

1Q 2020 EARNINGS REPORT

Lima, Peru, May 01, 2020. Corporación Aceros Arequipa S.A. ("the Company" or "Aceros Arequipa") (BVL: CORAREC1 and CORAREI1) announced its unaudited consolidated financial results corresponding to the First Quarter ("1Q 2020") period ended March 31, 2020. 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 Due to the COVID-19 pandemic outbreak the Peruvian government decreed a State of Emergency followed by the closure of international borders and mandatory quarantine. The full impact on our industry and business is still uncertain
- 2 **Revenue** reached S/ 637.2 million (-16.5% YoY), mainly due to the government lockdown since mid-March related to the COVID-19 pandemic
- 3 **Gross Profit** totaled S/ 115.2 million (-0.1% YoY) and **Gross Margin** was 18.1% (+3.0 p.p. YoY)
- 4 **EBITDA** decreased to S/ 91.5 million (-0.7% YoY); while **EBITDA Margin** reached 14.4% (+2.3 p.p. YoY)
- 5 **CAPEX** was S/ 132.8 million, 87 million allocated towards the new melt shop project. As a result of the COVID-19 pandemic, further investments will be prioritized and postponed for the time being
- 6 **Net Profit** decreased to S/ 39.3 million (-9.1% YoY).
- 7 **Operating Working Capital requirements** reached S/ 968.4 million, mainly due to a higher level of inventories.
- 8 As of March 31, 2020, **Net Debt / EBITDA** ratio was 2.48x; higher vs December 2019, primarily due to new disbursements for the melt shop project.



Revenue
was S/637 million
(-16.5% YoY)

EBITDA reached
S/ 91 million, with a
14.4% margin

Net Profit was S/
39 million, and Net
Margin was 6.2%

Net Debt / EBITDA
ratio reached 2.5x
as of March 2020

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Financial Summary

(\$/ million)	1Q 2019	1Q 2020	YoY	YTD 2019	YTD 2020	YoY
Financial Figures						
Revenue	762.9	637.2	-16.5%	762.9	637.2	-16.5%
Gross Profit	115.3	115.2	-0.1%	115.3	115.2	-0.1%
Operating Profit	67.3	56.9	-15.5%	67.3	56.9	-15.5%
EBITDA	92.1	91.5	-0.7%	92.1	91.5	-0.7%
Net Profit	43.2	39.3	-9.1%	43.2	39.3	-9.1%
CAPEX ¹	89.1	132.8	49.0%	89.1	132.8	49.0%
Financial Margins						
Gross Margin	15.1%	18.1%	3.0 p.p.	15.1%	18.1%	3.0 p.p.
Operating Margin	8.8%	8.9%	0.1 p.p.	8.8%	8.9%	0.1 p.p.
EBITDA Margin	12.1%	14.4%	2.3 p.p.	12.1%	14.4%	2.3 p.p.
Net Margin	5.7%	6.2%	0.5 p.p.	5.7%	6.2%	0.5 p.p.
Earnings per share ²	0.19	0.18	-3.9%			
Other Figures, as of						
	Dec, 2019	Mar, 2020	YTD			
Net Debt ³	773.9	973.1	25.7%			
Net Debt ³ / LTM ⁴ EBITDA	1.97x	2.48x	0.51x			

1. 1Q 2020 includes CAPEX of \$/ 87 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 \$/ per share
3. Total Financial Debt (includes leases with suppliers)
4. LTM: last twelve months

II. COVID-19 Impact & Response

On March 15, the Peruvian government decreed a State of Emergency and implemented a series of initiatives to contain the COVID-19 pandemic outbreak, including the closure of international borders and mandatory quarantine. The economic and financial impact is still uncertain, nonetheless, we are prepared for a period of lower domestic demand, increased competition, and lower collection levels. Our focus is to keep our employees safe and healthy, support vulnerable families, and safeguard cash.

Aceros Arequipa is implementing some initiatives to address the current situation, which include:

Health and Safety

- Melt shop, rolling mills and tube plants shut down, in compliance with government regulations
- Home-office for administrative personnel
- Purchase of 2,400 rapid tests, digital thermometers and personal protective equipment for employees
- Implementation of Safety Protocols

Social Responsibility

- Support vulnerable families in the plant's influence area through the purchase of food boxes and cleaning appliances
- Donation of personal 3,200 protective equipment (PPE) to local low-income local public hospital.
- Donation of respirators to the Peruvian authorities
- Purchase fumigation tractor to spray disinfectant in the streets of low-income communities near the plant

Jobs protection

- Compensate quarantine hours with vacation time
- Consensual salary reduction
- Temporary labor suspension under evaluation

Business continuity

- Inventory management to reduce volume by December 2020
- Prioritize (New Melt shop and Rolling Mill upgrade) and postponement (all other Investments. New melt shop completion now expected on February 2021)
- Overall budget reductions
- State of the art web order system

III. Income Statement

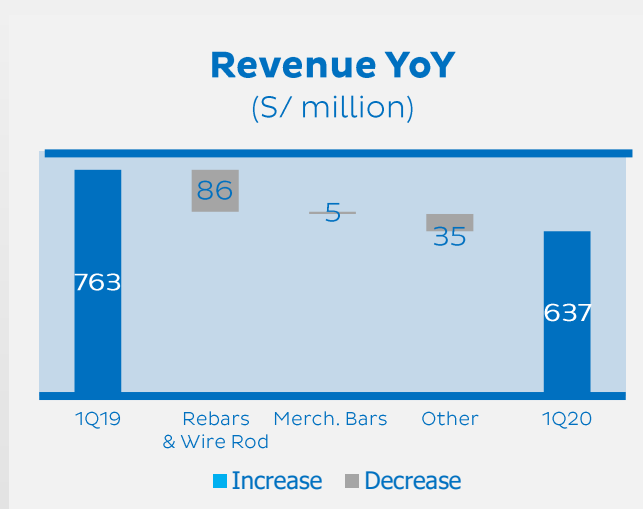
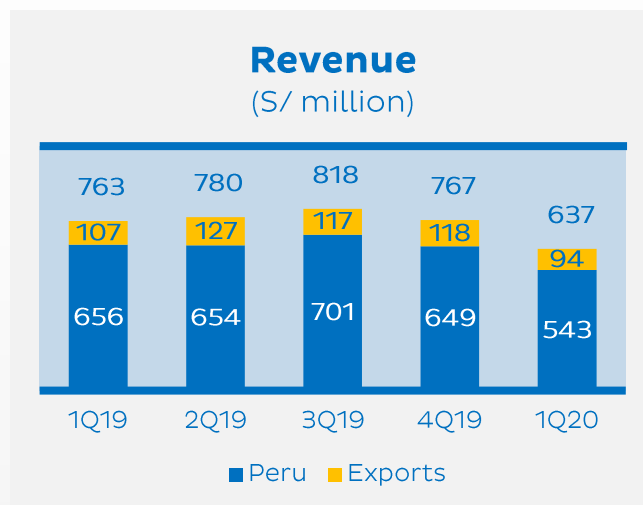
Revenue

During 1Q 2020, Revenue reached S/ 637.2 million (-16.5% YoY).

Revenue declined due to lower sales volume mainly as a result of the national lockdown imposed by the government due to COVID-19 pandemic. Domestic revenues decreased by S/ 113.3 million (-17.3%) YoY, while Exports decreased by S/ 12.4 million (-11.6%) YoY.

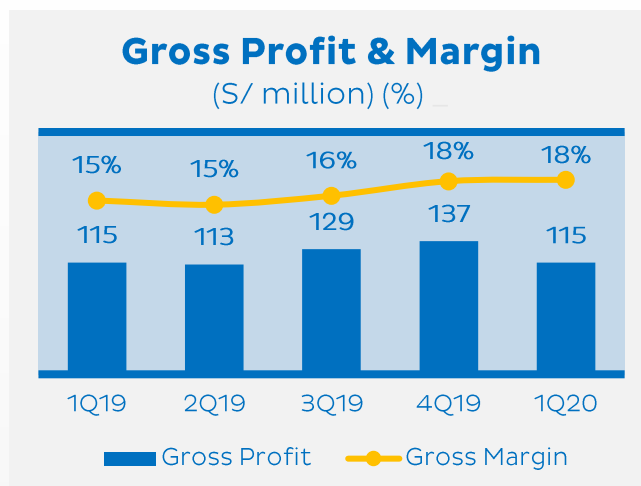
During the quarter, Export Revenue represented 14.8% of Total Revenue, a 0.8 p.p. increase when compared to 14.0% in 1Q 2019. The decrease in Exports was mainly due to lockdown measures in March in the Bolivian market, which remained the principal export market for the Company during the quarter.

On a per-category basis, the “Rebars & Wire Rod” products category declined the most YoY, with a S/ 86.0 million (-17.3%) decrease. This was followed by the “Other” category, with a decrease of S/ 35.0 million (-18.7%). The “Merchant bars” category, however, only registered a slight contraction of S/ 4.7 million (-6.0%).



Gross Profit

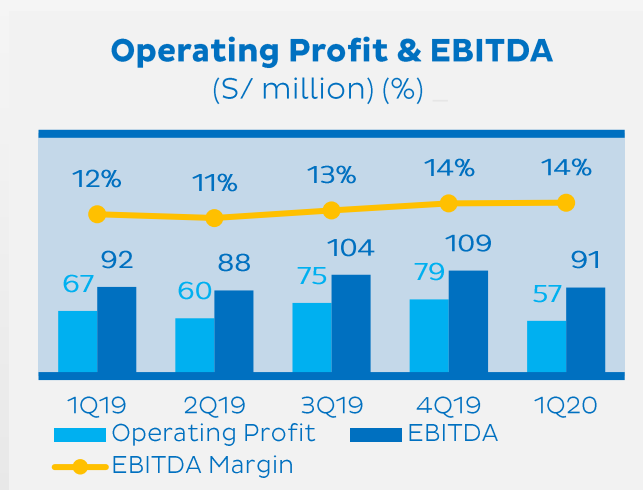
Gross Profit remained at the same levels of 1Q 2019, reaching S/ 115.2 million during 1Q 2020, as lower revenues were offset by higher margins due to lower prices of raw materials and transformation costs. Moreover, Gross Margin was 18.1% (+3.0 p.p. YoY).



Operating Profit & EBITDA

Operating Profit reached S/ 56.9 million during 1Q 2020, a S/ 10.4 million (-15.5%) reduction compared to S/ 67.3 million in 1Q 2019. Operating Margin was 8.9%, 0.1 p.p higher versus 1Q 2019.

The S/ 10.4 million reduction was mainly due to higher Other Net Operating Expenses of S/ 6.6 million, which increased as a result of higher asset write-offs and lower asset sales; this was partially offset by lower employee severance payments.



SG&A increased slightly mainly due to higher Selling Expenses of S/ 2.9 million, which was mainly due to higher receivables provisions and higher expenses for third-party services. SG&A as a percentage of Revenue reached 7.7%, a higher figure compared to that of 1Q 2019.

Consequently, during 1Q 2020, earnings before interest, taxes, depreciation and amortization (EBITDA) decreased to S/ 91.5 million (-0.7% YoY). Nonetheless, this represented an EBITDA Margin of 14.4%, which was 2.3 p.p. higher compared to 1Q 2019. This was mainly due to higher gross margin.

Net Financial Expenses

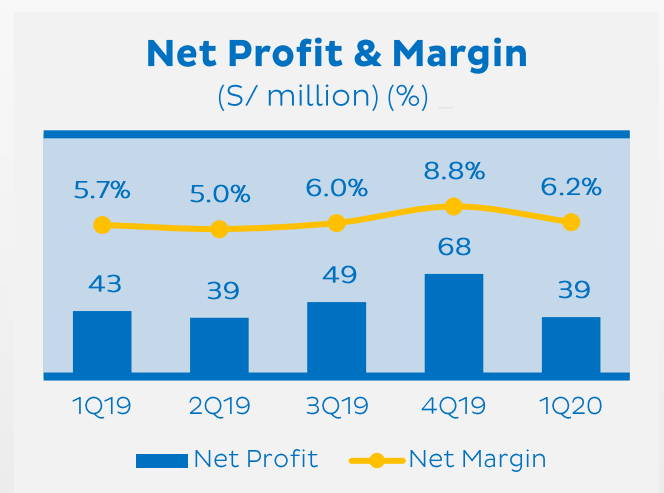
During 1Q 2020, Net Financial Expenses reached S/ 5.0 million, S/ 4.7 million lower versus 1Q 2019, driven by lower Financial Expenses of S/ 4.7 million. During FY 2019, Net Financial Expenses reached S/ 28.8 million (+5.7%) versus FY 2018.

On the other hand, the Net Exchange Rate Difference was a negative S/ 0.8 million, which represented S/ 4.7 million in lower expenses YoY.

Net Profit

Net Profit reached S/ 39.3 million during 1Q 2020 and was S/ 3.9 million lower (-9.1%) YoY. Net Margin reached 6.2%.

This decrease was a result of a lower operating profit, mainly driven by higher S&A expenses and other operating expenses, as well as a lower exchange rate difference. These two effects accounted for a S/ 15.1 million decrease in Net Profit, which was partially offset by a lower net financial expenses and taxes (please note that taxes accounted for a S/ 6.3 million reduction).



Earnings per Share, based on the Net Profit for the last twelve months (LTM), reached S/ 0.18 in 1Q 2020, higher than the normalized ratio of S/ 0.14 reported in 1Q 2019 (+26.3%) which does not consider the badwill effect, generated after the acquisition of Comasa in September 2018.

IV. Balance Sheet

Assets

As of March 31, 2020, Total Assets reached S/ 4,344.9 million, representing an increase of S/ 180.8 million versus December 31, 2019. Non-Current Assets increased by S/ 98.0 million and Current Assets increased by S/ 82.7 million.

Current Assets increased as of March 31, 2020, mainly due to a higher balance of:

- i Inventories (S/ 90.7 million, or 9.7% YTD), driven by a higher stock of inventory in transit and raw materials.
- ii Accounts receivables (S/ 10.2 million, or 2.0% YTD), due to a decrease in collections and an effect on exchange rate as our AR are denominated in USD.

These increases were partially offset by a lower Other receivable (mainly the payment of a real estate sold on December 2019), which decreased by S/ 19.6 million, or -37.2% YTD.

Days of Sales Outstanding increased to 62.3 days as of March 31, 2020, from 58.6 days as of December 31, 2019. Days of Inventory on Hand increased to 146.8 days as of March 31, 2020 compared to 127.4 days as of December 31, 2019.

Non-Current Assets increases were 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/ 101.3 million (+5.4%) YTD.

Liabilities

At the close of March 2020, Total Liabilities reached S/ 2,168.2 million, an increase of S/ 141.2 million, driven by higher Non-Current Liabilities of S/ 94.0 million, as well as an increase in Current Liabilities of S/ 47.1 million.

Current Liabilities increased mainly due to a higher balance of Current Financial Debt (S/97.4 million, or 17.7% YTD), as Working Capital financing requirements rose. This was partly offset by lower Accounts Payable.

Days of Payables Outstanding decreased to 74.1 days as of March 2020 from 75.2 days as of December 2019.

As of March 2020, Total Financial Debt reached S/ 1,416.9 million (including supplier leases), S/ 197.5 million higher than as of December 2019.

Current Financial Debt as of March 31, 2020 was S/ 647.9 million, which was S/ 97.4 million higher than the figure reported as of December 2019, and of which S/ 558.6 million represented Working Capital Financing.

Non-Current Financial Debt was S/ 768.9 million, S/ 100.1 million higher than the figure reported at December 2019, mainly explained by the financial lease for the new melt shop.

As of March 2020, 53% of Total Debt was denominated in Soles, while 46% was denominated in U.S. Dollars and the remaining 1% in Bolivianos.

Net Debt to EBITDA ratio was 2.48x as of March 2020, an increase of 0.51x compared to December 2019.

Shareholders' Equity

At the close of March 2020, Shareholders' Equity reached S/ 2,176.7 million, S/ 39.6 million higher compared to S/ 2,137.1 million as of December 2019. This increase was explained by the Net Profit generated during the period.

V. Cash Flow Statement

Cash Flow from Operations

As of March 31, 2020, Cash Flow from Operations was S/ 75.9 million, mainly explained by the EBITDA generation during the year. This figure was offset by higher Working Capital requirements following an increase of inventory levels.

Cash Flow from Investing

As of March 31, 2020, Cash Flow from Investing was -S/ 8.8 million, mainly due to investments in fixed assets of S/ 44.7 million and intangibles of S/ 0.8 million. These were partly offset by S/ 33.7 million in asset sales and S/ 3.0 million in interests received.

These figures do not include S/ 87 million related to the new melt shop plant, which is financed through a capital lease agreement.

Cash Flow from Financing

As of March 31, 2020, Cash Flow from Financing was S/ 83.0 million, which included new debt of S/459.0, amortization of financings of S/ 368.1 million and interest payments of S/ 7.9 million.

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

VI. Relevant Events during 1Q 2020

During the quarter, the Company invested S/ 87 million as part of the construction of its upcoming new melt shop facility, which will have capacity of over 1.25 million tons of liquid steel. In January 2020, the Board of Directors approved an increase of total investment from US\$ 180 million to US\$ 208 million. Works are expected to be completed during 2021.

Conference Call Information

Corporación Aceros Arequipa S.A. cordially invites you to participate in its First Quarter 2020 Earnings Conference Call

Date: Monday, May 4, 2020

Time: 1:00 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/corarec1200504D2Fxf088.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.

VII. Unaudited Financial Statements

Corporación Aceros Arequipa S.A.	Consolidated Financial Statement of Financial Position (in thousands of Peruvian Soles)		
	Notes	March 31, 2020	December 31, 2019
Assets			
Current Assets			
Cash and Cash Equivalents	5	443,819	445,501
Accounts Receivable	6	483,315	481,260
Accounts Receivable from related parties	7	36,501	28,364
Other Accounts Receivable	8 & 10	43,443	59,941
Inventories	9	1,022,706	931,970
Other non-financial assets		0	0
Assets classified as held for sale	1	10,597	10,597
Total Current Assets		2,040,381	1,957,633
Non-Current Assets			
Other financial assets	13	28,670	28,939
Investments in subsidiaries, affiliates or joint ventures	11	114,029	112,796
Accounts Receivable from related parties	7	4,197	4,197
Other Accounts Receivable	8	13,590	13,591
Property, Plant and Equipment, Net	12	2,032,669	1,931,331
Intangible Assets, Net	14	75,391	79,557
Deferred Income tax Assets	19	0	0
Other non-financial assets	15	35,935	36,024
Total Non-Current Assets		2,304,481	2,206,435
TOTAL ASSETS		4,344,862	4,164,068
Liabilities and Shareholders' Equity			
Current Liabilities			
Other Financial Liabilities	16	647,944	550,591
Accounts Payable	17	497,722	531,581
Accounts Payable to related parties	7	18,291	18,578
Other Accounts Payable	18	86,302	98,958
Current Income Tax	19	15,298	18,702
Total Current Liabilities		1,265,557	1,218,410
Non-Current Liabilities			
Other Financial Liabilities	16	768,949	668,811
Accounts Payable	17	0	0
Other Accounts Payable	17	6,776	6,754
Deferred Income Tax Liabilities	19	126,884	133,024
Total Non-Current Liabilities		902,609	808,589
Total Liabilities		2,168,166	2,026,999
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	178,261
Retained Earnings	20	707,157	667,530
Other Shareholders' Equity Reserves	20	218,012	218,012
Total Shareholders' Equity		2,176,696	2,137,069
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,344,862	4,164,068

Corporación Aceros Arequipa S.A.

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

	Notes	1Q 2020	1Q 2019	FY 2019	FY 2018
Revenue	21	637,203	762,911	3,129,144	2,789,681
Cost of Goods Sold	22	-522,016	-647,636	-2,633,855	-2,334,296
Gross Profit (Loss)		115,187	115,275	495,289	455,385
Selling and Distribution Expenses	23	-28,734	-25,281	-113,820	-89,959
Administrative Expenses	24	-20,506	-19,622	-86,007	-85,814
Other Operating Income	26	2,371	6,425	66,018	22,786
Other Operating Expenses	26	-11,468	-8,968	-80,185	-58,452
Other Income (Expenses)		0	0	0	50,558
Operating Profit (Loss)		56,850	67,289	281,295	294,504
Financial Income	27	2,970	2,892	12,537	8,378
Financial Expenses	27	-7,938	-12,600	-41,343	-35,634
Other income (Expenses) from subsidiaries, affiliated and joint ventures	11	1,197	1,067	4,953	9,869
Exchange Rate Differences, Net	31	-767	3,939	1,022	-4211
Profit (Loss) before taxes		52,312	62,587	258,464	272,906
Income Tax Expense	19	-13,011	-19,360	-59,473	-61,156
Profit (Loss) from Discontinued Operations		0	0	0	0
Net Profit (Loss)		39,301	43,227	198,991	211,750
Earnings Per Share					
Basic in Continued Operations of Common Stock		0.180	0.190	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		0.180	0.190	0.180	0.200
Basic in Continued Operations of Investment Stock (Non-voting)		0.180	0.190	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)		0.180	0.190	0.180	0.200

Corporación Aceros Arequipa S.A.

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

	Notes	Jan 01 – Mar 31 2020	Jan 01 – Mar 31 2019
Cash Flow from Operating Activities			
Collections due to Operating Activities			
Sales of Goods and Services Offered		679,374	788,940
Other Operating Collections		-22,735	-21,153
Payments due to Operating Activities			
Suppliers of Goods and Services		-635,300	-608,883
Payments and payments on account to employees		-71,390	-49,464
Income Tax		-25,836	-19,841
Net Cash Generated by Operating Activities		-75,887	89,599
Cash Flow from Investing Activities			
Collections due to Investing Activities			
Sale of Property, Plant and Equipment	26	33,730	6,506
Interests Received	27	2,970	2,892
Dividends Received		0	0
Payments due to Investing Activities			
Gain of Control of Subsidiaries or Other Businesses		0	0
Purchase of Subsidiaries, Net of Cash Acquired		0	0
Purchase of Property, Plant and Equipment	12	-44,669	-18,921
Purchase of Intangible Assets	14	-787	-640
Purchase of Other Long-Term Assets		0	0
Net Cash Generated by Investing Activities		-8,756	-10,163
Cash Flow from Financing Activities			
Collections due to Financing Activities			
Short term and long-term loans	16	458,991	517,441
Payments due to Financing Activities			
Short term and long-term loans amortization	16	-368,092	-519,502
Interests paid	27	-7,938	-12,600
Dividends paid	20	0	0
Net Cash Generated by Financing Activities		82,961	-14,661
Net Increase (Reduction) of Cash and Equivalents before Exchange Rate Changes		-1,682	64,775
Effects of Exchange Rate Changes on the balance of Cash Held in Foreign Currencies		0	0
Net Increase (Reduction) of Cash and Equivalents		-1,682	64,775
Cash and Cash Equivalents at the beginning of the year		445,501	244,765
Cash and Cash Equivalents at the end of the period	5	443,819	309,540