

2Q 2023 EARNINGS REPORT

Lima, Peru, July 18, 2023. 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 2023") period ended June 30, 2023. 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 together 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/ 1,190.1 million, -13.1% YoY mainly due to lower volume and prices in the local and recurring export markets, partially offset by exports of products, billets and by-products to non-recurring markets.
- 2 **Gross Profit** totaled S/ 106.8 million and **Gross Margin** was 9.0%, down from 18.6% during 2Q 2022, mainly due to lower volumes and prices in the local and recurring export markets and sales to non-recurrent markets.
- 3 **EBITDA** reached S/90.7 million, while **EBITDA Margin** reached 7.6%.
- 4 **Net Profit** reached S/ 18.3 million, S/ 72.1 million lower YoY affected by a lower operating profit partially offset by positive income from exchange rate differences, lower net interest expenses and income tax.
- 5 **Operating Working Capital** requirements lowered S/ 195.1 million to S/ 1,917.1 million, mainly due to lower inventories.
- 6 **CAPEX** for the quarter was S/ 109.6 million, mainly explained by the new rolling mill, lime furnace enhancement, tube plant in Bolivia, and non-ferrous recovery process, among others.
- 7 As of June 30, 2023, the **Net Debt / EBITDA** ratio increased to **4.8x**, higher than as of December 2022 (3.62x) due to a lower LTM EBITDA.
- 8 In July the Board approved a dividend payment of S/ 10.6 million, which will be paid on August 09, 2023.



Revenue
reached S/ 1,190.1
million

EBITDA of
S/ 90.7 million,
with a margin of
7.6%

Net Profit was
S/ 18.3 million, and
Net Margin was
1.5%

Net Debt / EBITDA
ratio reached 4.8x
as of June 2023

CONTACT
INVESTOR RELATIONS

Ricardo Guzman
CFO, IRO

E-mail

accionistas@acerosarequipa.com

Financial Summary

(S/ million)	2Q 2022	2Q 2023	YoY	YTD 2022	YTD 2023	YoY
Financial Figures						
Revenue	1,369.9	1,190.1	-13.1%	2,685.8	2,410.3	-10.3%
Gross Profit	255.5	106.8	-58.2%	453.4	239.3	-47.2%
Operating Profit	181.2	48.9	-73.0%	314.6	119.1	-62.1%
EBITDA	225.2	90.7	-59.7%	404.9	218.8	-46.0%
Net Profit	90.4	18.3	-79.8%	186.6	52.8	-71.7%
CAPEX	94.8	109.6	15.6%	223.8	210.4	-6.0%
Financial Margins						
Gross Margin	18.6%	9.0%	-9.7 p.p,	16.9%	9.9%	-7.0 p.p,
Operating Margin	13.2%	4.1%	-9.1 p.p,	11.7%	4.9%	-6.8 p.p,
EBITDA Margin	16.4%	7.6%	-8.8 p.p,	15.1%	9.1%	-6.0 p.p,
Net Margin	6.6%	1.5%	-5.1 p.p,	6.9%	2.2%	-4.8 p.p,
Earnings per share ¹	0.50	0.10	-79.6%			
Other Figures, as of						
	Dec, 2022	Jun, 2023	YTD			
Net Debt ²	2,407.6	2,303.5	-4.3%			
Net Debt ² / LTM ³ EBITDA	3.6x	4.8x	1.19x			

- Earnings per share (EPS) is defined as Net Profit LTM / Total Stock at the end of the quarter. Expressed in S/ per share
- Net Debt = Total Financial Debt (includes supplier leases) – Cash
- LTM: last twelve months

III. Income Statement

Revenue

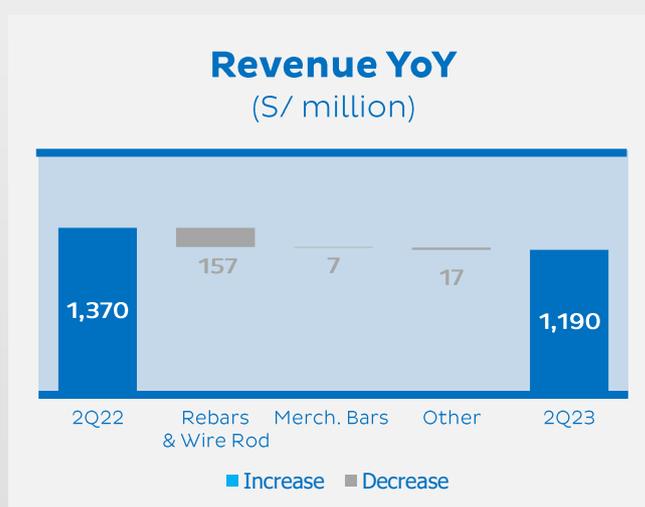
During 2Q 2023, Revenue was S/ 1,190.1 million (-13.1% YoY).

Revenue decreased mainly due to lower volume and prices in the local and recurring export markets, partially compensated with exports of products, billets and by-products to non-recurring markets.

Revenue in Peru decreased by S/ 289 million (-24.4%) YoY as volume and prices were lower. This was partially offset by an increase in sales to Other Markets by S/ 108.8 million (+58.0%) YoY.

During the quarter, Revenue from Other Markets represented 24.9% of total Revenue; higher than 13.7% in 2Q 2022. The increase in Other Markets was mainly due to sales to non-recurring markets. Bolivia remained the main source of Revenue among “other markets” for the Company during the quarter.

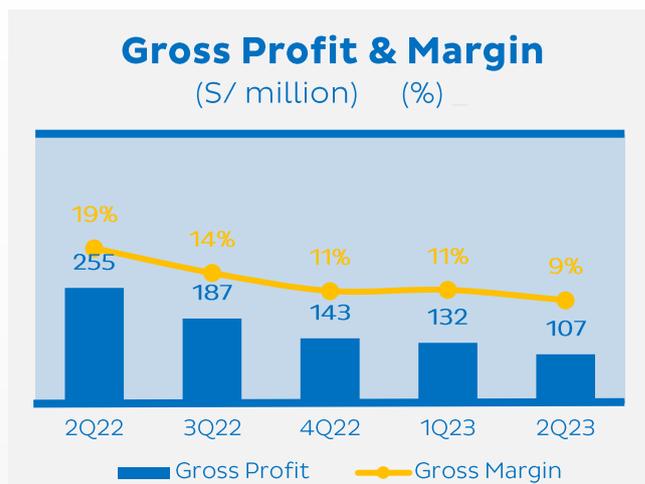
On a per-category basis, the “Rebars & Wire Rod” category decreased S/ 156.6 million (-16.5% YoY) due to lower volume and prices in the local and recurring export markets, partially offset by higher sales to non-recurring markets, which had lower prices compared to those in core markets; the “Other” products category decreased S/16.6 million (-5.2% YoY) due to lower volume and prices in some categories despite sales of by-products and billets to non-recurrent export markets; and the “Merchant bars” products category lowered S/ 6.6 million (-6.5% YoY) due to lower prices.



Gross Profit

Gross Profit was lower YoY and reached S/ 106.8 million with a margin of 9.0%.

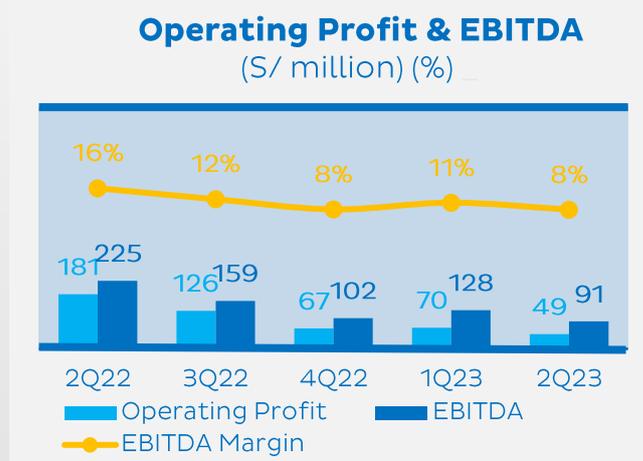
Gross profit was lower mainly as a result of lower volume sales and prices in the local and recurring export markets, and sales to non-recurring markets which increased the composition of sales to non-recurring markets, which had lower prices than those in core markets.



Operating Profit & EBITDA

Operating Profit reached S/ 48.9 million during 2Q 2023, a S/ 132.3 million decrease compared to the figures of 2Q 2022 (S/181.2 million). Operating Margin reached 4.1%, 9.1 p.p. lower compared to 2Q 2022.

Operating Profit decrease was partially offset by lower SG&A. The reduction in SG&A was driven by lower personnel expenses (variable).



During 2Q 2023, EBITDA reached S/ 90.7 million, a decrease of S/ 134.5 million YoY, and represented an EBITDA Margin of 7.6%; 8.8 p.p. lower compared to 2Q 2022.

Net Financial Expenses

During 2Q 2023, Net Financial Expenses reached S/ 35.5 million, S/ 4.4 million lower compared to 2Q 2022, driven by higher Financial Income of S/ 6.2 million, explained by higher interest rates on savings accounts. Financial Expenses increased S/1.8 million due to higher interest rates, and higher long-term debt partially offset by lower working capital financing.

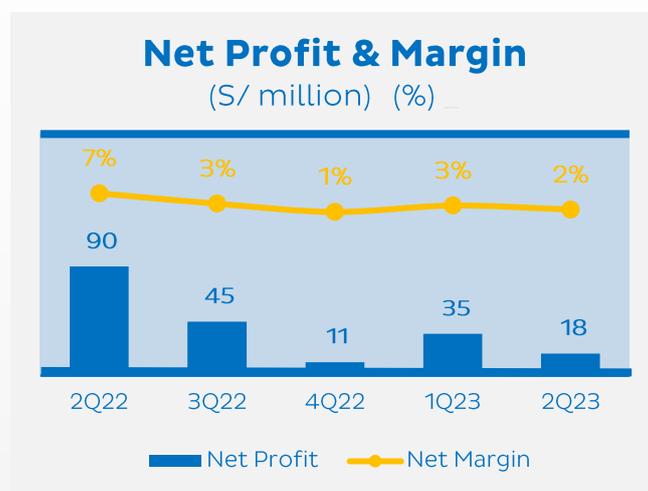
During the quarter, the Net Exchange Rate Difference had a positive effect and totaled S/ 8.8 million, higher compared to a negative S/ 20.3 million in 2Q 2022.

Net Profit

Net Profit was S/ 18.3 million during 2Q 2023, S/ 72.1 million lower YoY. Net Margin was 1.5%.

During 2Q 2023, Net Profit was lower YoY as a result of a lower Operating Profit. Operating Profit was partially offset by lower net financial expenses, positive net exchange difference, and lower income taxes.

Earnings per Share, based on the Net Profit for the last twelve months (LTM), reached S/ 0.10 in 2Q 2023, lower compared to the S/ 0.50 reported at the end of 2Q 2022.



IV. Balance Sheet

Assets

As of June 30, 2023, Total Assets reached S/ 6,537.9 million, representing a reduction of S/ 261.3 million versus December 31, 2022.

Asset decrease was driven by a reduction of current assets, which lowered S/ 382.1 million. Non-current assets were S/ 120.8 million higher.

Current Assets were lower as of June 30, 2023, mainly due to:

- i Inventories (-S/ 288.8 million, or -13.6% YTD)
- ii Cash (- S/ 90.4 million, or -14.3% YTD)
- iii Accounts receivable (- S/ 43.3 million, or -8.4% YTD)

Days of Sales Outstanding reached 34.9 days as of June 30, 2023, lower than 36.8 days as of December 31, 2022.

Days in Inventory decreased to 147.1 days as of June 30, 2023, compared to 167.9 days as of December 31, 2022.

Non-Current Assets' increase was mainly a result of CAPEX.

Liabilities

As of June 30, 2023, Total Liabilities reached S/ 3,781.0 million, a S/ 288.7 million or 7.1% reduction YTD, driven by lower Current Liabilities by S/ 330.2 million, partially offset by an increase in Non-Current Liabilities by S/ 41.5 million.

Current Liabilities lowered YTD mainly due to a lower working capital financing.

As of June 2023, Total Financial Debt (including supplier leases) reached S/ 2,845.5 million, lower than that as of December 2022.

Current Financial Debt as of June 30, 2023, was S/ 1,653.8 million, of which S/ 1,458.0 million represented working capital financing. Total current financial debt was S/ 233.5 million lower than the figures reported as of December 2022.

Non-Current Financial Debt was S/ 1,191.7 million, S/ 39.0 million higher than the figures reported as of December 2022.

As of June 2023, 48% of Total Debt was denominated in Peruvian Soles, while 44% was denominated in U.S. Dollars, 6% in Bolivianos, and the remaining 3% in Colombian and Chilean Pesos.

Net Debt to EBITDA ratio was 4.8x as of June 2023, an increase of 1.2x compared to December 2022 mainly due to a lower LTM EBITDA.

Shareholders' Equity

At the close of June 2023, Shareholders' Equity reached S/ 2,756.9 million, an increase of S/ 27.3 million compared to the figures as of December 2022, mainly explained by the accrued 2Q 2023 results after deducting cash dividends.

V. Cash Flow Statement

Cash Flow from Operations

As of June 30, 2023, Cash Flow from Operations was positive S/ 399.7 million, mainly explained by a reduction of inventories and EBITDA generation.

Cash Flow from Investing

As of June 30, 2023, Cash Flow from Investing was negative S/ 190.8 million which included S/210.4 million investments partially offset by S/ 18.7 million in interests received, and others by S/1.0 million. The investments were mainly explained by the following capex: new rolling mill, lime furnace enhancement, tube plant in Bolivia, and non-ferrous recovery process, among others.

Cash Flow from Financing

As of June 30, 2023, Cash Flow from Financing was negative S/ 299.4 million, which included net financing of -S/ 187.8 million, interest payments of S/ 86.9 million, and cash dividend payment of S/24.7 million.

VI. Relevant Events

1. In July, the Board approved a cash dividend payment of approximately S/ 10.6 million which will be paid in US\$, following the Company's dividend policy to be paid on August 2023.
2. In May the Lima Stock Exchange (BVL) reassessed the S&P/BVL Peru General ESG index and confirmed that Aceros Arequipa through its ticker CORAREI1 will remain as a component of this index. The S&P/BVL General ESG Index comprises 14 companies that represent a benchmark for transparency and sustainable corporate practices in Peru.
3. In July, and for a sixth consecutive year, Aceros Arequipa was recognized as a Company with sustainable management, a distinctive granted by "Peru Sostenible". Additionally, the Company received a special recognition in the value chain category.

Conference Call Information

Corporacion Aceros Arequipa S.A. cordially invites you to participate in its Second Quarter 2023 Earnings Conference Call.

Date: Thursday, July 20, 2023

Time: 1:00 pm ET / 12:00 pm Lima Time

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

<https://tinyurl.com/ttm58uus>

Or can the following QR:



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 and flat steel products. The Company has an industrial facility located in Pisco, Peru with an average per-year capacity of 1,250 thousand tons for its new melt shop, 850 thousand tons for its old melt shop (which will stay on stand-by), and 1,250 thousand tons in its steel rolling mills. Aceros Arequipa employs over 1,100 people across its operations in Peru and its 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:

• Corporación Aceros Arequipa S.R.L. (Bolivia):	99.00%
• Aceros America (Colombia):	100.00%
• Aceros America Corporation:	100.00%
• Aceros America (Chile):	100.00%
• Corporación Aceros Arequipa AA (Ecuador):	100.00%
• Aceros Arequipa Iquitos:	99.90%
• Acero Instalado:	99.90%
• Transportes Barcino:	99.99%
• Tecnología y Soluciones Constructivas:	99.99%
• Comfer S.A. (in liquidation process):	100.00%
• Comercial del Acero (in liquidation process):	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	June 30, 2023	December 31, 2022
Assets			
Current Assets			
Cash and Cash Equivalents	5	541,993	632,422
Accounts Receivable	6	472,213	515,516
Accounts Receivable from related parties	7	19,132	31,308
Other Accounts Receivable	8	103,954	68,748
Inventories	9	1,838,622	2,127,431
Deferred Income tax Assets	20	105,115	93,991
Other Assets	10	19,251	12,994
Assets classified as held for sale		-	-
Total Current Assets		3,100,280	3,482,410
Non-Current Assets			
Other financial assets	13	54,938	55,512
Investments in subsidiaries, affiliates or joint ventures	11	97,977	95,617
Accounts Receivable from related parties	7	-	-
Other Accounts Receivable	8	11,727	11,650
Investment Property	14	72,826	73,113
Property, Plant and Equipment, Net	12	3,075,196	2,955,109
Intangible Assets, Net	15	71,291	76,967
Deferred Assets	20	18,911	13,892
Other non-financial assets	16	34,732	34,922
Total Non-Current Assets		3,437,598	3,316,782
TOTAL ASSETS		6,537,878	6,799,192
Liabilities and Shareholders' Equity			
Current Liabilities			
Other Financial Liabilities	17	1,653,829	1,887,346
Accounts Payable	18	511,920	537,702
Accounts Payable to related parties	7	8,581	30,956
Other Accounts Payable	19	120,728	169,218
Current Income Tax		-	-
Total Current Liabilities		2,295,058	2,625,222
Non-Current Liabilities			
Other Financial Liabilities	17	1,191,708	1,152,688
Other Accounts Payable	19	56,928	59,319
Deferred Income Tax Liabilities	20	237,290	232,405
Total Non-Current Liabilities		1,485,926	1,444,412
Total Liabilities		3,780,984	4,069,634
Shareholders' Equity			
Share Capital	21	890,858	890,858
Investment Shares	21	182,408	182,408
Treasury Shares		-	-
Other Capital Reserves	21	178,635	178,449
Retained Earnings	21	1,291,257	1,262,841
Other Shareholders' Equity Reserves	21	213,736	215,002
Non-controlling interest		-	-
Total Shareholders' Equity		2,756,894	2,729,558
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,537,878	6,799,192

Corporación Aceros Arequipa S.A.

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

	Notes	2Q 2023	2Q 2022	YTD 2023	YTD 2022
Revenue	22	1,190,124	1,369,942	2,410,276	2,685,777
Cost of Goods Sold	23	-1,083,322	-1,114,460	-2,171,012	-2,232,393
Gross Profit (Loss)		106,802	255,482	239,264	453,384
Selling and Distribution Expenses	24	-36,691	-36,864	-71,582	-74,061
Administrative Expenses	25	-22,891	-33,714	-47,099	-67,599
Other Operating Income	27	3,778	5,826	11,417	32,144
Other Operating Expenses	27	-2,105	-9,555	-12,851	-29,220
Other Income (Expenses)		-	-	-	-
Operating Profit (Loss)		48,893	181,175	119,149	314,648
Financial Income	28	10,219	4,014	18,710	6,341
Financial Expenses	28	-45,699	-43,852	-86,923	-55,574
Other income (Expenses) from subsidiaries, affiliates, and joint ventures	11	1,517	3,579	3,250	-6,025
Exchange Rate Differences, Net	32	8,758	-20,268	20,462	10,335
Profit (Loss) before taxes		23,688	124,648	74,648	269,725
Income Tax Expense	20	-5,398	-34,285	-21,805	-83,139
Profit (Loss) from Discontinued Operations		-	-	-	-
Net Profit (Loss)		18,290	90,363	52,843	186,586
Earnings Per Share					
Basic in Continued Operations of Common Stock		0.017	0.084	0.049	0.173
Basic in Discontinued Operations of Common Stock		-	-	-	-
Total Earnings Per Share of Common Stock		0.017	0.084	0.049	0.173
Basic in Continued Operations of Investment Stock (Non-voting)		0.017	0.084	0.049	0.173
Basic in Discontinued Operations of Investment Stock (Non-voting)		-	-	-	-
Total Earnings Per Share of Investment Stock (Non-Voting)		0.017	0.084	0.049	0.173

Corporación Aceros Arequipa S.A.

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

	Notes	YTD 2023	YTD 2022
Cash Flow from Operating Activities			
Collections due to Operating Activities			
Sales of Goods and Services Offered		2,459,929	2,669,658
Other Operating Collections		766	37,787
Payments due to Operating Activities			
Suppliers of Goods and Services		-1,892,591	-2,628,597
Payments and payments on account to employees		-133,696	-182,398
Income Tax		-34,664	-106,393
Net Cash Generated by Operating Activities		399,744	-209,943
Cash Flow from Investing Activities			
Collections due to Investing Activities			
Sale of Property, Plant and Equipment	27	124	0
Interests Received	28	18,686	6,341
Dividends Received		855	22,262
Payments due to Investing Activities			
Acquire control of subsidiaries and other firms	1	-	-58
Purchase of Subsidiaries, Net of Cash Acquired	1	-	-
Purchase of Property, Plant and Equipment	12	-209,896	-192,042
Purchase of Intangible Assets	15	-533	-206
Purchase of Other Long-Term Assets		-	-
Net Cash Generated by Investing Activities		-190,764	-163,703
Cash Flow from Financing Activities			
Collections due to Financing Activities			
Short-term and long-term loans		1,625,022	1,738,947
Payments due to Financing Activities			
Short-term and long-term loans amortization		-1,812,860	-1,200,515
Interests paid	28	-86,908	-55,576
Dividends paid	21	-24,663	-90,991
Other collections (payments) of cash related to financial activities		-	-
Net Cash Generated by Financing Activities		-299,409	391,865
Net Increase (Reduction) of Cash and Equivalents before Exchange Rate Changes		-90,429	18,219
Effects of Exchange Rate Changes on the balance of Cash Held in Foreign Currencies		-	-
Net Increase (Reduction) of Cash and Equivalents		-90,429	18,219
Cash and Cash Equivalents at the beginning of the year		632,422	644,541
Cash and Cash Equivalents at the end of the period		541,993	662,760