

# 3Q 2022 EARNINGS REPORT

Lima, Peru, October 26, 2022. 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 2022") period ended September 30, 2022. 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/ 1,328.3 million (-5.6% YoY) mainly due to lower sales in "Other markets", compared to 3Q 2021.
- 2 **Gross Profit** totaled S/ 186.6 million and **Gross Margin** was 14.0%, down from a 26.1% during 3Q 2021, mainly due to higher costs of raw materials and traded products.
- 3 **EBITDA** was S/ 158.6 million, (a reduction of S/ 211.3 million YoY); while **EBITDA Margin** reached 11.9%. The higher 3Q 2021 EBITDA was mainly explained by the increasing trend in prices, the income registered as a result of the controversy resolution with the gas utility company, and the revenue registered by the sale of by-products.
- 4 **Net Profit** reached S/ 44.6 million, affected by a lower operating profit, higher interest expenses and the effect of negative exchange rate differences.
- 5 **Operating Working Capital requirements** reached S/ 2,364.5 million, mainly due to higher inventories, higher accounts receivables, lower accounts payables, and tax credit, among others.
- 6 **CAPEX** was S/ 132.6 million, mainly explained by the new warehouse and steel center in Lurin and the new rolling mill line #3.
- 7 As of September 30, 2022, the **Net Debt / EBITDA** ratio increased to 3.35x, higher than December 2021 (1.65x), primarily due to higher short-term financial liabilities and a lower EBITDA.
- 8 On October 25, the Board approved a cash dividend of US\$ 9.5 million.



Revenue  
reached S/ 1,328.3  
million

EBITDA of  
S/ 158.6 million,  
with a margin of  
11.9%

Net Profit was  
S/ 44.6 million, and  
Net Margin was  
3.4%

Net Debt / EBITDA  
ratio reached 3.4x  
as of September  
2022

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## Financial Summary

(\$/ million)	3Q 2021	3Q 2022	YoY	YTD 2021	YTD 2022	YTD
<b>Financial Figures</b>						
Revenue	1,407.0	<b>1,328.3</b>	-5.6%	3,737.5	<b>4,014.0</b>	7.4%
Gross Profit	367.6	<b>186.6</b>	-49.2%	1,058.0	<b>640.0</b>	-0.4 p.p,
Operating Profit	356.3	<b>125.7</b>	-64.7%	861.8	<b>440.4</b>	-48.9%
EBITDA	369.9	<b>158.6</b>	-57.1%	932.2	<b>563.5</b>	-39.5%
Net Profit	245.1	<b>44.6</b>	-81.8%	610.4	<b>231.2</b>	-62.1%
CAPEX <sup>1</sup>	248.0	<b>132.6</b>	-46.5%	481.6	<b>356.4</b>	-26.0%
<b>Financial Margins</b>						
Gross Margin	26.1%	<b>14.0%</b>	-12.1 p.p,	28.3%	<b>15.9%</b>	-12.4 p.p,
Operating Margin	25.3%	<b>9.5%</b>	-15.9 p.p,	23.1%	<b>11.0%</b>	-12.1 p.p,
EBITDA Margin	26.3%	<b>11.9%</b>	-14.3 p.p,	24.9%	<b>14.0%</b>	-10.9 p.p,
Net Margin	17.4%	<b>3.4%</b>	-14.1 p.p,	16.3%	<b>5.8%</b>	-10.6 p.p,
Earnings per share <sup>2</sup>	0.66	<b>0.66</b>	0.2%			
<b>Other Figures, as of</b>						
	Dec, 2021	Sep, 2022	YTD			
Net Debt <sup>3</sup>	1,846.5	<b>2,509.3</b>	35.9%			
Net Debt <sup>3</sup> / LTM <sup>4</sup> EBITDA	1.65x	3.35	1.70x			

1. YTD 3Q 2022 includes \$/31.5 million of the new melt shop plant financed through a capital lease agreement.
2. Earnings per share (EPS) is defined as Net Profit LTM / Total Stock at the end of the quarter. Expressed in \$/ per share
3. Total Financial Debt (includes supplier leases)
4. LTM: last twelve months

### III. Income Statement

## Revenue

During 3Q 2022, Revenue reached S/ 1,328.3 million (-5.6% YoY).

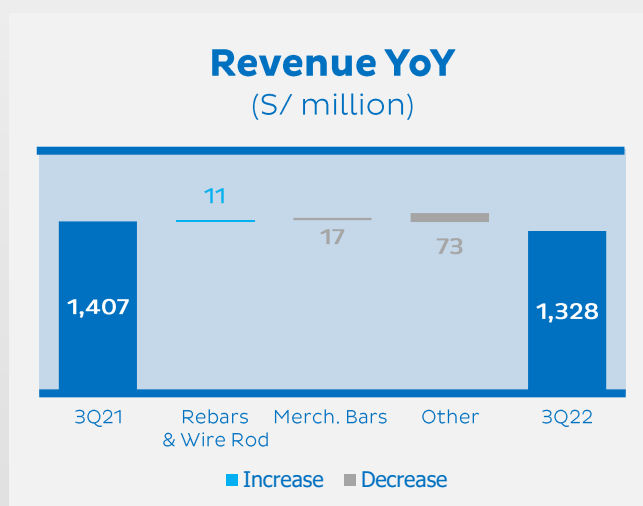
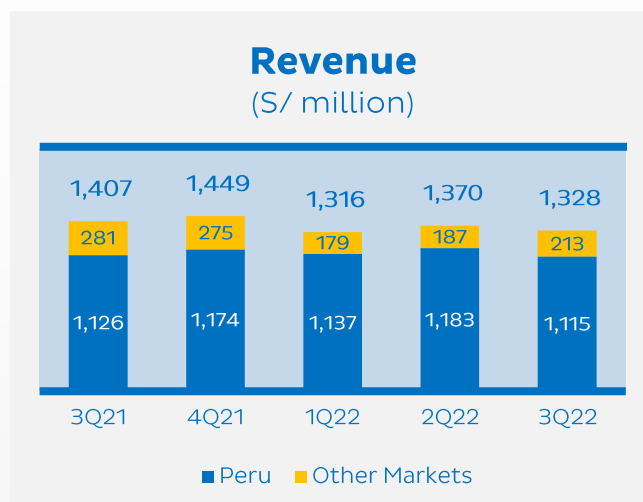
Revenue decreased due to lower sales in:

- Other markets: mainly Colombia and Canada
- Peru: Other and merchant bars partially offset by an increase in rebars.

Based on destination, domestic revenues decreased by S/ 11.2 million (-1.0%) YoY, and Other Markets by S/ 67.5 million (-24.1%) YoY.

During the quarter, Revenue from Other Markets represented 16.0% of total Revenue; down from 19.9% in 3Q 2021. The decrease in Other Markets was mainly due to lower sales in Colombia, and non-core markets. Bolivia remained as the main export market for the Company during the quarter.

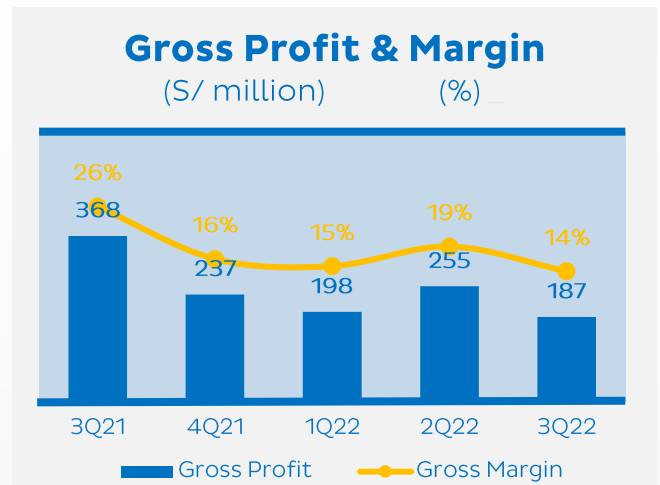
On a per-category basis, the “Other” products category decreased S/72.7 million (-22.1%) YoY, and the Merchant bars” products category decreased S/ 17.2 million (-13.1%) YoY. “Rebars & Wire Rod” category increased S/ 11.2 million (+1.2%) YoY.



## Gross Profit

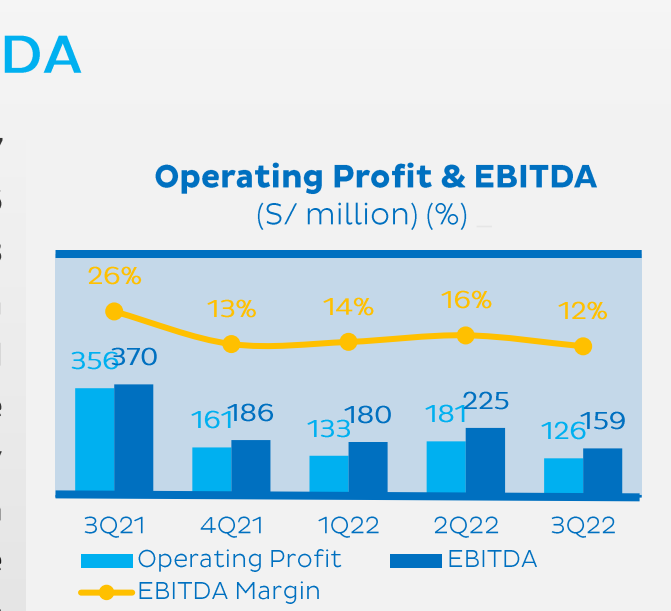
Gross Profit reached S/ 186.6 million during 3Q 2022, lower than last year's 3Q, reaching a margin of 14.0%. Margins were lower as a result of higher costs of raw material and traded products.

Furthermore, the rising trend in steel prices during the comparative period of 2021 had an historic positive effect on margins.



## Operating Profit & EBITDA

Operating Profit reached S/ 125.7 million during 3Q 2022, a S/ 230.6 million decrease compared to S/ 356.3 million in 3Q 2021. Operating Margin reached 9.5%, 15.9 p.p. lower compared to 3Q 2021. During the 3Q 2021, the operating profit was positively impacted by the controversy resolution with the gas utility company, and the income generated as a result of the sale of by-products.



Operating Profit decrease was partially offset by lower SG&A. The reduction in SG&A was driven by lower personnel expenses (variable expenses), and lower allowance for doubtful accounts.

During 3Q 2022, EBITDA reached S/ 158.6 million, a decrease of S/ 211.3 million YoY, and represented an EBITDA Margin of 11.9%; 14.3 p.p. lower compared to 3Q 2021.

## Net Financial Expenses

During 3Q 2022, Net Financial Expenses reached S/ 36.3 million, S/ 31.7 million higher compared to 3Q 2021, driven by higher Financial Expenses of S/ 34.3

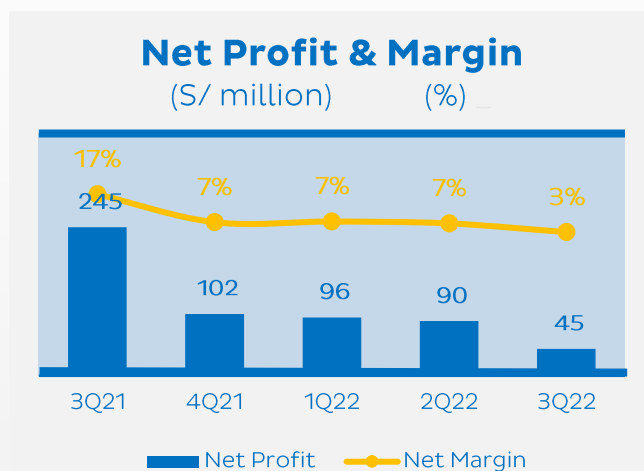
million, mainly due to the interest of the melt shop's lease, an increase in working capital financing, and higher interest rates.

Additionally, during the quarter, the Net Exchange Rate Difference was negative and totaled -S/ 31.1 million compared to a positive S/ 11.1 million in 3Q 2021.

## Net Profit

Net Profit was S/ 44.6 million during 3Q 2022, S/ 200.6 million lower YoY. Net Margin was 3.4%.

During 3Q 2022, Net Profit was lower than the 3Q 2021 Net Profit as a result of a lower Operating Profit. Net Profit was also negatively affected by higher Net Financial Expenses and higher negative Exchange Rate Differences.



Earnings per Share, based on the Net Profit for the last twelve months (LTM), reached S/ 0.31 in 3Q 2022, lower compared to the S/ 0.66 reported in 3Q 2021.

## IV. Balance Sheet

### Assets

As of September 30, 2022, Total Assets reached S/ 6,970.1 million, representing an increase of S/ 657.7 million versus December 31, 2021. Asset increase was driven by Current Assets, which increased by S/ 451.5 million, and non-current assets by S/ 206.2 million.

Current Assets were higher as of September 30, 2022, mainly due to:

- i Inventories (+S/ 306.8 million, or +15.4% YTD)
- ii Accounts receivables (+S/ 12.8 million, or +2.0%).
- iii Other accounts receivable (+ S/ 32.1 million, or +61.0% YTD) mainly explained by sales tax credit, and advance municipal payments.
- iv Income tax credit (+ S/ 61.4 million)

Days of Sales Outstanding reached 42.7 days as of September 30, 2022, lower than 44.1 days as of December 31, 2021. Days in Inventory decreased to 180.3 days as of September 30, 2022, compared to 184.1 days as of December 31, 2021.

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

## Liabilities

As of September 30, 2022, Total Liabilities reached S/ 4,217.3 million, a S/ 538.3 million or 14.6% increase YTD, driven by higher Current Liabilities by S/ 641.6 million, partly offset by a decrease in Non-Current Liabilities of S/ 103.3 million.

Current Liabilities increased mainly due to a higher working capital financing.

As of September 2022, Total Financial Debt (including supplier leases) reached S/ 3,181.9 million, higher than the figures as of December 2021.

Current Financial Debt as of September 30, 2022, was S/ 2,150.4 million, of which S/ 1,995.2 million represented short-term financing. Total current financial debt was S/ 760.7 million higher than the figures reported as of December 2021.

Non-Current Financial Debt was S/ 1,031.6 million, S/ 69.7 million lower than the figure reported as of December 2021.

As of September 2022, 55% of Total Debt was denominated in Peruvian Soles, while 39% was denominated in U.S. Dollars, 5% in Bolivianos and the remaining 1% in Colombian Pesos.

Net Debt to EBITDA ratio was 3.35x as of September 2022, an increase of 1.70x compared to December 2021 mainly due to an increase in short-term financial debt to meet working capital requirements, and lower EBITDA.

## Shareholders' Equity

At the close of September 2022, Shareholders' Equity reached S/ 2,752.7 million, an increase of S/ 119.4 million compared to the figures as of December 2021, mainly explained by the accrued 3Q 2022 results after deducting cash dividends.

## V. Cash Flow Statement

### Cash Flow from Operations

As of September 30, 2022, Cash Flow from Operations was negative S/ 115.8 million, mainly explained by higher inventory levels, payments to suppliers, an increase in accounts receivables, income tax credit, among others.

### Cash Flow from Investing

As of September 30, 2022, Cash Flow from Investing was negative S/ 290.8 million which included investments in the new Rolling Mill line (S/ 37 million), the New Melt shop in Pisco, new warehouse and Steel Center in Lurín, among other. These cash outflows were partly offset by S/ 22.3 million in dividends and S/ 11.7 million in interests received.

These figures do not consider S/ 31.5 million related to the new melt shop plant, financed through a capital lease agreement.

### Cash Flow from Financing

As of September 30, 2022, Cash Flow from Financing was S/ 434.7 million, which included net financing of S/ 658.9 million, interest payments of S/ 97.3 million and S/ 126.8 million in dividends.

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



## VI. Relevant Events

1. On October 25, the Board approved a cash dividend payment of approximately US\$ 9.5 million, following the Company's dividend policy.
2. The Board of Directors approved a US\$ 163 million financing to be destined for the construction of the new distribution center in Lurin; the Rolling Mill line #3; a Vacuum Degasser; a scrap cleaning machine and the revamping of our Nails & Wires production capabilities. After reviewing proposals from financial institutions, the financing was defined as a 9-year loan separated in two trenches: one trench of US\$ 75 million; and another of 343 million Soles.
3. Aceros Arequipa escalated 37 positions and is among the top 100 Companies in Peru with the best Corporate Reputation; based on a ranking elaborated by Merco Perú.

## Conference Call Information

Corporacion Aceros Arequipa S.A. cordially invites you to participate in its Third Quarter 2022 Earnings Conference Call.

Date: Thursday, October 27, 2022

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

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

<https://tinyurl.com/4dmc39zb>

## 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 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:

• Aceros America (Bolivia):	99.99%
• Aceros America (Colombia):	100.00%
• Aceros America Corporation:	100.00%
• Aceros America (Chile):	100.00%
• Aceros America (Ecuador):	100.00%
• Aceros Arequipa Iquitos:	99.90%
• Acero Instalado:	99.90%
• Transportes Barcino:	99.92%
• 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	September 30, 2022	December 31, 2021
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	672,627	644,541
Accounts Receivable	6	607,487	596,440
Accounts Receivable from related parties	7	41,187	39,483
Other Accounts Receivable	8	84,711	52,606
Inventories	9	2,296,926	1,990,122
Deferred Income tax Assets		61,439	-
Other Assets	10	20,268	9,963
Assets classified as held for sale		-	-
<b>Total Current Assets</b>		<b>3,784,645</b>	<b>3,333,155</b>
<b>Non-Current Assets</b>			
Other financial assets	13	17,694	27,428
Investments in subsidiaries, affiliates or joint ventures	11	96,053	119,485
Accounts Receivable from related parties	7	-	4,197
Other Accounts Receivable	8	5,098	19,482
Investment Property	14	56,062	55,554
Property, Plant and Equipment, Net	12	2,876,861	2,621,809
Intangible Assets, Net	15	84,881	88,390
Deferred Assets	19	13,760	7,624
Other non-financial assets	16	35,017	35,270
<b>Total Non-Current Assets</b>		<b>3,185,426</b>	<b>2,979,239</b>
<b>TOTAL ASSETS</b>		<b>6,970,071</b>	<b>6,312,394</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Other Financial Liabilities	17	2,150,373	1,389,691
Accounts Payable	18	562,407	579,466
Accounts Payable to related parties	7	32,180	82,082
Other Accounts Payable	19	152,908	177,144
Current Income Tax	20	-	27,862
<b>Total Current Liabilities</b>		<b>2,897,868</b>	<b>2,256,245</b>
<b>Non-Current Liabilities</b>			
Other Financial Liabilities	17	1,031,574	1,101,311
Other Accounts Payable	31	61,519	114,289
Deferred Income Tax Liabilities	20	226,368	207,202
<b>Total Non-Current Liabilities</b>		<b>1,319,461</b>	<b>1,422,802</b>
<b>Total Liabilities</b>		<b>4,217,329</b>	<b>3,679,047</b>
<b>Shareholders' Equity</b>			
Share Capital	21	890,858	890,858
Investment Shares	21	182,408	182,408
Treasury Shares		-	-
Other Capital Reserves		178,449	178,449
Retained Earnings		1,269,627	1,165,605
Other Shareholders' Equity Reserves		231,400	216,027
Non-controlling interest		-	-
<b>Total Shareholders' Equity</b>		<b>2,752,742</b>	<b>2,633,347</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,970,071</b>	<b>6,312,394</b>

# Corporación Aceros Arequipa S.A.

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

	Notes	3Q 2022	3Q 2021	YTD 2022	YTD 2021
Revenue	22	1,328,255	1,406,978	4,014,032	3,737,461
Cost of Goods Sold	23	(1,141,653)	(1,039,334)	(3,374,046)	(2,679,429)
Gross Profit (Loss)		186,602	367,644	639,986	1,058,032
Selling and Distribution Expenses	24	(37,047)	(39,421)	(111,108)	(124,191)
Administrative Expenses	25	(28,039)	(53,927)	(95,638)	(144,379)
Other Operating Income	27	13,204	120,070	45,348	124,728
Other Operating Expenses	27	(9,009)	(38,030)	(38,229)	(52,354)
Other Income (Expenses)		-	-	-	-
Operating Profit (Loss)		125,711	356,336	440,359	861,836
Financial Income	28	5,403	2,743	11,744	6,336
Financial Expenses	28	(41,740)	(7,430)	(97,314)	(17,205)
Other income (Expenses) from subsidiaries, affiliated and joint ventures	11	1,055	959	(4,970)	4,414
Exchange Rate Differences, Net	32	(31,103)	11,094	(20,768)	8,143
Profit (Loss) before taxes		59,326	363,702	329,051	863,524
Income Tax Expense	20	(14,737)	(118,561)	(97,876)	(253,082)
Profit (Loss) from Discontinued Operations		-	-	-	-
Net Profit (Loss)		44,589	245,141	231,175	610,442
Earnings Per Share					
Basic in Continued Operations of Common Stock		0.041	0.227	0.041	0.227
Basic in Discontinued Operations of Common Stock		-	-	-	-
<b>Total Earnings Per Share of Common Stock</b>		<b>0.041</b>	<b>0.227</b>	<b>0.041</b>	<b>0.227</b>
Basic in Continued Operations of Investment Stock (Non-voting)		0.041	0.227	0.041	0.227
Basic in Discontinued Operations of Investment Stock (Non-voting)		-	-	-	-
<b>Total Earnings Per Share of Investment Stock (Non-Voting)</b>		<b>0.041</b>	<b>0.227</b>	<b>0.041</b>	<b>0.227</b>

# Corporación Aceros Arequipa S.A.

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

	Notes	YTD 3Q 2022	YTD 3Q 2021
<b>Cash Flow from Operating Activities</b>			
<b>Collections due to Operating Activities</b>			
Sales of Goods and Services Offered		4,116,507	3,089,606
Other Operating Collections		24,431	37,901
<b>Payments due to Operating Activities</b>			
Suppliers of Goods and Services		-3,893,595	-3,427,980
Payments and payments on account to employees		-238,541	-113,447
Income Tax		-124,644	-132,497
<b>Net Cash Generated by Operating Activities</b>		<b>-115,842</b>	<b>-546,417</b>
<b>Cash Flow from Investing Activities</b>			
<b>Collections due to Investing Activities</b>			
Sale of Property, Plant and Equipment	27	0	242
Interests Received	28	11,744	6,336
Dividends Received		22,262	1,736
<b>Payments due to Investing Activities</b>			
Acquire control of subsidiaries and other firms	1	-	-64,119
Purchase of Subsidiaries, Net of Cash Acquired	1	-	45,274
Purchase of Property, Plant and Equipment	12	-323,806	-254,147
Purchase of Intangible Assets	15	-925	-46,656
Purchase of Other Long-Term Assets		-86	-
<b>Net Cash Generated by Investing Activities</b>		<b>-163,703</b>	<b>-111,508</b>
<b>Cash Flow from Financing Activities</b>			
<b>Collections due to Financing Activities</b>			
Short term and long-term loans		2,482,967	2,103,972
<b>Payments due to Financing Activities</b>			
Short term and long-term loans amortization		-1,824,094	-1,137,376
Interests paid	28	-97,314	-17,205
Dividends paid	11	-126,820	-330,226
Other collections (payments) of cash related to financial activities		-	106,762
<b>Net Cash Generated by Financing Activities</b>		<b>434,739</b>	<b>725,927</b>
Net Increase (Reduction) of Cash and Equivalents before Exchange Rate Changes		28,086	-132,066
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		644,541	700,462
<b>Cash and Cash Equivalents at the end of the period</b>		<b>672,627</b>	<b>568,396</b>