

# 3Q 2021 EARNINGS REPORT

Lima, Peru, October 22, 2021. 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 2021") period ended September 30, 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/ 1,407.0 million (+55.1% YoY), mainly due to higher prices, and higher volume, compared to 3Q 2020.
- 2 **Gross Profit** totaled S/ 367.6 million (an increase of S/175.9 million YoY) and **Gross Margin** was 26.1%.
- 3 **EBITDA** was S/ 369.9 million (an increase of S/220.4 million YoY); while **EBITDA Margin** reached 26.3%.
- 4 **Net Profit** reached S/ 245.1 million.
- 5 **Operating Working Capital requirements** reached S/ 1,732.4 million, mainly due to higher inventories, and a reduction in accounts payables.
- 6 **CAPEX** was S/ 248.0 million, mainly corresponding to the asset purchase of the two scrap yards in the USA (S/116 million), and the new melt shop (S/62.3 million).
- 7 As of September 30, 2021, the **Net Debt / EBITDA** ratio increased to 1.57x, compared to December 2020 (1.26x), primarily due to higher short-term financial liabilities.
- 8 On September 06, 2021, the Board approved a dividend payment of US\$ 18.0 million, which was paid on September 24, 2021.



Revenue  
reached S/ 1,407.0  
million  
(+55.1% YoY)

EBITDA was  
S/ 369.9 million,  
with a margin of  
26.3%

Net Profit was  
S/ 245.1 million,  
and Net Margin  
was  
17.4%

Net Debt / EBITDA  
ratio reached 1.6x  
as of September  
2021

**CONTACT**  
INVESTOR RELATIONS

**Ricardo Guzman**  
CFO, IRO

E-mail  
accionistas@aasa.com.pe

## Financial Summary

(S/ million)	3Q 2020	3Q 2021	YoY	YTD 2020	YTD 2021	YoY
<b>Financial Figures</b>						
Revenue	907.0	<b>1,407.0</b>	55.1%	1,774.5	<b>3,737.5</b>	110.6%
Gross Profit	191.7	<b>367.6</b>	91.7%	303.1	<b>1,058.0</b>	249.1%
Operating Profit	120.0	<b>356.3</b>	197%	134.2	<b>861.8</b>	542.1%
EBITDA	149.5	<b>369.9</b>	147.5%	226.5	<b>932.2</b>	311.6%
Net Profit	83.1	<b>245.1</b>	195.1%	83.8	<b>610.4</b>	628.3%
CAPEX <sup>1</sup>	62.4	<b>248.0</b>	297.7%	260.3	<b>481.6</b>	85.0%
<b>Financial Margins</b>						
Gross Margin	21.1%	<b>26.1%</b>	5.0 p.p.	17.1%	<b>28.3%</b>	11.2 p.p.
Operating Margin	13.2%	<b>25.3%</b>	12.1 p.p.	7.6%	<b>23.1%</b>	15.5 p.p.
EBITDA Margin	16.5%	<b>26.3%</b>	9.8 p.p.	12.8%	<b>24.9%</b>	9.8 p.p.
Net Margin	9.2%	<b>17.4%</b>	8.3 p.p.	4.7%	<b>16.3%</b>	11.6 p.p.
Earnings per share <sup>2</sup>	0.14	<b>0.66</b>	52.1%			
<b>Other Figures, as of</b>						
	<b>Dec, 2020</b>	<b>Sep, 2021</b>	<b>YTD</b>			
Net Debt <sup>3</sup>	518.3	<b>1,752.7</b>	238.1%			
Net Debt <sup>3</sup> / LTM <sup>4</sup> EBITDA	1.26x	<b>1.57x</b>	0.31x			

1. 3Q 2021 includes S/116 million of the asset purchase of two scrap yards in USA, and S/44.4 million of the new melt shop plant financed through a capital lease agreement; and YTD 2021 includes S/116 million of the asset purchase of two scrap yards in USA, S/64.1 million corresponding to Comfer S.A. acquisition, and S/116.7 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, excluding treasury stock. Expressed in S/ per share.
3. Total Financial Debt (includes leases with suppliers)
4. LTM: last twelve months

### III. Income Statement

## Revenue

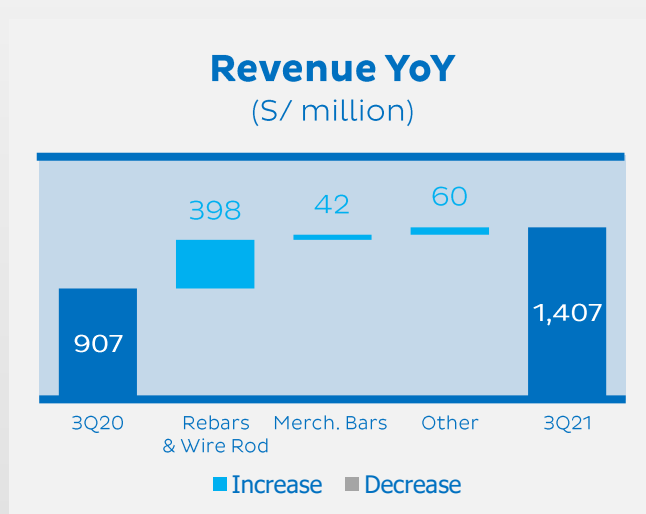
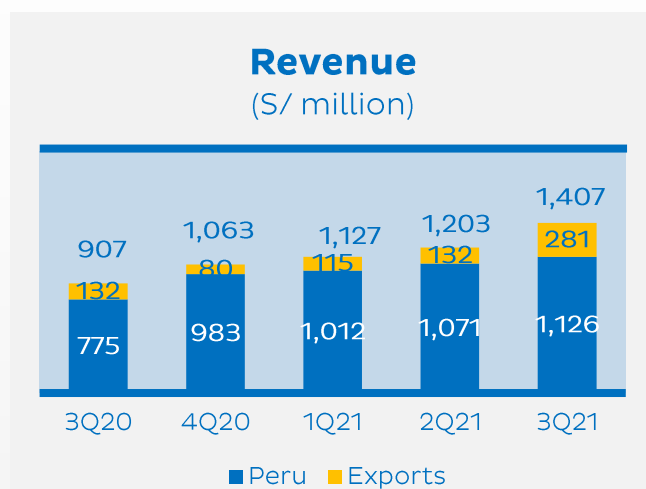
During 3Q 2021, Revenue reached S/ 1,407.0 million (+55.1% YoY)

Revenue increased due to higher prices, and higher volume sold.

Based on Revenue destination, domestic revenues increased by S/ 351.0 million (45.3%) YoY, and Exports increased by S/ 149.0 million (+113.2%) YoY.

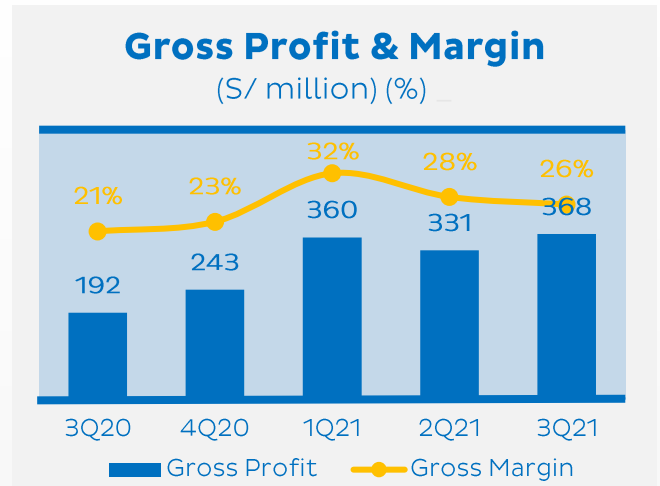
During the quarter, Exports represented 19.9% of total revenue; a 5.4 p.p. increase when compared to 14.5% in 3Q 2020, a quarter in which steel billets exports represented 5.8% of total revenue. The increase in exports was mainly due to a higher volume sold to Colombia, where commercial operations started during the quarter; and secondly due to a higher volume sold to Bolivia, which remained as the main export market for the Company during the quarter.

On a per-category basis, the “Rebars & Wire Rod” category increased S/ 398.4 million (+72.6%) YoY. This was followed by the “Other” products category, which increased S/ 59.7 million (+22.2%) YoY, and by “Merchant bars” category which increased S/ 41.9 million (+47.0%) YoY.



## Gross Profit

Gross Profit reached S/ 367.6 million during 3Q 2021, as Revenue increased due to higher prices, and a boost in sales volume. Gross Margin was also higher and reached 26%.



## Operating Profit & EBITDA

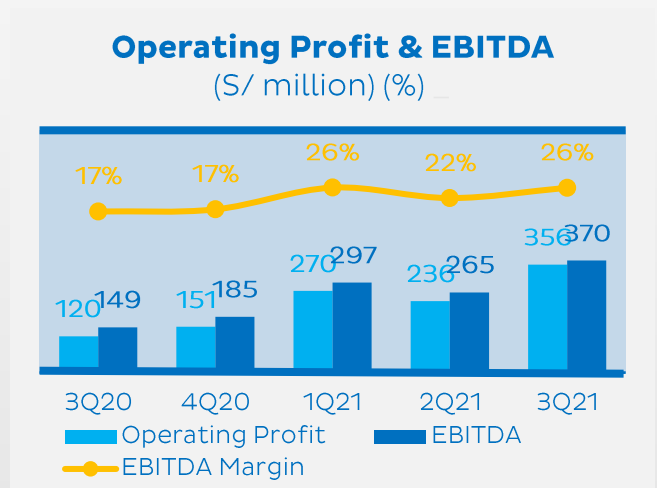
Operating Profit reached S/ 356.3 million during 3Q 2021, a S/ 236.4 million increase compared to S/ 120.0 million in 3Q 2020. Operating Margin was 26.1%, 5.0 p.p higher versus 3Q 2020.

The S/ 236.4 million increase in Operating Profit was mainly due to a higher Gross Profit and Other Operating Income of S/ 118 million mainly

explained by the controversy resolution with the gas utility company. The higher Gross Profit was partially offset by a S/ 33.2 million increase in SG&A, and a S/24.0 increase in Other Operating expenses.

SG&A increase was mainly due to higher Personnel Expenses, higher third-party services expenses, and allowances for doubtful accounts. SG&A as a percentage of Revenue reached 6.6%, similar compared to 3Q 2020 figures.

Consequently, during 3Q 2021, earnings before interest, taxes, depreciation, and amortization (EBITDA) reached S/ 369.9 million, with an increase of S/ 220.4 million YoY, and represented an EBITDA Margin of 26.3%; 9.8 p.p. higher compared to 3Q 2020.



## Net Financial Expenses

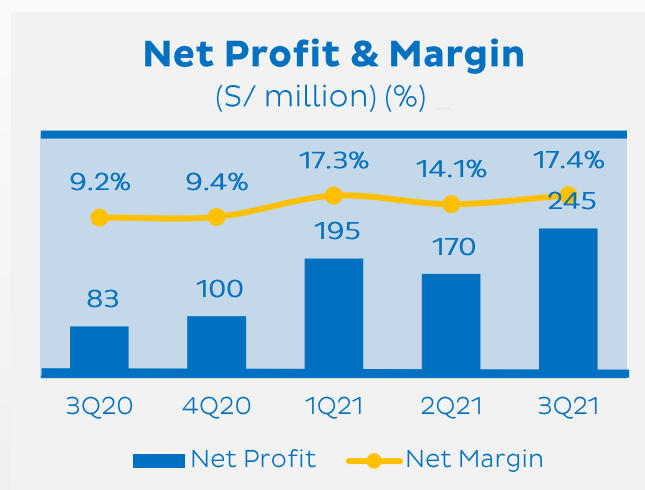
During 3Q 2021, Net Financial Expenses reached S/ 4.7 million, S/ 2.0 million lower versus 3Q 2020, driven by higher Financial Income by S/ 1.2 million.

Additionally, during the quarter, the Net Exchange Rate Difference was a positive S/ 11.1 million, which represented a higher income of S/ 11.6 million YoY.

## Net Profit

Net Profit was S/ 245.1 million during 3Q 2021, S/ 162.1 million higher YoY. Net Margin was 17.4%.

This increase was a result of a higher Operating Profit, lower Net Financial Expenses, a higher Income from related Companies and a positive effect of Net Exchange Rate Differences; partly offset by higher Income Taxes by S/ 88.5 million.



Earnings per Share, based on the Net Profit for the last twelve months (LTM), reached S/ 0.66 in 3Q 2021, higher than the ratio of S/ 0.14 reported in 3Q 2020 (+52.1%).

## IV. Balance Sheet

### Assets

As of September 30, 2021, Total Assets reached S/ 6,049.5 million, representing an increase of S/ 1,489.4 million versus December 31, 2020. Asset increase was driven by Current Assets, which increased by S/ 1,073.2 million, and non-current assets by S/ 416.1 million.

Current Assets were higher as of September 30, 2021, mainly due to:

- i Inventories (+S/ 992.9 million, or +114.1% YTD), driven by the recovery of inventory due to higher volume and higher local and international prices for finished products, raw materials, and inventory in transit.
- ii Accounts receivables (+S/ 144.6 million, or +30.4%) due to a higher volume, and higher prices.
- iii Other accounts receivable (+ S/ 55.8 million, or +595.4% YTD) are mainly explained by sales tax credit.

Days of Sales Outstanding decreased to 49.2 days as of September 30, 2021, from 64.1 days as of December 31, 2020. Days of Inventory on Hand increased to 191.7 days as of September 30, 2021, compared to 136.8 days as of December 31, 2020.

Non-Current Assets increase was driven by CAPEX, mainly due to the acquisition of two scrap yards in the USA, and investments in the new melt shop plant, which is currently under construction. Consequently, Net, Property, Plant, and Equipment increased by S/ 390.8 million (+18.1%) YTD.

## Liabilities

As of September 2021, Total Liabilities reached S/ 3,480.7 million, a S/ 1,167.3 million or 50.5% increase YoY, driven by higher Current Liabilities by S/ 851.9 million, and an increase in Non-Current Liabilities of S/ 315.4 million.

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

As of September 2021, Total Financial Debt (including supplier leases) reached S/ 2,321.1 million, higher than the figure as of December 2020.

Current Financial Debt as of September 30, 2021, was S/ 1,285.7 million, of which S/ 1,213 million represented short-term financing. Total current financial debt was S/ 968.6 million higher than the figure reported as of December 2020.

Non-Current Financial Debt was S/ 1,035.4 million, S/ 315.4 million higher than the figure reported in December 2020, mainly explained by the financial lease for the new melt shop.

As of September 2021, 56% of Total Debt was denominated in Soles, while 44% was denominated in U.S. Dollars, and the remaining 0.1% in Bolivianos.

Net Debt to EBITDA ratio was 1.57x as of September 2021, an increase of 0.31x compared to December 2020 mainly due to an increase in short term financial debt.

## Shareholders' Equity

At the close of September 2021, Shareholders' Equity reached S/ 2,568.9 million, an increase of S/ 322.1 million compared to the figure as of December 2020.

## V. Cash Flow Statement

### Cash Flow from Operations

As of September 30, 2021, Cash Flow from Operations was -S/ 546 million, mainly explained by higher inventory levels, and lower accounts payables, which was partly affected by the settlement with our gas supplier.

### Cash Flow from Investing

As of September 30, 2021, Cash Flow from Investing was -S/ 311.6 million which included the acquisition of two scrap yards in the USA for S/116.0 million, investments in the acquisition of Comfer S.A. of S/ 64.1 million, investments in Property, Plant, and Equipment of S/ 183.5 million, and investment in Intangibles of S/ 1.2 million. These cash outflows were partly offset by S/ 45.3 million ending Cash balance from the consolidation after Comfer acquisition, S/ 6.3 million in interests received, and S/1.7 million in dividends received.

These figures do not consider S/ 116.7 million related to the new melt shop plant, which is financed through a capital lease agreement.

### Cash Flow from Financing

As of September 30, 2021, Cash Flow from Financing was S/ 725.9 million, which included net financing of S/ 966.6 million, interest payments of S/ 17.2 million, financing of S/106.8 million from the 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 third quarter, the Company invested S/ 62.3 million as part of the construction of its upcoming new melt shop facility, S/ 44.4 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. Partial operations started during this quarter and is expected to operate fully as of 4Q 2021.
2. On July 14, 2021, the company acquired the assets of two business units to collect scrap metal in the United States, and expects to supply itself with 100,000 tons of raw material per year. The acquisition was made through two subsidiaries created in that country, Aceros America Port Manatee LLC and Aceros America St. Pete LLC.
3. In July, for a fourth consecutive year, the firm received the ESR distinctive, recognizing it as a Social Responsible firm during 2020, and received a special mention in the environment category for its “circular economy strategy”.
4. In August 2021, our subsidiary Aceros America S.A.S. in Colombia started commercial operations.
5. On September 06, 2021, the Board approved a dividend payment of US\$ 18.0 million, which was paid on September 24, 2021.

### Conference Call Information

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

Date: Tuesday, October 26, 2021

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

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

<https://tinyurl.com/m23j2wxt>

## 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 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):	100.00%
• Comercial del Acero (in liquidation):	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	September 30, 2021	December 31, 2020
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	568,396	700,462
Accounts Receivable	6	619,995	475,430
Accounts Receivable from related parties	7	36,060	29,726
Other Accounts Receivable	8	65,114	9,364
Inventories	9	1,863,302	870,411
Deferred Income tax Assets			
Other Assets	10	11,494	5,738
Assets classified as held for sale			
<b>Total Current Assets</b>		<b>3,164,361</b>	<b>2,091,131</b>
<b>Non-Current Assets</b>			
Other financial assets	13	27,512	30,121
Investments in subsidiaries, affiliates or joint ventures	11	117,011	114,323
Accounts Receivable from related parties	7	4,197	4,197
Other Accounts Receivable	8	12,995	19,128
Investment Property	14	45,514	45,974
Property, Plant and Equipment, Net	12	2,551,206	2,160,395
Intangible Assets, Net	15	91,396	59,281
Other non-financial assets	16	35,355	35,641
<b>Total Non-Current Assets</b>		<b>2,885,186</b>	<b>2,469,060</b>
<b>TOTAL ASSETS</b>		<b>6,049,547</b>	<b>4,560,191</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Other Financial Liabilities	17	1,285,683	317,051
Accounts Payable	18	543,960	789,334
Accounts Payable to related parties	7	71,547	27,473
Other Accounts Payable	19	190,193	123,024
Current Income Tax	20	57,831	40,471
<b>Total Current Liabilities</b>		<b>2,149,214</b>	<b>1,297,353</b>
<b>Non-Current Liabilities</b>			
Other Financial Liabilities	17	1,035,404	901,758
Accounts Payable			
Other Accounts Payable	31	116,196	6,891
Deferred Income Tax Liabilities	20	179,881	107,427
<b>Total Non-Current Liabilities</b>		<b>1,331,481</b>	<b>1,016,076</b>
<b>Total Liabilities</b>		<b>3,480,695</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		178,387	178,293
Retained Earnings		1,082,969	774,014
Other Shareholders' Equity Reserves		234,230	221,189
Non-controlling interest			
<b>Total Shareholders' Equity</b>		<b>2,568,852</b>	<b>2,246,762</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,049,547</b>	<b>4,560,191</b>

# Corporación Aceros Arequipa S.A.

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

	Notes	3Q 2021	3Q 2020	YTD 2021	YTD 2020
Revenue	22	1,406,978	906,952	3,737,461	1,774,477
Cost of Goods Sold	23	-1,039,334	-715,211	-2,679,429	-1,471,368
Gross Profit (Loss)		367,644	191,741	1,058,032	303,109
Selling and Distribution Expenses	24	-39,421	-33,154	-124,191	-82,357
Administrative Expenses	25	-53,927	-26,961	-144,379	-56,933
Other Operating Income	27	120,070	2,402	124,728	5,747
Other Operating Expenses	27	-38,030	-14,066	-52,354	-35,340
Other Income (Expenses)		0	0	0	0
Operating Profit (Loss)		356,336	119,962	861,836	134,226
Financial Income	28	2,743	1,572	6,336	6,145
Financial Expenses	28	-7,430	-8,259	-17,205	-26,577
Other income (Expenses) from subsidiaries, affiliated and joint ventures	11	959	312	4,414	1,493
Exchange Rate Differences, Net	32	11,094	-466	8,143	-3,448
Profit (Loss) before taxes		363,702	113,121	863,524	111,839
Income Tax Expense	20	-118,561	-30,044	-253,082	-28,021
Profit (Loss) from Discontinued Operations		0	0	0	0
Net Profit (Loss)		245,141	83,077	610,442	83,818
Earnings Per Share					
Basic in Continued Operations of Common Stock		0.227	0.077	0.566	0.077
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>0.227</b>	<b>0.077</b>	<b>0.566</b>	<b>0.077</b>
Basic in Continued Operations of Investment Stock (Non-voting)		0.227	0.077	0.566	0.077
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>0.227</b>	<b>0.077</b>	<b>0.566</b>	<b>0.077</b>

# Corporación Aceros Arequipa S.A.

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

	Notes	Jan 01 – Sep 30 2021	Jan 01 – Sep 30 2020
<b>Cash Flow from Operating Activities</b>			
<b>Collections due to Operating Activities</b>			
Sales of Goods and Services Offered		3,089,606	1,894,912
Other Operating Collections		37,901	32,624
<b>Payments due to Operating Activities</b>			
Suppliers of Goods and Services		-3,427,980	-1,330,226
Payments and payments on account to employees		-113,447	-149,336
Income Tax		-132,497	-69,457
<b>Net Cash Generated by Operating Activities</b>		<b>-546,417</b>	<b>378,517</b>
<b>Cash Flow from Investing Activities</b>			
<b>Collections due to Investing Activities</b>			
Sale of Property, Plant and Equipment	27	0	33,730
Interests Received	28	6,336	6,145
Dividends Received		1,736	812
<b>Payments due to Investing Activities</b>			
Acquire control of subsidiaries and other firms	1	-64,119	0
Purchase of Subsidiaries, Net of Cash Acquired	1	45,274	0
Purchase of Property, Plant and Equipment	12	-254,147	-110,212
Purchase of Intangible Assets	15	-46,656	-1,967
Purchase of Other Long-Term Assets		0	1
<b>Net Cash Generated by Investing Activities</b>		<b>-311,576</b>	<b>-71,491</b>
<b>Cash Flow from Financing Activities</b>			
<b>Collections due to Financing Activities</b>			
Short term and long-term loans		2,103,972	1,607,815
<b>Payments due to Financing Activities</b>			
Short term and long-term loans amortization		-1,137,376	-1,765,745
Interests paid	28	-17,205	-26,577
Dividends paid	11	-330,226	-18,000
Other collections (payments) of cash related to financial activities		106,762	0
<b>Net Cash Generated by Financing Activities</b>		<b>725,927</b>	<b>-202,507</b>
Net Increase (Reduction) of Cash and Equivalents before Exchange Rate Changes		-132,066	104,519
Effects of Exchange Rate Changes on the balance of Cash Held in Foreign Currencies		0	0
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>568,396</b>	<b>550,019</b>