ALTOS HORNOS DE MEXICO

Earnings Release

AHMSA Announces First Quarter 2018 Results

Monclova, Coahuila – April 27, 2018 - Altos Hornos de México, S.A.B. de C.V. and Subsidiaries ("AHMSA" or "the Company") (BMV: AHMSA) reported financial results for the period ended March 31, 2018 (1Q 2018). Financial and operating figures included in this report are unaudited and are based on AHMSA's operating figures and financial statements; they are prepared in accordance with International Financial Reporting Standards (IFRS) and are expressed in U.S. dollars (US$) and metric tons (MT).

1Q 2018 Highlights

- **Adjusted EBITDA** reached US$ 64 million, a 109% increase compared to US$ 30 million in 1Q 2017.
- **Steel Segment Adjusted EBITDA** increased 101% to US$ 81 million from US$ 40 million in 1Q 2017.
    - *Steel volume was 1,012k MT, an 18.2% increase, compared to the same period in 2017.*
    - *Average realized prices increased by 15%, due to stronger international steel market conditions.*
    - *Net Sales grew 36%, compared to 1Q 2017, driven by higher volume and better price conditions.*
    - *During March, the Company reached a new monthly record in terms of shipments, reaching 364 thousand TM.*
    - *Cost of sales increased by 35% compared to 1Q 2017, mainly due to higher raw material costs and usage.*
- **Coal Segment adjusted EBITDA** reached a loss of US$ 12 million compared to a loss of US$ 5 million in 1Q 2017. This was mainly explained by the following factors:
    - *Adverse economic environment that negatively affected the price calculation according to the formula established in the contracts, which considers a 35% price adjustment due to the exchange rate fluctuation, and that was insufficient to offset the higher costs incurred for the operation of the Dos Republicas mine.*
    - *Reduction in the monthly shipment volume requested by CFE[1] in order to lower its inventory.*

CFE. Comisión Federal de Electricidad (Federal Electricity Commission).

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Corporate Update

- Currently, AHMSA continues to advance in a number of strategic investments:
  - *During the month of March 2018, the Company began the testing process for the* ***vacuum degassing system****, which has proven to be satisfactory. The production phase is estimated to begin towards the end of 2Q 2018.*
  - ***The Company is in the middle of the implementation of Proyecto Artemisa;*** *the SAG mill is expected to be installed by mid-2018, which will improve the recovery of our iron mineral reserves and optimize iron ore concentrate production.*
  - *AHMSA continues to report advances in the* ***repair project*** *of 35 coke ovens at our #1 Coking Battery. The project is expected to increase annual coke capacity by approximately 177 thousand MT.*
- The Company is expecting the bidding process announcement for renewal of the steam coal contracts. The current contracts expire in December.
- Plans are underway for the re-instatement of AHMSA's shares on the Mexican Stock Exchange (BMV).

*Projects to optimize our iron ore concentrate production (left: La Perla Unit, right: Artemisa Project)

Comment from AHMSA's Chairman of the Board:

The quarter we just concluded was a very positive one for AHMSA, as it took place in a very favorable environment with the announcement of some very encouraging news for the North American steel industry. The resolution of the U.S. government regarding the application of tariffs on steel and aluminum products (Section 232) coming into the U.S. benefits us, as Mexico was included in the list of countries exempt from this restriction.

This measure, together with the expected positive resolution of the North American Free Trade Agreement (NAFTA), has stimulated the Mexican steel market, and we can already see these benefits reflected in the quarter just concluded, primarily in March. This is a trend that we expect will continue in the coming months.

Added to the above, we have asked the Mexican authorities to replicate the protections applied by the U.S.

Within this favorable environment, in March we were able to surpass our previous record of monthly shipments, reaching 364 thousand metric tons during this period.

In terms of our corporate strategy update, we initiated testing for the new vacuum degassing line, which has been satisfactory so far. We expect to conclude it during the coming quarter in order to enter into the production phase.

In terms of the coal sector, we continue facing the impact of the macroeconomic factors on the price structure. At this time we are awaiting the announcement for the public bidding process by the CFE for the new contracts, where we will seek to correct these price distortions as soon as the coming year.

As always, we thank you for your interest in AHMSA.

Sincerely,

Alonso Ancira Elizondo
Executive Chairman of the Board

Financial Highlights

	1Q 2018	1Q 2017	%Var
Steel Segment			
Sales volume (thousands of MT)			
Flat products	937	754	24.3
Coated products	35	30	16.7
Structural shapes	40	72	(44.4)
Total volume of shipments	1,012	856	18.2
Average sales price (per MT)	739	642	15.0
Net sales (thousands of US$)	754,003	555,429	35.8
Cost of sales	630,325	466,857	35.0
Depreciation	40,373	37,876	6.6
Operating costs	35,498	41,212	(11.2)
Operating (loss) profit	47,807	9,484	404.1
EBITDA	91,261	54,890	66.3
Currency fluctuation	10,774	14,770	(27.1)
Adjusted EBITDA	80,487	40,120	100.6
Investments in Fixed Assets	27,166	16,348	66.2
Steam Coal Segment			
Sales volume (thousands of MT)	1,439	1,470	(2.1)
Average sales price (per MT)	47	44	7.7
Net sales (thousands of US$)	67,669	64,174	5.4
Cost of sales	78,723	69,221	13.7
Depreciation	6,960	6,056	14.9
Operating costs	2,292	1,199	91.2
Operating (loss) profit	(20,305)	(12,301)	65.1
EBITDA	(9,859)	(2,615)	277.1
Currency fluctuation	1,979	2,642	(25.1)
Adjusted EBITDA	(11,838)	(5,257)	125.2

Financial Results

Consolidated Results

	1Q 2018	1Q 2017	Var %
Net Sales (thousands of US$)	**830,799**	**627,767**	**32.3**
Cost of sales	719,713	545,964	31.8
Depreciation	48,829	45,263	7.9
SG&A	42,301	41,242	2.6
Other (income) expenses	980	4,644	(78.9)
Operating income	18,975	(9,347)	(303.0)
EBITDA	76,484	47,856	59.8
Currency fluctuation	12,753	17,413	(26.8)
Adjusted EBITDA	63,731	30,444	109.3

Net sales for 1Q 2018 were US$ 830.8 million, a 32.3% increase compared to 1Q 2017, as a result of an increase in the average steel price per MT, mainly in the domestic market, as well as higher sales volume of steam coal.

In 1Q 2018, **cost of sales** totaled US$ 719.7 million, an increase of US$ 173.7 million compared to 1Q 2017. This impact on the cost of sales was primarily attributable to rising costs and consumption of certain raw materials, such as: scrap, coke and pellet feed, higher maintenance and general service expenses, as well as higher production costs in the coal segment.

Selling, general and administrative expenses (SG&A) for 1Q 2018 represented 5.1% of net sales, an increase of US$ 1.1 million compared to 1Q 2017. This increase was mainly due to a charge for specialized services registered in the steel segment.

Other (income) expenses for 1Q 2018 were US$ 1 million, US$ 3.7 million lower compared to 1Q 2017. This was mainly derived from the accounting loss obtained from the sale of land that was partially compensated by the income obtained from the sale of the *Acereros* baseball team in 1Q 2017, which are non-recurring events.

As a result, the Company reported an **operating gain** of US$ 19 million in 1Q 2018, an increase of US$ 28.3 million compared to the operating loss reported for 1Q 2017.

Steel Segment

	1Q 2018	1Q 2017	Var %
Net Sales (thousands of US$)	**754,003**	**555,429**	**35.8**
Cost of sales	630,325	466,857	35.0
Depreciation	40,373	37,876	6.6
SG&A	35,624	35,729	(0.3)
Other (income)expenses	(125)	5,483	(102.3)
Operating income	47,807	9,484	404.1
EBITDA	91,261	54,890	66.3
Currency fluctuation	10,774	14,770	(27.1)
Adjusted EBITDA	80,487	40,120	100.6

Net sales for 1Q 2018 were US$ 754.0, a 35.8% increase compared to 1Q 2017, as a result of an increase in the average steel price per MT, and a higher sales volume.

In 4Q 2017, **cost of sales** reached US$ 630.3 million, an increase of US$ 163.5 million compared to 1Q 2017. This increase was primarily attributable to rising costs and consumption of certain raw materials, such as scrap, coke and pellet feed, higher maintenance and general services expenses.

Selling, general and administration expenses (SG&A) for 1Q 2018 reached US$ 35.6 million, representing 4.7% of net sales, a decline of US$ 0.1 million when compared to 1Q 2017.

Other (income) expenses for 1Q 2018 were US$ (0.1) million, a decline of US$ 5.6 million compared to 1Q 2017. This decline was mainly attributable to the accounting loss obtained from the sale of land that was compensated by the income obtained from the sale of the *Acereros* baseball team in 1Q 2017 that was not the case of 1Q 2018.

As a result, the steel segment reported an **operating gain** of US$ 47.8 million in 1Q 2018, or US$ 38.3 million higher than the operating gain experienced during 1Q 2017.

As part of the Company's vertical integration, mineral production for our own internal demand was as follows (in MT):

Product	1Q 2018	1Q 2017	% Var
Iron Ore	879,334	936,541	(6.1)
Metallurgical Coal	255,835	288,778	(11.4)

Coal Segment

	1Q 2018	1Q 2017	% Var
Net Sales (thousands of US$)	**67,669**	**64,174**	**5.4**
Cost of sales	78,723	69,221	13.7
Depreciation	6,960	6,056	14.9
SG&A	2,296	2,038	12.7
Other (income) expenses	(4)	(839)	(99.5)
Operating income	(20,305)	(12,301)	65.1
EBITDA	(9,859)	(2,615)	277.1
Currency fluctuation	1,979	2,642	(25.1)
Adjusted EBITDA	(11,838)	(5,257)	125.2

Net sales for 1Q 2018 were US$ 67.7 million, a 5.4% increase compared to 1Q 2017. This was the result of higher sales volume of steam coal, despite the decline in the average price of coal per MT.

In 1Q 2018, **cost of sales** was US$ 78.7 million, an increase of US$ 9.5 million compared to 1Q 2017. This was mainly explained by higher costs at the MIMOSA unit in order to obtain higher quality blends, and a higher proportion of coal from third parties.

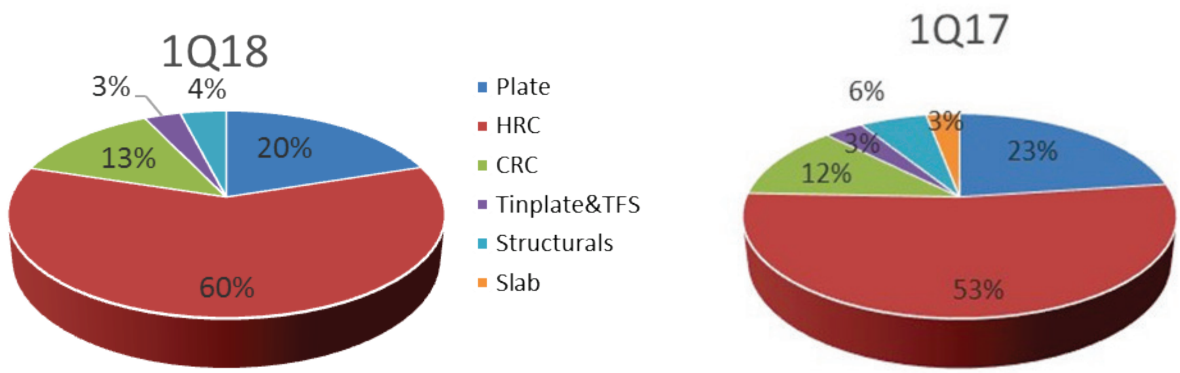
Selling, general and administrative expenses (SG&A) in 1Q 2018 represented 3.4% of net sales (US$ 2.3 million), an increase of US$ 0.3 million compared to 1Q 2017.

Other (income) expenses for 1Q 2018 were US$ 0.004 million, an increase of US$ 0.8 million compared to 1Q 2017. This increase was due to a charge derived from a foreign exchange gain in diverse operations in 1Q 2017.

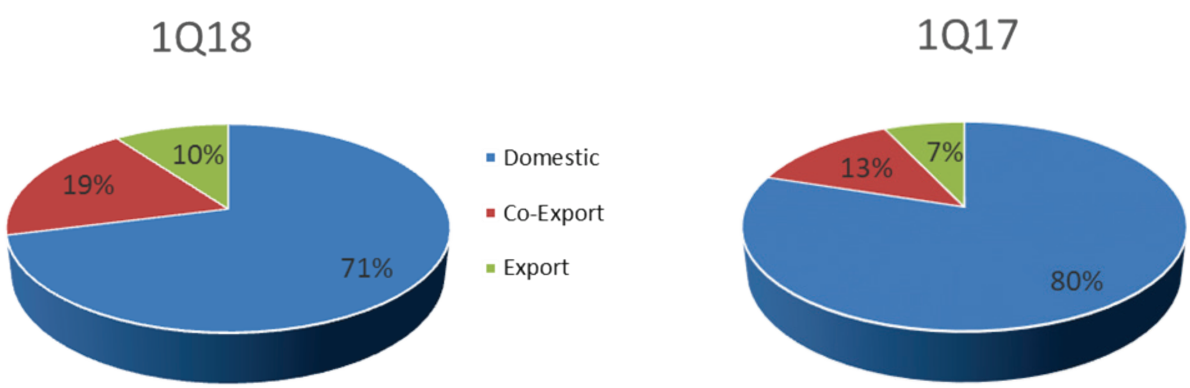
As a result of the above, the **operating loss** for the coal segment during 1Q 2018 was US$ 20.3 million, an increase of US$ 8 million compared with 1Q 2017.

Sales Analysis of Steel Segment

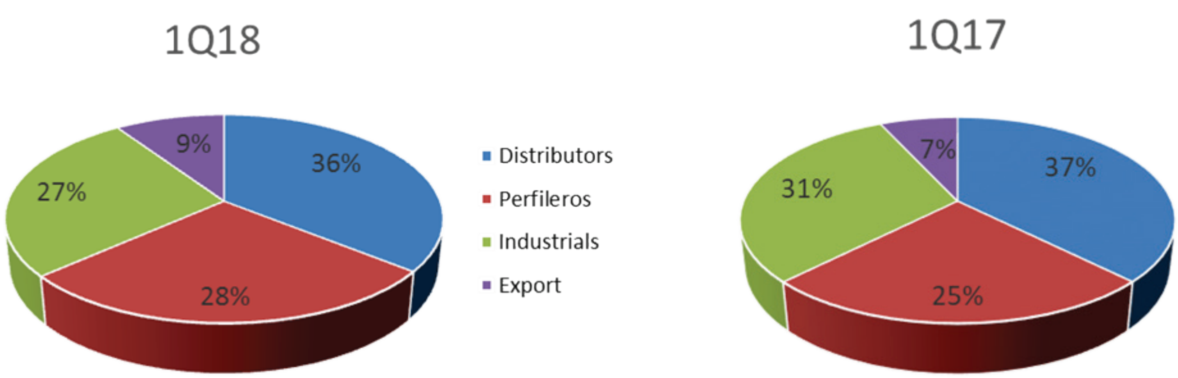
By Product:



By Market:



By Client type:



Financial Debt

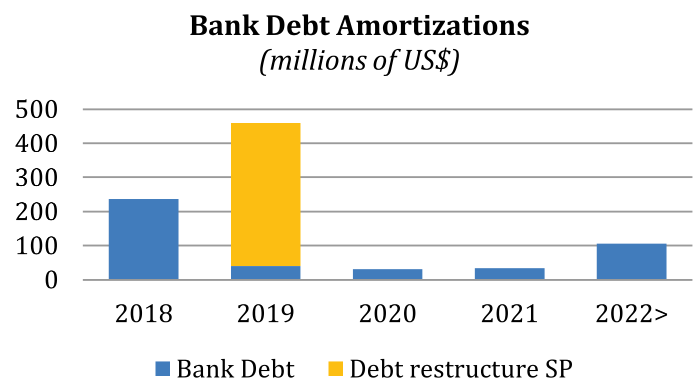
As of March 31, 2018, financial debt was US$ 884.5 million, a 2.2% increase compared to the US$ 865.7 million reported in the close of 2017. Of this figure, US$ 219.7 million was bank debt, US$ 214.5 corresponds to financial and capital leases, and US$ 450.3 to the debt restructuring due to the suspension of payments.

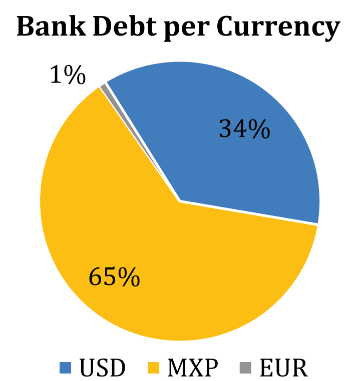
In January 2018, Minera del Norte, S.A. de C.V. ("MINOSA") entered into a one-year term loan with a collateral guarantee with Almacenadora Afirme S.A. de C.V. for US$ 21.8 million. The proceeds were used for working capital needs. This loan accrues interest at a rate of TIIE plus 7% per annum and is secured by AHMSA's continuous caster equipment.

In March, 2018 MINOSA, obtained a line of credit from Caterpillar Crédito, S.A. de C.V. for a total of US$ 5 million, at an annual interest rate of 6.75% and a 1-year maturity. The proceeds of this credit line were used for working capital requirements.

During January and February, 2018, MINOSA disbursed US$ 16.1 million from the financial leasing line with Caterpillar Crédito, S.A. de C.V., for the acquisition of mining equipment, at a 5-year maturity and at a rate of 7.75% annual interest rate.

Bank Debt Profile





CAPEX

Capital Expenditures in 1Q 2018 were US$27.2 million. This figure includes the application of mining exploration expenses incurred to date. The main investments carried out during this period included those for the modernization and optimization process, as well as technological updates and development of mines.

Recent Events

On April 26, 2018, the first Annual General Ordinary Shareholders' Meeting was held in which all the items of the agenda were approved, including the approval of the Company's audited financial statements and the ratification of the positions of the members of the Board of Directors.

1Q18 Shareholder Composition

Shareholder	# of Shares	% Ownership
Grupo Acerero del Norte	302,325,250	64%
Board & Management	14,401,883	3%
Float	154,750,627	33%

About AHMSA

AHMSA is the largest steel producer in Mexico. The Company was founded in 1942 and began operations in 1944. In December 1991, the Company was privatized and Grupo Acerero del Norte, S.A. de C.V. (GAN) assumed control. In December 1995, GAN incorporated into AHMSA the iron ore and coal mines to convert AHMSA into an integrated steel producer in Mexico with a nominal capacity of 3.8 million MT of liquid steel per year. Since 2007, it has managed the *Fénix* Project, the most ambitious investment program in the Company's history aimed at increasing installed capacity by at least 40% and enabling AHMSA to surpass 5 million MT of liquid steel per year following the incorporation of its new electric arc furnace. With this new equipment, AHMSA also expanded its ranges of steel and increased specifications, which allows the Company to enter new market niches.

In 2017, AHMSA held 12% share of the domestic steel market, 22% of the domestic market for flat products and 12% of exports from Mexico of finished steel products. The corporate headquarters and steel mills have an area of approximately 1,200 hectares and is located in Monclova, Coahuila de Zaragoza, 248 km from the U.S. border.

<u>Forward-looking statements:</u>

The information set forth in this presentation contains "forward-looking statements" within the meaning of applicable Mexican securities legislation and the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements") including but not limited to projections of revenues or losses, plans and objectives for future operations, products or services, and statements relating to future economic performance. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause AHMSA's actual results to differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include but are not limited to regional, national or global economic, business, market and regulatory conditions and the following: (i) AHMSA's ability to service its debt, including the outstanding non-transferable rights of each recognized creditor in the suspension of payments proceeding to receive certain payments; (ii) competition and loss of market shares; (iii) changes in AHMSA's relationships with customers and suppliers; (iv) increases in raw material costs or interruptions in supply; (v) declines in, and volatility affecting, global prices of steel; (vi) the existence or termination of free trade agreements, such as the North American Free Trade Agreement; (vii) foreign currency exchange fluctuations; (viii) the inherently dangerous nature of mining; (ix) work stoppages, strikes or other labor disputes; (x) changes in Mexican economic policy, as well as currency instability; (xi) inaccuracies in AHMSA's estimates of economically recoverable coal reserves; and (xii) AHMSA's dependence on certain raw materials.

The financial and operating projections, as well as estimates of assets, are based solely on the assumptions developed by AHMSA that it believes are reasonable based upon information available to AHMSA as of the date hereof. All projections and estimates are subject to material uncertainties, and should not be viewed as a prediction or an assurance of actual future performance. The validity and accuracy of AHMSA's projections will depend upon unpredictable future events, many of which are beyond AHMSA's control and, accordingly, no assurance can be given that AHMSA's assumptions will prove true or that its projected results will be achieved.

<u>Non-GAAP Financial Measures:</u>

This presentation provides information regarding EBITDA and Adjusted EBITDA. EBITDA and Adjusted EBITDA are not recognized terms or measures of financial performance under U.S. GAAP or IFRS and do not purport to be and should not be considered as alternatives to net income, as determined on a consolidated basis in accordance with IFRS, as indicators of AHMSA's operating performance or as net resources generated by operating activities as a measure of AHMSA's liquidity. AHMSA includes EBITDA and Adjusted EBITDA because it believes that they enhance the understanding of AHMSA's financial performance and its ability to satisfy principal and interest obligations with respect to its indebtedness as well as to fund capital expenditures and working capital requirements.

<u>Exchange Rate disclaimer</u>

This document includes certain exchange rate conversions from Mexican Pesos to U.S. Dollars, only for convenience of the user. The exchange rate used for the purposes of this translation is, for accounts related to the Income or Cash Flow statements, the average of the Official Exchange Rates published by Banco de Mexico each day during the three months and the years ended, and the last day of each period for accounts related to the Balance Sheet.

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Balance Sheet (thousands of US$)

	March 2018	Dec. 2017
ASSETS		
Cash and cash equivalents	24,565	84,976
Clients, net	266,571	227,710
Due from related parties, net	13,508	10,514
Other accounts receivable, net	62,965	58,274
Inventories, net	443,847	355,011
Prepaid expenses	8,830	2,055
Total Current Assets	**820,286**	**738,540**
Due from related parties, net	26,322	24,587
Other accounts receivable, net	3,956	4,495
Guaranty deposits	62,630	44,675
Investments in shares of associates or joint ventures	4,848	4,114
Property, plant and equipment, net	2,333,223	2,182,335
Intangible assets, net	172,739	168,936
Other assets, net	38,949	34,354
Total Non-Current Assets	**2,642,667**	**2,463,495**
TOTAL ASSETS	**3,462,953**	**3,202,035**
LIABILITIES		
Financial liabilities	220,017	237,325
Suppliers	508,235	442,759
Taxes payable	94,605	81,230
Due to related parties	29,518	25,900
Advances from customers	141,551	120,669
Other payables and provisions	128,325	101,855
Total Current Liabilities	**1,122,251**	**1,009,738**
Financial liabilities	214,212	209,789
Liabilities from SP restructure	450,288	418,553
Employee retirement obligations	401,595	365,404
Other payables and provisions	21,256	17,258
Deferred income taxes	177,941	173,290
Total long-term liabilities	**1,265,292**	**1,184,294**
TOTAL LIABILITIES	**2,387,543**	**2,194,032**
SHAREHOLDERS' EQUITY		
Capital stock	743,813	691,391
Retained earnings	304,528	282,410
Other comprehensive income concepts	(5,775)	4,830
Total controlling interest	1,042,566	978,631
Non-controlling interest	32,844	29,372
TOTAL SHAREHOLDERS' EQUITY	**1,075,410**	**1,008,003**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,462,953**	**3,202,035**

Income Statement (thousands of US$)

	1Q 2018	1Q 2017
Net Sales	830,799	627,767
Cost of Sales	768,543	591,227
GROSS PROFIT (LOSS)	**62,256**	**36,540**
Selling, general and administrative expenses	42,301	41,242
Other Expenses, net	980	4,644
OPERATING INCOME (LOSS)	**18,975**	**(9,346)**
Financial Expenses	22,160	18,879
Financial Products	(938)	(1,858)
Currency Fluctuation	(12,632)	(16,834)
Investments in shares of associates or joint ventures	(409)	(208)
INCOME (LOSS) BEFORE INCOME TAXES	**10,794**	**(9,325)**
Income Taxes	9,007	(1,684)
INCOME (LOSS) FOR THE PERIOD	**1,787**	**(7,641)**
EBITDA	**76,484**	**47,856**

Statement of Cash Flow (thousands of US$)

	1Q18	1Q17
Profit (loss) before income taxes	10,794	(9,325)
Depreciation and amortization	56,429	52,653
Equity in (income) loss of associated and joint ventures	(409)	(208)
Assets impairment	1,096	0
Loss on sales of property, plant and equipment, net	(16)	4,549
Interest income	(938)	(1,858)
Foreign exchange gain, net	(12,632)	(16,834)
Interest expense	22,160	18,879
	76,484	47,856
Trade accounts receivable, net	(26,299)	17,692
Due from related parties, net	(2,023)	86
Other short and long term accounts receivable, net	408	529
Inventories, net	(60,260)	(19,729)
Due to suppliers	46,308	37,137
Taxes payable	(8,373)	(17,905)
Due to related parties	1,481	401
Other payables and provisions	29,861	24,636
Advances from customers	16,138	(44,078)
Employee retirement obligations, net	(8,157)	(6,440)
Income tax (paid) recovered	(6,305)	(3,855)
Interest expenses paid	(4,662)	(5,289)
Interest income received	452	1,449
	(21,431)	(15,366)
Net cash flow provided by operating activities	55,053	32,490
Additions to property, plant and equipment	(27,166)	(16,348)
Cash provided by sales of property, plant and equipment	1,417	720
Investment in shares of associated companies	(3)	1,468
Guaranty deposits	(14,246)	(1,201)
Interest received	489	141
Other assets	(3,671)	(119)
Intangible assets	(5,189)	(6,069)
Net cash flow used in investing activities	(48,369)	(21,408)
Financing debt	11,362	13,575
Financial debt paid	(53,324)	(27,836)
Due to related parties	0	2,838
Interest paid	(10,013)	(7,709)
Net cash flow used in financing activities	(51,975)	(19,132)
(Decrease)increase in cash and cash equivalents	(45,291)	(8,050)
Adjustments to cash flow due to exchange rate fluctuations	(15,120)	(22,401)
Beginning of year	84,976	46,324
End of period	24,565	15,873