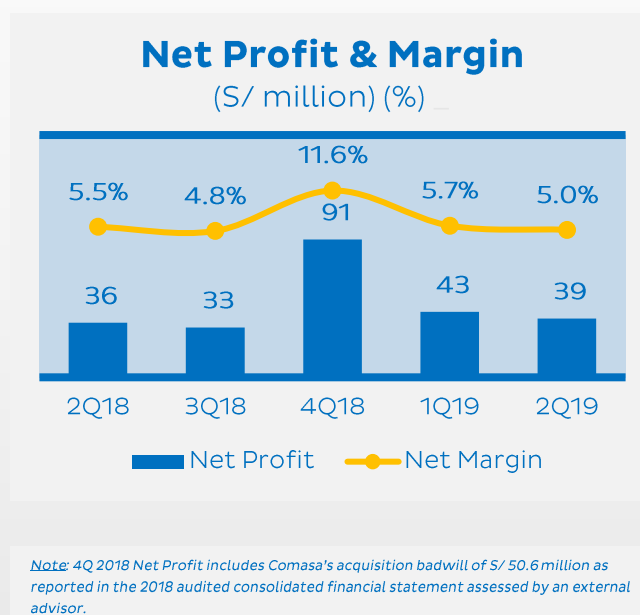
On the other hand, the Exchange Rate Difference was positive by S/ 0.7 million, a S/ 2.4 million increase YoY.

Net Profit

Net Profit reached S/ 38.8 million during 2Q 2019 (+7.6% YoY).

Net Profit increase was mainly due to a higher Gross Operating Profit.

Earnings per Share, considering Net Profit for the last twelve months (LTM), reached S/ 0.19 in 2Q 2019, higher than the S/ 0.17 reported in 2Q 2018 explained by the badwill on 4Q 2018 and the increase in net profit.



III. Balance Sheet

Assets

As of June 30, 2019, Total Assets reached S/ 3,912.9 million, representing an increase of S/ 71.8 million versus December 31, 2018 as Non-Current Assets increased by S/ 108.6 million, which was partially offset by a reduction of Current Assets by S/ 36.8 million

Current Assets were lower as of June 30, 2019, mainly due to a lower balance of:

- i Inventories (-S/ 131.4 million, or -10.8% YTD), mainly due to a lower stock of imported and produced billet, scrap and finished products.
- ii Other Accounts Receivable (-S/ 24.9 million, or -43.3% YTD), mainly due to a higher use of the tax credit balance generated by Value-added Tax of S/ 8.8 million as of June 30, 2019 versus S/ 33.7 million as of December 31, 2018.

These decreases were partly offset by a higher balance of Cash and Equivalents, an increase of S/ 61.9 million, or +25.3% YTD, mainly as a result of the EBITDA generation and a reduction in inventories, as well as higher Accounts Receivable of S/ 51.3 million, mainly due to a higher Revenue.

Days Sales Outstanding slightly increased to 60.7 days as of June 30, 2019, from 58.9 as of December 31, 2018. Days Inventory on Hand dropped to 152.4 days as of June 30, 2019 compared to 186.8 days as of December 31, 2018.

The 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/ 109.6 million (+7.1% YTD).

Liabilities

At the close of June 2019, Total Liabilities reached S/ 1,849.2 million, an increase of S/ 15.9 million, due to higher Non-Current Liabilities by S/ 144.2 million, which were partly offset by lower Current Liabilities at S/ 128.3 million.

Current Liabilities were lower mainly due to a lower balance of:

- i Financial Debt (-S/108.5 million, or -14.7%YTD)
- ii Other accounts payables (-S/ 8.4 million, or -8.4% YTD) mainly related to salary
- iii Accounts Payable to related parties (-S/ 7.4 million, or -42.4% YTD): dividends, and management and board compensation

Days of Payables Outstanding decreased to 63.0 days as of June 2019 from 70.1 days as of December 2018.

As of June 2019, Total Financial Debt was S/ 1,132.3 million (including supplier leases), S/ 46.8 million higher than as of December 2018.

Current Financial Debt as of June 30, 2019 was S/ 628.5 million, which is S/ 108.5 million lower than the figure for the December 2018 period and of which S/ 532.3 million was explained by Working Capital Financing.

Non-Current Financial Debt was S/ 503.8 million, S/ 155.4 million higher the figure as of December 2018, explained by the new melt shop financial lease.

As of June 2019, 42% of Total Debt was denominated in Soles, while the remainder was denominated in U.S. Dollars.

Shareholders' Equity

At the close of June 2019, Shareholders' Equity was S/ 2,063.7 million, S/ 56.0 million higher compared to S/ 2,007.7 million as of December 2018. This variation was mainly explained by the 2Q 2019 Net Profit after deducting the dividend payment of S/ 26.8 million. It is important to point out that as of June 30, 2019, LTM dividends reached S/ 60.1 million.

IV. Cash Flow Statement

Cash Flow from Operations

As of June 30, 2019, Cash Flow from Operations was S/ 161.4 million, explained by EBITDA generation and lower inventories and other accounts receivables that were partially offset by lower accounts payable to related parties and other accounts payable.

Cash Flow from Investing

As of June 30, 2019, Cash Flow from Investing was -S/ 22.0 million, mainly due to investments in fixed assets of S/ 27.6 million and intangibles of S/ 7.4 million, that were offset by asset sales and interest received for S/ 12.9 million.

These figures don't include S/ 142.3 million related to the new melt shop plant, which is financed through a capital lease agreement.

Cash Flow from Financing

As of June 30, 2019, Cash Flow from Financing was -S/ 77.5 million, mainly as a result of dividend payments of S/ 26.8 million and interest payments of S/ 22.2 million.

These figures don't include the capital leasing agreement of S/ 142.3 million for the new melt shop plant.

V. Relevant Events in 2Q 2019

- 1 During the quarter the Company invested USD 22 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. Works are on schedule and due mid-2020.
- 2 Regarding the acquisition of Comercial de Acero S.A., which took place in September 2018, Aceros Arequipa is implementing several initiatives in order to achieve efficiencies, capture synergies and boost value. As of June 2019, Aceros Arequipa completed a system-wise integration of Comasa's logistics and operations.
- 3 In May 2019, the Company was granted the "Socially Responsible Company" (ESR) distinctive for a second consecutive year, recognizing management's commitment to social, environmental and economic sustainability during 2018.
- 4 In June 2019, the Company achieved the silver award in the "International Quality Competition- Excellence leaders 2019" organized by the Pontificia Universidad Catolica del Peru (PUCP) in collaboration with The American Society of Quality (ASQ).

Conference Call Information

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

Date: Wednesday, July 24, 2019

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://services.choruscall.com/links/corarec1190724gDXeiWVr.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:	99.99%
• 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 thousands Peruvian Soles)		
	Notes	June 30, 2019	December 31, 2018
Assets			
Current Assets			
Cash and Cash Equivalents	5	306,625	244,765
Accounts Receivable	6	483,719	432,417
Accounts Receivable from related parties	7	24,910	24,041
Other Accounts Receivable	8 & 10	36,725	56,101
Inventories	9	1,080,152	1,211,560
Other non-financial assets		0	0
Assets classified as held for sale	1	63,161	63,161
Total Current Assets		1,995,292	2,032,045
Non-Current Assets			
Other financial assets	13	31,781	27,651
Investments in subsidiaries, affiliates or joint ventures	11	110,362	107,822
Accounts Receivable from related parties	7	4,536	4,535
Other Accounts Receivable	8	9,129	9,129
Property, Plant and Equipment, Net	12	1,639,851	1,531,291
Intangible Assets, Net	14	85,763	91,188
Deferred Income tax Assets	19	0	0
Other non-financial assets	15	36,232	37,465
Total Non-Current Assets		1,917,654	1,809,081
TOTAL ASSETS		3,912,946	3,841,126
Liabilities and Shareholders' Equity			
Current Liabilities			
Other Financial Liabilities	16	628,520	737,062
Accounts Payable	17	435,960	437,177
Accounts Payable to related parties	7	10,093	17,523
Other Accounts Payable	18	91,231	99,650
Current Income Tax	19	7,974	10,692
Total Current Liabilities		1,173,778	1,302,104
Non-Current Liabilities			
Other Financial Liabilities	16	503,789	348,403
Accounts Payable	17	0	656
Other Accounts Payable		6,661	7,761
Deferred Income Tax Liabilities	19	165,017	174,470
Total Non-Current Liabilities		675,467	531,290
Total Liabilities		1,849,245	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	178,172	165,074
Retained Earnings	20	592,809	548,910
Other Shareholders' Equity Reserves	20	219,454	220,482
Total Shareholders' Equity		2,063,701	2,007,732
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,912,946	3,841,126

Corporación Aceros Arequipa S.A.

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

	Notes	2Q 2019	2Q 2018	6M 2019	6M 2018
Revenue	21	780,404	658,558	1,543,315	1,317,498
Cost of Goods Sold	22	-666,970	-555,656	-1,314,606	-1,098,087
Gross Profit (Loss)		113,434	102,902	228,709	219,411
Selling and Distribution Expenses	23	-28,860	-20,113	-54,681	-39,404
Administrative Expenses	24	-22,110	-19,153	-41,732	-39,256
Other Operating Income	26	1,287	1,863	7,712	5,342
Other Operating Expenses	26	-4,090	-9,862	-13,058	-19,158
Operating Profit (Loss)		59,661	55,637	126,950	126,935
Financial Income	27	3,010	1,886	5,902	3,852
Financial Expenses	27	-10,246	-7,826	-22,846	-15,067
Other income (Expenses) from subsidiaries, affiliated and joint ventures	11	1,439	3,356	2,506	7,030
Exchange Rate Differences, Net	31	674	-1,690	4,613	-456
Profit (Loss) before taxes		54,538	51,363	117,125	122,294
Income Tax Expense	19	-15,761	-15,332	-35,121	-34,265
Profit (Loss) from Discontinued Operations		0	1	2	3
Net Profit (Loss)		38,777	36,032	82,006	88,032
Earnings Per Share					
Basic in Continued Operations of Common Stock		0.036	0.033	0.076	0.081
Basic in Discontinued Operations of Common Stock		0.000	0.000	0.000	0.000
Total Earnings Per Share of Common Stock		0.036	0.033	0.076	0.081
Basic in Continued Operations of Investment Stock (Non-voting)		0.036	0.033	0.076	0.081
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)		0.036	0.033	0.076	0.081

Corporación Aceros Arequipa S.A.

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

	Notes	Jan 01 - Jun 30 2019	Jan 01 - Jun 30 2018
Cash Flow from Operating Activities			
Collections due to Operating Activities			
Sales of Goods and Services Offered		1,514,915	1,280,357
Other Operating Collections		62,853	1,720
Payments due to Operating Activities			
Suppliers of Goods and Services		-1,283,567	-1,238,956
Payments and payments on account to employees		-73,232	-101,728
Income Tax		-54,053	-45,291
Net Cash Generated by Operating Activities		166,916	-103,898
Cash Flow from Investing Activities			
Collections due to Investing Activities			
Sale of Property, Plant and Equipment	26	6,939	3,514
Interests Received	27	5,902	3,901
Dividends Received		0	1,514
Payments due to Investing Activities			
Purchase of Subsidiaries, Net of Cash Acquired		0	0
Purchase of Property, Plant and Equipment	12	-36,084	-58,385
Purchase of Intangible Assets	14	-4,418	-709
Purchase of Other Long Term Assets		0	0
Net Cash Generated by Investing Activities		-27,661	-50,165
Cash Flow from Financing Activities			
Collections due to Financing Activities			
Short term and long-term loans	16	1,170,946	598,575
Payments due to Financing Activities			
Short term and long-term loans amortization	16	-1,199,489	-374,544
Interests paid	27	-22,047	-14,941
Dividends paid		-26,805	-22,214
Net Cash Generated by Financing Activities		-77,395	186,876
Net Increase (Reduction) of Cash and Equivalents before Exchange Rate Changes		61,860	32,813
Effects of Exchange Rate Changes on the balance of Cash Held in Foreign Currencies		0	0
Net Increase (Reduction) of Cash and Equivalents		61,860	32,813
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	306,625	369,150