

3Q 2020 EARNINGS REPORT

Lima, Peru, October 23, 2020. Corporación Aceros Arequipa S.A. ("the Company" or "Aceros Arequipa") (BVL: CORAREC1 and CORAREI1) announced its unaudited consolidated financial results corresponding to the Third Quarter ("3Q 2020") period ended September 30, 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 The Company resumed its productive activities in July after the Peruvian Government decreed the reactivation of the steel industry among other industries. The company's sales have shown signs of recovery; however, the full impact on industry and business is still uncertain.
- 2 **Revenue** reached S/ 907.0 million (+10.8% YoY), mainly due to higher demand following the government lockdown since mid-March related to the COVID-19 pandemic and to an extraordinary export of billet to the Chinese market.
- 3 **Gross Profit** totaled S/ 191.7 million (+48.4% YoY) and **Gross Margin** was 21.1%.
- 4 **EBITDA** was S/ 149.5 million (+43.2% YoY); while **EBITDA Margin** reached 16.5%.
- 5 **CAPEX** was S/ 62.3 million, 21 million allocated towards the new melt shop project.
- 6 **Net Profit** reached S/ 83.1 million (+69.1% YoY).
- 7 **Operating Working Capital requirements** reached S/ 636.3 million, mainly due to a lower level of inventories
- 8 As of September 30, 2020, **Net Debt / EBITDA** ratio rose to 2.09x, compared to December 2019, primarily due to a lower EBITDA and additional debt disbursements for the new melt shop project.
- 9 On August 27 2020 the Board of Directors approved a Dividend payment of S/18 million on account of 2019 results. Yesterday, the Board of Directors approved a Dividend payment of S/32.8 million (S/17.8 million on account of 2019 results and S/14.9 million on account of 2020 results).



Revenue
reached S/ 907
million
(+10.8% YoY)

EBITDA was
S/ 149.5 million,
with a 16.5%
margin

Net Profit was
S/ 83.1 million, and
Net Margin was
9.2%

Net Debt / EBITDA
ratio reached 2.1x
as of September
2020

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Financial Summary

(\$/ million)	3Q 2019	3Q 2020	YoY	YTD 2019	YTD 2020	YoY
Financial Figures						
Revenue	818.5	907.0	10.8%	2,361.8	1,774.5	-24.9%
Gross Profit	129.2	191.7	48.4%	357.9	303.1	-15.3%
Operating Profit	75.4	120.0	59.2%	202.3	134.2	-33.7%
EBITDA	104.4	149.5	43.2%	284.8	226.5	-20.5%
Net Profit	49.1	83.1	69.1%	131.1	83.8	-36.1%
CAPEX ¹	183	62	-65.9%	366	260	-28.8%
Financial Margins						
Gross Margin	15.8%	21.1%	5.4 p.p.	15.2%	17.1%	1.9 p.p.
Operating Margin	9.2%	13.2%	4.0 p.p.	8.6%	7.6%	-1.0 p.p.
EBITDA Margin	12.8%	16.5%	3.7 p.p.	12.1%	12.8%	0.7 p.p.
Net Margin	6.0%	9.2%	3.2 p.p.	5.6%	4.7%	-0.8 p.p.
Earnings per share ²	0.16	0.14	-12.6%			
Other Figures, as of						
	Dec, 2019	Sep, 2020	YTD			
Net Debt ³	773.9	699.4	-9.6%			
Net Debt ³ / LTM ⁴ EBITDA	1.97x	2.09x	0.12x			

1. 3Q 2020 includes CAPEX of \$/62 million, which includes 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. 3Q 2019 does not consider the goodwill effect, generated after the acquisition of Comasa in September 2018.
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 lockdown. During the last quarter the government lifted restrictions for certain business industries, including the steel sector, as part of an economic reactivation plan. Even though the firm has experienced a positive market response, the economic and financial impact is still uncertain so we remain 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.

III. Income Statement

Revenue

During 3Q 2020, Revenue reached S/ 907.0 million (10.8% YoY).

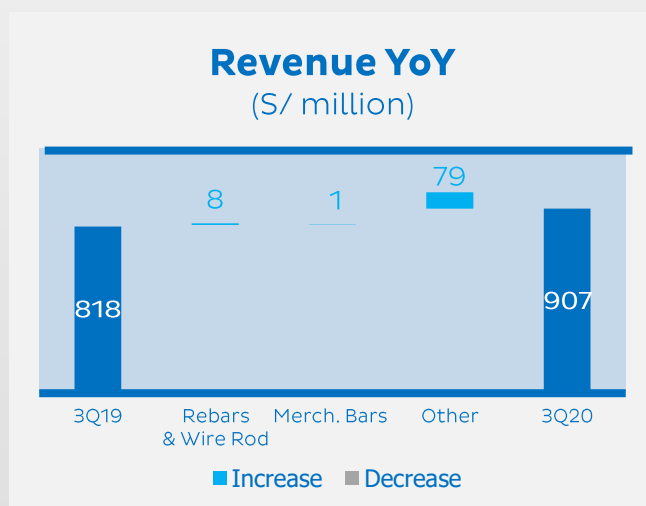
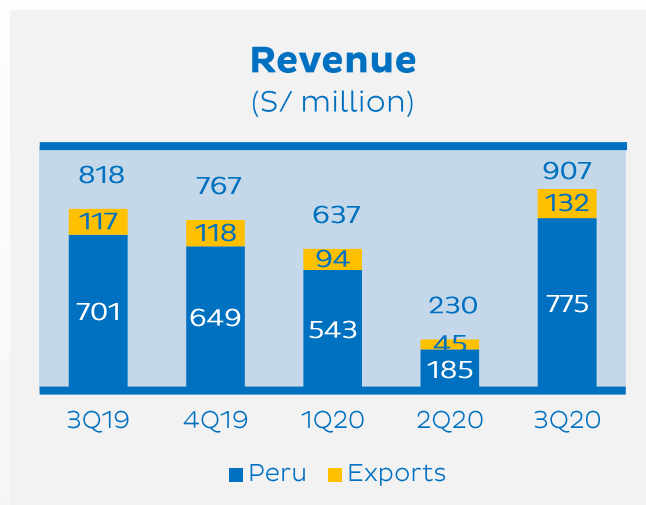
Revenue increased due to higher sales volume mainly as a result of the progressive lift of the Peruvian lockdown restrictions on several industries, which boosted demand in order to resume projects that were left on stand-by and higher exports.

Consequently, Domestic Revenues increased by S/ 74.0 million (10.6%) YoY. Exports also increased by S/ 14.5 million (12.3%) YoY.

During the quarter, Export Revenue represented 14.5% of Total Revenue; a 0.2 p.p. increase when compared to 14.3% in 3Q 2019. The increase in Exports was mainly due to an extraordinary export of steel billets to the Chinese market. Considering only finished products, Bolivia remained as the main export market for the Company during the quarter.

On a per-category basis, the “Others” category increased S/ 79.4 million (42.8%) from which billet exports represented S/52 millions. This was followed by the “Rebars & Wire Rod” products category, which increased S/ 8 million (1.4%) YoY, and the “Merchant bars” which increased S/ 1 million (1.3%) YoY.

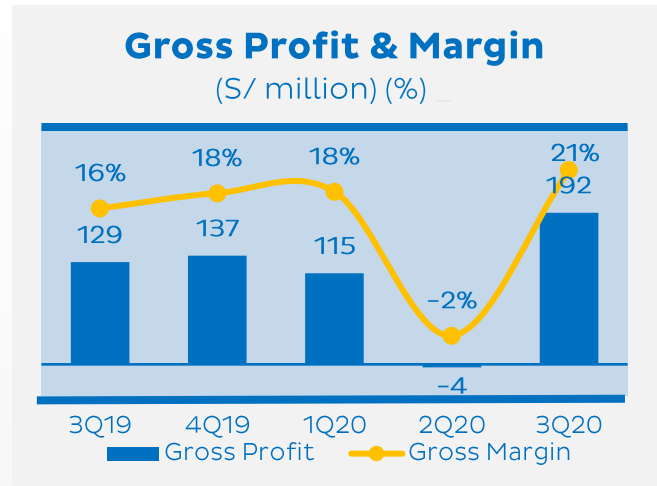
Revenue for 9M 2020 reached S/ 1,774.5 million, a S/ 587.3 million, or 24.9% YoY reduction versus the same period of 2019.



Gross Profit

Gross Profit reached S/ 191.7 million during 3Q 2020, as revenues increased. Gross Margin was also higher and reached 21% after the sales volume boosted following the lift of the COVID-19 restrictions and prices of raw materials were lower.

Gross Profit for 9M2020 reached S/ 303.1 million, a S/ 54.8 million, or -15.3% YoY versus the same period of 2019.



Operating Profit & EBITDA

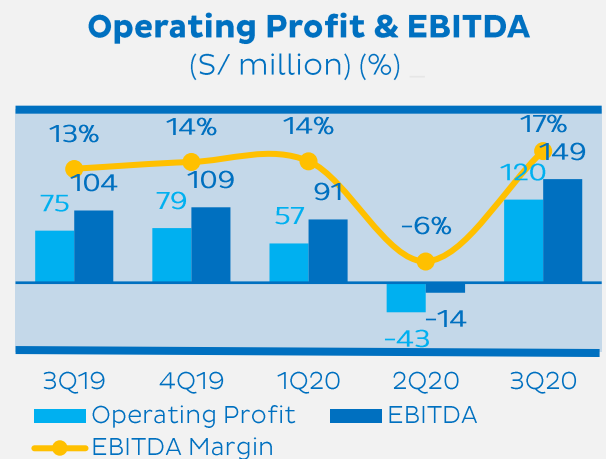
Operating Profit reached S/ 120.0 million during 3Q 2020, a S/ 44.6 million (59.2% YoY) increase compared to S/ 75.4 million in 3Q 2019. Operating Margin was 13.2%, 4.0 p.p higher versus 3Q 2019.

The S/ 44.6 million increase was mainly due to a higher Gross Profit which was partially offset by a S/ 11.5 million and S/6.4 million increase in SG&A and Other net expenses, respectively.

SG&A increase was mainly due to higher Personnel Expenses and allowance for doubtful accounts. SG&A as a percentage of Revenue reached 6.6%, a higher figure compared to 3Q 2019.

Other Net Operating Expenses rose S/ 6.4 million as a result of higher asset write-offs.

Consequently, during 3Q 2020, earnings before interest, taxes, depreciation and amortization (EBITDA) reached S/ 149.5 million, with an increase of S/ 45.0 million or 43.2% YoY, and represented an EBITDA Margin of 16.5%; 3.7 p.p. higher compared to 3Q 2019.



EBITDA for 9M 2020 reached S/ 226.5 million, a S/ 58.3 million, or 20.5% YoY reduction versus the same period of 2019.

Net Financial Expenses

During 3Q 2020, Net Financial Expenses reached S/ 6.7 million, S/ 0.6 million lower versus 3Q 2019, driven by lower Financial Expenses by S/ 1.7 million. Moreover, Net Financial Expenses for 9M 2020 reached S/ 20.4 million, S/ 3.7 million lower, or -15.5% YoY versus the same period of 2019.

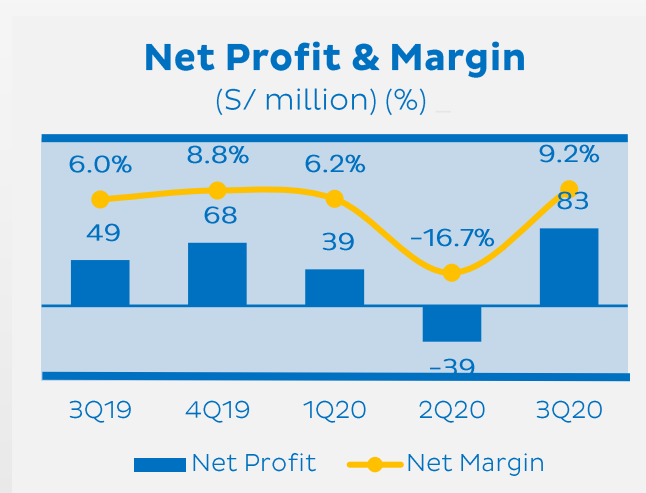
Additionally, the Net Exchange Rate Difference was a negative S/ 0.5 million, which represented a lower expense of S/ 1.8 million YoY.

Net Profit

Net Profit was S/ 83.1 million during 3Q 2020, S/ 34.0 million higher (69.1%) YoY. Net Margin was 9.2%.

This increase was a result of a higher Gross Profit, lower Net Financial Expenses, and was partially offset by higher SG&A by S/ 11.5 million, higher other net operating expenses by S/6.4 million and an increase in Income Taxes by S/ 12.2 million.

Earnings per Share, based on the Net Profit for the last twelve months (LTM), reached S/ 0.14 in 3Q 2020, lower than the normalized ratio of S/ 0.16 reported in 3Q 2019 (-12.6%) which does not consider the goodwill effect, generated after the acquisition of Comasa in September 2018.



IV. Balance Sheet

Assets

As of September 30, 2020, Total Assets reached S/ 4,209.7 million, representing an increase of S/ 45.6 million versus December 31, 2019. Asset increase was driven by Non-Current Assets, which increased by S/ 163.9 million. The increase in Non-Current Assets was partially offset by a decrease in Current Assets by S/ 118.3 million.

Current Assets were lower as of September 30, 2020, mainly due to a lower balance of:

- i Inventories (-S/ 166.7 million, or -17.9% YTD), driven by a higher demand for finished products and lower in transit inventories.
- ii Accounts receivable (- S/ 58.8 million, or -10.3% YTD).

These decreases were partially offset by a higher Cash balance by S/ 104.5 or 23.5% YTD.

Days of Sales Outstanding rose to 68.1 days as of September 30, 2020, from 58.6 days as of December 31, 2019. Days of Inventory on Hand increased to 131.1 days as of September 30, 2020 compared to 127.4 days as of December 31, 2019.

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/ 182.5 million (+9.5%) YTD.

Liabilities

At the close of September 2020, Total Liabilities reached S/ 2,009.4 million, a S/ 17.6 million or 0.9% decrease YoY, driven by lower Current Liabilities by S/ 198.1 million, which was partially offset by an increase in Non-Current Liabilities of S/ 180.4 million.

Current Liabilities decreased mainly due to a lower balance of Current Financial Debt by S/ 172.8 million or -31.4% YTD, as Working Capital financing requirements were lower. Consequently, Days of Payables Outstanding increased to 89.4 days as of September 2020 from 75.2 days as of December 2019.

As of September 2020, Total Financial Debt (including supplier leases) reached S/ 1,249.4 million, S/ 30.0 million higher than as of December 2019.

Current Financial Debt as of September 30, 2020 was S/ 377.8 million, S/ 172.8 million lower than the figure reported as of December 2019, and of which S/ 282.6 million represented Working Capital Financing.

Non-Current Financial Debt was S/ 871.6 million, S/ 202.8 million higher than the figure reported at December 2019, mainly explained by the financial lease for the new melt shop.

As of September 2020, 49.5% of Total Debt was denominated in Soles, while 48.8% was denominated in U.S. Dollars and the remaining 1.7% in Bolivianos.

Net Debt to EBITDA ratio was 2.09x as of September 2020, an increase of 0.12x compared to December 2019, as Net Financial Debt increased by S/ 30.0 million and EBITDA for the Last-Twelve-Months was S/ 58.3 million lower.

Shareholders' Equity

At the close of September 2020, Shareholders' Equity reached S/ 2,200.3 million, an increase of S/63.2 million compared to the figure of December 2019.

V. Cash Flow Statement

Cash Flow from Operations

As of September 30, 2020, Cash Flow from Operations was S/ 378.5 million, mainly explained by the EBITDA increase and the decrease in inventory and accounts receivables.

Cash Flow from Investing

As of September 30, 2020, Cash Flow from Investing was -S/ 71.5 million, mainly due to investments in fixed assets of S/ 110.2 million and intangibles of S/ 2.0 million. These were partly offset by S/ 33.7 million in asset sales and S/ 6.1 million in interests received.

These figures do not consider S/ 148 million related to the new melt shop plant, which is financed through a capital lease agreement.

Cash Flow from Financing

As of September 30, 2020, Cash Flow from Financing was -S/ 202.5 million, which included interest payments of S/ 26.6 million and a dividend payment, on account of 2019 results, of S/ 18 million.

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

VI. Relevant Events during 3Q 2020

1. During the quarter, the Company invested S/ 21 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 2Q2021.
2. On August the Board of Directors approved a Dividend payment of S/18 million on account of 2019 results.
3. In August, the Company exported 40 thousand tons of steel billets to the Chinese market, representing the first Peruvian steel exports to China.
4. The Peruvian Environment Ministry (MINAM) granted its first “Carbon Footprint Peru” star to the Company
5. The project “Puente Nanay”, carried out by TSC, an Aceros Arequipa subsidiary, was a winner in the 2020 Tekla BIM Awards for Latam and Spain.

Conference Call Information

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

Date: Monday, October 26, 2020

Time: 12:00 pm ET / 11:00 am Lima Time

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

<https://tinyurl.com/y54m245u>

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 (Chile)	100.00%
• Aceros America (Colombia)	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.

III. Unaudited Financial Statements

Corporación Aceros Arequipa S.A.	Consolidated Financial Statement of Financial Position (in thousands of Peruvian Soles)		
	Notes	September 30, 2020	December 31, 2019
Assets			
Current Assets			
Cash and Cash Equivalents	5	550,019	445,501
Accounts Receivable	6	448,626	481,260
Accounts Receivable from related parties	7	32,244	28,364
Other Accounts Receivable	8 & 10	29,903	59,941
Inventories	9	765,233	931,970
Deferred Income tax Assets	19	2,697	0
Assets classified as held for sale	1	10,597	10,597
Total Current Assets		1,839,319	1,957,633
Non-Current Assets			
Other financial assets	13	24,333	30,869
Investments in subsidiaries, affiliates or joint ventures	11	113,513	112,796
Accounts Receivable from related parties	7	4,197	4,197
Other Accounts Receivable	8	13,589	13,591
Property, Plant and Equipment, Net	12	2,111,914	1,929,401
Intangible Assets, Net	14	67,043	79,557
Other non-financial assets	15	35,758	36,024
Total Non-Current Assets		2,370,347	2,206,435
TOTAL ASSETS		4,209,666	4,164,068
Liabilities and Shareholders' Equity			
Current Liabilities			
Other Financial Liabilities	16	377,816	550,591
Accounts Payable	17	511,582	531,581
Accounts Payable to related parties	7	10,300	18,578
Other Accounts Payable	18	110,929	98,958
Current Income Tax	19	9,598	18,587
Total Current Liabilities		1,020,225	1,218,295
Non-Current Liabilities			
Other Financial Liabilities	16	871,622	668,811
Accounts Payable	17	0	0
Other Accounts Payable	17	6,853	6,754
Deferred Income Tax Liabilities	19	110,673	133,139
Total Non-Current Liabilities		989,148	808,704
Total Liabilities		2,009,373	2,026,999
Shareholders' Equity			
Share Capital	20	890,858	890,858
Investment Shares	20	182,408	190,052
Treasury Shares	20	0	-7,644
Other Capital Reserves	20	178,261	178,261
Retained Earnings	20	730,754	667,530
Other Shareholders' Equity Reserves	20	218,012	218,012
Total Shareholders' Equity		2,200,293	2,137,069
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,209,666	4,164,068

Corporación Aceros Arequipa S.A.

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

	Notes	3Q 2020	3Q 2019	9M2020	9M2019
Revenue	21	906,952	818,473	1,774,477	2,361,788
Cost of Goods Sold	22	-715,211	-689,276	-1,471,368	-2,003,882
Gross Profit (Loss)		191,741	129,197	303,109	357,906
Selling and Distribution Expenses	23	-33,154	-28,574	-82,357	-83,255
Administrative Expenses	24	-26,961	-20,013	-56,933	-61,745
Other Operating Income	26	2,402	405	5,747	8,117
Other Operating Expenses	26	-14,066	-5,652	-35,340	-18,710
Other Income (Expenses)		0	0	0	0
Operating Profit (Loss)		119,962	75,363	134,226	202,313
Financial Income	27	1,572	2,693	6,145	8,595
Financial Expenses	27	-8,259	-9,930	-26,577	-32,776
Other income (Expenses) from subsidiaries, affiliated and joint ventures	31	312	1,109	1,493	3,615
Exchange Rate Differences, Net	11	-466	-2,297	-3,448	2,316
Profit (Loss) before taxes		113,121	66,938	111,839	184,063
Income Tax Expense	19	-30,044	-17,819	-28,021	-52,940
Profit (Loss) from Discontinued Operations		0	0	0	0
Net Profit (Loss)		83,077	49,119	83,818	131,123
Earnings Per Share					
Basic in Continued Operations of Common Stock		0.077	0.045	0.077	0.121
Basic in Discontinued Operations of Common Stock		0.000	0.000	0.000	0.000
Total Earnings Per Share of Common Stock		0.077	0.045	0.077	0.121
Basic in Continued Operations of Investment Stock (Non-voting)		0.077	0.045	0.077	0.121
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)		0.077	0.045	0.077	0.121

Corporación Aceros Arequipa S.A.

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

	Notes	Jan 01 – Sep 30 2020	Jan 01 – Sep 30 2019
Cash Flow from Operating Activities			
Collections due to Operating Activities			
Sales of Goods and Services Offered		1,894,912	2,362,406
Other Operating Collections		32,624	24,126
Payments due to Operating Activities			
Suppliers of Goods and Services		-1,330,226	-1,802,041
Payments and payments on account to employees		-149,336	-114,885
Income Tax		-69,457	-73,148
Net Cash Generated by Operating Activities		378,517	396,458
Cash Flow from Investing Activities			
Collections due to Investing Activities			
Sale of Property, Plant and Equipment	26	33,730	5,264
Interests Received	27	6,145	8,595
Dividends Received		812	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	-110,212	-122,684
Purchase of Intangible Assets	14	-1,967	-6,585
Purchase of Other Long-Term Assets		0	0
Net Cash Generated by Investing Activities		-71,492	-115,413
Cash Flow from Financing Activities			
Collections due to Financing Activities			
Short term and long-term loans		1,607,815	1,530,602
Payments due to Financing Activities			
Short term and long-term loans amortization		-1,765,745	-1,557,779
Interests paid	27	-26,577	-32,776
Dividends paid		-18,000	-43,210
Net Cash Generated by Financing Activities		-202,507	-103,163
Net Increase (Reduction) of Cash and Equivalents before Exchange Rate Changes		104,518	177,882
Effects of Exchange Rate Changes on the balance of Cash Held in Foreign Currencies		0	0
Net Increase (Reduction) of Cash and Equivalents		104,518	177,882
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	550,019	422,647