ANNUAL REPORT 2013

For more reasons

Ferreycorp

Ferreycorp

Declaration of Responsibility

Annual Report 2013

This document contains accurate and sufficient information regarding the business activities of Ferreyros S.A.A. during fiscal year 2013.

The responsibility of the issuer notwithstanding, the undersigned assume responsibility for the contents hereof in accordance with applicable legislation.

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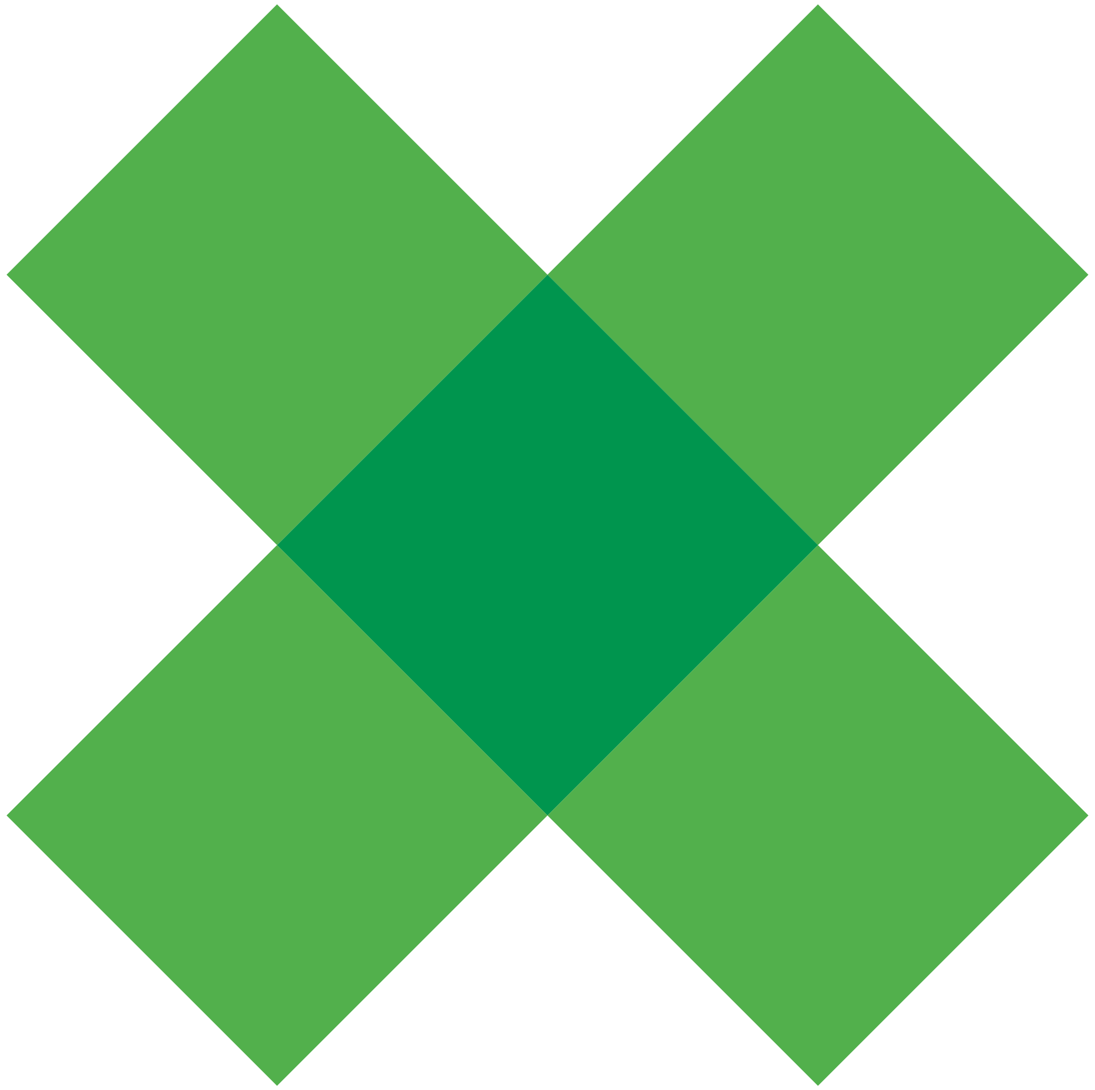
FOR MORE REASONS



Consolidation

Expansion

Dynamism

Commitment

FOR MORE REASONS

Letter from the Chairman

2013 was noteworthy for a number of contrasts in the economic environment and in business expectations.

The year started with considerable optimism motivated by the country's economic performance in 2012 -when growth reached 6.3%- and by mining investment during recent years; participants in the Peruvian economy adopted a wait-and-see attitude in the face of uncertainty concerning the growth of the Chinese economy, falling mineral prices and risks arising from United States economic policy.

In this context, various investment decisions were postponed or suspended. Consequently, private investment increased only 3.6% during the year even though it has been expanding at an average of 11.5% over the previous five years.

In addition to this international situation, there were periods of uncertainty throughout the year, deriving from the domestic political scenario and social conflicts, especially those relating to mining or the implementation of important infrastructure projects.

In the fourth quarter, the Perumin mining event and the Annual Conference of Executives (CADE) restored the feeling of optimism.

In spite of this changeable and unstable panorama Ferreycorp companies maintained their commercial dynamism, serving their markets efficiently and helping their clients on machinery and equipment investment decisions in order to carry out planned projects. Thus, the corporation achieved record sales of US$ 2,000 million, equivalent to S/. 5,225 million, a figure 13% higher than that for 2012. It should be pointed out that the corporation's three divisions al showed significant growth.

Sales by the first group of companies, dedicated to the distribution of Caterpillar machinery, equipment and spare parts in Peru and consisting of Ferreyros, Orvisa and Unimaq, grew 14% to US$ 1,564 million. This reflects the importance of the Caterpillar-brand capital goods market, whose distributors are in close contact with their customers, offering new and improved products and solutions year on year.

The group of companies operating in Central America, led by Gentrac and Cogesa, which is also largely dedicated to the Caterpillar business, increased its sales by 19% to a total turnover of US$ 171 million, equivalent to compound annual growth of 21.4% since the year in which Ferreycorp acquired these businesses.

Finally, the group of companies that completes the corporation's portfolio and is closely related to the principal capital goods business, grew by 7% to a turnover of more than US$ 196 million. The companies of this group are Mega Representaciones, Motored, Cresko, Fiansa, Fargoline, Ferrenergy and Forbis.

In summary, during 2013 Ferreycorp continued to grow by expanding its existing businesses, moving into new businesses and introducing additional products.

It should be noted that the year saw the continued integration of new Caterpillar shovels and drilling machines for the mining industry (formerly Bucyrus), the distribution rights of which were acquired by the corporation in 2012 and which contributed sales valued at around US$ 180 million during their first year. Furthermore, two new businesses were successfully incorporated, derived from the acquisition of Tecseg in Peru, dedicated to the sale of personal safety equipment, and of Mercalsa a company selling Mobil lubricants in Guatemala and Nicaragua. These two businesses not only increase the corporation's turnover, but also demonstrate its determination to expand its businesses internationally and thus increase its supply of products and services to customers, helping their efficiency and profitability.

This international growth was driven in part by invitations from well-known companies to handle their products. It is also a result of the gradual implementation of a strategy of growth in Peru and in other Latin American countries, in which we offer our experience to internationally prestigious companies with which we have had a business relationship for several years.

In 2014 we expect to continue this growth, both organically and through new businesses. We expect to take advantage of all the opportunities that recently announced and future projects may offer for machinery sales, working hand in hand with our current and future principals. We would like to emphasize the relevance for our business of a portfolio of future mining projects worth around US$ 50 billion, as well as Peru's infrastructure deficit, which is valued at around US$ 90 billion.

As far as the capital markets are concerned, in 2013 the corporation completed a significant international bond issue, after a number of domestic issues from 1994 onwards. This issue, worth US$ 300 million was eagerly taken up by investors in the global market and was five times oversubscribed, enabling us to obtain very favorable conditions. Furthermore, and throughout the year, the corporation made a great effort to satisfy investors with confidence in Ferreycorp both with variable income instruments (the company's shares) and fixed income securities (bonds). It has thus taken part in many meetings organized by investment banks, it has held quarterly conferences and published information on the organization through market channels and using its own means.

We would point out that the behavior of the economy -particularly the international economy- made the exchange rate ever less stable during the year, resulting in significant adjustments to account for exchange rate losses in Ferreycorp's financial statements and consequent distortions that have also affected many large companies in Peru.

It is widely known that the sales of most corporation companies are denominated in dollars, which is also the currency of its principle financing. Whilst a devaluation of the sol has an immediate negative effect on the company's liabilities, the assets account records inventories acquired in soles at the currency's value at the time of acquisition, resulting in an exchange rate loss. Although this loss is gradually recovered from greater gross margins on future sales at a better exchange rate, the recovery is only partial.

The currency devalued by around 9.6% during the year compared to a 5.41% strengthening of the nuevo sol in 2012. This means, firstly, a reversion of the exchange rate gains of 2012. But it also generated a significant loss over the year, given the company's high level of foreign-currency-denominated financing. Nevertheless, this loss was partially recovered during the year.

In spite of this unwelcome exchange rate situation, Ferreycorp's operating results show greater gross earnings and therefore better EBITDA compared with 2012, reaching US$ 217 million or 25% higher than the figure for the previous year. Earnings before taxation amounted to S/. 165.5 million.

The managers of all the corporation's companies are committed to efficiency, through which they can defend and increase margins, control costs and improve asset rotation in order to maintain their leadership in their respective markets.

During the fiscal year, the corporation managed its businesses in accordance with its values and standards of good corporate governance and social responsibility. The corporation and its subsidiaries companies assume a role that is appropriate to their size and prominent market position and are committed to the sustainability of Peru and socially responsible management.

This management has been rewarded a number of times during the year by prestigious institutions, having been considered as one of the ten most admired companies, distinguished because of its excellent reputation. As far as corporate governance is concerned, Ferreycorp is part of Lima Stock Exchange's Index of Good Corporate Governance and for the fourth time was awarded the Key of the Stock Exchange, which is given to those companies that comply fully with the principles of good corporate governance, also taking liquidity factors into account. Furthermore, several of the corporation's companies belong to the Association of Good Employers and have received awards as socially responsible companies.

As I submit this report on the performance and results of 2013 and at the beginning of a year that once again presents great opportunities, I must reiterate our thanks to the shareholders for their confidence in the board of directors, to our clients for their loyalty and continued preference, to Caterpillar and the others prestigious companies we represent for their continued support, and to those who have provided us with financial support. I would, of course, also like to thank our managers and collaborators in general, without whose loyal and efficient labor we would not have been able to achieve our goals.

Let me therefore commend to the shareholders the "Annual Report for 2013" drawn up by the management and approved by the board of directors at a meeting on the 26th of February 2014, as well as the financial statements prepared in accordance with Conasev Ruling N° 141.98 EF/94.10, covering the submission of companies' annual reports, including an obligatory declaration of responsibility

Óscar Espinosa Bedoya
Executive President

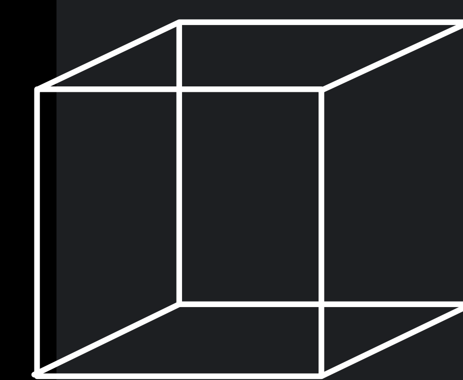
Manuel Bustamante Olivares | Andreas Von Wedemeyer Knigge | Raúl Ortiz de Zevallos Ferrand | Ricardo Briceño Villena | Carlos Ferreyros Aspíllaga | Óscar Espinosa Bedoya | Carmen Rosa Graham Ayllón | Eduardo Montero Aramburú | Aldo Defilippi Traverso | Juan Manuel Peña Roca

Solidity

Excellence

+ Effort

For more reasons



Consolidation


CAT
7495
797F
2103

FOR MORE REASONS

Con solida tion

In 2013, Ferreycorp celebrated its first year after the reorganization when they joined forces with its subsidiaries. By consolidating a leading portfolio in its field – capital goods together with a varied selection of products and services related to this main field, Ferreycorp companies generate synergies to meet the multiple needs of their customers and enhance their own operation efficiency. In Peru and Central America, the corporation consolidates and reinforces its actions by serving the sectors driving development providing them with solutions in heavy machinery, automotive industry, logistics, consumables, metal mechanics, energy supply and technology.

1. Objective and Structure of the Corporation

1.1 General Perspective

In its 91 year history Ferreycorp has experienced a series of transformations aimed at equipping it for changing circumstances and better enabling it to meet the many needs of its clients, to continue to create jobs and to ensure an attractive return on investment for its shareholders.

During the first few years after its founding in 1922, the company sold a range of consumer products before starting to represent Caterpillar in Peru in 1942, a link that has only gained in strength in the intervening 70 years. Today, its work has been recognized by its most important principal, a world leading machinery manufacturer.

Throughout this long period, the corporation has acquired other important principals and has built an unbeatable presence throughout Peru, becoming the undisputed leading provider of capital goods and related services. The company consolidated a portfolio of prestigious products and brands and incorporated new subsidiary businesses that were either acquired or created; the corporation has recently expanded internationally by taking on the distribution of Caterpillar products in Central America, putting the skills and knowledge it has accumulated over the years at the service of the same brands in new territories with a potential for growth.

Since the 90's, the corporation's companies have concentrated on the provision of capital goods and complementary services, which are used by its clients in extractive industries such as mining, oil and fishing, productive activities such as agriculture and manufacturing, and in tertiary sector activities such as construction, energy, trade and transport.

The 2012 reorganization of the company created a structure headed by a holding company, Ferreycorp, and 15 subsidiaries, each one focusing on a particular business with a certain degree of specialization, in the capital goods and related services market.

As part of this reorganization, a subsidiary named Ferreyros S.A. was created in July 2012, to take over the commercial operations of the company formerly known as Ferreyros S.A.A. and concentrate exclusively on the business, rather than the parent company role it played earlier.

For more information on the corporation's history please see the historical summary at the end of this chapter.

The objective of the Ferreycorp Corporation is, through its subsidiaries, to meet the growing needs of its clients in the most dynamic sectors of the economy, providing capital goods from leading manufacturers and a series of services leading to greater efficiency and productivity. Ferreycorp companies seek to increase value for their clients through an ever more comprehensive portfolio of products and services based on the development or acquisition of new and related lines having a high degree of synergy with the main business, which is capital goods.

Corporation subsidiaries generate business by creating new capacities or acquiring existing companies, reducing the learning curve whenever necessary.

It should be pointed out that in addition to contributing sales and earnings to the company, the subsidiaries increase market coverage and complement the solutions that the organization as a whole provides. In virtue of this, many clients of the principal subsidiary, Ferreyros, receive goods and services from other company corporation companies.

Thus, the knowledge that FERREYROS acquires about its clients and their critical success factors is made available to other subsidiaries that are able to meet clients' other needs, thus facilitating the work of selling capital goods.

The subsidiary companies complement their coverage and logistics, among others capacities, achieving synergy that favors the corporation's clients.

Ferreycorp's business strategy, in addition to achieving efficiencies for its clients, aims to stimulate and expand its own business, as it has done over the last ten years, during which sales have increased by 700%.

1.2 Structure of the group

The Ferreyros Organization separates its businesses into three major divisions:

Companies representing Caterpillar and allied brands in Peru	Companies representing Caterpillar and allied brands outside Peru	Companies that complement the provision of goods and services to different industry sectors
• Ferreyros • Orvisa • Unimaq	• Corporación General de Tractores - Gentrac (Guatemala) • Compañía General de Equipos - Cogesa, (El Salvador) • General Equipment Company Limited - Gentrac (Belize) • Mercalsa (Nicaragua) *(Consolidated into Inti, the holding company for the corporation's businesses outside Peru)*	• Motored • Mega Representation • Cresko • Fiansa • Ferrenergy* • Fargoline • Forbis Logistics • Sitech

(*) Although Ferrenergy is one of the corporation's businesses, its results are not consolidated for accounting and financial purposes. The corporation's shareholding in this company is shown under Investments in Associates.

As assets of Ferreyros, its shares in its subsidiaries are recorded in the financial investment account. For more information on the economic group as defined by the SMV, see the annexes.

The corporation's consolidated sales in fiscal year 2013 amounted to US$ 1,931 million. The companies representing Caterpillar and allied brands in Peru (Ferreyros, Unimaq and Orvisa) generated 81% of consolidated sales, amounting to US$ 1,564 million, whilst those selling Caterpillar and allied brands abroad (Gentrac in Guatemala, Cogesa in El Salvador, Gentrac in Belize and Mercalsa in El Salvador) were responsible for 9% of sales, amounting to the equivalent of US$ 171 million. Finally, those companies complementing the supply of goods and services for different market sectors (Motored, Cresko, Mega Representaciones, Fiansa, Ferrenergy, Fargoline and Forbis) contributed 10% of sales, amounting to a total of US$ 196 million.

A brief summary of each of the main subsidiary companies is given below.

Companies representing Caterpillar and allied brands in Peru

In Peru, Ferreycorp has developed three channels through which to sell its portfolio of Caterpillar and other brands to its clients, in response to the wide range of products and the different industries and geographical areas in which its clients operate.

✖

Ferreyros S.A.

Ferreyros S.A., the principal company of the corporation and leader in sales of capital goods and services in Peru, changed its name in 2012 from Ferreyros S.A.A. to Ferreycorp S.A.A. and was assigned the Caterpillar and allied brands distribution business.

This company, which is by far the largest in the local capital goods market, is responsible for sales of Caterpillar machinery and equipment and allied brands such as Metso crushers, Terex cranes and Paus underground mining equipment. It also distributes Massey Ferguson and Landini equipment, among others, to the farm sector.

It has the corporation's highest turnover and more than 3,700 collaborators at the close of 2013. Furthermore, it is it is the subsidiary with the most extensive infrastructure in Peru, including more than 60 points of contact to guarantee excellent coverage for prompt and high-quality after-sales service to its clients.

✖

Unimaq S.A.

Unimaq was created in 1999 as part of an initiative by Ferreyros to enter new segments of the market with lightweight equipment and new allied brands. Its business revolves around the sale and rental of light equipment for construction, manufacturing and mining; it also offers equipment for other sectors such as fishing and farming. From its inception it has represented quality products such as Mitsubishi - CAT fork-lift trucks, Wacker compacting equipment, Lincoln Electric welding sets, Olympian - CAT generating sets, Amida lighting towers, Enerpac hydraulic tools, Compare compressors and Carmix concrete mixers. It should be noted that Unimaq remains the local market leader in almost all of these lines.

At present Unimaq is the company unit almost exclusively responsible for supplying the urban or light construction market, to which it offers the Caterpillar light equipment line –previously sold by Ferreyros –and includes the "The CAT Rental Store" business unit". Its business model aims to provide integral solutions to clients involving both sales of new and used equipment and leasing, all accompanied by first-class after sales service. Thanks to Unimaq's growth in recent years, it has created its own branches –separate from those of Ferreyros– in the country's main cities, in order to provide more precise service to its clients. Unimaq currently has branches in Arequipa, Cajamarca, Cusco, Chiclayo, Huancayo, Ilo, Piura and Trujillo.

✖

Orvisa S.A.

With 40 years of uninterrupted operation, Orvisa is the biggest importer and distributor of capital goods in the Peruvian Amazon. Since the company was founded in 1973 on the initiative of Ferreyros, it has concentrated on providing unique solutions to the different requirements of its clients operating in that part of the country, which has also enabled it to take advantage of the tax benefits applicable to the zone and to provide a high-quality, on-site service, thus gaining an operational advantage.

Its head office is in the city of Iquitos and it has branches in Pucallpa and Tarapoto. It also has offices in Yurimagüas, Huánuco, Tingo María and Madre de Dios.

At present, Orvisa gives priority to clients in the hydrocarbons and energy, river transport, construction, forestry and agriculture sectors. In most cases it offers the same products and services as Ferreyros. Occasionally it supplies certain additional prestige products for specific use in the jungle.

Companies representing Caterpillar and allied brands outside Peru

Inti Inversiones Interamericanas Corp.
In 2010 Ferreycorp extended its operations abroad with the acquisition of three Caterpillar distributors in Guatemala, El Salvador and Belize. In 2013 it acquired the integral distribution of Mobil lubricants in Nicaragua, thus complementing its sales of these products in Guatemala. These distributors were acquired through Inti Inversiones Interamericanas Corp. de Panama, a company 100% owned by Ferreycorp, which is the holding company for businesses in Central America and also consolidates the results of the operations in three countries; it also invests in the acquisition and creation of companies outside Peru.

A brief summary of the corporation's companies operating in Central America is given below:

✖

Corporación General de Tractores S.A. - Gentrac (Guatemala)

Corporación General de Tractores, S.A., trading as Gentrac, was acquired by the El Salvador distributor on the 1st of March 1998. Formerly it operated under another name and with other partners, and has been the exclusive Caterpillar distributor since 1938.

Gentrac has its registered office and a spare parts store in Guatemala City, as well as a branch exclusively dedicated to sales of Mobil lubricants. It has branches in Quetzaltengango and Teculután, as well as a spare parts store in the city of Morales. Furthermore, the company possesses 17 mobile stores on the installations of the most important clients. The company distributes Sullair, Genie, Wacker, Olympian, Carmix and Cipsa equipment through the Gentrac Rental Store.

In 2013 Gentrac took over national distribution of Mobil lubricants in Guatemala, having acquired Messrs Mercalsa.

Compañía General de Equipos S.A. - Cogesa (El Salvador)

Founded in 1926, Compañía General de Equipos S.A., which trades as Cogesa, has been the Caterpillar distributor in El Salvador since 1930.

It also represents leading equipment manufacturers such as Mitsubishi - CAT fork-lift trucks, Wacker compacting and lighting equipment, Lincoln Electric welding sets, Olympian- CAT generating sets, Sullair compressors, Mack trucks and John Deere farm machinery. In almost all these lines Cogesa occupies the leading position in the local market.

It has also been the sole distributor of Mobil lubricants in its territory.

In addition to its head office in San Salvador, Cogesa has two branches: one in the west of the country, in the town of Sonsonate, and another in the east, in the town of San Miguel.

General Equipment Company Limited - Gentrac (Belice)

General Equipment Company Limited, trading as Gentrac, was established in Belize in March 1998, when it acquired the assets and business of Belize Cemcol Limited, the Caterpillar distributor in Belize at that time.

The company's principal business is the sale and servicing of Caterpillar products. Its registered office is in Ladyville, where the country's international airport is also situated. It is the sole distributor of construction equipment in the country and provides full service for the equipment it distributes. In addition, the company is distributor of the Wacker, Sullair and Twin Disc brands as well as Mitsubishi fork lift trucks and Olympian generators.

Mercadeo Centroamericano de Lubricantes S.A. - Mercalsa (Nicaragua)

Founded in 2009, Mercadeo Centroamericano de Lubricantes, trading as Mercalsa, has been the wholesale Mobil Lubricants distributor for Nicaragua since that year, after Mobil de Nicaragua transferred its operations to a group of its executives, and is responsible for developing a network of distributors throughout the country. In 2013 the company was acquired by the Ferreycorp Corporation.

It has a sales office and distribution depot in Managua, which serve the whole of the territory in the following segments: vehicles, construction, transport, electricity generation and industry in general.

Companies that complement the provision of goods and services to different industry sectors

Ferreycorp includes complementary services to its capital goods business that add a portfolio of specialist products and services to different productive sectors of the economy.

Motored S.A.

Motored was created as part of the business reorganization mentioned above from the former Automotive Division of Ferreyros, to provide the vehicle market –which in turn satisfies the needs of sectors such as mining, construction, trade and services– with the flexibility and agility it requires.

Motored began trading on the 1st of April 2012 and represents Kenworth, Iveco and DAF, which it has sold since 1995, 2006 and 2012 respectively with a wide range of tipper trucks, tractors and buses. The company also keeps an extensive range of spares distributed by its Motored Parts division.

Motored has two centers in Lima: one, having an area of 30,000 m2, on the Southern Pan American Highway at Lurin and the other, of 4,000 m2 in Ate adjacent to Via de Evitamiento, where its service workshops and spares store are located. Outside Lima, Motored has three full-service branches (sales of vehicles, service and spare parts) in Arequipa, Trujillo and Cajamarca. Furthermore, in Cusco and Huancayo it has sales and spares outlets (Motored Service and Motored Parts, respectively) as well as a spare parts sales outlet in Piura.

Cresko S.A.

Cresko started trading in October 2007 serving emerging clients that were not being covered by Ferreyros or Unimaq and that belonged to the building, mining, farming and general manufacturing segments. Cresko is a company specializing in sales of products from Asia, which provides a less comprehensive after sales service than that of the Caterpillar distributors. It also supplies chemicals, capital goods and used equipment. Its products include SEM loading shovels, Shacman trucks, Foton farm tractors, Makinza engines and Mitsubishi forklift trucks, among others. It operate only from its premises in Lima.

Mega Representaciones S.A.

This company was created by a merger between Mega Caucho S.A. and Inlusa (Industria y Comercio S.A.). Mega Caucho was acquired in 2007, when it had been trading for eight years as a distributor of Goodyear tires and Mobil lubricants. Inlusa, with 13 years of experience, was acquired two years later in 2009 to complement the operations of Mega Caucho, consolidate best practices and achieve synergies. Its products include Goodyear tires, Mobil lubricants and personal protection equipment from 3M, Capital Safety, Microgard and Bullard, among others, the latter being added to the portfolio after the acquisition of Tecseg in 2013.

Mega's priority customers are in the mining, construction and transport sectors, in which its products and services play an important role. In the last two years it has developed its skills at prediction and support, as well as its technical knowledge and training. The company also has a retreading plant and six branches in Peru.

Fiansa S.A.

With 45 years of experience in engineering and electrical projects for the main economic sectors, Fiansa's main business is heavy and medium fabrication, boiler making and mechanical and electrical installations.

Since April 2011 it has been carrying out steel fabrication at its new plant in Huachipa, which covers an area of 40,000 m2, and is equipped with the latest technology for structural fabrication and replaces the original plant in the city of Trujillo. It has a production capacity of 650 tons of steel a month. At present Fiansa has ambitious plans to increase its monthly capacity with a series of technological improvements that will make it the leader in its sector.

Ferrenergy S.A.C.

Ferrenergy was incorporated in 2006 by its shareholders Ferreyros S.A.A. and Energy International Corporation (connected to the Caterpillar distributor in Colombia), each of which holds 50% of the shares.

The company's principal business is the sale and supply of energy to clients for whom neither their own electricity generation sets nor turn-key energy plants are viable options, so they purchase energy on a temporary or permanent basis. In its first years of operation, Ferrenergy had a thermal power station with a capacity of 18 MW to supply a power and energy contract with an oil company, which expired in the last quarter of 2012.

It began to sell short-term energy from plants having a cold reserve of 10 and 80 MW to meet occasional energy requirements. These contracts last for up to 24 months and may be renewed. For meet them, Ferrenergy leases generating modules in the international market and has also invested in its own generation.

Fargoline S.A.

Launched in 2009, based on a subsidiary with 25 years of experience, called Depositos Efe. S.A., Fargoline offers ordinary, temporary and bonded warehousing to the export sector, in which market it has become a leading player.

In addition to serving the logistics needs of corporation companies, Fargoline has acquired an important portfolio of clients in only a few years of operation. It has made significant investments in lifting equipment and vehicles. It is important to point out that the company obtained BASC (Business Alliance For Secure Commerce) certification, the new alliance that promotes secure trade in cooperation with governments and international bodies, by establishing and administering global security standards and procedures for the logistics chain, in association with customs authorities and government departments. It also holds ISO 9001 and OHSAS 18000 international certificates.

Forbis Logistics

This company was incorporated in 2010 in Florida, USA as the corporation's international forwarding agents. Its Peruvian agent, Forbis Logistics Peru S.A. began operating in 2012, In order to simplify its cargo operations between Peru and the United States and to better position itself in its target market and the Peruvian logistics market, it is concentrating on companies in the sectors served by Ferreycorp. At present its principal clients are corporation subsidiaries.

Experience
+ History
Ferreycorp

Forbis Logistics moved into new premises in Florida in 2013, covering more than 35,000 square feet.

Soluciones Sitech Perú S.A.

This is the Ferreycorp corporation company that provides high technology products (hardware and software) and services aimed at increasing the productivity of its clients -mainly in the construction, mining, hydrocarbons and farm sectors- in addition to the products and services it offers as part of the machinery and equipment sold by Ferreyros, Unimaq and other subsidiaries.

The company started trading in 2013 as part of a drive to introduce machinery positioning and guidance solutions produced by the joint venture between Caterpillar and Trimble, the leader in GPS/GNSS equipment.

1.3 Historical summary

Ferreycorp S.A.A. (formerly Ferreyros S.A.A.) was founded in 1922 by Enrique Ferreyros Ayulo and three partners, to distribute consumer products. Over the years the company traded under several names, the first being Enrique Ferreyros y Cía. Sociedad en Comandita. In 1942, it entered the capital goods market when it became the Caterpillar Tractor, which signified an about turn in the company's activities. From then on it consolidated its operations in two large business units: consumer goods and capital goods. In the same decade, with a view to achieving greater coverage in order to sell its products, it began to decentralize, open offices in provincial towns and create a number of affiliated companies.

In 1962, in order to expand the company, the shareholders decided to register its shares on Lima Stock Exchange (LSE) thus laying the foundations for a diversified shareholder base; today the company has more than 3,000 shareholders.

At the end of the 80's, the company left the consumer goods market and decided to concentrate on what is now its main business: capital goods; it took on the representation of other products to complement its Caterpillar line. This enables it to provide better service to its clients in the different sectors of the economy. In the 90's the company decided to increase its range of products and, in addition to the sale of new units, to rent equipment and sell used machinery. In the same decade, it began to sell to open pit mining operations that had recently been offered on concession or been privatized, and imported the first Caterpillar off-road mining trucks.

In 1994 it entered the capital market with a corporate bond issue and commercial paper. The company soon became an important participant, leading to much success and a high level of demand from investors. From 1995 onwards the company made significant investments to improve its office and workshop infrastructure, as well as to train its service personnel to perform maintenance and repair contracts covering the large fleet of mining trucks that were being imported to operate in large open pit mines developed thanks to the concessions granted during the wave of privatization of state mining companies in the 90's. Furthermore, after a few years decided to start selling machinery for deep mining after the purchase of Caterpillar.

In response to growth, in 1997 the company had a successful share issue both in Peru and abroad, which enabled it to increase its capital by 22 million dollars.

From 1998 to 2001 a serious contraction in the economy reduced sales. In this context it brought its organization and financing into line with the new market dimensions while remaining loyal to its clients during Peru's period of crisis.

2002 saw the start of a strong period of growth for the corporation's subsidiaries, which by 2013 were eight times bigger. On the one hand, Ferreyros S.A., the subsidiary with the largest turnover, incorporated new products and services, increased its coverage of clients with large investment projects in areas such as mining, energy, oil and new infrastructure projects; and expanded its client base, all of this backed by significant investment in infrastructure, systems and personnel training. Furthermore, Ferreycorp subsidiaries other than Ferreyros S.A. experienced gradual growth until they now represent 32% of the corporation's business, complementing the products and services that the largest subsidiary offers to its clients. New businesses were added during this period, either through the acquisition of companies or the creation of new subsidiaries.

In 2010, Ferreyros began its international expansion with the acquisition of Gentrac Corporación in Panama, owner of the Caterpillar distributors in Guatemala, El Salvador and Belize.

2012 saw the creation of Ferreycorp, to enable greater future growth of all the subsidiary businesses and, at the same time, to entrench specialization in certain activities. In addition, a new subsidiary called Motored was created to take over the automotive business that had previously been handled by Ferreyros as one of its product lines. To ensure the corporation's future growth and enable new investment, it successfully increased its capital in 2013 by US$ 62 million. Most of the new shares issued were subscribed by the corporation's existing shareholders, evidence of their commitment to its growth strategy.

In the same year, Ferreyros S.A., the principal subsidiary, incorporated a new line of electric and hydraulic face shovels and drilling machines for the mining industry, which, together Caterpillar, its major line, provides the most complete range of machinery and equipment for that sector.

2013 saw continued expansion of subsidiaries other than Ferreyros S.A. through acquisitions such as that of the Mobil lubricants distribution business in Guatemala and Nicaragua, as well as a personal safety equipment business with an important presence in Peru, and the creation of Sitech, a company providing technological solutions.

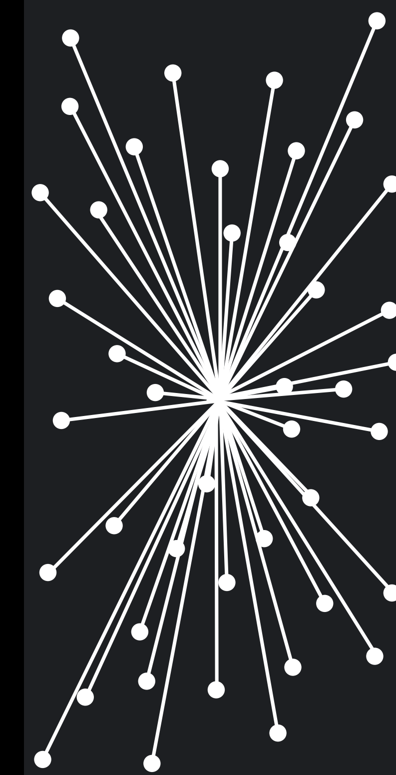
FOR MORE REASONS

Growth

Transcendence

+ Vision

For more reasons



Expansion


LINE
160

FOR MORE REASONS

Expansion

Only five years ago, nine subsidiaries composed the back-then called Organización Ferreyros in Peru. Today, 15 companies drive Ferreycorp corporation, both in the country and in Central America. In 2013, Tecseg company was finally incorporated with a portfolio focused on industrial safety, joining Mega Representaciones. Mobil distribution business was acquired in Guatemala and Nicaragua through Mercalsa company, and Soluciones Sitech Peru, a technology focused company, started operations. Also, expansion of several subsidiaries of the corporation continued through new customer service locations in Unimaq, Motored, Mega Representaciones and Gentrac Guatemala. In summary: More products and services. More presence. More Ferreycorp.

2. Commercial Performance and Relevant Sectors

2.1 Companies representing Caterpillar and allied brands in Peru

In order to serve all activity niches in the territory adequately with a value proposed that is attractive to clients, coherent and in line with the values and abilities of the corporation, Ferreycorp has encouraged a subdivision of responsibilities between the three companies that distribute the Caterpillar and allied brands portfolio in Peru.

Ferreyros is the principal commercial channel for this portfolio, concentrating on the distribution of the higher-value capital goods for earthmoving and energy in Peru within strategic sectors such as mining, heavy construction, energy and agriculture, among others.

Unimaq, on the other hand, serves the urban and light construction business, a responsibility that was transferred in its entirety by Ferreyros after it had identified opportunities for growth deriving from specialization in this segment of the market.

Finally, Ferreycorp serves all businesses and activities in the Amazon region through Orvisa S.A., which was incorporated 40 years ago on the basis of location and sells the products distributed by both Ferreyros and Unimaq in its territory.

During 2013 the companies representing Caterpillar and allied brands in Peru joined forces once again to offer the maximum market support to their clients in Peru who needed high-productivity machinery and equipment for their operations and projects, accompanied by top-level specialized services.

Client preferences enabled this group of companies to maintain their leadership and to obtain earnings of more than US$ 1,564 million. Ferreyros, Unimaq and Orvisa achieved growth of 14% compared with the previous year, even though industry in general had contracted slightly.

The market share of Caterpillar equipment distributed by these companies reached 50% in 2013, according to import statistics provided by Sunat. Client confidence committed Ferreyros, Unimaq and Orvisa to continue doing everything possible to serve them and contribute to the success of their businesses and activities throughout the country.

Ferreyros S.A.

In 2013, Ferreyros S.A., the leading supplier of capital goods and specialized services in Peru serving heavy construction and the extractive industries as well as services in general, had the highest turnover in the corporation, at US$ 1,318 million or 68% of the total.

It should be pointed out that this is the first fiscal of full integration of the face shovel and drilling rig business formerly known as Bucyrus, which was acquired in 2012 and involved the incorporation of qualified personnel and physical assets relating to this new line of Caterpillar products.

As far as the make-up of the Ferreyros S.A. reported income is concerned, it is worth drawing attention to the solidity and stability of Ferreyros S.A., given that approximately 57% of its earnings derive from sales of new machinery and equipment imported into Peru that are thereafter put to work by clients. The remaining 43% of earnings was generated by services, spare parts and leasing of the brands represented by the company, in line with the growth in the quantity of machinery and equipment in use in Peru and continual optimization of support alternatives by the company.

Unimaq S.A.

Over the course of the year Unimaq, the Caterpillar light equipment specialist, concentrated mainly on the sale and rental of machinery for urban or general building, and has proven very satisfactory for the corporation. Its outstanding success was to achieve a 60% share of the market for imported light construction machinery, and received an award as the best Caterpillar light equipment distributor in Latin America. The company's sales grew much more than the industry as a whole, to a record annual turnover of US$ 199 million.

The Corporation is proud of the performance of a subsidiary company that, in less than 15 years since it was founded has achieved such a turnover, excellent coverage throughout Peru, client loyalty, recognition from the companies it represents and a solid history of expanding earnings and healthy balance sheets.

During 2013 Unimaq continued to expand geographically, increasing its branches from seven to nine. It also has a strong presence in the rental business, having increased investment in its rental fleet from US$ 50 million to approximately US$ 57 million. Unimaq's sales are diversified over a number of economic sectors, particularly urban building and manufacturing.

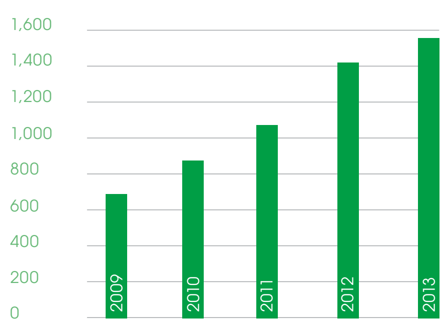
It should be pointed out that Unimaq's businesses have enabled it to acquire new clients for the corporation, which represented 30% of its earnings for the year.

Orvisa S.A.

In the Peruvian Amazon Orvisa, the region's largest importer and dealer in capital goods, continued to offer lines similar to those of Ferreyros and Unimaq and in 2013 achieved a turnover in excess of US$ 71 million.

In 2013 the company celebrated four decades of operation in the Amazon region, placing special emphasis on the hydrocarbons and energy, river transport, construction, logging and farm sectors. Orvisa's branches in the main towns of the Amazon region has enabled the company to take advantage of new business opportunities in areas currently experiencing fast development such as Pucallpa, where 31% of its earnings originated in 2013, followed by Iquitos with 27% and Tarapoto with 15%. Furthermore, sales broken down by economic sector show that construction and river transport have expanded the most, accounting for 22 and 14% of turnover respectively, while traditional activities such as forestry, hydrocarbons and energy also did well. In these circumstances the company has consolidated in recent years a wide range of products and services for the forestry industry in the hope of an increase in this activity, and for river transport, to which it sells shipbuilding steel among other products.

These three channels (Ferreyros, Unimaq and Orvisa) once again worked hard to cover the demand from the different market segments served (mining, construction, energy, and oil, marine and fishing, as well as farming and others), throughout Peru. The following graph shows how the turnover of this group of companies has evolved (US$ million):



Sectors

To complement the above, a summary of the sectors with the highest impact on this group is given below:

MINING —

Mining operations in general provided this group of Ferreycorp companies to sell machinery, spares and services worth in excess of US$ 875 million to the mining sector, including around 60 off-road mining trucks, 11 electric and hydraulic face shovels and drilling rigs, more than 65 low-profile underground loaders and numerous items of auxiliary from Caterpillar and other manufacturers. Particular mention should be given to the increasing number of 797F trucks which, with a capacity of 400 short tons, are the largest currently in operation.

Caterpillar's line of face shovels and drilling rigs, previously sold under the Bucyrus name, for which Ferreyros became the distributor in 2012, made an important contribution to sales. This has increased Ferreyros' integral participation in the production chain of its mining clients and positioned the company as the sole supplier in the market capable of providing all of the equipment needed for an open-pit mining operation, which has also increased incremental sales.

The performance of the mining sector was influenced by a fall in the world price of Peru's main mineral exports, which started in 2012 and continued at a similar rate during 2013. Because of this context, large mining companies concentrating basically on copper and gold, focused on cost cutting and asset reduction, although they did not reduce their production levels.

Thus Peru's mining industry, especially open pit mining, fulfilled its expectations for 2013 via mines -whether already in operation or under construction- such as Cerro Verde, Toromocho, Las Bambas and Constancia, among others throughout the country.

The fall in gold and silver prices and the volatility of those of lead and zinc meant that deep mining companies have tried to maintain their production levels by reducing their operating costs (Opex) or reducing investment (Capex). Another measure adopted by miners, especially deep miners, is to postpone or reduce their exploration programs aimed at discovering or confirming new reserves for future exploitation.

CONSTRUCTION —

Once again construction was one of the most important sectors for this group of companies, which is unique in the market in its ability to supply light and heavy machinery, both new and used, as well as on-site leasing and support services. Both private and public funds have been invested in infrastructure projects throughout the country, although somewhat less than in 2012, which has translated into sales of US$ 380 million to this sector.

During the year construction started on four major highways: Huaura - Sayán, Quilca - Matarani, Ayacucho - Abancay and Satipo - Mazamari, while work continued on other large projects such as the Autopista del Sol and the Chota - Hualgayoc and Llama - Cochabamba roads. Works in the capital are also worth mentioning, such as the Vías Nuevas de Lima and Vía Parque Rímac projects. Regional, local and municipal governments have also invested in decentralized small and medium projects that have involved small and medium-sized clients, most of which are local to the areas where such projects are being implemented.

Furthermore, a number of construction companies took an active part in the infrastructure requirements of projects such as Constancia, Las Bambas and Toromocho, the latter being in its final construction stage.

As far as port infrastructure was concerned, the company supplied contractors working on the Callao North Pier and port of Matarani -started this year- projects and on the modernization of the port of Paita, which will continue through 2013. The hydroelectric power section remained dynamic, with work continuing apace on stations such as Cerro del Águila, Chaglla, Quitaracsa, Cheves and Huanza. During the year the number of construction companies increased, both Peruvian and foreign, many of which operate as associates or consortia, as is customary in this industry, to facilitate their individual skills.

In response to the trend towards the atomization of local and regional public works, hygiene and road projects, Unimaq has supplied small and medium-sized contractors in this market segment with Caterpillar light machinery including skid steer loaders, back hoes and excavators of less than 20 tons. 80% of Caterpillar's light and general construction machinery is aimed at small and medium companies.

ENERGY AND OIL —

During 2013 the average growth in demand for energy in Peru was around 6.6% and was met by hydroelectric and thermal power stations and, to a lesser extent, by renewable energy. May 2013 saw a higher demand for power, of 5,389 MW (6% higher than in the same month of the previous year).

Thanks to our product portfolio and our ability to create integrated energy solutions with turn-key plants or free-standing generating sets, we were able to supply clients in different markets, such as energy generators, clinics, office buildings, hotel chains, factories, agribusiness, etc., having delivered electricity generating sets of 200 kW per unit up to free-standing sets of 2,000 kW each, which can be connected to the public grid system or to other equipment operated by the client.

As in previous years, the hydrocarbons sector's principal requirement of our company was for model 3512B generating sets for drilling rigs, which require their own generating capacity of up to 3 MW. To this we can add leasing and sales of new and used machinery for exploratory well conditioning work or for road maintenance in the jungle and north, as well as the supply of cranes for.

Thanks to adequate coverage and clients' preference for equipment that has been proven suitable for Peru's extreme conditions and world-class after-sales service, Ferreyros has

Strengthening
+ Hold
Ferreycorp

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achieved a 67% share in the market for electricity generating sets, measured in dollars FOB imported.

MARÍTIMO Y PESCA —

In 2013 an increase of 31% in the Peruvian anchovy catch was authorized, though it was still below the optimum level desired by fishing companies, which limited their ability to invest in new assets. There were therefore fewer vessels re-engined or refitted and after-sales services to this sector fell. Despite the contraction of this industry, Ferreyros retained its leadership with a market share of 50% for marine engines, measured in dollars for imports FoB.

In the marine transport sector, four tugs were completed in 2013, equipped with eight Caterpillar 3516 HD marine engines developing 2,575 HP at 1,600 rpm, as well as C-series generating sets. At the same time, the Peruvian Navy refitted a number of its ships, acquiring marine generating sets for frigates that were returned to service at the end of 2013. Furthermore, a CAT main engine and three generating sets were supplied for the training ship "Unión". This important operation, as well as services provided to the Harbormasters Bureau, positioned Ferreyros as a strategic partner of the Peruvian Navy.

Through Orvisa, the corporation retained its leadership in river transport of goods and passengers, having supplied 59 electronic main engines and more than 95 Olympian-CAT generating sets. It is expected that 2014 will see the completion of a number of additional tugs for towing barges to and from blocks operated by oil companies such as Perenco.

GOVERNMENT —

During 2013 State entities placed purchase orders worth approximately US$ 18 billion, equivalent to a 2.5% increase on 2012.

Once again Ferreyros and Orvisa maintained their leading position in capital goods sales to government, after being declared the winning bidder in 226 national tender processes. The main products offered were construction machinery, electricity generating sets and Caterpillar spare parts, as well as Massey Ferguson farm tractors.

As a result, during 2013 we invoiced and delivered 187 Caterpillar machines and engines and Massey Ferguson and Landini tractors, among other goods and services, worth US$ 43 million.

AGRICULTURE —

Peru possesses 7.6 million hectares of land suitable for farming, or around 6% of its land area. The country has benefited from the modernization of this sector, which increased its production by 2% compared with December 2012. Its main crops are rice, potatoes and maize, as well as other crops using the crop rotation system, which help to position us in the local market. Ferreyros has developed a series of tractors that are ideal for use on family farms.

Ferreyros sold 301 tractors in 2013 (184 Massey Ferguson and 117 Landini). As this was a year of greater competition, the company's market share was 26%. Many of the farm tractors sold by Ferreyros are used in fruit and vegetable growing. Large agricultural export clients have placed their confidence in these brands, which provide excellent performance in this sector. In addition, Ferreyros provides facilities to clients, particularly direct access to Agrobanco.

Unimaq also continued to supply Valtra agricultural machinery and sold 104 units in the course of the year. The company has been concentrating on firms leasing agricultural equipment, which form the bulk of its clients. The company also offers -to this segment and to end users- a portfolio of agricultural products such as seed drills, cereal harvesters and self-propelled sprayers.

Although the agribusiness market is large, Ferreyros' connection to the farm produce market consists above all of providing farm machinery solutions. This sector includes the milling market, which also covers a wide range of processes. 2013 was a year of considerable investment in machinery within this sector in particular: around US$ 11 million was spent on cereal drying and storage -about 50% of the investment. Thus 2013 saw the highest investment in milling (drying and storage) since 2008.

Furthermore, the good economic performance of certain Andean cereals, which are becoming significant Peruvian agricultural products have opened the way to additional farm mechanization, gradually displacing traditional methods. This is in addition to the high price of quinua, both in Peru and abroad, which has given it a new relevance in Peruvian farming, particularly when traditional crops such as coffee saw their development limited this year.

TRADE, MANUFACTURING AND SERVICES —

In 2013 the corporation continued to supply a wide range of products and services to clients in this sector. Ferreyros supplied Caterpillar diesel generating sets from 200 kW to 2,000 kW, as well as complementary products such as distribution panels, insulated housings, fuel tanks and installation, to meet the back-up electricity requirements of the sector.

The company's major clients during 2013 included Clínica Internacional, BBVA, Corporación Peruana de Productos Químicos (CPPQ), CIME -for a project by Telefónica del Peru-, IBM -for one of its data centers-, Productos Tissue del Perú and Perú Rail, among others.

Unimaq also supplied this sector with forklift trucks, electricity generating sets, welding equipment, platforms and stationary compressors. Thus its portfolio meets needs such as the movement of cargo within warehouses and other installations, welding in the light engineering industry and energy for various activities.

In this area the company, which specializes in light machinery, sold a significant number of Caterpillar forklift trucks to companies such Procter and Gamble, Goodyear, Dinet and Siderperu.

2.2 Companies representing Caterpillar and allied brands outside Peru

The international expansion of the corporation is a very promising avenue for growth. Since 2010 Ferreycorp has been expanding its operations in Central America with sales of Caterpillar machinery and allied brands, as well as the distribution of Mobil lubricants and other prestigious products, our objective being to extend the availability of the extensive portfolio we have built up in Peru over several decades.

In 2013 operations in Central America had earned more than US$ 171 million, 19% higher than the previous year, and obtained a compound annual growth of 21.4% since the start of operations in these territories. The businesses currently cover four countries: Guatemala, El Salvador, Belize and now Nicaragua:

Corporación General de Tractores, S.A. - Gentrac (Guatemala)

Gentrac, the sole distributor of Caterpillar machinery and equipment in Guatemala, once again saw a significant growth in sales, to a total of US$ 122 million, and market share, to 43%, for the Caterpillar machinery and equipment line.

In 2013 construction was the most important market for Gentrac's sales in Guatemala, especially the heavy infrastructure construction sector (roads and hydroelectric stations) where the market leader has a share of more than 60%. This was followed by mining, basically involving sales of underground mining equipment, in which the company has a market share of more than 80%.

Since 2013 Gentrac has also been the sole Mobil lubricants distributor for the whole of Guatemala and supplies all segments of the country's economy. Earnings during the year from this line was US$ 18 million.

Compañía General de Equipos S.A. - Cogesa (El Salvador)

During 2013 Cogesa achieved sales of more than US$ 37 million and a market share of 60% for Caterpillar machinery and equipment, which was required for sectors such as infrastructure construction, housing, electricity generation and industry.

Furthermore, agriculture was a very important sector for Cogesa in 2013, representing approximately 20% of the income generated by machinery and spare part sales. The company maintained its leadership in this sector in 2013, with a market share of more than 70%.

Like Gentrac in Guatemala, Cogesa is the exclusive wholesale distributor of Mobil lubricants in El Salvador, having obtained the business from Mobil de El Salvador in 2008; this line represented 20% of its sales in 2013.

Mercadeo Centroamericano de Lubricantes - Mercalsa (Nicaragua)

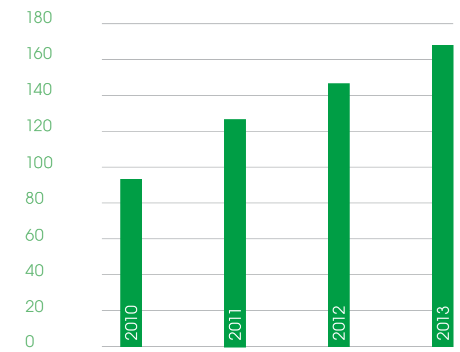
During 2013 the corporation acquired the distribution rights for Mobil lubricants for the whole of Nicaragua. Mercalsa is based in Managua, from which it serves the entire country. In 2013 the company achieved sales in excess of US$ 8 million from the automotive, heavy equipment, electricity generating and manufacturing industry markets.

General Equipment Company Limited - Gentrac (Belice)

Sales by Gentrac, representative of Caterpillar and allied brands in Belize, amounted to US$ 4 million in 2013, similar to the figure for the previous year. Sales of generating sets were particularly strong, customers including shopping centers, hospitals, hotels and data centers.

Gentrac Belice is principally engaged in sales and service of Caterpillar products in this territory and is the sole distributor of construction equipment in Belize that provides a complete service to heavy plant.

The evolution of the sales of this group of companies can be seen below (in US million):



Sectors

In complementary fashion, the following is a summary of the sectors with the greatest impact on Ferreycorp's subsidiaries in Central America:

CONSTRUCTION —
Construction is a very important sector in the Central American countries in which Ferreycorp operates, and the group basically supplies equipment by Caterpillar and allied brands and Mobil lubricants.

Road building and new hydroelectric power stations drove this sector in Guatemala during 2013, largely due to investment by the private sector and public-private partnerships. Significant infrastructure projects during the year included the rebuilding and widening of the CA2 highway from southern Guatemala to the Mexican border, which started at the end of 2013, and privately-financed South Ring Road around Guatemala City, which is due to start shortly. In another field, 2013 saw increased demand for construction equipment for new hydroelectric stations, most of which are being built by Spanish companies. It should be noted that around 20 hydroelectric projects have been authorized but construction has not yet started, thus highlighting the sector's potential.

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In El Salvador the dynamism of this key sector of the national economy can be seen in the construction of highways and secondary roads, as well as housing developments. We would highlight the impact public investment in construction, especially projects that were started in 2013 and will be completed in 2014, such as the reconstruction of a section of the Pan American Highway to the west of the capital, and the first stages of the San Salvador Metropolitan Rapid Transit System (Sitrams), to the east of the city.

Construction is also very important in Belize, particularly road building. Public investment is its principal driver. Sales to the sector increased slightly in 2013 compared with 2012.

MINING —
Mining in Guatemala is mainly underground and for gold. As previously described, Gentrac is a leading presence in this sector, particularly as a supplier of Caterpillar loaders and low-profile trucks.
Open pit mining for nickel has started and this will increase the importance of the mining sector in Guatemala.
There is no mining in the other countries of the region in which the corporation has a presence.

AGRICULTURE —
Farming in Central America is one of the major markets for Ferreycorp companies' products and services and the company responds with a complete portfolio of machinery and services. Guatemala is a natural farming country, with large areas where sugar cane, African palm and bananas are grown, among other crops. In 2013 farmers growing these products made much use of the Gentrac rental fleet of tractors, graders, loaders and skid-steer loaders that had been renewed the year before. Demand remained stable with respect to 2012, in contrast to other farm sectors

that the company does not supply such as coffee, which was affected by infestations during the year.

In El Salvador, sugar cane growing and processing is an important sector for Cogesa. Maize and beans are also principal crops. Production of these remained stable during the year and were responsible for an increase in the demand for equipment supplied by Cogesa.

In Belize, farms grow mainly sugar cane, citrus fruit and rice. Sales to this sector were lower in 2013 because of a reduction in the demand for equipment for sugar refining.

TELECOMMUNICATIONS —
In 2013 Gentrac continued to supply Olympian-CAT generating plants for Guatemala's telecommunications network, which is one of the best in Cental America, for which demand peaked in 2012 and then continued to expand slowly in the hands of two large telecommunications operators.

This sector is also important in Belize, and Gentrac's support consists principally of electricity generating sets. Sales of electricity generating equipment increased in 2013 compared with the previous year, thanks to demand from companies and institutions involved in public services, government, banking and manufacturing industry

MARINE —
The marine market is important in Belize. Through our Gentrac subsidiary we supplied fishing vessels, ferries and pleasure craft, with engines and marine generating sets.

Guatemala –one of the world's main deep-sea fishing countries– required a similar amount of equipment to the marine sector, principally for fishing vessels and pleasure craft

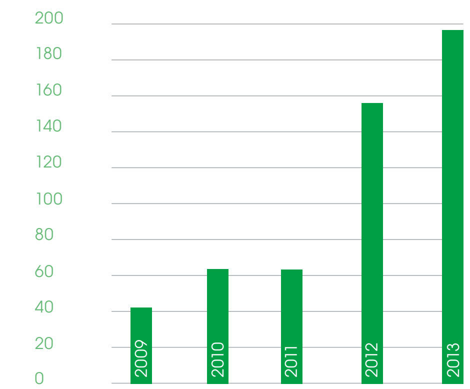
2.3 Companies that complement the provision of goods and services to different industry sectors

Ferreycorp includes businesses that complement its Caterpillar products and generate synergies in the field of capital goods, with a portfolio of products and services for the main productive sectors of the economy.

In 2013 this group of companies consolidated and expanded, improving their coverage in the interior, certifying their principal processes, incorporating new businesses and companies and adding technologies and systems to improve their efficiency and benefit their clients.

AT the time, in 2013 the complementary businesses to the sale of machinery and equipment also expanded, contributing to the diversification of the corporation's activities. As a whole, these businesses contributed sales of US$ 196 million to Ferreycorp, an increase of 7% compared with 2012.

The following graph shows how the group's turnover has evolved (US$ million):



Motored S.A.

As has been mentioned, Motored supplied the automotive sector with a full range of transport solutions designed to satisfy the needs of the country's main sectors with a wide range of vehicles including tractors, trucks, buses and minibuses, powered by diesel and natural gas and with different configurations and associated equipment.

During 2013 the truck and tractor market contracted by 2% because of the slow-down in the country's economy, a reduction that became even more pronounced in the second half-year and represented a 12% fall compared with the first half of the year. Given this scenario, Motored concentrated its strategy on client loyalty, expanding its coverage throughout the country and developing its portfolio of products. As part of this strategy it opened new branches in Cajamarca and Trujillo, Motored Service and Motored Parts stores in Huancayo and Cusco, and at the same time inaugurated a

Motored Parts store in Callao. As far as new products were concerned a new lightweight tractor, the Kenworth T460, was introduced to the Peruvian market and this together with the DAF XF, DAF's flagship tractor, enabled us to reach a new market segment. We also offered the Peruvian market four products powered by natural gas: two bus chassis (one 8.5 m long and the other 12 m), the Daily 8 ton truck and the 16 ton Eurocargo.

Finally, by the end of 2013 Motored had sold 619 units valued at US$ 78 million and had 13% of the conventional tractor segment and 7% of the segment for trucks with a GVW greater than 38 tons.

Cresko S.A.

For Cresko, the company created by the corporation to compete in the emerging clients sector, principally with products from Asia, fiscal year 2013 produced sales of capital goods and spares and services worth US$ 12 million, similar to the figure for 2012. This enabled it to maintain its presence in the market for loading shovels, tipper trucks, farm tractors and Chinese electricity generating sets, as well as forklift trucks, road rollers and American lighting towers.

During the year, Cresko -which also supplies chemical products and used CAT machinery- served clients throughout Peru through its itinerant sales force and after-sales service through two new sales offices in Trujillo and Huancayo.

Sales of chemical products were restricted during the second half of the year as Cresko's product range, which was previously supervised by the Ministry of Production (Produce) was transferred to the Peruvian Tax Authority (Sunat). The registration process that this entailed caused clients to suspend their operations until they could obtain permits, which affected sales in this period.

It should be highlighted that the company has gone through a process of commercial restructuring and process optimization, and has also seen significant investment in offices, workshops and warehouse space, located at Av. Argentina 1315, where its showroom, workshops and warehouses amount to more than 7,500 m2.

Mega Representaciones S.A.

Mega Representaciones began the year with the acquisition of Peruvian company Tecseg, a specialist in personal safety equipment, which represents well-known brands such as 3M, Bullard, Capital Safety and Microgard, among others, and has a portfolio of clients concentrating on sectors such as mining and manufacturing.

Mega Representaciones' earnings in 2013 reached US$ 77 million compared with US$ 53 million in 2012, equivalent to 45% growth principally due to the acquisition of Tecseg. However the business experienced a conservative rate of organic growth of 6%, the result of a contraction in certain economic sectors in the second half of the year.

During this year, Mega Representaciones continued to strengthen its position as a provider of integral solutions in tires, lubricants, filters, predictive maintenance and industrial safety equipment backed by strong after-sales service involving advice and training. Thus clients can obtain significant cost reductions on their operations.

In addition, the company obtained certifications during the year that have helped to strengthen every aspect of its processes. In the first half year it obtained ABE certification (Association of Good Employers), which seeks to guarantee proper treatment of its employees, and in the second half year it obtained ISO 9001:2008 quality certification for its retreading plant, warehouse and dispatch processes. It also obtained ESR (Socially Responsible Company) accreditation, which not only incorporates the concepts of social responsibility into the company policies, but also seeks to incorporate these into its organizational culture.

Fiansa S.A.

During 2013 Fiansa, the only group company in the manufacturing sector, which fabricates and erects steel structures for mining, construction, industry and transport, achieved a turnover of US$ 25 million and trend growth of more than 26%, compared with its sales of US$ 20 million in 2012.

Of its three lines of business -fabrication, erection and electrical work- it was fabrication that saw the greatest growth, producing 64% more than in 2012 and thus strengthening the company's position in the light engineering market.

Given the prediction that the fabrication sector will grow considerably over the next few years and that the technical complexity of new projects will require profound changes on the part of companies in this sector, Fiansa is preparing for a new stage of growth starting in 2014; this aims to optimize its infrastructure and incorporate advanced integrated management techniques and technology in order to fabricate complex structures as part of large multiple projects, in a more efficient manner.

Ferrenergy S.A.C.

As indicated in the "Group Structure" section, although Ferrenergy is one of the corporation's businesses its results are not consolidated for accounting and financial purposes. The corporation's shareholding in this company is shown under Investments in Associates.

During 2013 the company -which supplies electrical energy to complement the equipment supplied by the representatives of Caterpillar in Peru- renewed an energy supply contract with Messrs Electro Oriente, to provide a temporary 10 MW generating plant in the city of Iquitos. It also won a new contract for another 10 MW temporary generating plant in Pucallpa, for Messrs Electro Ucayali. Furthermore, Ferrenergy ended the year with a contract from Electro Peru S.A. for an 80 MW plant for the city of Piura and demobilization of the corresponding equipment.

Ferrenergy's earnings from the sale of energy during 2013 were US$ 18 million, an increase on 2012.

Fargoline S.A.

Fargoline has more than 30 years of experience in the business, which it made good use of during 2013 in the export logistics sector, gaining the loyalty of clients who handle large volumes or cargo, principally capital goods, consumer durables and general cargo in containers.

This translated into sales worth US$ 19 million, a growth of 19%. The most important line of business, temporary warehousing, is responsible for 69% of its earnings. Traditional lines such as bonded and ordinary warehousing complement the offer.

Despite strong competition and a reduction in Peru's foreign trade, Fargoline was able to overcome these difficulties and achieve margins higher than the market average, principally ue to the value perceived by its clients and proper management of resources, especially use of its installed capacity, which was increased by 40,000 m2, and productivity per collaborator.

During 2013, 36% of the company's operating capacity was used by companies of the Ferreycorp group; the remaining 64% was dedicated to clients in different markets, both imports and exports of merchandise.

A new certificate as a socially responsible company (ESR) was obtained and the company retained its international ISO 9001, OHSAS 18000 and ABE certificates from the American Peruvian Chamber of Commerce (Amcham), and renewed its BASC (Business Alliance for Secure Commerce) certificate, for which it increased the time devoted to training its employees as well as its strategic suppliers.

Forbis Logistics

Forbis Logistics continuó desarrollándose en el 2013 como agente de carga. Con sus dos oficinas principales (en Miami y en Lima) operando al 100%, inició actividades de exportación desde Perú; consolidó el negocio de importación aérea; y participó en los concursos a nivel internacional para los servicios logísticos de dos representadas de la corporación. Al respecto, en el 2013, la empresa fue considerada por Caterpillar y por Paccar International –fabricante de camiones Kenworth y DAF– como uno de sus agentes de carga, permitiendo así la participación de Forbis Logistics en las licitaciones que se iniciaron a finales del 2013 (en curso). Esta importante consideración abre oportunidades de negocio y de mejora continua valiosas para las operaciones futuras de Forbis Logistics.

Asimismo, en el 2013 potenció su infraestructura al pasar a un nuevo local de 35,000 pies cuadrados, en un moderno parque logístico del estado de Florida. Este paso potencia la capacidad de Forbis Logistics en cuanto al manejo, control y envío de productos desde Estados Unidos.

La oficina en Perú también dio un giro importante al trasladar su operación a un centro logístico, en Lima, ganando accesibilidad a la carga aérea de sus clientes, rapidez y mejor control de ella.

En el año, la empresa brindó servicios mayoritariamente a las empresas subsidiarias de la corporación, con una estrategia clara de diversificación. Forbis Logistics alcanzó ventas superiores a US$ 13 millones en el 2013.

Soluciones Sitech Perú S.A.

As mentioned previously, Soluciones Sitech Peru is the corporation company that provides high-technology products (hardware and software) and services to increase the productivity of clients in the construction, mining, hydrocarbons and farming sectors.

The company began trading in the second quarter of 2013. These early months have seen the company planning and developing its ability to serve the growing needs of the market for high-technology solutions.

In addition to its portfolio of Trimble machinery guidance and positioning solutions distributed by the company, throughout 2013 Sitech represented Loadrite, a specialist in weighing solutions and Rajant wireless networks.

As mentioned above, these companies supply a series of products and services that complement the products of Caterpillar and allied brands to the most important sectors of Peru's economy. For more information on the performance of these sectors see pages 20 - 25.

3. Organization and Human Resources

This chapter gives information on the two levels of decision making in the organization: the board of directors and the management, before giving details of the corporation's personnel and principal human resources processes.

3.1 Board of Directors

Board of directors of Ferreycorp S.A.A. (the corporation's holding company, known until June 2012 as Ferreyros S.A.A., in its corporate role) consists of ten directors elected by the general meeting of shareholders in accordance with the Companies Act and in compliance with the provisions of article 32 of the by-laws of the company, for a period of three years.

The directors of Ferreycorp S.A.A., for the period 2011-2014, elected by the AGM held on the 31st of March 2011 are:

Óscar Espinosa Bedoya
Carlos Ferreyros Aspíllaga
Aldo Defilippi Traverso
Eduardo Montero Aramburú
Juan Manuel Peña Roca
Andreas Von Wedemeyer Knigge
Manuel Bustamante Olivares
Ricardo Briceño Villena
Carmen Rosa Graham Ayllón
Raúl Ortiz de Zevallos Ferrand

The board members elected Óscar Espinosa Bedoya as Executive Chairman and Carlos Ferreyros Aspíllaga as Vice Chairman for the same period.

When the holding company was created in 2012 it was established that the directors of Ferreycorp S.A.A. would also occupy the same posts on the board of Ferreyros S.A.

In accordance with good corporate governance practices, Ferreycorp has independent directors to ensure that decisions are taken independently when there are potential conflicts of interest and to guarantee a diversity of opinion. The independent directors, considered as such because they have no links with either the administration or the main shareholders of the company, are:

Ricardo Briceño Villena
Aldo Defilippi Traverso
Carmen Rosa Graham Ayllón
Eduardo Montero Aramburú
Raúl Ortiz de Zevallos Ferrand
Manuel Bustamante Olivares

It should be mentioned that directors Graham, Briceño and Defilippi were elected by the votes of pension funds, which were significant shareholders at the time of the election.

1.1. Professional careers of the directors

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Óscar Espinosa Bedoya
(President)

Executive Chairman of Ferreycorp S.A.A. since March 2008 and Chairman of the Board of Directors of Ferreyros S.A. since July 2012. General manager since 1983, he joined the company in 1981. A graduate in civil engineering from the Universidad Nacional de Ingeniería, he has postgraduate qualifications in engineering, economics and business administration from the universities of Harvard, North Carolina State College, ISVE Italia, Kellogg School at Northwestern University, the Institute of Economics of the University of Colorado and the Universidad de Piura's PAD. He has held senior executive and management positions with Cofide, the World Bank, Banco Internacional del Peru and other financial institutions. At present he is a director of various companies, including Cosapi, Profuturo AFP and La Positiva insurance company, as well as a number of important business organizations. He is a member of the managing council of Tecsup, Vice-president of Asociación Pro Universidad del Pacífico and a member of the board of trustees of Universidad Ruiz Montoya. He won the IPAE award in 1999.

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Carlos Ferreyros Aspíllaga
(Vice President)

Member of the board of directors of Ferreycorp S.A.A. since January 1971 and Vice President since March 2008. President of the board of directors from September 1993 until March 2008. Since July 2012 he has occupied the same position in Ferreyros S.A. as in Ferreycorp S.A.A. He is a director of La Positiva Seguros y Reaseguros and a member of the Group of 50 (Carnegie Endowment for International Peace & Inter-American Dialogue). He graduated in business administration from the University of Princeton.

Ricardo Briceño Villena

A director of Ferreycorp S.A.A. since 2011 and of Ferreyros S.A. since July 2012. Owner of mining, industrial and farming businesses. Began working in the mining industry in the 70's in Minero Peru Comercial (MINPECO) in both Lima and London. From 1980 to 2001 he was General Manager and Executive Chairman of AYSSA and Executive Chairman of all the companies of the Glencore Group in Peru. Mr Briceño is a past president of the National Mining, Oil and Energy Society and the National Confederation of Private Businesses (Confiep). He won the IPAE award in 2010. At present he is president of the board of directors of agricultural products exporter Agrícola Don Ricardo S.A.C. and an executive director of Textil del Valle S.A. He is also a director of JJC Contratistas Generales S.A., and a member of the consulting council of APM Terminals and Toyota del Peru. He graduated as an industrial engineer from the Universidad Nacional de Ingeniería and holds a master's degree in economics and finance from the Universities of Lovaine and Antwerp in Belgium.

Manuel Bustamante Olivares

A director of Ferreycorp S.A.A. since 2011 and of Ferreyros S.A. since July 2012. Attorney by profession, he graduated from the Law Faculty of the Universidad Católica del Perú. He chairs the risks committee of La Positiva Seguros y Reaseguros and La Positiva Vida Seguros y Reaseguros (2013 to date); director of La Positiva Sanitas (since 2012); president of the board of directors of Fundición Chilca S.A. (2010 to date); director of Mastercol S.A. (2008); Vice-president of the board of directors of La Positiva Vida Seguros y Reaseguros (2005 to date); president of the audit committee of La Positiva Vida Seguros y Reaseguros (2005 - 2012); deputy director of Corporación Financiera de Inversiones S.A. (2005); director of Transacciones Financieras S.A. (since 2000); director of Dispercol S.A. (1998); director of Sociedad Andina de Inversiones en Electricidad S.A. (1996); director of Futuro Invest S.A. and Futuro Inmobiliario Camacho S.A. (1994); president of Profuturo AFP (1993 - 1999) and member of its executive committee (1993 - 2010); first vice chairman of Banco Interandino (1991 - 1995); President of the Banco de la Nación and member of Peru's Foreign Debt Committee (1980-1983); Member of the board of directors of Corporación Financiera de Desarrollo - Cofide (1980-1983); Vice-president of La Positiva Seguros y Reaseguros (1975 to date); Founding partner and member of law firm Llona & Bustamante Abogados (1963 - to date); Member foreign trainer of Shearman & Sterling, New York (1962-1963); and president of the Manuel J. Bustamante de la Fuente (1960 - to date).

Aldo Defilippi Traverso

A director of Ferreycorp S.A.A. since 2005 and of Ferreyros S.A. since July 2012. He is also executive director of the Peruvian American Chamber of Commerce (Amcham Peru), president of the Association of Binational Chambers of Commerce (ACCB) and vice chairman of the Association of American Chambers of Commerce. Mr Defilippi is also a director of a number of institutions, including Aeropuertos del Peru, Amrop, Microsoft, Business Alliance for Secure Commerce (BASC), Centrum Católica, Instituto Peruano de Acción Empresarial (IPAE), Fundación Peruana del Cáncer, Fondo Nest, Sistema Universitario Ana G. Mendez in San Juan de Puerto Rico and United Way. Formerly finance manager of Ferreyros and general manager of the Banco Industrial, Banco de Comercio and Banex in Peru; executive director of Bladex, in Panama; investment banking manager of the Inter-American Investment Corporation (IIC) in Washington; head of the economic studies division of INTAL (IDB) in Argentina; and economist at the World Bank, Washington. He has chaired the National Foreign Investment and Technology Commission (Conite), served as manager of Proinversion and general manager of Apoyo S.A. He has also taught at the Universidad del Pacifico, Universidad de Lima and Universidad Catolica. He is also a doctoral candidate in economics and holds master's degree in economic policy and economic development from the University of Boston. Has taken the Chief Executive Officers' Program at Northwestern University and holds a BSc in economics from Universidad del Pacífico.

Carmen Rosa Graham Ayllón

A director of Ferreycorp S.A.A. since 2011 and of Ferreyros S.A. since July 2012. She is a director of Interbank and Nextel and a member of the Council of Businessmen for Education and the Asociacion pro Universidad del Pacífico. She is also chairman of the board of directors of Fundación Backus. She is an international consultant corporate management and governance. Formerly rector of Universidad del Pacifico and general manager of IBM Colombia, IBM Peru and IBM Bolivia. She holds a master's degree in administration from Universidad del Pacífico. IBM systems engineer. She holds an MBA from Adolfo Ibáñez School of Management. She has taken part in a number of executive development programs at IBM Corporation, Georgetown University, Harvard Business School, Universidad de Monterrey and Universidad de Piura, among others.

Eduardo Montero Aramburú

Director of Ferreycorp S.A.A. since 1980 and vice chairman since September 1993 until March 2008. Member of the board of directors of Ferreyros S.A. since July 2012. At present he is president of Indus and a director of Agricola BPM. Formerly a director of the Central Reserve Bank ad executive president of Industrias Pacocha. Graduated in economics from Lehigh University and possesses a master's degree in business administration from Wharton School at the University of Pennsylvania.

Raúl Ortiz de Zevallos Ferrand

A director of Ferreycorp S.A.A. since 2011 and of Ferreyros S.A. since July 2012. He is currently a partner in Ortiz de Zevallos Abogados law firm. He is also chairman of the board of Consorcio La Parcela and director of Agrícola Comercial & Industrial (Acisa), Inversiones Quinta Heeren and Barrialto. Deputy director elected by the Enersur (Suez Group) pension funds and advisor to the board of Grupo Cargomar and the miners labor union of Orcopampa, a company of which he was a director from 1999 to 2009. A former Vice Minister of Tourism and Foreign Trade and director of companies such as Inversiones Cofide, Fertilizantes Sintéticos, Prolansa (Armco Group) and Cervecería del Norte (Backus Group). President of the Club Nacional from 2002 to 2004. He graduated in law from the Universidad Católica del Peru, where he has also taught.

Juan Manuel Peña Roca

A director of Ferreyros S.A. since 1984 and of Ferreycorp S.A.A. since July 2012. Also president of La Positiva Seguros y Reaseguros and La Positiva Vida, Seguros y Reaseguros; president of Alianza Compañía de Seguros y Reaseguros (Bolivia), and formerly a director of Seguros América (Nicaragua). He is president of the board of directors of Martinizing del Peru and vice president of the Asociación Peruana de Empresas de Seguros (Apeseg). He was formerly the general manager of Bland Welch (Brazil), where he was responsible for Latin America and the Caribbean. He was also president of the Federación Interamericana de Empresas de Seguros (Fides) from 2003 to 2005. He graduated as a civil engineer from the Universidad Nacional de Ingeniería.

Andreas Von Wedemeyer Knigge

A director of Ferreycorp S.A.A. since 2003 and of Ferreyros S.A. since July 2012. He is also executive president and general manager of Corporación Cervesur and president of several of the companies that make up this group (Creditex, Alprosa, Transaltisa and Proagro, among others). Former president of the board of Euromotors, Altos Andes and Renting; director of Corporación Aceros Arequipa S.A.A., La Positiva Seguros y Reaseguros and La Positiva Vida Seguros y Reaseguros, as well as of Corporación Financiera de Inversiones, among others. Member of the managing council of the National Manufacturing Society and of Comex Peru, where he also sits on the executive committee. Formerly director and general manager of Cia. Cervecera del Sur del Peru, president of the board of directors of Profuturo AFP, president of Pension Funds Association and a member of the managing board of Tecsup. He holds an MBA, graduated in Hamburg, Germany and attended the Program for Management Development, Harvard Business School and the Universidad de Piura.

Special bodies within the board of directorsz

El Directorio de Ferreycorp S.A.A. cuenta con tres comités:

• General Management and Subsidiaries Committee.
• Audit committee.
• Organizational Development and Corporate Governance Committee.

Each committee is made up of a minimum of three directors, at least one of whom must be an independent director as defined in Principle V, paragraph e.1 of the corporation's Principles of Good Corporate Governance. The president of the board of directors, vice-president and general manager take part in all committees, which meet every three months or every six months.

General Management and Subsidiaries Committee

Its function is to act as a consultant to the management regarding the general management of the company and to supervise on behalf of the board of directors. Its particular attributes are as follows:

Trust
+ Trajectory
Ferreycorp

a. To review the strategic plans and annual business plans.
b. To evaluate in detail the operation of affiliated companies.
c. To draft recommendations to the board of directors on investment policy, acquisitions and disposals of fixed assets.
d. To evaluate and give instructions on the company's levels of borrowing and the structure of its liabilities, and to monitor guarantees granted.
e. To carry out a periodical evaluation of the position of loans granted by the company.
f. To function as an advisory and consulting body to the management on matters submitted to it for consideration.

This committee met four times in 2013.

Audit committee

The function of this committee is to supervise the integrity of the accounting systems and analyze the external auditors' report on the financial statements.

It has the following powers:

a. To supervise the integrity of the accounting systems by means of an appropriate external audit.
b. To review and analyze the company's financial statements from time to time.
c. To review external audit reports on the Financial statements.
d. To supervise the annual work plan of the internal auditor and receive the relevant reports.
e. To propose the external auditors.

This committee met four times in 2013.

Organizational Development and Corporate Governance Committee

Its function is to support the management in updating the organizational structure of the company and in evaluating the performance, training and professionalism of the company's executives. As far as good corporate governance is concerned, its function is to ensure compliance with good practices.

It has the following powers:

a. To supervise the organizational development programs through reports on the administrative structure and human resources programs.
b. To supervise performance management programs, salaries policy and training and development, among others.
c. To confirm the hiring of principal executives, the salary scales for management and executive positions and to monitor the general management's supervision of its performance.
d. To supervise the effectiveness of the management practices under which the company operates, and propose and approve improvements in the company's management practices.
e. To review the self-assessment process for the 26 principles of good corporate governance contained in the Society's Annual Report.
f. .To supervise the policy concerning “significant events” and privileged and reserved information.
g. To identify possible conflicts of interest between the administration, directors and shareholders, and to supervise monitoring by the management.

This committee met four times in 2013.

Directorio de las empresas subsidiarias

The board of directors of the principal subsidiary, Ferreyros S.A., is made up of the directors of Ferreycorp S.A.A., as has already been mentioned.

The boards of the other subsidiaries are chaired by Oscar Espinosa Bedoya, chairman of Ferreycorp S.A.A. and include Mariela García Figari de Fabbri, general manager of Ferreycorp S.A.A., as its vice chairman.

The other members of the board are the following managers of Ferreyros S.A. and/or Ferreycorp S.A.A.:

Name	Position in Ferreyros	Subsidiary directorships
Gonzalo Díaz Pro	Central Business Manager	Orvisa, Fiansa, Mega Representaciones, Cresko and Gentrac group companies
Patricia Gastelumendi Lukis	Central Finance Manager of Ferreyros and Corporate Finance Manager of Ferreycorp	Unimaq, Orvisa, Fiansa, Mega Representaciones, Fargoline, Cresko, Gentrac group companies, Forbis and Motored and Sitech
Hugo Sommerkamp Molinari	Central Control and Systems Manager	Unimaq, Orvisa, Fiansa, Mega Representaciones, Fargoline, Cresko, Gentrac group companies, Forbis Motored and Sitech
Luis Bracamonte Loayza	Corporate Investment Manager of Ferreycorp	Orvisa, Fiansa, Mega Representaciones, Fargoline, Cresko, Forbis, Motored and Sitech
Óscar Rubio Rodríguez	General manager of Unimaq and Light Construction Division Manager of Ferreyros	Orvisa and Cresko
Jorge Durán Cheneaux	Branches and Agricultural Manager	Motored
Enrique Salas Rizo- Patrón	Construction and Mining Division Manager	Unimaq, Mega Representaciones, Cresko, Motored and Sitech
Andrea Sandoval Saberbein	Logistics Manager	Fargoline and Forbis Logistics
Ronald Orrego Carrillo	Energy, Hydrocarbons and Marine Manager	Ferrenergy
Carlos Dongo Vásquez	Central Component Repair Center (CRC) Manager	Fiansa
Rodolfo Paredes León	Development Manager of Ferreycorp	Fiansa

3.2 The management

At present Ferreycorp has a general management department, five corporate management departments (Internal Affairs, Finance, Human Resources and Investments). As it is a recent creation, many of its functions are performed from the principal subsidiary Ferreyros S.A. Information on the principal officers of Ferreycorp, Ferreyros S.A., and the other corporation subsidiaries is given below.

Principales funcionarios de Ferreycorp S.A.A.

Mariela García Figari de Fabbri

General managers

General Manager of Ferreycorp S.A.A. (formerly Ferreyros S.A.A.) since 2008 and of Ferreyros S.A. since July 2012. Ms García has worked for the corporation for 26 years, having joined Ferreyros S.A.A. in 1988 and occupied various positions in the Finance Division, including Finance Manager from 2001 to January 2005. She was then deputy general manager of the company from January 2005 to March 2008 and then, as part of a succession plan, was appointed general manager. She is the vice chairman of subsidiary companies in Peru and Central America. Graduated in economics from the Universidad del Pacífico and holds an MBA from Universidad Adolfo Ibañez in Chile and Incae in Costa Rica. At present she is a director of Peru 2021 and of its Ethics Committee. Furthermore, since 2010 she has been Companies President of the Latin American Companies Circle, which brings together 15 Latin American companies with outstanding corporate governance. She is a member of the consultative council of certain faculties of the Universidad del Pacífico. She has been a member of the board of Procapitales and president of its corporate governance committee until the end of 2006, director of IPAE between 2002 and 2004, of Cosapi from 2007 to 2009, of the Peruvian American Chamber of Commerce (Amcham Peru) from 2007 to 2013 and of the National Mining, Oil and Energy Society from 2011 to 2013. Formerly she worked as a researcher and member of the editorial committee for publications issued by Consorcio La Moneda.

Luis Bracamonte Loayza

Corporate Investment Manager

Corporate Investment Manager of Ferreycorp since 2014. He joined the company in 1979 and has held various senior positions, such as assistant credit and collections manager. In 1996 he took over the management of the Branches Division before becoming manager of the Agriculture and Automotive Division, as well as the management of Orovisa, among other positions.From 2012 to 2013 he was Central Subsidiaries Manager of Ferreycorp. Director of Lima Chamber of Commerce on several occasions, he is currently a member of its Machinery Committee, Vice President of its Retail Committee and a director of the Automotive Association. He is the director responsible for the Motored, Mega Representaciones, Cresko, Fargoline, Forbis Logistics, Fiansa and Sitech subsidiaries, as well as a director of Orvisa. He attended the Universidad de Lima, obtained specialist diplomas from ESAN the Senior Management Program (PAG) of Incae in Costa Rica; he also holds a master's degree in marketing and commercial management from Spain's EOI business school.

Andrés Gagliardi Wakeham

Central Human Resources Manager

Corporate Human Resources Manager of Ferreycorp since 2014 and Central Human Resources Manager of Ferreyros since 1986. Between 1973 and 1980 he was assistant industrial relations manager at Laboratorios Efesa when that company was an affiliate of Ferreyros S.A.A. He has occupied similar positions in other prestigious companies. He graduated in relations from the Universidad de San Martin de Porres and has taken several specialist courses and programs.

Patricia Gastelumendi Lukis

Corporate Finance Manager

Corporate Finance Manager of Ferreycorp since 2014 and Central Administration and Finance Manager of Ferreyros since 2012. She was appointed Ferreyros' Finance Division Manager in 2005. Joined the corporation in 1987. After several jobs in the credit and collections department she was appointed credit manager in 1998 and occupied this position until 2005. She a director of the subsidiary companies of Ferreycorp in Peru and abroad. She is a director of IPAE and of Procapitales. She was president of the Organizing Committee of CADE Universitaria 2010 and is a member of the Consultative Council of the Faculty of Business Administration at USIL. Furthermore, she is a member of the Corporate Governance Committee of Procapitales and IPAE's Integrity Committee, and a graduate in business administration from the Universidad de Lima. She has taken specialist courses at ESAN and possesses an MBA from

Universidad Adolfo Ibañez in Chile and Incae in Costa Rica. In 2007 she took part in the Caterpillar Leading for Growth and Profitability program at Kenan-Flagler Business School of the University of North Carolina. In 2009 she took part in the global economies administration program at Harvard Extension School Faculty; and in 2012, the corporate governance program at Yale School of Management.

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Eduardo Ramírez del Villar López de Romaña

Group Corporate Affairs Manager

Corporate Affairs Manager of Ferreycorp since 2014, he is responsible for legal and social responsibility matters. He was appointed manager of Ferreyros' Corporate Affairs Division in 2010. He joined the company in 1999 as legal manager. He handled the legal aspects of the vice-president's office of the Corporación Andina de Fomento (CAF) at the head office of that body in Caracas, Venezuela, responsible for debt transactions; before that he was an attorney at Consultoría Juridica providing support for public and private sector financing activities in Peru and in the structuring of large projects at regional level. Previously he worked as the legal manager of Cosapi Organizacion Empresarial, providing legal advice on matters relating to the construction industry. He is a member of the legal affairs committee of the American - Peruvian Chamber of Commerce of Peru (Amcham Peru). He has studied several specialist courses in Peru and abroad. In 2007 he took the Caterpillar Leading for Growth and Profitability program taught at the Kenan-Flagler Business School of the University of North Carolina. He is an attorney who graduated from the Universidad Católica del Perú and holds a master in law from George Washington University (as a Fulbright scholar).

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Raúl Vásquez Erquicio

Corporate Internal Audit Manager

Corporate Internal Audit Manager of Ferreycorp since 2014. He was appointed as Internal Audit Division Manager of Ferreyros in 1978. Previously he was Audit Manager of Arthur Andersen, a partner in Caipo y Asociados and Finance and Administration Manager of Compañía Pesquera Estrella del Peru. He is a registered public Accountant, holds a bachelor's degree in economics and business and studied for his doctorate in economics at Universiada Nacional Mayor de San Marcos. He also holds a Certification in Risk Management Assurance from The Institute of Internal Auditors (USA). He is the founding president of the Institute of Internal Auditors of Peru, has been Latin America District Director and a member of the Professional Issues Committee of The Institute of Internal Auditors, president of the Latin American Federation of Internal Auditors (FLAI) and president of the Ethics Committee of the FLAI. He has taken part in a number of courses and seminars in his specialist field in Peru and abroad. He teaches at Universidad Nacional Mayor de San Marcos and Universidad Federico Villarreal.

Principal officers of Ferreyros

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Mariela García Figari de Fabbri

General Manager

See her professional CV on page 44

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Gonzalo Díaz Pro

Central Business Manager

Central Business Manager since 2007. He was formerly in charge of the Large-Scale Mining Division. Joined the company in August 2004. Has more than 20 years of experience in the management implementation of construction, open pit mining and energy projects in both Peru and Chile. He has held various posts in the Cosapi group, including Commercial Manager of the Chilean associate and Projects Manager in a joint venture with Bechtel for the then green field Antamina project. Since 2012 he has been President of the Suppliers Committee of the National Mining, Petroleum and Energy Society, and a member of the board of directors of the Peru-Canada Chamber of Commerce. He has also been on the board of the Suppliers Committee of the Peruvian Chamber of Construction (Capeco) and of the Infrastructure, Energy and Mining Committee of the Peruvian American Chamber of Commerce (Amcham Peru). He is currently a director of the Central American subsidiaries and in Peru is the director responsible for Unimaq and Ferrenergy, as well as being a director of Orvisa, Fiansa, Mega Representaciones, Cresko and Sitech. Qualified as a civil engineer from the Universidad Católica del Perú, and possesses an MBA from Adolfo Ibañez University in Chile and Incae in Costa Rica. He is a graduate of the Kellogg School of Management (Northwestern University) Management Program and has taken part in specialist courses in Peru and abroad, including the Company Directors Training Program taught by Universidad del Pacifico, the Universidad de Piura and Ernst &Young.

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Luis Fernando Armas Tamayo
Large-scale Mining Division Manager

Manager of the Large-scale Mining Division since January 2012, he has 27 years of experience in management, sales and development of the heavy plant market for open pit mining operations. During 2011 he acted as the Caterpillar regional manager for northern Latin America, based in Miami (USA); as general manager of Bucyrus South Africa, from 2009 to 2011; and as general manager of Bucyrus Peru, from 2000 to 2009, during which time he established the company in the Peruvian mining market. He was formerly senior mine maintenance manager at the Alumbrera mining company (Argentina), from 1997 to 2000. He also occupied engineering, planning and maintenance posts at Southern Peru's Cuajone mine, from 1986 to 1997.

He graduated in mechanical and electrical engineering from the Universidad Nacional de Ingeniería, and obtained a postgraduate degree from the PAD course at the Universidad de Piura as well as numerous specialist courses in mining equipment in Peru, Chile and the United States

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Hugo Sommerkamp Molinari
Central Control and Systems Manager

Central Control and Systems Manager since July 2001, he has been responsible for the Comptroller Division since 2012. He joined the company in 1985 and until 1990 was comptroller of the company's affiliated companies. He is a director of the subsidiary companies of Ferreycorp in Peru and in Central America. Between 1990 and 1996 he worked in Paraguay as finance director of the different subsidiaries of the ECOM Group (Lausanne, Switzerland). He rejoined Ferreyros in 1996 as administration and finance division manager, a position he occupied until 2001. He is a registered public accountant and qualified at the Universidad Católica del Perú and has taken specialist courses in Peru and abroad, including the Caterpillar Leading for Growth and Profitability program, and has taught at the Kenan-Flagler Business School of the University of North Carolina.

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Patricia Gastelumendi Lukis
Central Finance Manager

See her professional CV on page 45.

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Andrés Gagliardi Wakeham
Central Human Resources Manager

See his professional CV on page 45.

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José Miguel Salazar Romero
Central Marketing Manager

Central Marketing Manager since 2007. He joined the company in 1969 and until 1990 held different positions in the commercial and finance departments. In 1988 he was appointed Finance Division Manager. Between 1990 and 1995 he occupied similar posts in other companies in this field. He rejoined the corporation in 1996 as general manager of Matreq Ferreyros, exclusive distributor of Caterpillar equipment in Bolivia, which was a subsidiary of Ferreyros S.A.A. until April 2003. Between 2001 and 2004 he was manager of the mining division and from 2004 onwards was central client relations and commercial development manager. He has taken part in courses in Peru and seminars organized by Caterpillar, including the Caterpillar Leading for Growth and Profitability program, and has taught at the Kenan-Flagler Business School of the University of North Carolina

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José López Rey Sánchez
Central Product Support Manager

Central Product Support Manager since 2012. Joined the corporation in 1981. Services manager from 1994 to 1998 and spares and services manager from 1999 to 2001, in which year he was promoted to manager of the Product Support Division. He is a mechanical engineer and graduated from the Universidad Nacional de Ingeniería, he has also studied administration and management accounting at ESAN and the Senior Management Program of the Universidad de Piura. In 2007 she took part in the Caterpillar Leading for Growth and Profitability program at Kenan-Flagler Business School of the University of North Carolina.

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Jorge Durán Cheneaux
Branches and Agricultural Manager

Branches and Agricultural Manager since 2012. He joined the company in 1994 as field service engineer responsible for the Cerro Verde mining operation. He then became Head of Services - Southern Region. In 1999 he became National Service Manager; and in 2001 became manager of the Component Repair Center (CRC) and Lima workshops. In 2005 he was appointed mining operations manager; and in 2007 became manager of the Mining Division. He is a mechanical engineer who graduated from the Universidad Católica del Perú and holds an MBA from Universidad Adolfo Ibañez in Chile and Incae in Costa Rica. He has taken part in various Caterpillar courses and forums, he is a certified Black Belt in the Six Sigma continual improvement program and in 2007 took the Caterpillar Leading for Growth and Profitability program at the Kenan-Flagler Business School of the University of North Carolina.

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Enrique Salas Rizo-Patrón
Construction and Mining Division Manager

Ferreyros' construction and mining division manager since February 2010, after working as general manager of the Mega Representaciones subsidiary since January 2007. At present he is a director of Unimaq, Mega Representaciones, Cresko, Motored and Sitech, all subsidiaries of Ferreycorp. Since 1999 he has been the founder and general manager of Mega Caucho, the leading distributor of off-road tires and industrial lubricants in Peru. He was formerly sales director of Andean Trading, exclusive representative of Goodyear International in Peru, with which he worked since 1986. He has 28 years of experience in sales and service of added value industrial products for mining, construction, transport and industry. He studied at the Universidad de Lima and specialized in sales, marketing and services at ESAN, as well as taking other courses in commercial, administration and financial management for businessmen. He has participated in numerous Caterpillar courses and forums.

Principal officers of other Ferreycorp subsidiaries

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Oscar Rubio Rodríguez
General Manager of Unimaq and Light Construction Division Manager of Ferreyros

General manager of Unimaq S.A. and manager of the Light Construction Division of Ferreyros S.A. He joined the corporation in 1975 and occupied management posts from 1983, including assistant general manager of Orvisa S.A. from 1989 to 1991. In 2007 he took over the management of Unimaq and the Light Construction Division of Ferreyros S.A.A. He graduated as an economist from the Faculty of Economics of Universidad Nacional de San Marcos and has taken other courses in Peru and abroad.. He has diplomas from ESAN, IPAE and Universidad La Salle in Argentina.

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César Vásquez Velásquez
General Manager of Orvisa

General Manager of Orvisa S.A. since February 2006. With more than 12 years of experience in the capital goods field, he has been general administrator, head of administration and chief accountant of the same company. He worked in the Interbank store network and was chief account of Cía. Embotelladora Lusitania, a

Perspective
+ Specialization
Ferreycorp

subsidiary of Cía. Embotelladora del Pacífico (Cepsa). Formerly a director of Caja Municipal de Ahorro y Crédito de Maynas (CMAC Maynas) from 2005 to 2007 and a member of the regional council of Senati Loreto between 2009 and 2011. He has a master's degree in administration and financial management from Spain's Escuela de Organización Industrial (EOI), a master's degree in higher education from Universidad Nacional de San Marcos (studies completed) and an advanced sales certificate from Caterpillar He graduated as a public accountant from the Universidad Nacional de la Amazonía.

✖

Ricardo Ruiz Munguía

General Manager of Gentrac (Guatemala and Belize) and Cogesa (El Salvador)

General manager of the Ferreycorp subsidiaries and Caterpillar representatives in Central America: Corporación General de Tractores, S.A. (Gentrac), in Guatemala; Compañía General de Equipos S.A. (Cogesa), in El Salvador; and General Equipment Company Limited (Gentrac), in Belize. He joined Cogesa in 1978. He has worked in different departments of the company and was appointed general manager in 1991. In 1998, when Cogesa acquired 100% of Gentrac in Guatemala and Gentrac in Belize, he was appointed vice chairman of the board of directors and executive director of the three companies. In 2001 he became chairman of the board of directors and CEO of Gentrac Corporation, the holding company for the companies mentioned above. In 2010 the holding company was acquired by Ferreycorp (formerly Ferreyros S.A.A.) and he was appointed general manager of the new organization in Central America. His other activities in El Salvador include a stint as member of the managing board of insurance company Agrícola Comercial; member of the managing board of Banco de Comercio; chairman of the managing board of Banco Atlacatl; member of the managing council of the Banco Central de Reserva; member of the managing board of the Banking Association; director of Financiera Atlacatl; and director of Aprisa savings and loan association. He graduated in agricultural economics from the University of Louisiana and holds an MBA from Incae.

✖

Carlos Barrientos Gonzales

General Manager of Mega Representaciones

General Manager of Mega Representaciones S.A. since February 2010. With 16 years of service in the corporation, he has occupied different management posts since 2006, including commercial manager of the Large-scale Mining Division of Ferreyros S.A.A. He holds a bachelor in business administration from the Universidad Católica del Perú and an MBA from Centrum Católica. He has taken specialist courses in sales and strategy in Peru and abroad, including the Senior Management Program of the Universidad de Piura and the Caterpillar Leading for Growth and Profitability program taught at the Kenan-Flagler business school of the University of North Carolina.

✖

Henri Borit Salinas

General Manager of Motored

General Manager of Motored S.A. since April 2012. Manager of the Automotive Division of Ferreyros S.A.A. from September 2011 to March 2012, when it was absorbed by Motored. He began his career in the consulting division of Arthur Andersen & Co. in 1992 and left that organization as manager in 1998. He was the general manager of Indumotor del Peru from 1999 to 2011. He has 15 years of experience in the automotive sector. Member of the board of directors of the Association of Vehicle Representatives of Peru (Araper) from 2005 to 2011 and from 2013 to date. An industrial engineer, he graduated from the Universidad de Lima and holds an MBA from Universidad del Pacífico.

✖

Javier Barrón Ramos Plata

General Manager of Cresko

General Manager of Cresko S.A. since May 2012. He began his career in 1996 with Ferreyros S.A.A.., and has occupied a number of commercial and administration positions in various branches of the corporation. He has obtained several awards in courses taught by Caterpillar. He has 16 years of experience in the field of capital goods sales. He was regional counselor for Senati in La Libertad in the 2010-2012 period and represented the organization at different chambers of commerce. An industrial engineer who graduated from the Universidad de Piura, he holds a master's degree in business administration and another postgraduate qualification in finance from ESAN and has taken a number of Caterpillar courses in marketing, leadership and sales. He holds and advanced sales certificate from Caterpillar University.

✖

Jorge Devoto Núñez del Arco

General Manager of Forbis Logistics

General manager of Forbis Logistics Corp. since January 2013 and of Forbis Logistics S.A since July 2013. Experience in the management of logistics projects dating from 2001. With more than seven years in the corporation, he has occupied positions in three representative departments: commercial, projects and logistics. His experience also includes participation in Caterpillar's exchange program in the city of Miami, where he worked for a year. He holds a black belt in the Six Sigma continual improvement program, as well as a certificate in the Caterpillar Production System (CPS), the continual improvement methodology adopted by Caterpillar throughout the world. He holds a bachelor's degree in food industry studies from the Universidad Agraria La Molina and graduated with honors in the Centrum Católica MBA course.

✖

Raúl Neyra Ugarte

General Manager of Fargoline

General Manager of Fargoline S.A. since August 2009. Mr Neyra began his professional career in the Peruvian Navy, before transferring to the private sector, working for Molinos Takagaki in the poultry feed sector and Nestlé in the fast-moving consumer goods sector. He joined Ferreyros S.A.A. in 1995 and has occupied management positions since 2005 after working in different departments of the corporation. He is a member of the managing council of the Association of Port Operators of Peru. Administrator and a graduate of the Peruvian Naval College, he holds an MBA from Incae in Costa Rica and Chile's Adolfo Ibáñez University, as well as a qualification in logistics from the Universidad Católica del Perú. He is a black belt in the Six Sigma continual improvement program, obtained from Caterpillar University and graduated from the Peruvian Naval College as a naval officer with a bachelor's degree in administration.

✖

Marcos Wieland Conroy

General Manager of Soluciones Sitech Perú

General Manager of Soluciones Sitech Peru since the firm started trading. He began his career with IBM as a systems support engineer. He later worked for Microsoft as Marketing Programs Manager for education, marketing and sales products; at consultancy BCTS as Business Manager; and PriceWaterhouseCoopers, as Marketing Manager. He joined Ferreyros in 2007 as Commercial Development Manager in the Marketing Department, a job he held until appointed to his current position. He has an MBA from the University of Texas in Austin and two bachelor's degrees: one in industrial engineering from the Universidad Católica del Perú and the other in Computing Sciences from the University of Arkansas in Little Rock. He has taught marketing and technology at ESAN for more than 10 years

Relationships

As at the 31st of December of the 2013, none of the directors were related (by blood or marriage) to any other directors or to the managers.

Messrs Carlos Ferreyros Aspíllaga, Óscar Espinosa Bedoya, Juan Manuel Peña Roca and Andreas von Wedemeyer Knigge are directors of La Positiva Compañía de Seguros y Reaseguros, an investor in Ferreycorp, holding 8.12% of its shares.

3.3 Remuneration paid to members of the board of directors and the management

Total remuneration paid to members of the board and the management of Ferreycorp and its subsidiaries as a percentage of total consolidated earnings, as shown in the financial statements of Ferreycorp is 0.56%.

3.4 Human Resources

Ferreycorp's 6,519 collaborators made the corporations good results for 2013 -a 5% increase compared with 2012- possible both in Peru and abroad.

Changes in the number of employees over the last years are shown below:

FERREYCORP	2008	2009	2010	2011	2012	2013
Officers	91	88	104	127	139	154
Employees	1,844	1,854	2,247	2,600	3,169	3,518
Technicians	2,089	1,879	2,386	2,631	2,929	2,847
Total Ferreycorp	**4,024**	**3,821**	**4,737**	**5,358**	**6,237**	**6,519**

The composition of the workforce in each of the three company divisions of Ferreyros in Peru and abroad can also be seen:

	Companies representing Caterpillar and allied brands in Peru	Companies representing Caterpillar and allied brands outside Peru	Companies that complement the offer of goods and services to different industry sector	Total
Officers and Employees	2,282	428	962	**3,672**
Technicians	2,320	257	270	**2,847**
Total	**4,602**	**685**	**1,232**	**6,519**

Ferreycorp's major competitive advantage lies in its human capital, these are the people who implement the added value of the corporation's companies by delivering our products promptly, providing quality services to these products, distributing spare parts, obtaining financing for clients and training their technicians and operators, among other aspects. For this reason it is essential to guarantee a good working environment in order to attract and retain the best talent, and we do this by following best human resources practices.

It should be pointed out that Ferreyros' subsidiaries Fargoline and Fiansa are members of the Association of Good Employees of Peru, sponsored by the American Chamber of Commerce (Amcham), an institution for companies that are characterized by respect for their collaborators and their encouragement of a good working environment by applying good human resources practices throughout their processes. Ferreyros is one of the founders of this association.

Each one of the corporation's subsidiaries possesses a team responsible for ensuring good labor relations. There is only one labor union throughout Ferreycorp: The Sindicato Unitario de Trabajadores de Ferreyros S.A., which represented 332 technical personnel at the close of 2013; it has an excellent relationship with the company and helps in the creation of policies to improve working conditions and the quality of life of collaborators and their families.

Wages, salaries and benefits above the market average and strict punctuality in paying them are basic elements of the coproration's human resources policy. The corporation also gives priority to encouraging and facilitating the professional development of its collaborators, in an environment that makes use of their skills. The starting point is careful performance evaluation and recognition through feedback, as well as the training required for new challenges.

In addition, the corporation considers its relationship with its collaborators, respect for diversity and work-life balance to be important aspects, and includes mechanisms to allow greater inclusion of women in the workplace, facilitating the role of working mothers. It has thus made spaces available for breast feeding in the corporation's different premises.

Values
✚ Capability
Ferreycorp

Furthermore, it has important benefit programs such as loans for housing, healthcare and school fees, and workshops for spouses and children, all aimed at increasing levels of satisfaction and commitment among those working for the corporation's companies. We seek to contribute to the welfare of our collaborators through social services addressing matters such as health, education, housing and family problems, as well as encouraging family and recreational activities.

Our volunteer program should also be emphasized; it includes a 4K race in various areas where the corporation operates, aimed at raising funds for voluntary activities in communities adjacent to the company

Internal training programs

Training for Ferreycorp's collaborators is an essential accompaniment to business growth. Promoting talent through the creation of conditions that have a favorable impact on personal and professional development as well as on performance at work, is a practice that is deeply rooted in the corporation. Thus technical and administrative personnel had access to a number of training and development programs during 2013.

The third year of the Ferreyros Leadership Program was noteworthy for an educational proposal developed in conjunction with the Harvard Business Review Latin America, which seeks to develop the leadership and management skills of around 400 of the corporation's key leaders and supervisors.

Furthermore, the corporation has programs and initiatives to advance the skills of administration and sales personnel. As a result of this, in 2013 more than 1,500 collaborators in these departments of Ferreycorp gained access to master's degree and diploma courses, specialization programs, workshops and courses of various other types.

The corporation also encourages the development of its technical personnel through a variety of channels. Ferreycorp companies in Peru and Central America have implemented training initiatives or programs for their technicians. Our Service Pro program provides continual training for technicians, who pass through seven levels of specialization and skill certification over an average period of 15 years.

For more information on Ferreycorp's personnel management initiatives, see the Collaborators section in the chapter entitled “Social Responsibility”.

FOR MORE REASONS

Solutions
Innovation
+ Challenges

For more reasons

Dynamism


CAT
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CATERPILLAR
CAT
336D
CAT

Dyna mism

Customer success cannot stop. Nor can Ferrycorp support. Thus, during 2013 the corporation expanded its efforts to create more value for its customers: it continued investing in service and coverage capacities to offer full support; it provided added-value solutions such as technical and operation training and specialized consulting; and it extended its product portfolio which is well known for its high quality. At the same time, it maintained an adequate financial management with a two-part purpose: first, facilitate customers – through financing – with access to products and services of the corporation, and second, sustain its own growth.

4. Financial Management

4.1 Placements of corporate bonds in the international market

The main financial challenge for the corporation in 2013 was to complete its first international corporate bond issue, valued at US$ 300 million.

This operation, carried out in April 2013, constitutes the first issue of fixed-yield instruments by Ferreycorp in the international market, after 30 years of active participation in Peru's capital market.

A road show was held for investors in Latin America, the United States and Europe as part of this process. The amount raised by this issue, at an annual rate of 4.875%, was used to re-profile debt with an average maturity of three years and amortization to a seven-year bullet capital payment. Thus the corporation released short-term lines of credit and has covered its medium-term needs for the next two years.

The bonds were classified BB+ (stable) by ratings agencies Moody's and Standard & Poor's.

Investors' response was very positive, which was reflected in the placement being five times oversubscribed by foreign and local investors.

The operation was carried out with advice from Bank of America Merrill Lynch and J.P. Morgan as joint bookrunners and joint lead managers as well as Credicorp Capital as joint lead manager. Credibolsa also took part as Peruvian local placement agent. Both the issue and placement of bonds was governed by Rule 144A and Regulation "S" of the U.S. Securities Act 1993.

The bonds will mature seven years after their date of issue, which has enabled corporation companies to improve their debt maturity and credit conditions, as well as freeing up lines of credit from banks so that they can meet the cash flow needs of their businesses, principally for importing the goods they distribute. These bonds represent approximately 50% of all the financing required. The other 50% consists of lines of credit from local and foreign banks, Caterpillar Financial Services and the local capital market.

4.2 Investment in assets

Ferreycorp's is a capital-intensive business model. This is because of the investments it makes in current assets and fixed assets, both operating (the hire fleet and elements for the component interchange programs) and non-operating or infrastructure.

Investment in fixed assets

Ferreycorp's major competitive advantage is that it has premises throughout the country. This model has been copied by other corporation companies, with multiple points of sale in Peru and abroad. The aim is to guarantee that its clients' purchases are dispatched efficiently and that they do not have to travel far to obtain spare parts.

Therefore in order to ensure that the company can maintain the highest levels of operativity and also provide an optimum service to its clients through continually improving its abilities, Ferreyros invests in new premises and in the maintenance and refurbishment of its existing premises, workshops and warehouses throughout Peru.

Furthermore, during 2013 construction started on new corporate premises and the company's training campus (TACH) on 28,000 m2 of land on Avenida Argentina, acquired in 2010. This complex will also contain Ferreyros' Spares Distribution Center and the plant and warehouses of Mega Representaciones.

The corporation's operational fixed assets include the rental fleet – consisting of around 600 units with

Ferreyros, 1,423 with Unimaq and 283 with Gentrac Guatemala, of which more than 1,200 are Caterpillar– and components required for carrying out speedy repairs to mining trucks. It should be mentioned that in 2013 the company implemented a Rental Acceleration Program with Caterpillar, making additional equipment available to rent without increasing our indebtedness. This enables us to maintain our leadership in this business with a 50% market share, without affecting our financial ratios. During 2013 investment in fixed assets amounted to about US$ 40 million, compared with US$ 55 million invested in 2012. It should be noted that the corporation decided to delay certain investments in local infrastructure so as not to affect its financial performance and to reduce its indebtedness ratio and leverage, which have been affected by an increase in financial debt.

Investment in inventories

Investment in inventories by corporation companies in 2013 reached US$ 574 million, similar to its level in 2012 (US$ 583 million).

The most important inventory items are machines, engines and vehicles (referred to internally as the "principal product"), which are valued at US$ 322 million (56% of the total); spare parts valued at US$ 180 million (23% of the); stocks receivable and advances to suppliers, valued at US$ 75 million (13%); and services in progress, valued at US$ 36 million (6% of the total).

It should be mentioned that the group of companies distributing Caterpillar and allied brands in Peru was responsible for 75% of the total inventory; the Caterpillar and allied brands distributors outside Peru were responsible for 11%, and companies complementing the different productive sectors, 14%.

In 2013 the corporation rotated its total inventories 2.5 times, slightly below the figure of 2.7 times in 2012; this was basically due to a slow-down in certain sectors in the second half year.

Investment in accounts receivable

In order to reduce the amount of funds required by medium-term financing and also to control credit risk, Ferreyros maintained its strategy of limiting direct credit for equipment purchases. This safety measure explains the reduction in the medium-term portfolio for equipment financing, as we now have the support of Caterpillar Financial Services to meet the demand for credit from all the Caterpillar distributors in Peru and abroad. The other companies use banks to provide financing for the clients.

Thus at a corporate level, accounts receivable in the medium term amount to approximately US$ 12,9 million, a similar level to that of 2012. What has increased significantly, but without major risk, is the short-term portfolio, which includes invoices for spare parts, services, rentals and invoices financed by third parties, entered provisionally under accounts receivable.

It can take up to 90 days to complete a sale involving third-party financing. The average time to get paid for spare parts, services and rentals is 60 days. The corporation's accounts receivable were valued at more than US$ 300 million on average during 2013.

In line with our asset management plan, factoring operations worth US$ 160 million were entered into with local banks at very competitive rates. Accounts receivable rotated approximately every 40 days at the end of 2013, compared with 39 days at the end of December 2012.

As far as machinery and equipment sales were concerned, these items were acquired by clients in different ways. Clients with their own resources, with sufficient liquidity and bank credit, receive 30 days' commercial credit, which increases the short-term financing portion during the collection period. Approximately 50% of machinery and equipment sales are financed by financial institutions or programs developed by the corporation and banks; the financial arm of Caterpillar has been particularly important in the acquisition of CAT machinery in Peru and Central America.

In addition, Caterpillar International Services del Peru S.A. (Cispsa) has become and option for providing Caterpillar machinery, as it offers operational leasing for such equipment. Ferreycorp has used a fund managed by Compass -since the middle of the third quarter of 2013- to provide machinery from manufacturers other than Caterpillar, using the same model; it has so far completed operations worth US$ 2,7 million.

The arrears index for the portfolio of accounts receivable in more than 90 days was 4%, while the figure for receivables in more than 180 days was 2%. The corporation's provision for bad debts amounted to US$ 7.4 million in 2013. This provision for uncollectables amounted to 0.38% of the corporation's total sales.

4.3 Financial results

EBITDA was US$ 217 million, 25% higher than the previous year, with an EBITDA margin of 11.3%. Net earnings, however, were affected by the following variables:

Progress
+ Innovation
Ferreycorp

1) A significant exchange rate loss.
2) investment in equipment for the corporation's rental fleets.
3) An immediate increase in financial expenditure resulting from the application of the international bond interest rate, which increased the average cost from 3% to 4.40%.
4) The increase in operating costs due to investments made by the corporation in developing world-class skills and in its workshops and premises.
5) Investment in recruiting, retaining and training of our human resources, especially technical personnel.

In comparison with the S/. 90 million achieved in 2012, financial expenditure reached S/.103 million in 2013, growth of 15%. This increase was largely the result of an increase in the liabilities of all of the corporation's companies, and particularly the change in its debt structure deriving from the bond issue; this debt is now mainly long term rather than short term. It should also be mentioned that the international bond placement has set the rate for the next seven years, which should mitigate the risk of a possible increase in interest rates.

As far as the financial ratios are concerned, the corporation's indebtedness ratio as at the 31st December 2013 was 1.23. The general or current liquidity ratio -understood as the ability of the company to pay its short-term liabilities in 2013 using its own cash- was 1.82 at the end of 2013, higher than the 1.39 obtained at the close of 2012.

This was because short-term financing operations were carried out throughout the year as a strategy to, firstly, reduce the low rates for short-term credit and, secondly, to ensure that we are ready to repay these loans early, without incurring an early repayment penalty, with funds deriving from the increase in capital. The level of financial debt increased from US$ 729 million as at the 31st December 2012 to US$ 725 million as at the 31st December 2013. This resulted in a financial leverage of 3.24 (financial debt / EBITDA) and a ratio adjusted in accordance with the covenant of 2.6,if inventory finance is subtracted, as shown in the international bond prospectus. The corporation is therefore able to generate the cash necessary to meet its obligations without problems.

The results are discussed in greater detail in the chapter that includes the financial statements and comments by the management.

5. Financial Statements

Ferreycorp S.A.A. and Subsidiaries

Consolidated financial statements as of December 31, 2013 and 2012 together with the independent auditors' report

Building a better
working world

Ferreycorp S.A.A. and Subsidiaries

Consolidated financial statements as of December 31, 2013 and 2012 together with the independent auditors' report

Content

Medina, Zaldivar, Paredes & Asociados
Sociedad Civil de Responsabilidad Limitada

Translation of the independent auditors' report and the consolidated financial statements originally issued in Spanish – Note 29

Independent Auditors' Report

To the Shareholders and Board of Directors of Ferreycorp S.A.A. and Subsidiaries

We have audited the accompanying consolidated financial statements of Ferreycorp S.A.A. and Subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the corresponding statements of income, statements of comprehensive income, statements of changes in net equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in Peru. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

FOR MORE REASONS
Financial Statements
Ferreycorp and Subsidiaries

Translation of the independent auditors' report and the consolidated financial statements originally issued in Spanish – Note 29

Independent Auditors' Report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements, present fairly in all material respects, the consolidated financial position of Ferreycorp S.A.A. and Subsidiaries as of December 31, 2013 and 2012, and its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Lima, Peru
February 24, 2014

Medina, Zaldivar, Paredes y Asociados

Countersigned by:

W. Rubiños

Wilfredo Rubiños Valiente
C.P.C.C. Register No. 9943

Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of financial position

As of December 31, 2013 and 2012

	Note	2013 S/.(000)	2012 S/.(000)
Assets			
Current assets			
Cash and cash equivalent	5	119,413	172,724
Trade accounts receivable, net	6	826,055	751,565
Other accounts receivable, net	7	119,374	119,653
Inventories, net	8	1,580,128	1,534,684
Prepaid expenses		15,868	20,516
		2,660,838	2,599,142
Trade accounts receivable, net	6	36,042	29,126
Other accounts receivable, net	7	5,874	6,811
Investments	9	85,446	74,750
Property, machinery and equipment, net	10	1,291,336	1,160,277
Intangible, net	11(a)	78,031	73,271
Goodwill	11(c)	156,272	115,261
Deferred income tax asset	15(a)	117,268	85,159
Total asset		4,431, 107	4,143,797

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements

FOR MORE REASONS
Financial Statements
Ferreycorp and Subsidiaries

	Note	2013 S/.(000)	2012 S/.(000)
Liabilities and net equity			
Current liabilities			
Financial liabilities	12	620,395	957,352
Trade accounts payable	13	406,383	445,314
Other accounts payable	14	437,415	467,147
Income tax payable	15(d)	382	2,893
		1,464,575	1,872,706
Other non- current financial liabilities	12	1,240,311	727,917
Other accounts payable	14	3,381	3,450
Deferred income tax liability	15(a)	159,924	116,331
Total liabilities		2,868,191	2,720,404
Net equity	16		
Issued capital		945,227	803,235
Additional capital		105,366	137,266
Legal reserve		99,766	82,179
Other equity reserves		211,880	124,188
Retained earnings		200,677	276,525
Total net equity		1,562,916	1,42 3,393
Total liabilityand net equity		4,431,107	4,143,797

Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of income

For the years ended December 31, 2013 and 2012

	Note	2013 S/.(000)	2012 S/.(000)
Net sales	17	4,998,740	4,648,573
Other operating income		15,209	2,009
		5,013,949	4,650,582
Cost of sales	17	(3,905,925)	(3,731,090)
Gross profit		1,108,024	919,492
Selling expenses	18	(559,624)	(482,150)
Administrative expenses	19	(189,472)	(170,198)
Other operating income and expenses, net		31,661	35,866
Operating profit		390,589	303,010
Financial income	21	21,737	23,111
Financial expenses	22	(102,865)	(89,656)
Exchange difference, net	4	(146,140)	79,081
Participation in associated companies and joint ventures under the equity method	9	2,178	(363)
Profit before income tax		165,499	315,183
Income tax	15(b)	(65,474)	(94,760)
Net income		100,025	220,423
Basic and diluted earnings per share (in nuevos soles)	23	0.106	0.233
Weighted average of shares outstanding (in thousands of units)	23	945,227	945,227

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements

Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of comprehensive income

For the years ended December 31, 2013 and 2012.

	Note	2013 S/.(000)	2012 S/.(000)
Net income		100,025	220,423
Other comprehensive income for the year			
Other comprehensive income to be reclassified to earnings in subsequent periods			
Change in hedging derivatives		177	-
Income tax effect		(54)	-
		123	-
Difference in foreign currency translation	16(e)	12,100	(5,075)
Income tax effect		-	-
		12,100	(5,075)
Other minor ítems	16(d)	(541)	(1,382)
Income tax effect		-	-
		(541)	(1,382)
Other comprehensive income to be reclassified to earnings in subsequent periods		11,682	(6,457)
Other comprehensive income to benot reclassified to earnings in subsequent periods			
Land revaluation	16(d)	108,587	-
Income tax effect		(32,577)	-
		76,010	-
Other comprehensive income to benot reclassified to earnings in subsequent periods		76,010	-
Other comprehensive income for the year, net		87,692	(6,457)
Net comprehensive income for the year		187,717	213,966

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements

FOR MORE REASONS
Financial Statements
Ferreycorp and Subsidiaries

Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of changes in net equity

For the years ended December 31, 2013 and 2012

	Number of shares outstanding (in thousands)	Issued capital S/.(000)	Additional capital S/.(000)	Legal reserve S/.(000)	Other equity reserves S/.(000)	Currency translation adjustment S/.(000)	Retained earnings S/.(000)	Total S/.(000)
Balance as of January 1, 2012	623,635	623,635	26,090	63,692	129,443	1,202	221,324	1,065,386
Net income	-	-	-	-	-	-	220,423	220,423
Other comprehensive income, net income tax	-	-	-	-	(1,382)	(5,075)	-	(6,457)
Total comprehensive income	-	-	-	-	(1,382)	(5,075)	220,423	213,966
Purchase of non-controlling interest in cash, note 16(b)	-	-	15,474	-	-	-	-	15,474
Transfer to legal reserve, note 16(c)	-	-	-	18,487	-	-	(18,487)	-
Dividends, note 16(f)	-	-	-	-	-	-	(41,903)	(41,903)
Capitalization of retained earnings, note 16(a)	104,832	104,832	-	-	-	-	(104,832)	-
Change in number of shares upon variation of nominal value, note 16(a)	74,768	74,768	95,702	-	-	-	-	170,470
Balance as of December 31, 2012	803,235	803,235	137,266	82,179	128,061	(3,873)	276,525	1,423,393
Net income	-	-	-	-	-	-	100,025	100,025
Measurement of the fair value of lands, net of deferred income tax	-	-	-	-	76,010	-	-	76,010
Other comprehensive income, net of income tax	-	-	-	-	(418)	12,100	-	11,682
Total comprehensive income	-	-	-	-	75,592	12,100	100,025	187,717
Transfer to legal reserve, note 16(c)	-	-	-	17,587	-	-	(17,587)	-
Dividends, note 16(f)	-	-	-	-	-	-	(48,194)	(48,194)
Capitalization of retained earnings, note 16(a)	141,992	141,992	(31,900)	-	-	-	(110,092)	-
Balance as of December 31, 2013	945,227	945,227	105,366	99,766	203,653	8,227	200,677	1,562,916

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements

Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of cash flows

For the years ended December 31, 2013 and 2012

	2013 S/.(000)	2012 S/.(000)
Operating activities		
Collections from customers and third parties	5,047,963	4,707,561
Payments to suppliers	(4,186,920)	(4,165,844)
Payments to employees and others	(355,953)	(355,448)
Payments of income tax	(111,304)	(136,447)
Taxes paid	(11,934)	(8,284)
Net cash provided from used for operating activities	381,852	41,538
Investing activities		
Purchase of property, machinery and equipment	(247,5 33)	(105,289)
Acquisition of businesses	(92,437)	(186,435)
Purchase of intangible assets	(2,437)	(3,978)
Sale of property, plant and equipment	5,756	-
Acquisition of investments	-	(3,891)
Net cash used in investing activities	(336,651)	(299,593)
Financing activities		
Issuance of financial obligations	821,845	361,387
Payments of financial obligations	(634,509)	(127,195)
Interest paid	(95,528)	(85,225)
Dividends paid	(48,194)	(41,903)
Capital contributions	-	74,768
Purchase of non-controlling interest in cash	-	111,176
Net cash provided from financing activities	43,614	293,008
Net increase in cash and cash equivalent	88,815	34,953
Translation results	12,100	(5,075)
Effect of movements in exchange rates on cash and cash equivalent	(155,438)	74,618
Cash and cash equivalent transferred from business combination	1,212	-
Cash and cash equivalent at beginning of the year	172,724	68,228
Cash and cash equivalent at end of the year	119,413	172,724
Non-cash transactions		
Capitalization of retained earnings	2,753	35,890

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements

Ferreycorp S.A.A. and Subsidiaries

Notes to the consolidated financial statements

As of December 31, 2013 and 2012

1. **Economic activity**

Ferreycorp S.A.A. (hereinafter "the Company") was incorporated in Lima, Peru on September 1922 under the legal name of Enrique Ferreyros y Cía. Sociedad en Comandita. Subsequently, it made severa l changes to its legal name up to June 1998 when it modified its by-laws to comply with the current Peruvian General Corporation Law, and changing its legal name to Ferreyros S.A.A. The Shareholders' Meeting of Ferreyros S.A.A. held on March 28, 2012, app roved the corporate reorganization to split its investor role from its role as operating company, distributor of capital goods, and thus better organize the company's various lines of businesses. Accordingly, the Shareholders approved changing the corporate name form Ferreyros S.A.A. to Ferreycorp S.A.A.

Ferreycorp S.A.A. acts as a holding company for the group of companies operating in Peru and abroad named "Ferreycorp Group"; coordinating their policies and management. The Company's legal address is Cristóbal de Peralta Norte Avenue No. 820, Surco, Lima, Peru.

The consolidated financial statements for the year ended as of December 31, 201 2 were approved by the Shareholders' Meeting held on March 26, 2013. The accompanying consolidated financial statements for the year ended December 31, 2013, were approved by the Company's Management on February 24, 2014 and will be submitted for their approval by the Board of Directors and the Shareholders' Meeting that will occur within the first quarter of 2013. In Management's opinion, these consolidated financial statements will be approved by the Board of Directors and Shareholders' Meeting without modifications.

2. **Group Identification**

At December 31, 2013, the consolidated financial statements comprise the financial statements of the Company and the following subsidiaries: Ferreyros S.A. (before Motorindustria S.A.) Orvisa S.A. and subsidiaries, Unimaq S.A., Fiansa S.A. (common stock), Fiansa S.A. (investment shares), Mega Representaciones S.A., Fargoline S.A., Cresko S.A., Inti Inversiones Interamericanas Corp. and subsidiaries, Inmobiliaria CDR S.A.C., Forbis Logistics S.A., Motored S.A., Soluciones Sitech Peru S.A. and Investment and Operating Lease (Compass). In addition, the Company has a joint venture in Ferrenergy S.A. whose share is 50 percent.

Simple reorganization -

During the General Meeting of Shareholders held on March 28, 2012, the Company agreed to make a simple reorganization in order to better organize the various businesses of the Group, for which Ferreycorp contributed two blocks to two of its subsidiaries.

Notes to the consolidated financial statements (continued)

An equity block derived primarily from the sale of machinery, equipment and services corresponding to the Caterpillar business unit ("CAT unit") and allied lines, transferred to current Ferreyros S.A. subsidiary and a second equity block derived primarily from the automotive business division was transferred to the subsidiary Motored S.A.

This reorganization has no effect on the consolidated financial statements of the Group, as all businesses are kept in the group under common control in the years 2013 and 2012.

Acquisitions 2013 -

(a) ExxonMobil business unit (Guatemala) -

On January 31, 2013, through its subsidiary in Central America (Inti Inversiones Interamericanas Corp.), the Group acquired the share distribution and marketing business unit of ExxonMobil lubricants in Guatemala for approximately US$16,374,000 (equivalent to S/.45,751,000 to that date), being Corporación General de Tractores S.A. – GENTRAC, subsidiary of INTI, in charge of such business unit since effective date January 2013. The Group acquired the business in order to expand their participation in the Central American market share related to operations already being developed.

The fair values of assets and liabilities acquired in the business unit of ExxonMobil to the acquisition date are as follows:

	Fair value recognized at the acquisition date S/.(000)
Assets	
Inventories	11,726
Other assets	497
Net assets acquired	12,223
Assets and liabilities identified	
Customer relationship	2,827
Distribution agreement	6,854
Deferred income tax liability	(3,001)
Total net assetsidentified measured at fair value	6,680
Fair value of the total net assetsidentified	18,903
Less: Purchase price at the date of acquisition	45,751
Goodwill arising from the acquisition, note 11 (c)	26,848

FOR MORE REASONS
Financial Statements
Ferreycorp and Subsidiaries

Notes to the consolidated financial statements (continued)

	Cash flows at the date of acquisition S/.(000)
Net cash from acquire	-
Cash payment	(45,751)
Net cash at the date of acquisition	(45,751)

(b) Mercadeo Centroamericano de Lubricantes S.A. - Mercalsa (Nicaragua)

On February 28, 2013, the Group acquired 100 percent of the voting shares of Mercalsa (Nicaragua), for approximately US$5,20 5,000 (equivalent to S/.14,544,000 at that time). The Mercalsa's main activity is the commercialization of Exxon Mobil lubricants. This acquisition allows the Group to expand its participation in the Central American market.

The fair values of assets and liabilities at the date of acquisition are as follows:

	Fair value recognized at the acquisition date S/.(000)
Assets	
Cash	452
Trade accounts receivable, net	3,890
Inventories	4,539
Other assets	1,197
	10,078
Liabilities	
Trade accounts payable	(2,348)
Provisions	(612)
Net assets acquired	7,118
Assets and liabilities identified	
Customer relationship	1,168
Branding rights	2,277
Distribution agreement	3,250
Deferred income tax liability	(2,053)
Total net assetsidentified measured at fair value	4,642
Fair value of the total net assetsidentified	11,760
Less: Purchase price at the date of acquisition	14,544
Goodwill arising from the acquisition, note 11(c)	2,784

Notes to the consolidated financial statements (continued)

	Cash flows at the date of acquisition S/.(000)
Net cash from acquire	452
Cash payment	(14,544)
Net cash at the date of acquisition	(14,092)

(c) TECSEG S.A.C. (Peru) -

On January 31, 2013, the Group, through its subsidiary Mega Representaciones S.A., acquired 100 percent of the shares of TECSEG S.A.C., for approximately US$12,303,000 (equivalent to S/.32, 142,000), a Peruvian company dedicated to the commercialization of industrial secure supplies, incorporated on March 17, 1999. The amount paid was adjusted in 2013 on the basis of the variations presented in TECSEG's equity as of December 31, 2012. This acquisition allows the Group to begin into the business of industrial security in Peru and thus complement the portfolio of consumables of Mega Representaciones S.A.C.

The fair values of assets and liabilities at the date of acquisition are as follows:

	Fair value at the acquisition date S/.(000)
Assets	
Cash	760
Trade accounts receivable, net	13,214
Inventories	9,308
Other assets	3,403
	26,685
Liabilities	
Trade accounts payable	(6,143)
Provisions	(4,523)
Net assets acquired	16,019
Assets and liabilitiesidentified	
Customer relations	5,083
Branding rights	3,313
Back logs	254
Deferred income tax liability	(2,595)
Total net assetsidentified measured at fair value	6,055
Fair value ofthe total net assetsidentified	22,074
Less: Purchase price at the date of acquisition	32,142
Goodwill arising from the acquisition, note 11 (c)	10,068

Notes to the consolidated financial statements (continued)

	Cash flows at the date of acquisition S/.(000)
Net cash from acquire	760
Cash payments	(32,142)
Net cash at the date of acquisition	(31,382)

Acquisitions 2013 -

(d) Bucyrus business unit –

On June 1, 2012, the Group, through its subsidiary Ferreyros S.A.A., acquired for US$69,050,000 million (equivalent to S/.186,435,000 at that time) the entire business unit of commercialization of Bucyrus in Peru; acquiring inventory, fixed assets and other assets associated with the business unit. This acquisition was made as part of the overall acquisition made Caterpillar Inc. This will allow the Group to expand its portfolio of products and brands in the importation and sale of heavy machinery and equipment for diverse extractive industries and construction.

The fair values of assets and liabilities at the date of acquisition are as follows:

	Fair value at the acquisition date S/.(000)
Assets	
Fixed assets, net	40,411
Inventories	209
Net assets acquired	40,620
Assetsidentified:	
Customer relationships	44,867
Right of use	17,555
Total assets identifies measured at fair value	62,422
Fair value of the total net assetsidentified	103,042
Less: Purchase price at the date of acquisition	186,435
Goodwill arising from the acquisition, note 11 (c)	83,393

Notes to the consolidated financial statements (continued)

	Cash flow at the date of acquisition S/.(000)
Net cash acquire	-
Cash payment	(186,435)
Net cash at the date of acquisition	(186,435)

3. Basis of preparation and summary of significant accounting principles and practices

3.1 Basis of preparationand presentation -

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS"), as issued by the International Accounting Standards Board (the "IASB").

The consolidated financial statements have been prepared on the historical cost basis, from the accounting records kept by the Group, except for the lands, that have been measured at fair value. The consolidated financial statements are presented in thousands of Nuevos Soles (functional and presentation currency), except where noted otherwise.

The accounting policies adopted are consistent with those applied in previous years, except that the Group has adopted the new IFRS and revised IAS that are mandatory for periods beginning on or after January 1, 2013, as described below. Based on the structure of the Group and the nature of its operations, the adoption of these rules, except for the application of IFRS 11 "Joint Arrangements", had no significant effect on its financial position and results, therefore, has not been necessary to modify the comparative consolidated financial statements.

- IAS 1 "Presentation of items of other comprehensive income - Amendments to IAS 1"
  Change the grouping of items presented in Other Comprehensive Income (OCI, for its acronym in English). Items that may be reclassified ('recycled') to results in a future time will be presented separately from items that will never be reclassified. This change affects only the presentation of financial statements and has no effect on the financial position or results of operations.

- IAS 19 "Employee Benefits (as amended)"
  The amendment eliminates the option to defer the recognition of actuarial gains and losses, that is to say, the mechanism of the corridor. All changes in the value of the defined benefit plans are recognized in the statement of comprehensive income.

- IAS 28 "Investments in Associates and Joint Ventures (revised)"
  As a result of the new IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities', IAS 28 has been renamed" Investments in Associates and Joint Ventures", and describes the application of the equity method for joint ventures investments and associates investments.

- IFRS 7 "Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendment)"
  The amendment requires entities to disclose the gross amounts subject to rights of compensation and net exposure resulting. This information will help to understand the extent to which an entity has net positions reflected in their financial statements the effects of compensation rights in the rights and obligations of the entity.

- IFRS 10 "Con solidated Financial Statements"
  IFRS 10 replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" which describes the consolidation of financial statements. It also includes considerations raised in SIC-12 "Consolidation - Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and, therefore, are required to be consolidated by the parent, compared with the requirements that were in IAS 27.

- IFRS 11 "Joint Arrangements"
  IFRS 11 supersedes IAS 31 "Interests in Joint Ventures and SIC 13" jointly -controlled non-monetary contributions of the participating institutions". "IFRS 11 removes the option to register to jointly controlled entities (ECC) using proportionate consolidation. Instead, the ECC that meet the definition of a joint venture must be recorded by the equity method.

  The application of IFRS 11 had effects on the Group's accounting regarding their participation in a joint venture, Ferrenergy S.A. - "Ferrenergy" (see note (p)). The Group has a 50% of participation in Ferrenergy, entity dedicated to the generation and supply of energy. Before the first application of IFRS 11, Ferrenergy was classified as a jointly controlled entity and the Group's share of assets, liabilities, revenues, earnings and expenses were proportionately consolidated in the consolidated financial statements of the Group.

  When first adopted IFRS 11 (1 January 2013), the Group has determined that its participation in Ferrenergy is classified as a joint venture under IFRS 11, so your registration is required by the method of participation (see note 3.2 (b) above).

  The accounting change was applied retrospectively, as required by IFRS 11, therefore, it was restated the comparative information for the immediately preceding period. The effect of applying IFRS 11 on its consolidated financial statements is as follows:

Notes to the consolidated financial statements (continued)

Impact on the consolidated statement of income - increase (decrease) in profit:

	2012 S/.(000)
Sales of services	(21,257)
Cost of services	24,619
Gross loss	3,362
Administrative expenses	2,429
Other operating income	(2,539)
Operating loss	3,252
Finance costs	348
Exchange difference	(113)
Equity in loss of joint venture	(3,487)
Loss before income tax	-
Income tax	-
Net impact on net income for the year	-

Impact on the consolidated equity - increase (decrease):

	At December 31, 2012 S/.(000)	At January1, 2012 S/.(000)
Inventories	(1,504)	(2,525)
Accounts receivable, net	(9,265)	(962)
Other current assets	(1,751)	(1,371)
Total current asset	(12,520)	(4,858)
Property, plant and equipment	(3,140)	(3,305)
Investment in joint venture	3,748	4,273
Other non-current assets	-	(732)
Total asset	(11,912)	(4,622)
Financial obligations	1,758	651
Accounts payable	10,154	3,971
Total liabilities	11,912	4,622
Net effect on equity	-	-

The transition had no impact on other comprehensive income in the period or earnings per basic and diluted share.

Notes to the consolidated financial statements (continued)

- IFRS 12 "Disclosure of Interests in Ot her Entities"
  IFRS 12 includes all disclosures that were previously in IAS 27, IAS 28 and IAS 31 in relation to the consolidated financial statements, the entity interests in subsidiaries, joint arrangements, associates and structured entities. It also in cludes a number of new disclosures are shown in note 9.

- IFRS 13 "Fair Value Measurement"
  IFRS 13 establishes a single guide for all fair value measurements in accordance with IFRS, giving guidelines on ho w to perform these measurements; but does not change when an entity is required to use fair value. IFRS 13 defines fair value as an exit price.

  As part of the implementation process of IFRS 13, the Company has reassessed its policies for measuring the fair values of assets and liabilities; as a result has not significantly affected the fair value measurement of assets and liabilities. Also, additional disclosures are made in the individual notes of assets and liabilities for which fair values were determined. The fair value hierarchy is presented in note 27.

- Annual Improvements to IFRSs (issued in May 2012)
  The IASB published a preview of the changes and improvements to IFRSs in May 2012. The amendments made to IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1, including improvements in this cycle, has no significant effect on the accompanying consolidated financial statements.

Due to the structure of the Company and nature of its operations, the adoption of these standards had no significant effect on its financial position and results, therefore, it has not been necessary to modify the comparative financial statements of the Company.

Transactions with entities under common control -
Simple reorganization
IFRS does not prescribe a specific accounting treatment for reorganizations with legal entities under common control of a parent company with its subsidiaries, as such the Company, based on permitted by IAS 8 and the Framework, adopted the following accounting policy:

Notes to the consolidated financial statements (continued)

A legal reorganization where the Company transfers and equity block to its subsidiaries is substantially a redemption of shares in exchange for the assets and liabilities of these subsidiaries. Accordingly, the assets and liabilities transferred are recognized to the carrying amounts that remain in the consolidated financial statements at the date of the legal reorganization merger. The difference between (i) the amounts assigned to assets and liabilities in the separate financial statements of the Company after the reorganization and (ii) the carrying amount of investments in the subsidiaries is recognized in the income statement.

The split described in Note 2 has been carried out between companies under common control, and has impact on the effective change of control of subsidiaries grouped within Ferreycorp Group; therefore, the accompanying financial statements have been prepared assuming that companies were reorganized in each of the periods presented.

3.2 Basis for consolidation–

At December 31, 2013, the consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved where the Company and its subsidiaries are exposed, or are entitled to variable returns from its involvement in the entity receiving the investment and have the ability to affect those returns through its power in the entity receiving investment. Specifically, the investor controls an entity receiving the investment if and only if you have: i) power over the entity receiving the investment (there are rights that give it the current ability to direct the relevant activities of the same), ii) exposure or rights to variable returns from its involvement in the entity receiving the investment, and iii) the ability to use its power over the entity receiving the investment affect yields.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: i) the existence of a contractual arrangement between the Group and other holders of the voting rights of the entity receiving the investment, ii) rights arising from other contractual arrangements, iii) the voting rights of the Group and potential voting rights.

The Group shall reassess whether it has control over an entity receiving the investment, if facts and circumstances indicate that there are changes in one or more of the three control elements described above. The consolidation of a subsidiary when the parent begins when control of the subsidiary is obtained and ends when the parent loses control over it. Assets, liabilities, income and expenses of an acquired or sold during the year subsidiary are included in the statement of other comprehensive income from the date on which the parent acquired control of the subsidiary until the date the parent ceases to control the same.

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Notes to the consolidated financial statements (continued)

The profit or loss and each component of other comprehensive income to the owners of the parent and non-controlling interests are allocated, even if the results of non-controlling interests result in a debit balance. If necessary, appropriate to the financial statements of the subsidiary to its accounting policies conform to the accounting policies of the Group adjustments. All assets and liabilities, equity, income, expenses and cash flows within the Group that are related to transactions between members of the Group are eliminated in full on consolidation.

A change in interest in a subsidiary without loss of control is accounted for as an equity transaction.

FOR MORE REASONS
Financial Statements
Ferreycorp and Subsidiaries

Notes to the consolidated financial statements (continued)

The consolidated financial statements include the financial statements of Ferreycorp S.A.A. and its subsidiaries in which it has control. The table below presents the main financial information of the Group that participates in the process of consolidation as of December 31, 2013 and 2012, before eliminations:

Entity	Activity	Percentage of participation		Assets		Liabilities		Equity		Net profit/(loss)	
		2013 %	2012 %	2013 S/.(000)	2012 S/.(000)	2013 S/.(000)	2012 S/.(000)	2013 S/.(000)	2012 S/.(000)	2013 S/.(000)	2012 S/.(000)
Ferreyros S.A.	Purchase and sale of machinery, spare parts and workshop services	100	100	2,032,216	2,237,624	1,274,699	1,521,038	757,517	716,586	117,319	72,777
Orvisa S.A. y Subsidiarias	Purchase and sale of machinery, spare parts and workshop services	100	100	162,240	137,136	129,133	102,587	33,107	34,549	4,224	8,901
Unimaq S.A.	Purchase and sale of machinery, spare parts and workshop services	100	100	540,599	459,699	414,485	357,913	126,114	101,786	8,418	24,559
Fiansa S.A.	Metalworking services	100	100	62,865	66,893	39,850	51,898	23,015	14,995	(18,210)	(10,489)
Mega Representaciones S.A.	Representative and distributor of tires and lubricant	100	100	145,334	72,842	106,555	51,412	38,779	21,430	1,752	3,571
Fargoline S.A.	Warehouse	100	100	105,601	84,134	47,156	39,022	58,445	45,112	6,413	6,947
Cresko S.A.	Purchase and sale of machinery and chemical supplies	100	100	51,344	46,395	43,502	33,231	7,842	13,164	(4,267)	(7,385)
Inmobiliaria CDR S.A.C.	Real estate	100	100	93,225	71,702	24,358	13,448	68,867	58,254	2,110	1,125
Ferrenergy S.A.	Power generation and supply	50	50	14,945	16,547	9,600	13,038	5,345	3,509	(1,433)	(3,488)
Motored S.A.	Automotive	100	100	273,587	186,093	198,865	122,590	74,722	63,503	(7,971)	4,780
Forbis Logistics S.A.	Warehouse	100	100	2,488	293	1,796	162	692	131	559	(231)
Soluciones Sitech Peru S.A.	Commercialization of software and hardware	100	100	947	-	584	-	363	-	(461)	-
Inti Inversiones Interamericanas Corp. y Subsidiarias	Holding grouping businesses abroad (*)	100	100	494,286	405,195	341,220	277,592	153,066	127,603	12,820	42,698

(*) Holding mainly includes subsidiaries in Central and North America: Company General of Equipment S.A. (El Salvador), Corporation General of Tractores S.A. (Guatemala) and other subsidiaries, General Equipment Company (Belize) and Forbis Logistics Corp. (United States of America). The activities of the subsidiaries conforming INTI Group are the purchase and sale of machinery, spare parts and workshop services.

Notes to the consolidated financial statements (continued)

3.3 Summary of significant accounting principles and practices

(a) Business combinations and goodwill -

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, measured at fair value at the date of acquisition, and the amount of any non-controlling interest in the acquire. For each business combination, the Group can elect to measure non -controlling interest in the acquire at fair value or at the proportionate share of the acquire's identifiable net assets. Acquisition costs incurred are expensed as incurred and are presented as administrative expenses in the consolidated income statement.

When the Group acquires a business, it assesses the financial assets and liabilities incorporated for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the date of acquisition. This includes the separation of embedded derivatives in host contracts by the acquire.

If the business combination is achieved in stages, the acquirer any interest previously held in equity of the acquire is remeasured at fair value at the date of acquisition, and any resulting gain or loss is recognized in the results. Then this is taken into account in the determination of goodwill.

Any contingent consideration that must be transferred by the acquirer is recognized at fair value at the date of acquisition. Contingent consideration classified as an asset or liability that is a financial instrument and be reached by IAS 39 Financial Instruments: Recognition and Measurement, are measured at fair value, recognizing changes in the fair value, either in results or other comprehensive income. If the contingent consideration was not reached by IAS 39, it shall be measured in accordance with relevant IFRS. Contingent consideration that is classified as equity is not remeasured and any subsequent cancellation will be accounted for in equity.

Goodwill -

Goodwill is initially measured at cost, represented by the excess of the sum of the provision against transferred and the amount recognized for non-controlling interests, and any previous participation in net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired exceeds the sum of the consideration transferred, the Group assesses whether it has correctly identified again all assets acquired and all liabilities assumed and reviews the criteria used to measure the amounts to be recognized at the acquisition date. If the new assessment continues to show an excess of the fair value of net assets acquired over the sum of the consideration transferred, the gain is recognized in the consolidated at the date of acquisition outcomes.

Notes to the consolidated financial statements (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash generating units of the Group, which is expected to be benefited combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is sold, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss sale. The goodwill is written off in these circumstances is measured based on the relative values of the operation and sale of the retained portion of the cash-generating unit.

(b) Investment in associates and joint ventures -

An associate is an entity over which the investor has significant influence. Significant influence is the power to intervene in the decisions of financial and operating policy of the entity receiving the investment, but without having control or joint control of its.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. These parts are called the joint venture participants. Joint control is the contractually agreed sharing of control to a joint arrangement, which exists only when decisions about the relevant activities require the unanimous consent the same parties sharing control.

The considerations to take into account in determining the existence of significant influence or joint control are similar to those which are necessary to determine the existence of control over subsidiaries.

Accounting –

The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, investment in an associate and a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of the net assets of the associate and a joint venture from the date of acquisition. Goodwill related to an associate or joint venture is included in the carrying amount of the investment.

This goodwill is not amortized nor individually tested for impairment. The consolidated income statement reflects the Group's share of the results of operations of the associate and joint venture. Any change in other comprehensive income of the associate or joint venture is presented as part of other comprehensive income of the Group consolidated. In addition, if any recognized directly in equity of the associate or joint venture, the Group

Notes to the consolidated financial statements (continued)

would recognize changes their participation on any of these changes, as appropriate, in the statement of changes in equity. Gains and losses transferred to third parties arising from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture.

The Group's share of results of associate and joint venture is presented in a single line on the face of the consolidated income statement, operating profit outside. This participation includes the net of tax and non-controlling interests in subsidiaries of the associate and joint venture.

The financial statements of the associate and joint venture are prepared for the same reporting period as the Group. If necessary, appropriate to its accounting policies conform to the accounting policies of the Group adjustments.

After applying the equity method, the Group determines whether it is necessary to recognize an impairment loss in respect of the Group's investment in an associate and a joint venture. At each balance sheet date of the reporting period under review, the Group determines whether there is objective evidence that the investment in the associate or joint venture would have deteriorated. If such evidence exists, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and their carrying amounts, then loss recognized under " Equity in net profit associated and joint venture " in the consolidated income statement.

Upon loss of significant influence over an associate or joint control over the joint venture, the Group measures and recognizes any retained investment in residual fair value her. In this case, any difference between the carrying amount of the associate or joint venture and the respective fair value of the residual retained investment and proceeds from sale are recognized in the consolidated results.

(c) Financial Instruments: Recognition and Measurement -

(c.1) Financial assets -

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as: (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) available-for-sale financial assets, (iv) held-to-maturity investments, or as (v) derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

The classification of the financial instruments at initial recognition depends on the intention for which the financial instruments were acquired and their characteristics. All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs or issuance of the instrument.

Notes to the consolidated financial statements (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognized on the trade date, i.e.; the date that the Group commits to purchase or sell the asset. Derivatives are recognized on the trade date of the transaction.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification. The Group's financial assets include loans and receivables and an available-for-sale financial investment, which subsequent measurement criteria is explained below.

- *Loans and receivables* -

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and which the entity does not intend to sell immediately or in the near future and have no recovery risk other than credit deterioration.

  After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. The losses arising from Impairment are recognized in the consolidated statement of income.

  The Group maintains in this category accounts receivable and other accounts receivable, which are expressed at the transaction value, net of its estimation for doubtful accounts, when applicable.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

(i) The rights to receive cash flows from the asset have expired; or

(ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the consolidated financial statements (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Group's continuing involvement in it. In that case, the Group also recogni zes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(c.2) Financial liabilities -
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as: (i) financial liabilities at fair value through profit or loss, (ii) loans and borrowings, or as (iii) as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized when the Group is part of the contractual agreement of the instrument. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs or issuance of the instrument.

Notes to the consolidated financial statements (continued)

As of December 31, 2013 and 2012, the Group only maintains liabilities carried at amortized cost, including trade accounts payable, advances, salaries and other accounts payable and other financial liabilities.

Subsequent measurement -
After initial measurement, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on issuance and costs that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized.

Financial liabilities are classified as short-term unless the Group has the irrevocable right to defer the payment for more than twelve months after the date of the consolidated statement of financial position. Borrowing costs are recognized using the accrual method, including fees related to the financing.

Derecognition -
A financial liability (or, where applicable, a part of a financial liability or part of a group of similar financial liabilities) is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

(c.3) Offsetting of financial instruments -
Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and the intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(d) Derivative financial instruments -
Derivative financial instruments within the scope of IAS 39 are classified as trading and hedge. The most important aspects of each category are described below:

Trading -
Transactions with derivative financial instruments held by the Group in the form of currency "forwards", do not qualify as hedges under the specific rules of IAS 39, and therefore, are treated as trading derivatives, so at initial and subsequent recognition are measured at fair value and recognized as assets when the value is positive and as

Notes to the consolidated financial statements (continued)

liabilities when it is negative, any gain or loss arising from the change in fair value is recorded in the consolidated statement of income.

Hedge -
Hedge derivative financial instruments are used to manage the Group's exposure to interest rate and foreign currency risks. Under IAS 39, hedge accounting is applied to manage particular risks for transactions which meet the specific criteria for it.

At the beginning of the hedge relationship, the Company formally designates and documents the hedge relationship you want to apply, the objective of risk management and strategy to perform coverage. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the fair value of the hedging instrument in offsetting the exposure to changes in the fair value of the hedged or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting the exposure to changes in fair value or cash flows and are assessed them permanently to determine which have actually been highly effective throughout the and reporting periods for which they were appointed.

Hedges which meet the strict criteria required for hedge accounting are accounted for as follows:

Fair value hedges -
The change in fair value of a derivative that is a hedging instrument is recognized in the consolidated income statement as finance costs. The change in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated income statement as finance costs.

At December 31, 2012 and 2013, the Group had no such derivative financial instruments.

Cash flow hedges -
Gains or losses arising from changes in fair value are recognized directly in the consolidated income statement, except for the effective portion of the hedge cash flow, which is recognized as an unrealized gain on financial instruments in the state of comprehensive income.

The only derivative that maintained the Company is a future contract swap ("swap") interest rate, which has been classified as cash flow hedges. This derivative was initially recognized at fair value at the date the derivative contract was entered into and is subsequently measured at fair value. This derivative is recorded as a financial asset when the fair value is positive and as financial liabilities when fair value is negative. At December 31, 2013, the derivative financial instrument is due and liquidated.

Notes to the consolidated financial statements (continued)

The cash flow hedges that meet the criteria for hedge accounting are recorded as follows:

- The effective portion of the gain or loss on a hedging instrument is recognized directly as other comprehensive consolidated results in the reserve for cash flow hedges, while the ineffective portion is recognized immediately in the consolidated statement of comprehensive income as "Other expenses operations".

- Amounts recognized as other comprehensive consolidated income are reclassified to the combined income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

  If the hedging instrument expires or is sold, terminated or exercised without a replacement or rollover for another hedging instrument, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction occurs or firm commitment affect the outcome.

Hedges of a net investment in foreign operations -
Hedges of a net investment abroad, including a hedge of a monetary item that is accounted for as part of the net investment are recognized in a similar way to cash flow hedges.

Gains or losses on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income, while any gain or loss relating to the ineffective portion is recognized in the income statement. In the case of the sale of the foreign operation, the cumulative amount of the gain or loss recorded in equity is reclassified to the income statement.

At December 31, 2012 and 2013, the Group had no such derivative financial instruments.

(e) Foreign currency transaction -
The Group's functional currency is the Nuevo Sol (local currency), due to is used by the Group to manage its operations and conversions and, additionally, for the preparation of the consolidated financial statements. For foreign subsidiaries, each subsidiary determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The accompanying consolidated financial statements have been prepared primarily to show the joint activity of the companies comprising the Group, for what has been established as the presentation currency the same used by Ferreycorp S.A.A.; that is to say the Nuevo Sol. Consequently, the balances in the financial statements of the

Notes to the consolidated financial statements (continued)

companies operating in countries with a functional currency different to the Nuevo Sol have been converted to this currency in accordance with the methodology set out in IAS 21 "Effects of changes in exchange rates of foreign currency".

Transactions and balances in foreign currency–
The Group considers balances or transactions in foreign currency those made in a currency other than the functional currency. Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted subsequently to the functional currency using the exchange rate in force at the consolidated statement of financial position date. The differences between the closing rate at the date of each consolidated financial statement presented and the exchange rate initially used to record the transactions are recognized in the consolidated statement of income in the period in which they occur in the "Exchange difference, net" caption. Non-monetary assets and liabilities acquired in foreign currencies are translated at the exchange rate at the dates of the initial transactions.

As required by IAS 21, the exchange differences arising from related party transactions eliminated on consolidation and not included as part of the net investment in a foreign operation should be recorded in profit or loss in the consolidated financial statements.

Group companies abroad -
The assets and liabilities of foreign operations are translated into Nuevos Soles at the rate of exchange in force at the reporting date and their statements of income are translated at exchange rates in force at the dates of the transactions. The exchange differences arising on the translation are recognized in the statement of other comprehensive income.

(f) Cash and cash equivalent -
For purposes of preparation and presentation of the cash flow statement, cash and cash equivalent comprise, petty cash, bank deposits, cash in transit and deposits with original maturities shorter than 90 days, all recorded in the consolidated statement of financial position. These accounts do not have significant risks in their values.

(g) Inventories -
Inventories are valued at cost or net realizable value the lowest, net of any impairment. Cost is determined using the specific identification method, except for spare parts which are recognized using the weighted average cost method. The net realizable value is the estimated selling price in the ordinary course of business, net of discounts and other costs and expenses incurred to bring inventories into sale condition.

The estimation for impairment is determined based upon an analysis performed on the inventory's condition and turnover. In the case of damaged equipment and those with no

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movement, a provision equivalent to its carrying value is made. The estimation is recognized with charge to the results of the year when it is determined.

(h) Property, machinery and equipment-
Property, machinery and equipment, except the lands, are stated at cost, less accumulated depreciation and, where applicable, accumulated impairment losses. That cost includes the cost of replacing components of property, plant and equipment. For significant components of property, plant and equipment that must be replaced periodically the replaced component is disposal and the new component with its corresponding service life and depreciation is recognized.

Likewise, when a major investment is made, the cost of it is recognized as a replacement to the extent that the requirements for recognition are met. All other routine repair and maintenance costs are expensed in the consolidated income statement as incurred.

Land is measured at fair value, a value of appraisals conducted regularly by an expert appraiser. Revaluations are performed on an annual basis when the fair value of the revalued asset differs materially from its carrying amount. When changes in fair value are not significant, revaluations are carried out every three to five years.

Any revaluation increase is recognized in the consolidated statement of comprehensive income and accumulated in the consolidated net equity, in the "Other equity reserve" caption as revaluation assets, except that this increase corresponds to the reversal of a revaluation decrease of the same asset previously recognized in the consolidated income statement, in which case the increase is recognized in the consolidated income statement. A revaluation decrease is recognized in the consolidated income statement, except to the extent that the decrease offsets an increase of the same asset previously recognized in the asset revaluation reserve. At the time of sale of a revalued asset, any revaluation reserve relating to that asset is transferred to retained earnings.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets and depending on machine hours used, as shown below:

	Years
Buildings and other structures	
Structural work	Between 78 and 80
Finishes and additional work	20
Installations	20
Machinery and equipment	Between 5 and 15
Rental feet - Machinery and equipment (*)	h/m used
Vehicles	5
Furniture and fixtures	4 and 10

(*) As function of machine-hours used.

Notes to the consolidated financial statements (continued)

The assets' residual values, useful lives and the selected depreciation methods are periodically reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, machinery and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognized.

(i) Leases -
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee -
Finance leases that substantially transfer to the Group all the risks and benefits inherent to the ownership of the leased item, are capitalized at the beginning of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between financial charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as financial expenses in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor -
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Contingent rents are recognized as revenue in the period in which they are earned.

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(j) Intangible assets -
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. After the initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite. The Group has only intangible assets with finite useful lives and are amortized using the straight-line method over their useful economic lives, which are four to ten years, and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting period under report. Changes in the expected useful life or the expected pattern of consumption of the asset are accounted for by modifying the period or the depreciation method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statement of income under the category that is consistent with the function of the intangible asset.

The amortization is calculated on a straight line basis over the estimated useful lives of the assets, as follows:

	Years
Client relationships	7 a 12
Rights of use	2
Software licenses	10
Distribution Agreement	10

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

(k) Impairment of non - financial assets -
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher between the asset's fair value, less costs to sell, and its value in use. Where the recoverable amount is lower than the carrying amount of an asset, the asset is considered impaired and is written down to its recoverable amount.

An asset's recoverable amount is the higher between the net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in a free market, while the value in use is the net present value of the estimated future cash flows from the continued use of an asset and its residual value at the end of its useful life. In

Notes to the consolidated financial statements (continued)

assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased; the Group makes a new estimation of the corresponding asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After the reversal, the depreciation charge is adjusted in future periods distributing the value of the asset over its remaining useful life.

Goodwill
Goodwill is tested for impairment annually (as of December 31) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(l) Financing costs -
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily requires a considerable period of preparation to be available for use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are recognized as additional expense in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurred in connection with the borrowing of funds.

During 2013 and 201 2, the Group did not have assets that qualified for the capitalization of financing costs.

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(m) Income tax and workers' profit sharing -
Workers' profit sharing -
Worker's profit sharing is calculated in accordance with the laws in force (Legislative Decree N° 892) on the same basis used to calculate the income tax. In the case of the Group, the workers' profit sharing rate is 8 percent of the taxable income of the year. According to Peruvian law, there is a limit of 18 monthly salaries on the amount a worker can receive as profit sharing.

The Group recognizes the current portion workers' profit sharing paid directly to them in accordance with IAS 19 "Employee Benefits", as any entity that provides benefits to the workers in exchange for their services. Consequently, the Group recognizes the participation of workers as a cost or expense, depending on their function.

Current income tax -
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, as of the date of the consolidated financial statements.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax -
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts as of the date of the consolidated financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences, except for those taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Notes to the consolidated financial statements (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(n) Recognition of revenues, costs and expenses -
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, taxes and other items related to the sales. The following criteria must be met to recognize an income:

- Revenues from sales of machinery, engines, vehicles and spare parts are recognized when all the significant risks and rewards of ownership are transferred to the buyer.

- Revenues from workshop services, maintenance and repair, and rental of machinery and equipment are recognized in the period in which the services are rendered.

- The Group's other revenues are recognized as follows:

    - Rental income and interest on installment sales: on accrual basis.

    - Fee income from direct requests: when the supplier fulfills the order.

    - Financial interest income: on effective performance basis.

    - Dividend income: when the Group's right to receive such payment is established.

    - Construction contracts: under the percentage of completion method. Under this method, revenue is recognized in the accounting period in which the work contracted is performed.

    - Storage service: when the service is provided.

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Other revenues, costs and expenses are recognized as accrued, regardless of when they are performed, and recorded in the periods to which they relate.

Revenues and costs of construction contracts metalworking jobs are accounted for under the percentage of completion method, which is based on the recognition results of the accounting period in which the execution of the contracted work is performed.

Costs and expenses -
The other costs and expenses are recognized when earned, regardless of when they are made, and are recorded in the periods to which they relate.

(o) Provisions -
General:
A provision is recognized only when the Group has a present obligation (legal or constructive) as a result of a past event, it is likely that resources will be required to settle the obligation and its amount can be reasonably estimated. Provisions are reviewed at each period and are adjusted to reflect the best estimate as to the date of the statement of financial position. When the effect of the value of money over time is important, the amount of the provision is the present value of expenditures expected to settle the obligation.

When the Group expects some or all of the provision to be recovered, these recoveries are recognized as assets, provided to have the certainty of recovery. The amount accrued is presented in the consolidated statement of income, net of recoveries.

Possible contingencies are not recognized in the financial statements. These are disclosed in notes to the consolidated financial statements, except that the possibility of an outflow of economic benefits is remote.

Warranty:
Provisions for warranty-related costs are recognized when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed annually.

(p) Earnings per share -
The basic and diluted earnings per share are calculated by dividing net income by the weighted average number of common shares outstanding during the period. The shares from capitalization of profits, or similar transactions, are a stock split and, therefore, for the calculation of weighted average shares considered that these actions were always outstanding, and the calculation of earnings per basic and diluted share are adjusted retroactively.

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At December 31, 2013 and 2012, the Group has no dilutive financial instruments that produce effects, so that the basic and diluted earnings per share are the same.

(q) Fair Value Measurement -
The Company has a fair value of financial instruments measured at amortized cost which is described in note 27.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, the most advantageous for the asset or liability.

The principal or most advantageous market should be accessible by the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use to rank the asset or liability value, assuming that market participants act in their best economic interest.

The fair value measurement of nonfinancial assets takes into account the ability of a market participant to generate economic benefits through more and better use of the asset or selling it to another market participant would use the assets in the best possible way.

The Company uses that are appropriate in the circumstances and for which sufficient information is available to measure fair value, maximizing the use of relevant observable inputs and minimize the use of unobservable inputs to valuation techniques.

All assets and liabilities which are determined or disclosed fair values in the consolidated financial statements are classified within the fair value hierarchy, described below, based on the lowest level of the data used that are significant to the measurement at fair value as a whole:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which the lowest level of information that is significant to the fair value measurement is directly or indirectly observable.

Notes to the consolidated financial statements (continued)

- Level 3 - Valuation techniques for which the lowest level of information that is significant to the fair value measurement is not observable.

For assets and liabilities that are recognized at fair value in the consolidated financial statements on a recurring basis, the Company determines whether there have been transfers between levels in the hierarchy by reviewing the categorization at the end of each reporting period.

Management determines the Company's policies and procedures for measurements to recurring and nonrecurring fair value. At each reporting date, management analyzes the movements in the values of assets and liabilities to be valued in accordance with the accounting policies of the Company.

For purposes of the disclosures of fair value, the Company has determined the types of assets and liabilities based on their nature, characteristics and risks and the level of the fair value hierarchy as explained above.

(r) Segments -
An operating segment is a component of an entity: (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the Company's Management to make decisions about resources to be allocated to the segment and assess its performance, and (iii) for which confidential financial information is available, note 26.

(s) Subsequent events -
Events occurred subsequent to the year-end which provide additional information about the financial status of the Group as of the date of the consolidated statement of financial position (adjustment events) are included in the consolidated financial statements. Significant subsequent events, that are not adjustment events, are disclosed in notes to the consolidated financial statements.

(t) Reclassification of consolidated financial statements for prior years –
At December 31, 2013, the Company made the following reclassifications in its consolidated for the year ended December 31, 2012 financial statements:

- In the consolidated statement of financial position is reclassified S/.1,729,000 for the category " Deferred revenue, net" to the heading " Trade receivables " for better presentation of accounts receivable at December 31, 2012. S/.1,069.000 also be renamed the category "Other receivables" to the heading "Inventories" to present in this area advances to suppliers related to inventory purchases.

Notes to the consolidated financial statements (continued)

- The consolidated income statement is reclassified S/.21,971,000 for the category " Sales expenses " to the heading "Administrative Expenses" for a better presentation of the expenditure to 31 December 2012. S/.7,805,000 also reclassified the category " Other income and expenses " to the caption " Cost of sales ", " sales expenses " and S S/.1,667,000 to the heading "Financial income" at that time. Finally, S/.174,000 heading to the heading " Other operating income " to "Net Sales" was reclassified.

3.4 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities for the years ended December 31, 2013 and 2012. In management's opinion, such judgments and estimates are based on the best knowledge of material events and circumstances, taking into account historical experience. However, the results obtained may differ from the amounts included in the consolidated financial statements.

The main uncertainty areas, related to the significant accounting judgments and estimates and judgments made by Management in the preparation of these consolidated financial statements, are as follows:

(a) Trials

In applying the Group's accounting policies, management has made the following judgments that have significant effect on the amounts recognized in the consolidated financial statements:

Operating leases in note 3.3 .(h) -

The Group as lessor, entered into a lease of machinery and equipment rental fleet. The Group has determined, based on an evaluation of the terms and conditions of the agreements, such as when the lease term does not constitute a substantial portion of the economic life of the asset, or when retained substantially all the risks and benefits incidental to ownership of these assets. In these cases, the Group has posted these contracts as operating leases.

(b) Estimates and assumptions -

Here are the key assumptions concerning the future and other key sources of uncertainty estimates to the closing date of the reporting period are described reporting, and have a high risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial year. The Group has based its assumptions and estimates given the parameters available at the time of preparation of these consolidated financial statements. However, the current circumstances and assumptions about future events may change due to market changes and new circumstances that may arise beyond the

Notes to the consolidated financial statements (continued)

control of the Group. These changes are reflected in the assumptions at the time they occur.

Revaluation of property, plant and equipment (land), note 3.3(g) -

The Group measures its land for at revalued amounts and changes in fair value are recognized in other comprehensive income. The Group has hired an independent expert valuation specialist to determine the fair values at December 31, 2013 for land appraised.

To land, the appraiser was based on objective evidence of the market, using comparable prices adjusted by specific factors such as the nature, location and condition of the property in question.

Impairment of non-financial assets, note 3.3 (k) -

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount which is the higher of fair value less costs to sell and value in use. The calculation of fair value less costs to sell is based on available information on sales transactions for similar goods made under conditions and independent parties or observable market prices net of incremental costs related to the sale of the property.

The calculation of value in use is based on a model of discounted cash flows. Cash flows arising from the estimated projections for the next ten years, excluding restructuring activities to which the Group had not yet been committed, and significant future investments that will enhance the operational performance of the asset or cash-generating unit which is subjected to an impairment test.

The calculation of the recoverable amount is extremely sensitive to any change in the rate used to discount cash flows, as well as the expected future income funds, and the growth rate used in long-term extrapolation. The key assumptions used to determine the recoverable amount of the cash generating units, including a sensitivity analysis, are revealed and explained in more detail in Note 11.

Taxes on current and deferred income, note 3.3 (m) –

There are uncertainties regarding the interpretation of complex tax regulations, changes in tax regulations and the amount and timing of future taxable income that is generated.

Given the wide range of commercial relations held by the Group and the long-term nature and complexity of maintaining contractual agreements, differences arising between the actual results and key assumptions made, or future changes to such assumptions, could require future adjustments to already registered tax income. The Group calculates reserves based on reasonable estimates, for possible consequences of the revisions made by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax reviews, and

Notes to the consolidated financial statements (continued)

different interpretations of the rules on taxation made by the taxable entity and the responsible tax authority. Such differences of interpretation may arise in a wide variety of issues, depending on the circumstances and conditions in the jurisdiction of the member company of the Group.

Fair value of financial instruments, note 3.3 (c) -
In cases where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, fair value is determined using valuation techniques including a model of discounted cash flows.

When possible, the input of these models is taken from observable nourish markets, but if not, a degree of discretionary judgment is required in determining fair values. These judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For details, see note 26(c).

Management believes that the estimates included in the financial statements were made on the basis of the best knowledge of the relevant facts and circumstances at the time of preparing the same, but the final results may differ from the estimates included in the statements financial.

3.5 New accounting pronouncements-
The Company has decided not to early adopt the following standards and interpretations were issued by the IASB, but are not effective at December 31, 2013:

- IAS 32 "Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendment)"
  Effective for periods beginning on or after January 1, 2014. Defines the meaning of "currently has a legal right to compensation" criteria and mechanisms for non-simultaneous solution clearinghouses for entitlement to compensation modification. Additionally, this amendment clarifies that to make two or more instruments financial institutions should have a right to compensation cannot be conditioned on a future event, and should be mandatory the following circumstances: (i) the normal course of business, (ii) an event of default, and (iii) in the event of insolvency or bankruptcy of the entity or any of the counterparties.

- IAS 39 Novation derivative and continuity of hedge accounting (changes)
  Effective for periods beginning on or after January 1, 2014. These amendments provide an exception to discontinue hedge accounting when the novation of a derivative designated as a hedging instrument that meets certain criteria is given.

Notes to the consolidated financial statements (continued)

- IFRS 9 "Financial Instruments: Classification and Measurement"
  This rule has an effective date of enactment. IFRS 9 reflects the first phase of the IASB's work for the replacement of IAS 39 and refers to the classification and measurement of financial assets as defined in IAS 39. The approval of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets of an entity, but potentially will have no impact on the classification and measurement of financial liabilities. IFRS 9 also introduces new requirements for the use of hedge accounting, in order that it is aligned with the risk management of a company.

- "Investment Entities" (amendments to IFRS 10, IFRS 12 and IAS 27)
  Effective for periods beginning on or after January 1, 2014. These amendments provide an exception to the requirement to consolidate entities that qualify as an investment entity under the criteria of IFRS 10. The exception to consolidation requires entities to register as investment subsidiaries at fair value through profit or loss.

- IFRIC 21 "Levies"
  Effective for periods beginning on or after January 1, 2014. IFRIC 21 clarifies that an entity recognizes a liability for a tax when the activity giving rise to the payment, as identified in the relevant legislation, is performed. To a lien that is activated when a minimum threshold, the interpretation clarifies that no person should be anticipated before reaching the minimum threshold specified.

The Group is in the process of evaluating the impact of the application of these rules, if any, on its consolidated financial statements and disclosures in the notes to the financial statements.

Notes to the consolidated financial statements (continued)

4. Foreign currency transactions

The foreign currency transactions are made at free market exchange rates. As of December 31, 2013, the weighted average market exchange rate for transactions in U.S. Dollars published by the Superintendence of Banking, Insurance and Private Funds ("SBS" for its acronym in Spanish) was S/.2.794 per US$1 for buying and S/.2.796 per US$1 for selling (S/.2.549 per US$1 buying and S/.2.551 per US$1 for selling as of December 31, 2012).

As of December 31, 2013 and 2012, the Group had the following assets and liabilities in U.S. Dollars:

	2013 US$(000)	2012 US$(000)
Assets		
Cash and cash equivalent	18,020	41,033
Trade accounts receivable, net	255,531	277,138
Other accounts receivable, net	14,965	65,756
	288,516	383,927
Liabilities		
Financial liabilities	(560,705)	(594,356)
Trade accounts payable	(121,568)	(186,097)
Other accounts receivable payable	(46,733)	(99,125)
	(729,006)	(879,578)
Net liability position	(440,490)	(495,651)

At December 31, 2013 and 2012, the Group Management has decided to accept the currency risk of this position, so it has not derivative products for hedging. During 2013, the Group recorded a net loss for exchange difference approximately S/.146,140,000 (net gain for approximately S/.79,081,000, during 2012), which is presented in the "Exchange difference, net "caption of the consolidated statement of income.

5. Cash and cash equivalent

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Petty cash	1,105	719
Bank deposits (b)	78,239	142,608
Time deposits (c)	39,675	28,990
Cash in transit	394	407
	119,413	172,724

Notes to the consolidated financial statements (continued)

(b) Bank deposits are kept in domestic and foreign banks are denominated, in local currency and in U.S. Dollars. These deposits are freely available and do not earn interest.

(c) As of December 31, 2013 and 2012, corresponds to time deposits in domestic banks, with 30 days to maturities and earning interest at market rates.

6. Trade accounts receivable, net

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Invoices (b)	729,401	673,860
Commercial letters(b)	218,398	180,158
Unearned interests	(10,185)	(8,467)
	937,614	845,551
Less - Allowance for doubtful accounts receivable (d)	(75,517)	(64,860)
	862,097	780,691
Less:		
Non-current portion	(36,042)	(29,126)
Current portion	826,055	751,565

Trade accounts receivable are denominated in local and foreign currency, do not earn interest, with exception of the commercial letters which earn an annual interest rate between 14 and 20 percent.

(b) Corresponds to trade accounts receivable from sales of inventories to various domestic companies.

Notes to the consolidated financial statements (continued)

(c) As of December 31, 2013 and 2012, the trade accounts receivable aging is as follows:

	Not impaired S/.(000)	Impaired S/.(000)	Total S/.(000)
As of December 31, 2013 -			
Current	645,695	836	646,531
Past due			
- Up to 1 month	137,222	157	137,379
- From 1 to 3 months	51,176	335	51,511
- From 3 to 6 months	22,047	1,003	23,050
- More than 6 months	16,142	73,186	89,328
Total	872,282	75,517	947,799
As of December 31, 2012 -			
Current	570,356	9	570,365
Past due			
- Up to 1 month	142,538	418	142,956
- From 1 to 3 months	57,455	1,820	59,275
- From 3 to 6 months	11,332	2,428	13,760
- More than 6 months	7,477	60,185	67,662
Total	789,158	64,860	854,018

(d) The movement in the allowance for doubtful accounts is as follows:

	2013 S/.(000)	2012 S/.(000)
Beginning balance at January 1	64,860	56,368
Provision charged to results, note 18	20,404	13,668
Addition for business combination	68	-
Recoveries and write-offs	(15,449)	(1,701)
Exchange difference	5,634	(3,475)
Ending balance at December 31	75,517	64,860

In Management's opinion, the estimation for doubtful accounts receivable adequately covers the credit risk for the years ended December 31, 2013 and 2012, respectively. Trade accounts receivable are collateralized with the inventory sold and, in some cases, depending on the significance of the transaction, additional collateral is requested, note 24.

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Notes to the consolidated financial statements (continued)

7. Other accounts receivable, net

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Income tax credit (b)	26,681	20,487
Value added tax credit (c)	31, 506	36,774
Accounts receivable from Caterpillar(d)	30,895	36,042
Accounts receivable from employees	11,382	8,031
Accounts receivable from Domingo Rodas Inc. (c)	5,484	7,677
Drawback and other taxes (f)	3,402	5,085
Guarantee deposits	2,716	632
Advances to suppliers	1,722	1,584
Other tax credit	1,476	-
Claims to insurance companies and third parties	1,407	3,544
Other	11,286	8,815
	12 7,957	128,671
Less - Allowance for doubtful accounts receivable	(2,709)	(2,207)
	125,248	126,464
Less:		
Non-current portion	(5,874)	(6,811)
Current portion	119,374	119,653

(b) Corresponds to the income tax credit, which in Management's opinion will be recovered as part of the Group's current operations.

(c) The value added tax credit mainly corresponds to the expenditures on the purchase of inventory, fixed assets and others related to the Group's operations. In Management's opinion, the value added tax credit will be recovered through the development of the Group's current business operations.

(d) Correspond mainly to applications for recognition of specific margins prime machinery sales. Also, includes repayments related to guarantees agreed production (Caterpillar) by selling used machinery.

(e) This receivable originated in previous years, the Company granted a loan in 2008 to Domingo Rodas S.A. (former subsidiary) for an amount to S/.5,150,000. In 2010, the Company signed a transfer of shares held in Domingo Rodas S.A. to a subsidiary of a leading agribusiness company group in the country. As a result of this transaction, new shareholders acknowledged the debt payable to the Company, which was refinanced and will be recovered from the year 2012. This receivable bears interest at the annual rate of 7.55 percent and has no specific guarantees. This

Notes to the consolidated financial statements (continued)

receivable is being retrieved according to the Payment Schedule entered into by the Company and Domingo Rodas S.A.

(f) Corresponds to refunds tax and customs duty which will be requested to return to the relevant tax authorities, and will become effective in the first quarter of next year.

(g) At December 31, 2012 and 2013, accounts receivable aging is as follows:

	2013 S/.(000)	2012 S/.(000)
Current	1 09,302	118,512
Overdue up to 180 days	8,857	3,452
Overdue greater than 180 days	9,798	6,707
	1 27,957	128,671

(h) The movement in the allowance for other doubtful accounts receivable is as follows:

	2013 S/.(000)	2012 S/.(000)
Opening balance at 1 January	2,207	614
Provision charged to results, note 18 and 19	319	1,625
Write-offs of the year	(22)	(3)
Translation effect	205	(29)
Ending balance at December 31	2,709	2,207

In Management's opinion, the allowance for doubtful accounts receivable covers adequately the credit risk as of December 31, 2013 and 2012.

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Notes to the consolidated financial statements (continued)

8. Inventories, net

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Machinery, engines and vehicles	881,044	894,023
Spare parts	370,728	331,230
Repair and maintenance services in process (b)	99,211	92,076
Merchandise	48,933	35,407
Advances to suppliers	48,821	28,030
Raw materials and packaging	3,072	1,881
Supplies	1,536	836
Products in process	857	10,080
Finished goods	165	-
Inventories in transit	157,663	165,931
	1,612,030	1,559,494
Estimation for obsolescence of inventories (c)	(31,902)	(24,810)
	1,580,128	1,534,684

(b) Mainly corresponds to the Group's maintenance and repair services provide to customers (inventory in progress), pending of completion as of the date of the consolidated statement of financial position.

(c) The movement in the estimation for obsolescence of inventories is as follows:

	2013 S/.(000)	2012 S/.(000)
Beginning balance at January 1	24,810	17,174
Provision charged to results, note 17	16,476	14,024
Transfer to fixed assets	286	837
Write-offs	(795)	(363)
Recoveries, note 1 7	(8,641)	(6,768)
Additions for business combination	101	-
Translation effect	(335)	(94)
Ending balance at December 31	31,902	24,810

The estimation for obsolescences of inventories is calculated based upon the inventory's rotation levels and other assumptions based on periodical assessments made by Management and its technical and financial areas. In Management's opinion, this provision adequately covers the risk of impairment of inventory as of December 31, 2013 and 2012.

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Notes to the consolidated financial statements (continued)

9. Investments

(a) This item is made up as follows:

	Main activity	Percentage of capital participation		Book value	
		2013	2012	2013 S/.(000)	2012 S/.(000)
Common shares in associates (b)					
La Positiva Seguros y Reaseguros S.A.	Insurance	14.96	14.96	47,057	43,826
La Positiva Vida Seguros y Reaseguros S.A.	Insurance	3.01	3.01	6,462	6,078
Joint ventures(b)					
Ferrenergy S.A	Power generation and supply	50.00	50.00	8,902	3,748
Others investments (c)					
Inversiones Varesli S.A.	Holding	46.57	46.57	11,958	10,910
International Machinery Co S.A.	Holding	46.67	46.67	10,030	9,151
Other	Others	-	-	1,037	1,037
				85,446	74,750

(b) The Group has recognized in the caption "Participation in associated companies and joint ventures under equity method" of the consolidated statement of income a total gain for approximately S/.2,178,000 (a loss for approximately S/.363, 000 during 2012) according to the policy described in Note 3.3(b).

Below are the figures in the financial statements are presented La Positiva Seguros y Reaseguros S.A. and "La Positiva Vida Seguros y Reaseguros S.A." at December 31, 2013 and 2012.

	La Positiva Seguros y Reaseguros S.A.		La Positiva Vida Seguros y Reaseguros S.A.	
	2013 S/.(000)	2012 S/.(000)	2013 S/.(000)	2012 S/.(000)
Statement of financial position				
Total assets	958,821	666,615	2,115,289	1,749,903
Total liabilities	672,146	390,508	1,926,068	1,559,538
Net equity	286,675	276,107	189,221	190,365
Incomes				
Total revenues	445,805	439,251	218,860	208,037
Operating profit	30,376	26,925	12,722	11,851
Net profit	21,590	18,505	12,722	11,851

(c) These investments are presented at acquisition cost because these investments do not have a market quote.

Notes to the consolidated financial statements (continued)

10. Property, machinery and equipment, net

(a) This item is made up as follows:

	2013								2012
Description	**Lands** S/.(000)	**Buildings and other structures** S/.(000)	**Machinery and equipment** S/.(000)	**Rental fleet - Machinery and equipment** S/.(000)	**Vehicles** S/.(000)	**Furniture and fixtures** S/.(000)	**Work in progress** S/.(000)	**Total** S/.(000)	**Total** S/.(000)
Cost									
Balance as of January 1	357,213	255,520	313,241	533,331	26,325	91,216	17,494	1,594,340	1,482,024
Additions (b)	947	19,734	37,872	149,447	4,467	10,197	24,869	247,533	140,381
Disposals and/or sales	(36)	(727)	(380)	(60,924)	(1,606)	(254)	(15,909)	(79,836)	(53,139)
Revaluation	108,587	-	-	-	-	-	-	108,587	-
Transfers from inventories	-	-	12,016	190,088	-	2	-	202,106	228,957
Transfers to used inventories	-	-	(23,588)	(260,266)	(450)	-	-	(284,304)	(196,054)
Addition for business combination	-	-	662	-	908	380	-	1,950	-
Other transfers	-	7,249	86	(2,187)	-	(266)	(7,189)	(2,307)	-
Foreign currency translation	3,281	1,799	(874)	9,327	433	(2,848)	(4)	11,114	(7,829)
Balance as of December 31	469,992	283,575	339,035	558,816	30,077	98,427	19,261	1,799,183	1,594,340
Accumulated depreciation									
Balance as of January 1	-	56,140	169,037	125,710	13,378	66,746	-	431,011	376,850
Additions (g)	-	9,894	32,108	97,424	3,173	8,381	-	150,980	127,813
Disposals and/or sales	-	(53)	(142)	(16,714)	(765)	(134)	-	(17,808)	(14,354)
Transfers from inventories	-	-	(7,363)	(56,549)	(182)	-	-	(64,094)	(52,531)
Addition for business combination	-	-	146	-	393	129	-	668	-
Other transfers	-	-	547	1,357	-	(2,089)	-	(185)	-
Foreign currency translation	-	893	2,285	1,078	(454)	(1,848)	-	1,954	(6,767)
Balance as of December 31	-	66,874	196,618	152,306	15,543	71,185	-	502,526	431,011
Allowance for impairment									
Balance as of January 1	-	-	689	2,363	-	-	-	3,052	4,092
Additions	-	-	282	2,199	80	-	-	2,561	-
Transfers from inventories	-	-	-	(123)	-	-	-	(123)	-
Transfers to used inventories	-	-	-	(32)	-	-	-	(32)	-
Disposals, sales and other	-	86	(57)	(86)	(80)	-	-	(137)	(1,040)
Balance as of December 31	-	86	914	4,321	-	-	-	5,321	3,052
Net book value	469,992	216,615	141,503	402,189	14,534	27,242	19,261	1,291,336	1,160,277

Notes to the consolidated financial statements (continued)

(b) As of December 31, 2013, the Group maintains buildings and facilities that were acquired under finance leases whose total cost amounts approximately to S/.28,935,000 and accumulated depreciation of S/.4,000,000 (S/.47,334,000 and S/.17,908,000 at December 31, 2012, respectively).

(c) At December 31, 2013 and 2012, the Group has taken insurance for all of its assets. In Management's opinion, their insurance policies are consistent with international practice in the industry and the risk of potential losses for claims considered in the insurance policy is reasonable considering the type of assets held by the Group.

(d) During 2013, revenues from rentals S/.163,372,000 (S/.212,716,000 in 2012), related to the renting of machinery and equipment rental fleet, are included in "Net sales" state consolidated statement of Income.

(e) During 2013, Ferreycorp through its subsidiary Mega Representaciones S.A. acquired 100 percent of the shares of TECSEG S.A.C. and through its subsidiary Inversiones Interamericanas Corp. acquired 100 percent of the shares of the company Mercadeo Centroamericano de Lubricantes S.A., acquiring fixed assets and other assets associated with the business.

Notes to the consolidated financial statements (continued)

(f) As of December 31, 2013 and 2012, the Group does not maintain mortgages on the buildings.

(g) Depreciation expense for the year was recorded in the following captions of the consolidated statement of income:

	2013 S/.(000)	**2012** S/.(000)
Cost of sales, note 17	103,424	86,373
Selling expenses, note 18	34,659	31,572
Administrative expenses, note 19	12,429	9,868
Other expenses	468	-
	150,980	127,813

Notes to the consolidated financial statements (continued)

11. Intangible assets, net and goodwill

(a) The following table shows the composition and movement of this caption:

	2013							2012
	Client relationships S/.(000)	Branding rights S/.(000)	Distribution agreement S/.(000)	Order backlog S/.(000)	Rights of use S/.(000)	Others S/.(000)	Total S/.(000)	Total S/.(000)
Cost								
Balance as of January 1	44,867	-	-	-	17,555	23,397	85,819	19,419
Additions	9,078	5,590	10,104	254	-	2,437	27,463	66,400
Disposals transfers and other	510	-	-	-	(3)	-	507	-
Balance as of December 31	54,455	5,590	10,104	254	17,552	25,834	113,789	85,819
Amortization								
Balance as of January 1	1,716	-	-	-	3,457	7,375	12,548	5,482
Additions, notes 18 y 19	10,358	-	840	254	11,063	2,340	24,855	7,066
Disposals transfers and other	67	-	-	-	2	(1,714)	(1,645)	-
Balance as of December 31,	12,141	-	840	254	14,522	8,001	35,758	12,548
Net book value	42,314	5,590	9,264	-	3,030	17,833	78,031	73,271

As of December 31, 2013 and 2012, based upon Management's projections the recoverable value of intangible assets is higher than the carrying value, thus no impairment is necessary for these assets as of the date of the consolidated statement of financial position.

The list of clients, trademark rights, contract distribution, order backlog and use rights are the intangibles acquired through various business combinations, see note 2.

Notes to the consolidated financial statements (continued)

(b) Amortization expense for the year was recorded in the following captions of the statement of income:

	2013 S/.(000)	2012 S/.(000)
Cost of sales, note 17	249	306
Sales expenses, note 18	21,524	236
Administrative expenses, note 19	3,082	6,524
	24,855	7,066

(c) The following table shows the composition of "Goodwill" for cash-generating unit:

	2013 S/.(000)	2012 S/.(000)
Ferreyros S.A. (Bucyrus)	83,393	83,393
Inversiones Interamericanas Corp.	50,391	18,937
Ferreycorp	8,762	8,762
Mega Representaciones S.A.	1 3,726	4,169
Total	156,272	115,261

Impairment test of goodwill and non-financial assets for impairment indicators -

For the purpose of impairment testing, goodwill acquired through business combinations and intangibles with indefinite useful lives to the cash generating units listed below are assigned:

Cash-generating units:

- Business Line "Bucyrus" (included in Ferreyros S.A.)
- Inversiones Interamericanas Corp. - INTI (including business units and companies acquired in Central America)
- Mega Representaciones S.A.C. - MEGA (includes Tecseg S.A.C. as UGE)

Cash-generating units for impairment indicators :

- Fiansa S.A. (included in Ferreycorp S.A.A.)
- Cresko S.A.C. (included in Ferreycorp S .A.A.)
- Ferrenergy S.A.C. (included in Ferreycorp S .A.A.)

The recoverable amount of each CGU is determined based on a value in use calculation using cash flow projections derived from financial budgets approved by senior management, which cover a period. We have determined the corresponding discount rate and is applied to the projected cash flows. Cash flows beyond the period indicated in the projections were extrapolated using a specific growth rate that is similar to the average rate of long-term growth for the industry in which each CGU operates. Furthermore, the analysis concluded that the fair value less cost of sale did not exceed the value in use.

At December 31, 2013, the carrying amount of intangibles, net and goodwill related to each CGU has been compared with the recoverable value, and management has determined that it is not necessary to constitute a provision for impairment of these assets to the date of the statement of financial position.

Notes to the consolidated financial statements (continued)

Here are the specific details of the evaluation of each CGU impairment at December 31, 2013, as follows:

UGE	Recoverable value S/.(000)	Discount rate %	Flow period years old	Growth Rate %	Book value S/.(000)
Bucyrus	272,981	9	10	3	120,638
Inti	308,002	8	5	2	13,904
Mega	47,886	11	10	2	38,960
Fiansa	72,854	11	10	-	62,884
Cresko	29,312	10	10	3	23,232
Ferrenergy	65,643	7	10	-	5,345

Key assumptions used in value in use calculations

The calculation of value in use for the evaluated units is mostly sensitive to the following assumptions:

- Gross Margin
- Discount rate
- Market share during the budget period, and
- Growth rate of long-term used to extrapolate cash flows beyond the budget period.

Gross Margin

It is based on average values achieved in the three years preceding the start of the budget period and future plans of each company. Increases during the budget period for anticipated efficiency improvements. In the long term, the gross margin decreased by 1 to 2 percent, depending on the company or line of business.

Discount rate

Represents the current market assessment of the specific risks for each cash generating unit, considering the time value of money and the specific risks of the underlying assets that were not incorporated into the estimates of cash flows. The calculation of the discount rate is based on the specific circumstances of the Group and its operating segments and represents the average cost of capital. This average considers both equity and debt. The cost of equity is based on the return on investment that the Group's shareholders expect to get. The cost of debt is based on interest bearing loans that the Group must pay. The specific risk of each segment is incorporated by applying individual beta factors. The beta factors are assessed annually on the basis of market information available to the public.

Market Share

Use industry data to predict growth rates, it is important that management assesses how it could change the position of the unit in relation to its competitors during the budget period. Management expects the Group's share of the market remains stable during the budget period.

Rate long-term growth

This rate is based on published market research. For the reasons explained above, the long -term rate used to extrapolate the budget depends on each CGU.

Notes to the consolidated financial statements (continued)

12. Financial liabilities

(a) This item is made up as follows:

	2013			2012		
	Current portion S/.(000)	**Non-current portion** S/.(000)	**Total** S/.(000)	**Current portion** S/.(000)	**Non-current portion** S/.(000)	**Total** S/.(000)
Bank overdrafts	618	-	618	256	-	256
Banks loans (b)	443,002	-	443,002	588,292	-	588,292
Bonds and long-term debit (c)	176,775	1,240,311	1,417,086	368,804	727,917	1,096,721
	620,395	1,240,311	1,860,706	957,352	727,917	1,685,269

(b) Banks loans -

This item is made up as follows:

	Average annual effective interest ratefixed				
	2013 %	**2012** %	**Original currency**	**2013** S/.(000)	**2012** S/.(000)
Financial institution					
Banco Internacional del Peru – Interbank	Between 1.40 and 5.76	Between 2.70 and 4.07	US$	126,068	64,431
BBVA Banco Continental	Between 1.35 and 4.97	Between 2.25 and 8.75	US$	93,922	70,514
Mercantil Commercebank – EE.UU.	1.50	1.71	US$	69,900	99,634
Banco Crédito del Peru S.A.A. – BCP	Between 1.52 and 7.50	Between 2.34 and 7.50	US$	68,325	108,319
BCI Miami Branch	2.80	-	US$	16,412	-
Banco Lationamericano de Comercio Exterior S.A. - Bladex	3.55	-	US$	31,596	-
Scotiabank del Peru	Between 2.50 and 2.825	Between 3.67 and 4.87	US$	13,607	11,980
Banco de América Central – Guatemala y El Salvador	Between 4.00 and 6.00	Between 3.75 and 4.00	US$	10,769	20,089
The Bank of Nova Scotia	1.55	-	US$	5,592	-
Banco Davivienda Salvadoreño S.A	4.75	-	US$	4,474	-
HSBC Bank - El Salvador	4.25	4.75	US$	1,398	4,974
Grupo Financiero de Occidente - Guatemala	5.00	5.00	US$	909	829
Ford Motor Credit Company – EE.UU.	9.16	Between 4.00 and 9.00	US$	30	42
Banco ITAU BBA – Brasil	-	Between 2.52 and 3.35	US$	-	88,010
BCI – Chile	-	Between 4.00 and 9.00	US$	-	25,510
Banco Financiero	-	Between 4.35 and 5.18	US$	-	17,950
Santander Overseas Bank	-	2.78	US$	-	17,857
Banco Santander Central Hispano	-	4.04	US$	-	17,061
Banco Internacional del Peru – Interbank	-	4.50	US$	-	14,063
Banco Interamericano de Finanzas - BIF	-	4.01	US$	-	11,971
Banco HSBC – Peru	-	Between 3.35 and 4.84	US$	-	11,838
Caterpillar Leasing - Chile	-	Libor three months + 2.5%	US$	-	1,817
Citibank – El Salvador	-	4.00	US$	-	1,403
				443,002	588,292

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Notes to the consolidated financial statements (continued)

The accrued interest expense for the year ended at December 31, 2013 related to debts and bank loans, amounts approximately to S/.23,162,000 (S/.27,585,000 for the year ended at December 31, 2012), and is presented in the caption "Financial expenses" of the consolidated statement of income, see note 22. Of this total, the accrued interest balance at December 31, 2013 amounted to ap proximately S/.456,000 (S/.5,644,000 at December 31, 2012), see note 14.

As of December 31, 2013 and 2012, bank loans in foreign currency obtained from local financial institutions and abroad were mainly used for working capital, have maturities between 6 and 270 days and can be renewed at maturity up to 180 days .

At December 31, 2013, the Group has credit lines for working capi tal up to S/.3,33 8,589,000 (S/.1,403,050,000 at December 31, 2012) with most banks in the finance system, which are intended to finance short term.

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Notes to the consolidated financial statements (continued)

(c) Bonds and long-term debt

This item is made up as follows:

Creditor	Maturity	Original currency	Annual effective interest rate %	2013 Current portion S/.(000)	2013 Non-current portion S/.(000)	2013 Total S/.(000)	2012 Current portion S/.(000)	2012 Non-current portion S/.(000)	2012 Total S/.(000)
Bonos Ferreycorp S.A.A.									
The Bank of New York (estructurador) (i)	Up to abril 2020	US$	4.934(*)	-	821,845	821,845	-	-	-
Bonos Ferreyros S.A.(ii)									
Segundo Programa de Bonos Corporativos									
First edition, Serie B	Up to may 2013	US$	4.688	-	-	-	38,265	-	38,265
First edition, Serie C	Up to june 2013	US$	4.563	-	-	-	25,510	-	25,510
First edition, Serie D	Up to august 2013	US$	4.000	-	-	-	38,265	-	38,265
Seventh edition, Serie A	Up to may 2016	US$	5.563	13,182	19,773	32,955	12,027	30,067	42,094
Seventh edition, Serie B	Up to october 2016	US$	5.750	12,697	25,395	38,092	11,585	34,754	46,339
Financial notes									
Caterpillar Financial	Up to December 2016	US$	Between 5.19 and 6.35	3,463	20,408	23,871	74,697	214,175	288,872
Caterpillar Credito S.A. de C.V.	Up to 2016	US$	Between 3.01 and 6.0	6,550	13,515	20,065	20,065	7,827	27,892
Caterpillar Leasing Chile	Up to June 2017	US$	Between 3.45 and 5.20	37,128	229,381	266,509	-	191,325	191,325
Notes with local and foreign institutions	Up to August 2016	US$	Between 3.45 and 7.75	77,604	81,538	159,142	114,819	207,203	322,022
Leases (iii)	Up to November 2013	US$	Between 4.08 and 6.80	26,098	18,110	44,208	33,571	35,860	69,431
Other financing	Up to 2014	US$	5.05	53	10,346	10,399	-	6,706	6,706
				176,775	1,240,311	1,417,086	368,804	727,917	1,096,721

(*) Nominal rate of 4.875 percent converted effectively.

As of December 31, 2012 and 2013, accrued interest expense related to financial notes and long-term liabilities amounted approximately to S/.63,128,000 and S/.52,951,000, respectively, which are shown in the caption "Financial expenses" of the consolidated statement of income, see note 22. The accrued interest balances at December 31, 2013, amounted approximately to S/.10,053.000 (S/.6,722,000 at December 31, 2012) and is presented under "Other account payable" of the consolidated statement of financial position, see note 14.

Notes to the consolidated financial statements (continued)

(i) On 19 April 2013 the first international bond placement of the Company was held. The placement of the bonds came under Rule 144A and Regulation S o f the U.S. Securities Act of 1933 and a public offering aimed at institutional investors in Peru. That bond issue was for a total of US$300 million (S/.834 ,900,000 at that time) at a nominal annual interest rate of 4.875% and a term of seven years, being the expiration date April 24, 2020. The total redemption of the bonds will be the due date. The funds have been used for repaying debt and for general corporate purposes.

The bonds are backed with a generic warranty Ferreycorp S.A.A. heritage and must meet the following ratios:

- To maintain a leverage ratio (Consolidated Total Debt / EBITDA) no more than 3.5 times.
- To maintain a service ratio of interest rate coverage (EBITDA / Interest) no less than 3.0 times.

The compliance with the obligations described are monitored by management and validated by the agent of bondholders. In case of default of the above safeguards, will be incurred in the event of early termination. In Management's opinion, Ferreycorp S.A.A. has complied with such obligations as of December 31, 2013.

(ii) On 30 March 2010, the General Shareholders' Meeting agreed to structure the second program of Corporate Bond Issue, up to a maximum outstanding amount of U.S. $ 130,000,000, the same will be valid for five years.

The bonds are backed with a generic guarantee mainly on the equity of the subsidiary Ferreyros S.A. and must meet the following ratios:

- Maintain a leverage ratio not exceeding 3.2.
- Maintaining service coverage ratio of not less than 1.5 interests.

Compliance with the obligations described are overseen by the Group Management and validated by the representative of bondholders. In case of breach of the above safeguards will be incurred in the event of early termination. In the opinion of management, the Group has complied with these obligations at December 31, 2013 and 2012.

(iii) Applies to financial leasing contracts entered into by the Group with different banks. At December 31, 2013 and 2012 , the net book value of these contracts amounted approximately to S/.44,208,000 and S/.69,546,000, respectively.

The financial obligations related to leases are secured because property rights over the assets revert to the lessor in the event of default by the Group.

Notes to the consolidated financial statements (continued)

As of December 31, 2012 and 2013, the repayment schedule of long-term debt is as follows:

Year	2013 S/.(000)	2012 S/.(000)
2014	-	288,498
2015	174,896	189,607
2016	76,216	81,882
2017	148,159	167,930
2018 onwards	841,040	-
	1,240,311	727,917

13. Trade accounts payable

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Invoices (b)	241,302	270,416
Commercial notes (b)	165,081	174,898
	406,383	445,314

(b) As of December 31, 2013, the balances of invoices and commercial notes payable include mainly to payables to Caterpillar Americas Co. for approximately S/.140,958,000 and S/.156,831,000, respectively (equivalent approximately to US$50,414,000 and US$56,091,000 respectively). As of December 31, 2012 , the balances amounted approximately to S/.51,763,000 and S/.168,374,000 , respectively (equivalent to approximately US$21,863,000 and US$$66,003,000 , respectively). As of December 31, 2013 and 2012, commercial notes generated interest at an average annual rate of 2.06 and 2.38 percent, respectively.

Notes to the consolidated financial statements (continued)

14. Other accounts payable

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Advances from customers (c)	113,812	222,563
Liabilities for various expenses (d)	97,447	81,638
Salaries payable	54,765	63,135
Labor contributions payable	34,928	10,164
Provisions for warranty (e)	32,464	29,252
Workers' profit sharing	32,371	22,137
Taxes payable	29,474	6,140
Interest payable, notes 12(b) and (c)	10,509	12,366
Provision	8,829	8,106
Provision for compensation for length of service	5,648	4,096
Other (f)	20,549	11,000
	440,796	470,597
Less:		
Non-current portion	(3,381)	(3,450)
Current portion	437,415	467,147

(b) Accounts comprised in this caption have current maturities, do not bear interest and have no specific guarantees.

(c) Advances from customers, correspond mainly to the advances received for sales of mining trucks that will be delivered in the following years.

(d) Mainly corresponds to provisions recorded by the Group, based on its best estimates of the cash outflow that would require to settle some obligations as of the date of the consolidated statement of financial position.

(e) Corresponds to warranties given by the Group in connection with the sales of machinery and services, such provision is annually reviewed in accordance with the accounting policy described in note 3.3(o).

(f) This item mainly includes provisions for freight and holiday related to the acquisition of machinery and spare parts.

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15. Assets and liabilities for deferred income tax, net

(a) The following table presents the composition of the deferred income tax asset and liability as of December 31, 2013 and 2012 :

	As of January 1, 2012 S/.(000)	Credit (charge) to the consolidated statement of income S/.(000)	Credit (charge) to equity S/.(000)	As of December 31, 2012 S/.(000)	Credit (charge) to the consolidated statement of income S/.(000)	Credit (charge) to equity S/.(000)	As of December 31, 2013 S/.(000)
Deferred asset -							
Provisions	18,775	4,246	-	23,021	1,402	-	24,423
Difference in depreciation rates	21,755	6,184	-	27,939	8,508	-	36,447
Allowance for doubtful accounts receivable	8,770	454	-	9,224	2,586	-	11,810
Vacations	4,920	2,532	-	7,452	2,353	-	9,805
Carry forward tax losses	4,827	483	-	5,310	9,906	-	15,216
Estimation for impairment of investments and fixed assets	258	(28)	-	230	(17)	-	213
Allowance for impairment of inventories	4,237	2,465	-	6,702	2,263	-	8,965
Exchange difference on fixed assets and inventories	22	(246)	-	(224)	425	-	201
Other provision	1,306	3,441	-	4,747	346	-	5,093
Other	1,022	(264)	-	758	4,337	-	5,095
	65,892	19,267	-	85,159	32,109	-	117,268
Deferred liability							
Change in assets useful lives	6,966	(201)	-	6,765	425	-	7,190
Exchange difference in fixed assets and inventories	3,413	(607)	-	2,806	(1,188)	-	1,618
Gain deferred sales, net	882	(76)	-	806	1,369	-	2,175
Leasing	6,186	694	-	6,880	189	-	7,069
Provision for compensation	1,295	(353)	-	942	(169)	-	773
Depreciation of installations	-	-	-	-	38	-	38
Revaluation of property, buildings and installations, IFRS 1	11,537	3,736	-	15,273	-	-	15,273
Revaluation of land	66,275	471	-	66,746	603	31,960	99,309
Valuation of financial instruments	(31)	-	24	(7)	-	7	-
Differences in depreciation rates	422	525	-	947	2,380	-	3,327
Profiting by buying companies	-	-	-	-	5,058	-	5,058
Other	1,519	13,654	-	15,173	2,921	-	18,094
	98,464	17,843	24	116,331	11,626	31,967	159,924
Total deferred liability, net	(32,572)	1,424	(24)	(31,172)	20,483	(31,967)	(42,656)

Notes to the consolidated financial statements (continued)

(b) The income tax expense recorded in the consolidated statement of income is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Income tax -		
Current	85,957	96,184
Deferred	(20,483)	(1,424)
Total income taxexpense	65,474	94,760

(c) The reconciliation of the effective rate of income tax with the tax rate is as follows:

	2013		2012	
	S/.(000)	%	S/.(000)	%
Profit before income tax	165,499	100 .00	315,183	100.00
Income tax according to tax rate	49,650	30.00	94,555	30.00
Net effect of non-deductible expenses				
Non-deductible expense, net of non-taxable income	15,824	9.56	205	0.07
Income tax expense	65,474	39.56	94,760	30.07

(d) The income tax payable are presented net of prepayments made during this year.

16. Equity

(a) Issued capital -

General Meeting of Shareholders on 26 March 2013, approved the payment of cash dividends for S/.48,194,000 and the capitalization of prof its of the year 2012 for S/.110,092,000. The board approved the transfer of S/.17, 587,000 from retains earnings to legal reserve.

Also, the partial capitalization of share premium (additional capital) for S/.31,900,000 was approved.

After the issuance of shares and corresponding public deed formalizing, the Group's capital is represented by 945,227,102 common shares with a nominal value of each S/.1.00 as of December 31, 2013 (803,234,873 subscribed and paid by December 31, 2012 common stock a nominal value of S/.1.00 each).

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At December 31, 2013, the shareholding structure of the Group was as follows:

Percentage of individual share capital	Shareholders number	Total participation %
Up to 1.00	3,033	39.00
From 1.01 to 5.00	15	39.75
From 5.01 to 10.00	3	21.25
	3,051	100 .00

(b) Additional Capital -

During 2012 Inti Inversiones Interamericanas Corp. S.A., a subsidiary of the Group abroad, received, in its functional currency (US$), capital contributions in cash from non-controlling interests of $2,000,000, for this amount the corresponding common shares were issued. In addition to the aforementioned capital contributions received in cash bonuses were Issued for $ 6,000,000 (equivalent to S/.15,474,000) in 2012. At December 31, 2012, Ferreycorp S.A.A. had acquired these capital contributions to non-controlling interests for the value of the common shares, which at that time keeps 100 percent control over INTI, becoming the premium on a difference between the total contribution received and the value of the shares acquired by Ferreycorp S.A.A., which is maintained in the consolidated assets of the Group as additional capital. The holding period of the non-controlling interest is not material to the consolidated financial statements.

(c) Legal reserve -

As provided in the Corporations Act, it is required that at least 10 percent of the distributable income for each year, net of income taxes, to a legal reserve until transferred equals 20 percent of the capital. The legal reserve can absorb losses or be capitalized, in both cases there must be replenished.

(d) Other reserves -

Primarily includes land revaluation surplus, net of the related deferred income tax. It also includes the net gains and losses from changes in the estimated fair value of derivatives hedging cash flows, where the change in value is reflected initially in equity financial instruments, subsequently affecting the income statement in depending on how it is influenced by the underlying covered.

(e) Reserve for translation exchange-

Corresponds to the exchange difference resulting from the translation of financial statements of foreign operations into the Group's presentation currency.

Notes to the consolidated financial statements (continued)

(f) Distribution of dividends -
General Meeting of Shareholders of March 29, 2013, agreed to distribute dividends from profits unrestricted in 2012 by S/.48,194,000, which was paid in May 2013.

General Meeting of Shareholders of March 28, 2012, agreed to distribute dividends out of profits available free previous years S/.41,903,000, which were paid in May 2012.

17. Sales and cost of sales

This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Sales -		
Sales of machinery, engines, equipment and vehicles	2,283,081	2,724,313
Sales of spare parts	2,031,466	1,415,444
Rental services of machinery, engines, equipment, maintenance and repair services	684,193	508,816
	4,998,740	4,648,573
Cost of sales-		
Opening balance of inventory, note 8	1,365,533	1,100,998
Purchase of inventory	3,288,685	3,515,392
Labor, note 20	192,730	154,819
Maintenance and repair services expenses	122,233	87,851
Depreciation, note 10(g)	103,424	86,373
Amortization, note 11	249	306
Allowance for obsolescence of inventories, note 8 (c)	16,476	14,024
Recoveries, note 8 (c)	(8,641)	(6,768)
Operating costs of rental fleet	135,833	84,549
Impairment of rental fleet	2,479	-
Services provided by third parties	89,874	57,783
Others expenses	2,596	1,296
Ending balance of inventory, note 8	(1,405,546)	(1,365,533)
	3,905,925	3,731,090

Notes to the consolidated financial statements (continued)

18. Selling expenses

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Personnel expenses, note 20	239,296	221,720
Services provided by third parties (b)	116,853	97,318
Various management charges (c)	104,483	98,787
Depreciation, note 10(g)	34,659	31,572
Amortization of intangibles, note 11	21,524	236
Allowance for doubtful accounts receivable, notes 6(d) and 7(h)	20,693	15,293
Compensation for length of services	20,184	15,579
Taxes	1,932	1,645
	559,624	482,150

(b) Mainly corresponds to maintenance expenses related to supporting services, fleet repair and machinery workshop.

(c) Primarily includes expenses related to the workshop equipment and buildings maintenance, freight and advertising.

19. Administrative expenses

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Personnel expenses, note 20	116,657	101,048
Services provided by third parties (b)	36,896	36,711
Depreciation, note 10 (g)	12,429	9,868
Various management expenses	9,607	7,353
Employee compensation	7,653	6,322
Amortization of intangible assets, note 11	3,082	6,524
Taxes	2,665	2,208
Provisions	483	164
	189,472	170,198

(b) Mainly corresponds to expenses for offices rentals, maintenance of offices and facilities, computer services, software licenses and consulting and advisory services.

Notes to the consolidated financial statements (continued)

20. Personnel expenses

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Salaries	312,519	273,447
Legal bonuses	80,020	73,823
Vacations	34,958	10,135
Training	29,799	39,418
Payroll taxes	40,961	39,978
Other payments to workers	15,912	10,368
Workers' profit sharing	17,741	17,891
Other	16,773	12,527
	548,683	477,587

(b) Under the current workers' profit sharing system regulated by Legislative Decree N° 677, workers are entitled to receive a profit sharing equivalent to 8 per cent of the taxable income, ratably distributed among all workers based upon the number of days worked, and the remaining balance in proportion to the basic pay received during the year. Workers' profit sharing is recorded in the "Advances, salaries and other accounts payable" caption.

(c) The average number of employees in the Group was 6,303 in 2013 and 6,290 in 2012.

(d) Personnel expenses have been recorded in the following captions of the consolidated statement of income:

	2013 S/.(000)	2012 S/.(000)
Cost of sales, note 17	192,730	154,819
Selling expenses, note 18	239,296	221,720
Administrative expenses, note 19	116,657	101,048
	548,683	477,587

(e) Compensation to key personnel -
The total remuneration paid to directors and key management officers during 2013 a mounted approximately to S/.33,016,000 (approximately to S/.32, 769,000 in 2012), which include short - term benefits and compensation for time service.

Notes to the consolidated financial statements (continued)

21. Financial income

This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Interest for commercial letters	13,544	11,687
Interest for customers defaults	2,571	3,603
Interest on bank deposits	1,337	1,282
Other	4,285	6,539
	21,737	23,111

22. Financial expenses

This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Interest on corporate bonds and long-term debt, note 12(c)	63,128	52,951
Interest on overdrafts and borrowings, note 12(b)	23,162	27,585
Tax on financial transactions	7,337	4,431
Interest on foreign suppliers financing	391	565
Other	8,847	4,124
	102,865	89,656

23. Earnings per share

Earnings per share calculation as of December 31, 2013 and 2012 are as follows:

	As of December 31, 2013		
	Net profit (numerator) S/.(000)	**Shares (denominator)** (en miles)	**Earnings per share** S/.
Earnings per share - basic and diluted	100,025	945,227	0.106

	As of December 31, 2012		
	Net profit (numerator) S/.(000)	**Shares (denominator)** (en miles)	**Earnings per share** S/.
Earnings per share - basic and diluted	220,423	945,227	0.233

Notes to the consolidated financial statements (continued)

24. Commitments and contingencies

As of December 2013, the Group had the following commitments:

Ferreycorp S.A.A.:

(a) Endorsements for US$904,000,000 and US$15,000,000, which guarantee credit operations of subsidiaries and affiliates, and purchase transactions with third parties, respectively, with various maturities.

(b) Bank guarantees in favor of banks for US$1,000,000 , which primarily guarantee the seriousness of the offer of the Company and the faithful fulfillment of the delivery of the products sold through public process and payment of customs duties relating to the importation of goods.

Subsidiaries

Ferreyros S.A.:

(a) Endorsements for US$8,600,000 guaranteeing third purchase transactions

(b) Bank guarantees in favor of banks for US$31,000,000, which mainly ensure the seriousness of the offer of the Company and the faithful fulfillment of the delivery of the products sold through public process and payment of customs duties relating to the importation of goods.

Cresko S.A.:

Bank guarantee in favor of a third party for S/.243 ,000 to guarantee payment of obligations.

Fargoline S.A.:

The subsidiary has contracted a guarantee insurance to favor of SUNAT related to importation of goods under the customs procedure for US$1,200,000 and for goods in temporary storage for US$1,400,000.

Ferrenergy S.A.C.:

Bank guarantees in favor of banks for US$14 ,633,000 to guarantee payment of obligations.

Mega Representaciones S.A.:

(a) Endorsements for US$8,120,000 and S/.18, 522,000, to guarantee third purchase transactions and leases, respectively, with various maturities.

(b) Bank guarantees in favor of banks for US$3,097,000 and S/.365,000, which primarily guarantee the seriousness of the offer of the Company and the faithful fulfillment of the delivery of the products sold through competitive process, as well as payment of customs duties relating to the importation of merchandise, respectively.

Notes to the consolidated financial statements (continued)

Motored S.A.:

(a) Guarantees for US$18,000,000 to guarantee credit operations by purchasing third party.

(b) Bank guarantees for US$50,000 to guarantee payment of customs duties in connection with importation of merchandise

(c) Bank guarantees in favor of third parties for S/.704,000 which mainly ensure reliability of supply and the faithful fulfillment of the delivery of the products sold through public process.

(d) Guarantees payment per financial note Comex for US$25,000,000.

Orvisa S.A.:

(a) Guarantees payment for US$630,000, to guarantee credit operations purchase third party.

(b) Bank guarantees in favor of banks for US$3,784,000 and S/.1,266,000, which primarily ensure reliability of supply and the faithful fulfillment of the delivery of the products sold through public bidding.

25. Income Taxes

(a) The Group is subject to taxation in the country in which it operates and is taxed separately on the basis of its non-consolidated results. At December 31, 2013 and 2012 , the rate of income tax on taxable income in the main countries in which the Group operates is 30 percent (Peru and Nicaragua), 31 percent (Guatemala), 25 percent (El Salvador and Belize).

According to the laws in force in some countries as of December 31, 2013 and 2012 , cash dividends for non-resident shareholders are taxed at the income tax. The rate for Peru is 4.1 percent, while in El Salvador the rate is 5 percent and the other countries of Central America are exempt from this tax.

(b) The rules and transfer pricing are in effect in Peru, Nicaragua, Guatemala, El Salvador and Belize, and regulate local transactions with related companies or abroad should be carried at market value.

The tax authorities have the right to request such information. Based on the analysis of the Group's operations, management and its legal counsel believe that as a result of the application of these standards, it does not result in significant contingencies to the Group at December 31, 2013 and 2012 .

(c) The Tax Authority in each country has the right to inspect and, if necessary, adjust the corresponding tax expense calculated for each Group in the years following the year of the filing of the affidavit.

Notes to the consolidated financial statements (continued)

For Ferreycorp S.A.A. affidavits of income tax and general sales tax for the years 2009 to 2013 are pending audit by the Tax Authority in Peru. To date, the Tax Administration is in the process of audit of 2008.

Likewise, the affidavits of income tax and general sales tax of the main subsidiaries are subject to examination by the tax authorities of each country for the periods below:

	Fiscal years subject to review
Foreign subsidiaries	
Country	
Guatemala	2009 to 2013
El Salvador	2009 to 2013
Belice	2006 to 201 3
Nicaragua	2007 to 2013
United States of America	2009 to 2013
Local subsidiaries	
Ferreyros S.A.	2008 to 2013
Unimaq S.A.	2012 to 2013
Cresko S.A.	2009 to 2013
Fiansa S.A.	2009 to 2013
Mega Representaciones S.A.	2009 to 2013
Fargoline S.A.	2009 to 2013
Orvisa S.A. y Subsidiarias	2009 to 2013
Motored S.A.	2011 to 2013
Inmobiliaria CDR S.A.	2010 to 2013
Forbis Logistic S.A.	2012 to 2013
Soluciones Sitech Peru S.A.	2013

Due to the interpretations likely to be given by the Tax Authority on current legal regulations, it is not possible to determine, as of this date, if whether the reviews to be conducted will result or not in liabilities for the Group, therefore, any increased tax or surcharge that could arise from possible tax reviews will be applied to the results of the year in which such tax or surcharge is assessed. In the Group Management's opinion, any additional tax settlement would not be significant for the consolidated financial statements as of December 31, 2013 and 2012.

Notes to the consolidated financial statements (continued)

(d) The Tax Authority has the power to inspect and, if necessary, adjust the income tax calculated by the Company during the four years following the year of the filing of the affidavit. The affidavits of income tax and general sales tax for the years 2009 to 2013 are pending audit by the Tax Authority. The affidavits for the years 2000 to 2007 were reviewed by the Tax Authority. The Tax Administration is in the process of audit of 2008.

Due to the possible interpretation that the tax authority can give legal norms can not be determined, the date, if the reviews will result or liabilities to the Company, so any higher tax or surcharge that may result of any tax revisions would be applied to the year in which it is determined.

In the opinion of management of the Group, any additional tax settlement would not be significant to the consolidated financial statements as of December 31, 2013 and 2012.

Contingencies

At December 31, 2013 and 2012, the Group has pending claims for total amount of approximately S/.108,000,00 0 (including fines for S/15,976,000 and interest for S/.70,021.000). Such processes are pending administrative or judicial resolution, and are related to observations made by the relevant tax authorities to the affidavits of: (i) income tax (including prepayments) of the tax years 2001 to 2006 for S/.99,807,000, (ii) the value added tax for the taxable years from 2001 to 2006 by S/.3,702,000, and (iii) income tax non- domiciled for tax years 2002, 2003, 2005 and 2006 for S/.4,731,000.

In all cases, at December 31, 2013, the Company has sought specialist advice on these issues, who have been determined, together with management, there are some dimensions of approximately S/.8,097.000 (S/.6,124,000 to 31 December 2012), the degree of loss has been assessed as more than likely. The Company has recorded a provision for such amount as of December 31, 2013 and 2012, which is presented in the "other accounts payable" caption of the consolidated statement of financial position. Management, together with its legal a nd tax advisors consider that the Group has technical and law believe that the Tax Court in Peru resolved favorably to the Group; in that sense, expect that future resolutions of these processes will not result significant liabilities and, therefore, it is not necessary to register any liabilities as of December 31, 2013 and 2012 .

Notes to the consolidated financial statements (continued)

26. Financial risk management

By the nature of its activities, the Group is exposed to credit risk, interest-rate risk, liquidity risk, exchange-rate risk and operating risk, which are managed through a process of ongoing identification, measurement and monitoring, subject to the risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual is accountable for the risk exposures relating to his or her responsibilities.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These are monitored through the Group's strategic planning process.

(a) Risk management structure -

The risk management structure has the Board of Directors as a basis, which is responsible for identifying and controlling risks in coordination with other supporting areas as follows.

(a.1) Boards of Directors -

The Board of Directors is responsible for the overall risk management approach. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign-exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivatives.

(a.2) Risk committee -

The risk committee is a governing body whose mission is to assist the senior management and the Board of Directors, through the Audit Committee in overseeing the Group's risk management, monitoring the internal control environment and providing guidance on the related action plans to mitigate the risks that could adversely affect the achievement of the objectives of the Group.

The risk committee's role is to oversee the risk area to develop its annual work plan and operational areas to be actively engaged. This supervision is done through regular meetings where the risk area presents about the status of the plan's implementation.

(a.3) Internal audit -

The Group's risk management processes are monitored by the internal audit function, which examines both the adequacy of the procedures and the compliance of them. Internal audit discusses the results of all assessments with Management, and reports its findings and recommendations to the Board of Directors.

Notes to the consolidated financial statements (continued)

(a.4) Finance department -

The finance department is responsible for managing the Group's assets and liabilities and the overall financial structure. It is primarily responsible for managing the Group's funds and liquidity risks; assuming the related liquidity, interest rate and exchange-rate risk under the policies and limits currently effective.

(a.5) Corporate risk division -

The corporate risk division is responsible for providing comprehensive risk management based upon the methodology established, to define the work schedule with the operational areas of the entire corporation and to support them in the process to identify, assess, respond, control and monitor their most important risks. The operational areas of each subsidiary of Ferreycorp S.A.A. are responsible to implement and execute the work schedule as well as for the implementation of the approved action plans on the risks that may have a material impact on each entity and Ferreycorp S.A.A.

Also as part of the risks related to the Group's strategic planning process, for which the Group sets action plans to mitigate these risks are comprised: competition, recruitment, retention, equipment availability, product failure, social conflict and the global financial crisis.

(b) Risk mitigation -

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risk and credit risk. The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Group.

(c) Excessive risk concentration -

Concentrations arise when a number of counterparties are engaged in similar business activities, or have similar economic or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Identified concentrations of credit risk are controlled and monitored continuously.

(c.1) Credit risk –

The Group takes on positions subject to credit risk, which is the risk that a customer will cause a financial loss by not complying with an obligation. The Group's financial assets potentially exposed to concentrations of credit risk primarily consist of bank deposits and trade accounts and order accounts receivable.

At December 31, 2013, the Management has estimated that the maximum amount of credit risk to which the Group is exposed is approximately S/.1,048.571 (S/.1,022.618 at December 31, 2012), which represents the value carrying amounts of financial assets. In the opinion of management, there are no significant concentrations of credit risk at December 31, 2013 and 2012.

Notes to the consolidated financial statements (continued)

(c.2) Interest rate risk –

The Group's policy is to maintain financial instruments with fixed and variable interest rates. The operating cash flows of the Group are substantially independent of changes in market interest rate, due to individual credit rating of the Group, allowing them you to get competitive interest rates in local markets. It should be noted that the Group has not made significant financial transactions with variable interest rates, therefore, in the opinion of management the Group has no significant risk to interest rate exposure.

The Group's exposure to interest rate risk is summarized in the following table. The Group's financial instruments are shown at their carrying amounts, categorized according to their contract terms:

	At December 31, 2013							
	Fix rate							
	Up to 3 months S/.(000)	**From 3 to 12 months** S/.(000)	**From 1 to 5 years** S/.(000)	**Variable rate (*)** S/.(000)	**Non-interest bearing** S/.(000)	**Total** S/.(000)	**Average interest rate at 2013** %	**Average variable interest rate at 2013** %
Assets								
Cash and cash equivalent	28,332	-	-	-	91,081	119,413	0.2 a 3.8	-
Trade accounts receivable, net	486,970	7,280	19,296	-	348,551	862,097	Between 14 and 20	-
Other accounts receivable, net (**)	7,929	428	3,178	-	55,526	67,061	7.55	-
Total assets	523,231	7,708	22,474	-	495,158	1,048,571		
Liabilities								
Trade accounts payable	13,028	47,496	-	-	345,859	406,383	2.38	-
Other accounts payable	-	-	-	-	440,796	440,796	-	-
Financial liabilities	309,395	311,000	1,238,461	1,850	-	1,860,706	Between 1.71 and 8.50	Libor (3 months) + 2.5
Total liabilities	322,423	358,496	1,238,461	1,850	786,653	2,707,885		
Marginal gap	200,808	(350,788)	(1,215,987)	(1,850)	(291,495)	(1,659,314)		
Cumulative gap	200,808	(149,980)	(1,365,967)	(1,367,817)	(1,659,314)	-		

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	At December 31, 2012							
	Fix rate							
	Up to 3 months S/.(000)	**From 3 to 12 months** S/.(000)	**From 1 to 5 years** S/.(000)	**Variable rate (*)** S/.(000)	**Non-interest bearing** S/.(000)	**Total** S/.(000)	**Average interest rate at 2012** %	**Average variable interest rate at 2012** %
Assets								
Cash and cash equivalents	28,990	-	-	-	143,734	172,724	1.30	-
Trade accounts receivable, net	199,993	11,332	64,933	-	504,433	780,691	Between 14 and 20	-
Other accounts receivable, net (**)	-	-	-	-	69,203	69,203	-	-
Total assets	228,983	11,332	64,933	-	717,370	1 ,022,618		
Liabilities								
Trade accounts payable	54,658	-	-	-	390,656	445,314	2.34	-
Other accounts payable	-	-	-	-	470,597	470,597	-	-
Financial liability	588,548	376,166	630,728	89,827	-	1,685,269	Between 2.52 and 8.50	Libor (3 months) + 2.50
Total liabilities	643,206	376,166	630,728	89,827	861,253	2,601,180		
Marginal gap	(414,223)	(364,834)	(565,795)	(89,827)	(14 3,883)	(1,578,562)		
Cumulative gap	(414,223)	(779,057)	(1,344,852)	(1,434,679)	(1,578,562)	-		

(*) It is considered variable all obligations with variable rate or basis.

(**) At December 31, 2013, other receivables included in this table do not consider a rising amount S/.66, 829, 000 (S/.57, 261,000 at December 31, 2012) for the value added tax payable and income tax payable, the same as, according to IFRS, do not qualify as financial instruments.

Notes to the consolidated financial statements (continued)

The following chart shows the sensitivity to a possible change in interest rates, with all other variables held constant, in the consolidated statement of income before taxes. The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the net interest income for one year before income tax, based on financial assets and liabilities exposed to changes in interest rates as of December 31, 2013 and 2012:

	2013		2012	
Currency	**Change in basis points**	**Sensitivity in net profit** S/.(000)	**Change in basis points**	**Sensitivity in net profit** S/.(000)
Nuevos Soles	+/-50	+/-5,430	+/-50	+/-2,943
Nuevos Soles	+/-100	+/-10,861	+/-100	+/-5,885
Nuevos Soles	+/-200	+/-21,721	+/-200	+/-11,771
Nuevos Soles	+/-300	+/-32,582	+/-300	+/-17,656

The interest rate sensitivity set out in the chart above is illustrative only and is based on simplified scenarios. The figures represent the effect of the proforma movements in the net interest income based on the projected scenarios of the yield curve and the interest rate risk profile. However, this effect does not incorporate actions that would be taken by Management to mitigate the impact of these interest rates. Likewise, the Group seeks proactively to change the interest rate risk profile to minimize losses and optimize net revenues. The earlier projections above also assume that the interest rate of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections make other simplifying assumptions too, including that all positions are held to maturity or, if they mature within the year, are renewed for the same amount.

(c.3) Liquidity risk –
Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with financial liabilities when due and to replace funds when they are withdrawn. The consequence may be the default of payment of its obligations to third parties.

The Group controls the liquidity required by the proper management of the maturities of assets and liabilities, so as to achieve the fit between the revenue stream and future payments, allowing it to carry out its activities normally.

Notes to the consolidated financial statements (continued)

The main source of cash income for the Group is the collections from sales of national and imported merchandise. The average payment term to its main suppliers was 60 days for fiscal years 2013 and 2012. The Group considers that the management of the collection and payment periods tends to improve due to improvements made to its policies for managing its collections.

In the event that the Group does not count, at any given time, with the necessary resources to meet its obligations in the short term, it counts with credit lines with financial institutions and because of its economic solvency has managed to acquire short and medium term loans at lower rates than the market average.

The following chart shows the cash flows payable by the Group in accordance with the contractual terms agreed on the dates of the consolidated statement of financial position. The amounts are the cash flows according to contracted terms undiscounted and include their respective interests:

	From 1 to 3 months S/.(000)	**From 3 to 12 months** S/.(000)	**From 1 to 5 years** S/.(000)	**5 years onward** S/.(000)	**Total** S/.(000)
As of December 31, 2013					
Other financial liabilities:					
Amortization of capital	309,395	311,000	393,236	847,075	1,860,706
Interest	16,815	44,212	43,922	15,805	120,754
Trade accounts payable	358,887	47,496	-	-	406,383
Other accounts payable	-	440,796	-	-	440,796
	685,097	843,504	437,158	862,880	2,828,639
As of December 31, 2012					
Other financial liabilities:					
Amortization of capital	588,548	376,166	720,555	-	1,685,269
Interest	18,312	36,843	68,722	-	123,877
Trade accounts payable	445,314	-	-	-	445,314
Other accounts payable	-	470,597	-	-	470,597
	1,052,174	883,606	789,277	-	2,725,057

Notes to the consolidated financial statements (continued)

(c.4) Exchange rate risk –
The Group is exposed to the effects of fluctuations in foreign currency changes prevailing in its financial position and cash flows. Management sets limits on level of exposure by currency and total daily operations.

Assets and liabilities transactions are mainly performed in local currency. Foreign currency transactions are performed at market exchange rates and are detailed in note 4.

The Group manages its foreign exchange risk by monitoring and controlling the position values not in Nuevos Soles (functional currency) and exposed to changes in exchange rates. The Group measures its performance in Nuevos Soles, so if the net foreign exchange position is positive, any depreciation of the U.S. Dollar would affect negatively the Group's consolidated statement of financial position. The current position in a foreign currency comprises exchange-rate linked assets and liabilities in that currency, note 4. Any depreciation/appreciation of the foreign exchange would affect the consolidated statement of comprehensive income.

The chart below shows the sensitivity analysis of the U.S. Dollars, the currency to which the Group had significant exposure as of December 31, 2013 and 2012 on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in of U.S. Do llar exchange rate, with all other variables held constant in the statement of comprehensive income, before income taxes.

A negative amount in the chart reflects a potential net reduction in the statement of income, while a positive amount reflects a net potential increase:

Sensitivity analysis	**Change in currency rates**	**2013**	**2012**
	%	S/.(000)	S/.(000)
Devaluation -			
Soles	5%	61,609	62,294
Soles	10%	123,219	125,848
Revaluation -			
Soles	5%	(61,609)	(62,924)
Soles	10%	(123,219)	(125,848)

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(d) **Capital management -**
The Group actively manages a capital base to cover the inherent risks in its activities. The Group's capital adequacy is monitored using, among other measures, ratios set by the Management.

The Group's objectives when managing capital, which is a broader concept than "Equity" on the face of the consolidated statements of financial position, are: (i) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders; and (ii) to maintain a strong capital base to support the development of its business activities.

As of December 31, 2013 and 2012, there were no changes in the Group's activities and capital management's policies.

27. Fair value of financial instruments

(a) Fair value -
Fair value is defined as the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction, under the assumption of a going concern entity.

Accounting standards define a financial instrument as cash, evidence of ownership in an entity, or a contract in which they agreed or imposed on an entity's contractual right or obligation to receive or deliver cash or another financial instrument. Fair value is defined as the amount at which a financial instrument could be exchanged in a transaction between two parties so wish, other than in a forced sale or liquidation, and the best evidence of its value is its price, if any.

The methodologies and assumptions used depend on the terms and risk characteristics of various financial instruments and include the following:

- Cash and cash equivalents represents a credit risk or interest rate significantly. Therefore, it has been assumed that their carrying amounts approximate their fair value.

- Accounts receivable because they are net of provision for loan losses and primarily have maturities of less than one year, the Management has seen its fair value is not materially different from its carrying value.

- In the case of trade payables and other payables, as these liabilities have current maturities, management believes that its accounting balance approximates its fair value.

Based on the criteria described above, management believes that there are no significant differences between the book value and fair value of financial instruments of the Company at December 31, 2013 and 2012.

Notes to the consolidated financial statements (continued)

(b) Fair-value measurement -
Instruments measured at fair value by hierarchy

Level 1 –

- Cash and cash equivalents represents a credit risk or significant interest rate, therefore, their carrying amounts approximate their fair value.

- Accounts receivable because they are net of provision for loan losses and primarily have maturities of less than three months, and Management has seen its fair value is not materially different from its carrying value.

- Trade accounts payable and other payables, due to its current maturity, and management believes that its accounting balance approximates its fair value.

Level 2 –

- Other financial liabilities have been determined by comparing the fair value market interest rates at the time of initial recognition with current market rates offered for similar financial instruments. A comparison between the carrying amounts and fair values of these financial instruments:

	2013		2012	
	Value books S/.(000)	Fair Value S/.(000)	Value books S/.(000)	Fair Value S/.(000)
Financial Obligations	620,395	620,395	957,352	957,352
Financial Non-Obligations	1,240,311	1,005,653	727,917	684,190

28. Segment information

For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Heavy machinery, including purchase and sell operations, with their respective spare parts, maintenance and reparation services.
- Vehicles, including purchase and sell operations, with their respective spare parts, maintenance and reparation services.
- Rental equipment.
- Agricultural equipment, including purchase and sell operations, with their respective spare parts, maintenance and reparation services.
- Other business units.

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No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income before taxes and is measured consistently with income before taxes in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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	Sales and services S/.(000)	Other operating income S/.(000)	Total operating income S/.(000)	Gross profit S/.(000)	Selling expenses S/.(000)	Administrative expenses S/.(000)	Other income S/.(000)	Financial expenses S/.(000)	Financial income S/.(000)	Gain on exchange difference S/.(000)	Profit in associates	Profit before income tax S/.(000)	Income tax S/.(000)	Net profit S/.(000)
2013														
Heavy machinery, spare parts and services	4,034,954	14,853	4,049,807	896,634	(427,638)	(133,414)	25,557	(83,032)	17,546	(117,963)	-	177,690	(52,850)	124,840
Vehicles, spare parts and services	214,728	-	214,728	28,299	(21,142)	(10,952)	1,360	(4,419)	934	(6,278)	-	(12,198)	(2,813)	(15,011)
Rental equipment	263,355	-	263,355	64,638	(38,740)	(11,289)	1,668	(5,419)	1,145	(7,699)	-	4,304	(3,449)	855
Agricultural equipment, spare parts and services	85,263	356	85,619	18,185	(16,758)	(5,277)	540	(1,755)	371	(2,493)	-	(7,187)	(1,117)	(8,304)
Other	400,440	-	400,440	100,268	(55,346)	(28,540)	2,536	(8,240)	1,741	(11,707)	2,178	2,890	(5,245)	(2,355)
Total consolidated	4,998,740	15,209	5,013,949	1,108,024	(559,624)	(189,472)	31,661	(102,865)	21,737	(146,140)	2,178	165,499	(65,474)	100,025
2012														
Heavy machinery, spare parts and services	3,824,364	1,677	3,826,041	752,553	(371,989)	(129,622)	30,879	(73,760)	19,013	65,060	-	290,762	(77,959)	212,803
Vehicles, spare parts and services	270,239	106	270,345	29,613	(21,294)	(6,365)	1,682	(5,212)	1,344	4,597	-	4,768	(5,509)	(741)
Rental equipment	207,087	-	207,087	57,819	(32,858)	(9,363)	1,672	(3,994)	1,030	3,523	-	17,755	(4,221)	13,534
Agricultural equipment, spare parts and services	120,837	226	121,063	23,590	(14,962)	(5,137)	975	(2,331)	601	2,056	-	4,749	(2,463)	2,286
Other	226,046	-	226,046	55,917	(41,047)	(19,711)	658	(4,359)	1,123	3,845	(363)	(2,851)	(4,608)	(7,459)
Total consolidated	4,648,573	2,009	4,650,582	919,492	(482,150)	(170,198)	35,866	(89,656)	23,111	79,081	(363)	315,183	(94,760)	220,423

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	Sales and services S/.(000)	Other operating income S/.(000)	Total operating income S/.(000)	Gross profit S/.(000)	Administrative expenses S/.(000)	Selling expenses S/.(000)	Other income S/.(000)	in associates	Financial expenses S/.(000)	Financial income S/.(000)	Gain on exchange difference S/.(000)	Profit before income tax S/.(000)	Income tax S/.(000)	Net profit S/.(000)
2013														
Peru	4,527,373	15,209	4,542,582	1,003,399	(174,043)	(501,903)	31,842	2,178	(90,148)	19,220	(146,590)	143,955	(56,750)	87,205
Guatemala	329,740	-	329,740	64,687	(7,158)	(36,594)	600	-	(5,272)	1,613	381	18,257	(5,280)	12,977
El Salvador	99,959	-	99,959	26,349	(4,050)	(14,635)	(452)	-	(1,826)	346	-	5,732	(1,841)	3,891
Belice	10,657	-	10,657	2,512	(1,336)	(1,277)	(35)	-	(56)	126	240	174	(194)	(20)
United States of America	34,390	-	34,390	6,115	(302)	(3,327)	-	-	(24)	3	-	2,465	(989)	1,476
Nicaragua	22,531	-	22,531	4,962	(1,502)	(1,888)	252	-	(90)	13	(171)	1,576	(420)	1,156
Panama	-	-	-	-	(1,627)	-	-	-	(6,473)	1,440	-	(6,660)	-	(6,660)
Intercompany Operations	(25,910)	-	(25,910)	-	546	-	(546)	-	1,024	(1,024)	-	-	-	-
Total consolidated	4,998,740	15,209	5,013,949	1,108,024	(189,472)	(559,624)	31,661	2,178	(102,865)	21,737	(146,140)	165,499	(65,474)	100,025
2012														
Peru	4,252,676	2,009	4,254,685	832,319	(159,964)	(434,672)	8,952	(363)	(76,114)	17,787	79,785	267,730	(89,168)	178,562
Guatemala	279,978	-	279,978	53,607	(5,493)	(29,825)	-	-	(6,345)	3,908	(839)	15,013	(2,375)	12,638
El Salvador	99,415	-	99,415	26,661	(3,408)	(14,521)	(968)	-	(2,014)	580	-	6,330	(2,147)	4,183
Belice	10,305	-	10,305	2,343	(1,090)	(1,035)	(67)	-	(128)	220	135	378	(179)	199
United States of America	26,501	-	26,501	4,562	(104)	(2,097)	-	-	(19)	1	-	2,343	(891)	1,452
Panama	-	-	-	-	(139)	-	27,949	-	(7,853)	3,432	-	23,389	-	23,389
Intercompany Operations	(20,302)	-	(20,302)	-	-	-	-	-	2,817	(2,817)	-	-	-	-
Total consolidated	4,648,573	2,009	4,650,582	919,492	(170,198)	(482,150)	35,866	(363)	(89,656)	23,111	79,081	315,183	(94,760)	220,423

29. Explanation added for English translation

The accompanying consolidated financial statements were originally issued in Spanish and are presented on the basis of International Financial Reporting Standards, as described in Note 3. Certain accounting practices applied by the Group that conform to those accounting principles may not conform to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.

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Independent Auditors' Report

To the Shareholders and Board of Directors of Ferreycorp S.A.A.

We have audited the accompanying separate financial statements of Ferreycorp S.A.A. (a Peruvian corporation), which comprise the separate statements of financial position as of December 31, 2013 and 2012, and the corresponding statements of income, statements of other comprehensive income, statements of changes in net equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in Peru. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

Inscrita en la partida 11397283 del Registro de Personas Jurídicas de Lima y Callao
Miembro de Ernst & Young Global

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Translation of the Independent Auditors' Report and the Financial Statements originally issued in Spanish – Note 24

Independent auditors' report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying separate financial statements, prepared for the purposes indicated in the following paragraph, present fairly in all material respects, the financial position of Ferreycorp S.A.A. as of December 31, 2013 and 2012, and its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis on information separated

The separate financial statements of Ferreycorp S.A.A. have been prepared in compliance with legal requirements in force in Peru for financial reporting. These separate financial statements reflect the value of its investments in subsidiaries and associates under the cost method and not on a consolidated basis, should be read together with the consolidated financial statements of Ferreycorp S.A.A. and Subsidiaries, which are presented separately and on which our report dated February 24, 2014, we issued an unqualified opinion.

Lima, Peru
February 24, 2014

Medina, Zaldívar, Paredes y Asociados

Wilfredo Rubiños V.
C.P.C.C. Register No.9943

Ferreycorp S.A.A.

Separate statement of financial position

As of December 31, 2013 y 2012

	Note	2013 S/.(000)	2012 S/.(000)
Asset			
Current asset			
Cash and cash equivalent	5	16,455	15,437
Trade accounts receivable, net	6	12,097	114,884
Accounts receivable from related companies	20(a)	174,820	168,665
Other accounts receivable, net	7	8,414	8,774
Inventories, net	8	2,917	12,078
Prepaid expenses		397	682
		215,100	320,520
Trade accounts receivable, net	6	832	5,372
Accounts receivable from related companies	20(a)	590,021	6,931
Other accounts receivable, net	7	2,873	4,120
Investments in subsidiaries, associates and joint venture	9	1,209,289	1,086,378
Investment properties, net	10	346,994	275,345
Other assets, net		103	103
Total asset		2,365,212	1,698,769

The accompanying notes to the financial statements are an integral part of this statement.

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	Note	2013 S/.(000)	2012 S/.(000)
Liability and net equity			
Current liabilitie			
Financial obligations	11	25,915	61,029
Trade accounts payable	12	875	46,300
Other accounts payable	13	28,450	33,454
Accounts payable to related companies	20(a)	40,420	101,459
Income tax payable	14(d)	-	2,018
		95,660	244,260
Long-term financial obligations	11	864,581	159,303
Deferred income tax liability, net	14	55,665	44,289
Total liabilities		1,015,906	447,852
Net equity	15		
Issued capital		945,227	803,235
Share premium		63,802	95,702
Legal reserve		99,766	82,179
Other equity reserves		137,182	93,928
Retained earnings		103,329	175,873
Total net equity		1,349,306	1,250,917
Total liabilities andnet equity		2,365,212	1,698,769

Ferreycorp S.A.A.

Separate statement of income

As of December 31, 2013 and 2012

	Note	2013 S/.(000)	2012 S/.(000)
Income			
Dividend incomes	9(b)	128,461	101,667
Finance income		26,547	5,219
Rental services		21,293	10,780
		176,301	117,666
Cost and operating expenses			
Cost of rental services	17	(5,512)	(2,462)
Administrative expenses	18	(5,872)	-
Finance expenses	19	(37,115)	(3,898)
Exchange difference, net	4	(23,248)	6,810
		(71,747)	450
Profit before income tax		104,554	118,116
Income tax	14 (c)	7,172	(4,935)
Net income from continued operations		111,726	113,181
Net income from discounted operations	23	(8,397)	62,692
Net income		103,329	175,873
Net income per basic and diluted share (in new soles)	16	0.109	0.186
Weighted average of shares outstanding (in thousands of units)	16	945,227	945,227

The accompanying notes to the financial statements are an integral part of this statement.

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Ferreycorp S.A.A.

Separate statement of comprehensive income

For the years ended December 31, 2013 and 2012

	2013 S/.(000)	2012 S/.(000)
Net income	103,329	175,873
Other comprehensive income		
Other comprehensive incometo be reclassified to earnings in future periods		
Land revaluation	61,745	-
Valuation of hedging derivatives	48	1,089
Deferret income tax effect	(18,539)	(327)
Other comprehensive income, net of income tax	43,254	762
Total comprehensive income, net of income tax	146,583	176,635

The accompanying notes to the financial statements are an integral part of this statement.

Ferreycorp S.A.A.

Separate statement of changes in net equity

For the years ended December 31, 2013 and 2012

	Number of shares oustanding (in thousands)	Issued capital S/.(000)	Share premium S/.(000)	Legal reserve S/.(000)	Other equity reserves		Retained earning S/.(000)	Total S/.(000)
					Others S/.(000)	Other equity reserves S/.(000)		
Balance as of January 1, 2012	623,635	623,635	-	63,692	93,166	-	165,222	945,715
Net income	-	-	-	-	-	-	175,873	175,873
Other comprehensive income	-	-	-	-	762	-	-	762
Total comprehensive income	-	-	-	-	762	-	175,873	176,635
Transfer to legal reserve, note15 (b)	-	-	-	18,487	-	-	(18,487)	-
Dividends, note 15(d)	-	-	-	-	-	-	(41,903)	(41,903)
Capitalization of retained earnings, note 15(a)	104,832	104,832	-	-	-	-	(104,832)	-
Capital contribution	74,768	74,768	95,702	-	-	-	-	170,470
Balances as of December 31, 2012	803,235	803,235	95,702	82,179	93,928	-	175,873	1,250,917
Net income	-	-	-	-	-	-	103,329	103,329
Measurement of the fair value of lands, net of the deferred income tax 15(c)	-	-	-	-	-	43,221	-	43,221
Other comprehensive income results	-	-	-	-	33	-	-	33
Total comprehensive income	-	-	-	-	33	43,221	103,329	146,583
Transfer to legal reserve, note 15(b)	-	-	-	17,587	-	-	(17,587)	-
Dividends, note 15(a)	-	-	-	-	-	-	(48,194)	(48,194)
Capitalization of retained earnings, note 15 (a)	141,992	141,992	(31,900)	-	-	-	(110,092)	-
Balances as of December 31, 2013	945,227	945,227	63,802	99,766	93,961	43,221	103,329	1,349,306

The accompanying notes to the financial statements are an integral part of this statement.

Ferreycorp S.A.A.

Separate statement of cash flow

For the years ended December 31, 2013 and 2012

	2013 S/.(000)	2012 S/.(000)
Operating activities		
Collections from customers and other	231,878	330,327
Paymento to suppliers and other	(210,138)	(158,208)
Payment to employees and other	(2,547)	(57,601)
Payment of income tax	(4,370)	(4,935)
Payment of taxes	(2,117)	(10 ,673)
Dividends collected	110,206	41,620
Net cash from operating used in activities	122,912	140,530
Investing activities		
Purchase of investments	(8,802)	-
Acquisition of property, plant and equipment	(14,981)	(7,403)
Capital contributions to subsidiaries	(68,206)	(43,571)
Net cash used forinvesting activities	(91,989)	(50,974)
Financing activities		
Issuance of financial obligations	859,511	103,25 3
Loans charged to subsidiaries	250,331	-
Loans to subsidiaries	(841,531)	-
Payments of financial obligations	(189,347)	(313,843)
Dividends paid	(48,194)	(41,903)
Interest paid	(38,737)	(3,898)
Capital contributions received	-	170,470
Net cash used in financing activities	(7,967)	(85,921)
Net increase in cash and cash equivalents	22,956	3,635
Effect of movements in exchange rates on cash and cash equivalents	(21,938)	6,810
Cash and cash equivalents at beginning of year	15,437	4,992
Cash and cash equivalents at the end of the year	16,455	15,437

The accompanying notes to the financial statements are an integral part of this statement.

Ferreycorp S.A.A.

Notes to the separate financial statements
As of December 31, 2013 and 2012

1. Economic activity

Ferreycorp S.A.A. (hereinafter "the Company") was incorporated in Lima, Peru on September 1922 under the legal name of Enrique Ferreyros y Cía. Sociedad en Comandita. Subsequently, it made several changes to its legal name up to June 1998 when it modified its by-laws to comply with the current Peruvian General Corporation Law, and changing its legal name to Ferreyros S.A.A. The Shareholders' Meeting of Ferreyros S.A.A. held on March 28, 2012, approved the corporate reorganization to splitits investor role from its role as operating company, distributor of capital goods, and thus better organize the company's various lines of businesses. Accordingly, the Shareholders approved changing the corporate name form Ferreyros S.A.A. to Ferreycorp S .A.A.

Ferreycorp S.A.A. acts as a Parent company for the group of companies operating in Peru and abroad named "Ferreycorp Group"; coordinating their policies and management. The Company's legal address is Cristóbal de Peralta Norte Avenue No.820, Surco, Lima, Peru.

The financial statements for the year ended as of December 31, 2012 were approved by the Shareholders' Meeting held on March 26, 2013. The accompanying financial statements for the year ended as of December 31, 2013 were approved by the Company's Management on February 13, 201 4, which and will be submitted for their approval by the Board of Directors and the Shareholders' Meeting that will take place within the first quarter of 2014. In Management's opinion, these financial statements will be approved by the Board of Directors and Shareholders' Meeting without modifications.

The accompanying financial statements reflect the individual activity of the Company, excluding the effects of the consolidation with its subsidiaries, domiciled both nationally and abroad (see note 9), and whose main activities include the purchase and sale of machinery and spare parts, workshop services, metalworking services, tire distribution, warehousing services, chemical supply for sale and real estate, among others. The Company prepares separately consolidated financial statements under IFRS, which show the following balances as of December 31 , 2013 and 2012:

	2013 S/.(000)	**2012** S/.(000)
Current asset	2,660,838	2,599,142
No current asset	1,770,269	1,544,655
Total asset	4,431,107	4,143,797
Total liability	2,868,191	2,720,404
Equity	1,562,916	1,423,393
Gross profit	1,108,024	919,492
Operating profit	390,589	303,010
Net profit	100,025	220,423

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Notes to the separate financial statements (continued)

2. Corporate reorganization

The General Shareholders' Meeting, held on March 28, 2012, approved to make a simple reorganization in order to better organize the various businesses of the Company, for which equity provided two equity blocks to two subsidiaries.

An equity block derived primarily from sales of machinery, equipment and services corresponding to Caterpillar unit and allied lines were transferred to the current subsidiary Ferreyros S.A., and a second equity block derived mainly from the automotive division was transferred to the subsidiary Motored S.A.

To carry out this reorganization, Ferreycorp S.A.A. identified the assets and liabilities to be transferred to the businesses mentioned in the previous paragraph and transferred as part of the two equity blocks.

The full implementation of the agreement was made transferring assets for S/.2,199,946,000 and liabilities for S/.1,436,247,000. Below are the assets and liabilities transferred through the two equity blocks:

	Assets and liabilities transfered to:		
	Motored S.A. S/.(000)	**Ferreyros S.A.** S/.(000)	**Total** S/.(000)
Assets			
Inventories, net	71,847	906,386	978,233
Trade accounts receivable, net	-	383,020	383,020
Other items of current assets	11,657	178,558	190,215
Property, machinery and equipment, net	30,324	421,986	452,310
Intangible assets and goodwill "Bucyrus business Line" (i)	-	145,815	145,815
Asset income tax deferred, net	-	6,838	6,838
Other assets	-	43,515	43,515
Total asset	113,828	2,086,118	2,199,946
Current liabilities	50,097	799,284	849,381
No current liabilities	2,013	584,853	586,866
Total liability	52,110	1,384,137	1,436,247
Equity block transferred	61,718	701,981	763,699

(i) Corresponded to the intangible assets and goodwill identified during the acquisition of the commercial business "Bucyrus" unit in Peru, made by the Principal in 2012. In accordance with the IFRS 3 "Business Combinations", the Company recognized fair values related to "customer relationship", "rights of use" and "goodwill" for S/.44, 867,000, S/.17, 552,000 and S/.83,396,000, respectively.

The balance of the assets transferred in block has been recognized as cost of acquisition of the shares received from such subsidiaries.

Notes to the separate financial statements (continued)

3. Basis of preparation and summary of significant accounting principleand practices

3.1 Basis of preparation and presentation -

The financial statements have been prepared in accordance with International Standards Financial Reporting Standards (hereinafter "IFRS") as issued by the International Accounting Standards Board (the "IASB") in effect at December 31, 2013.

The financial statements have been prepared on the historical cost basis, based on the accounting records maintained by the Company, except for land, which have been measured at fair value. The financial statements are presented in thousands of Nuevos Soles (functional and presentation currency), except where indicated otherwise.

The accounting policies adopted are consistent with those applied in previous years, except that the Company has adopted the new IFRS and revised IAS that are mandatory for periods beginning on or after January 1, 2013, as described below:

- IAS 1 "Presentation of items of other comprehensive income - Changes to the IAS 1 "
  The grouping of items presented in Other Comprehensive Income changes (OCI, for its acronym in English). Items that may be reclassified ("recycled") results in a time future will be presented separately from the elements never be reclassified. This change affects only the presentation of Financial Statements and has no effect on the financial position or results of operations.

- NIC IAS 19 "Employee benefits (amended)"
  The amendment eliminates the option to defer the recognition of gains and losses actuarial, that is to say, the mechanism of the corridor. All changes in the value of the plans defined benefits are recorded in the statement of comprehensive income.

- IAS 28 "Investments in Associates and Joint Ventures (revised)"
  As a result of the new IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", IAS 28 was renamed "Investments in Associates and Joint Ventures ", and describes the application of the equity method for joint investments and investments in associates.

- IFRS 7 "Financial Instruments: Disclosures - Offsetting Financial Assets and Liabilities Financial (Amendment)"
  The amendment requires entities to disclose information about rights to set-off and related the gross amounts of dutiable compensation arrangements. The disclosure would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position.

- IFRS 10 "Consolidated Financial Statements"
  IFRS 10 replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" which describe the consolidation of financial statements. It also includes considerations included in SIC-12 "Consolidation - Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by the IFRS 10 requires management to exercise significant judgment to determine which entities are controlled, and, therefore, are required to be consolidated by the parent, compared with the requirements that were in IAS 27

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- IFRS 11 " Joint arrangements"
  IFRS 11 supersedes IAS 31 "Interests in Joint Ventures and SIC 13 "Entities jointly-controlled non-monetary contributions by participants." IFRS 11 removes the option to register to jointly controlled entities (ECC) using proportionate consolidation. Instead, the ECC that meet the definition of a joint venture must be recorded by the equity method.

- IFRS 12 "Disclosure of interests in other entities"
  IFRS 12 includes all disclosures that were previously in IAS 27, IAS 28 and IAS 31 in relation to the consolidated financial statements, an entity having interests in subsidiaries, joint arrangements, associates and structured entities.

- IFRS 13 "Fair Value measurement"
  IFRS 13 establishes a single guide for all fair value measurements i n accordance with IFRS, giving guidelines on how to perform these measurements, but does not change when an entity is required to use fair value. IFRS 13 defines fair value as an exit price.

  As part of the implementation process of IFRS 13, the Company has reassessed its policies for measuring the fair values of assets and liabilities, as a result of the application of IFRS 13, the Company has not significantly affected the fair value measurement of its assets and liabilities. Also, additional disclosures are made in the individual notes of assets and liabilities for which fair values were determined. The fair value hierarchy is presented in note 27.

  Disclosures over the recoverable value of non-financial assets - Amendments to IAS 36 "Impairment of Assets"

  These amendments clarify certain matters not provided for by IFRS 13 with respect to the disclosures required by IAS 36, like wise, require disclosure of the recoverable amounts of the assets or cash-generating units for which it has been recognized or reversed a loss impairment during the period. These amendments are effective for periods beginning on or after January 1st, 2014, and can be taken in advance as long as the entity has also adopted the NIIF 13.

- Annual improvements to IFRSs (issued in May 2012)
  The IASB published a preview of the changes and improvements to IFRSs in May 2012. The amendments made to IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1, including in improvement's this cycle, have no significant effect on the accompanying financial statements.

Notes to the separate financial statements (continued)

Due to the structure of the Company and nature of its operations, the adoption of these standards did not, have a significant effect on its financial position and results, therefore, it has not been necessary to modify the comparative financial statements of the Company.

Transactions with entities under common control -
Simple reorganization
IFRS does not prescribe a specific accounting treatment for reorganizations with legal entities under common control of a parent company with its subsidiaries, why the Company, based on permitted by IAS 8 and the Framework, adopted the following accounting policy:

A legal reorganization where the parent company to its subsidiaries is cleaved substantially redemption of shares of subsidiaries in exchange for the assets and liabilities of these subsidiaries. Accordingly, the assets and liabilities transferred are recognized to the carrying amounts that remain in the consolidated at the date of the legal reorganization merger financial statements. The difference between (i) the amounts assigned to assets and liabilities in the separate financial statements of the Company after the reorganization and (ii) the carrying amount of investments in the breakaway subsidiaries are held at cost is recognized in the income statement.

The split described in Note 2 has been carried out between companies under common control, and has no meaning an effective change of control of subsidiaries grouped within Ferreycorp Group, therefore, the accompanying financial statements have been prepared assuming that companies were reorganized in each of the periods presented.

3.2 Summary of significant accounting principles -

(a) Financial Instruments: Initial recognition and subsequent measurement -

(a.1) Financial assets -

Initial recognition and measurement -
Financial assets under IAS 39 are classified as: (i) Financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) financial assets available for sale and (iv) investments to be held to maturity and (v) derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial instruments at initial recognition.

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial assets are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, incremental costs related to the transaction that can be directly attributed to the acquisition or issue of the instrument.

Notes to the separate financial statements (continued)

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or market conditions are recorded on the trade date of the transaction, ie, the date that the Company commits to purchase or sell the asset. Derivatives are recognized on the trade date of the transaction.

Subsequent measurement –
The subsequent measurement of financial assets depends on their classification. The Company's financial assets only in the categories of loans and receivables, so then the criteria for these categories are explained.

- Loans and accounts receivables -
  Loans and accounts receivables are non-derivative financial assets whose fees are fixed or determinable payments that are not quoted in an active market, for which the entity does not intend to sell immediately or in the near future and have no risk recovery than because of credit deterioration.

  After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate, less impairment estimation. The losses arising from impairment are recognized in the separate income statement

The Company maintains cash in these categories and cash equivalents and accounts receivable in general, which are expressed to the value of the transaction, net of estimated doubtful accounts when applicable.

The allowance for doubtful accounts is established if there is objective evidence that the Company may not recover the amount of the assets according to the original terms of the agreement. To this end, the Management of the Company has determined , based on historical experience, to consider and impleme nt, to assess risks, differentiated rates according to the credit risk of the customer to determine the allowance for recoverability . Also, for those individually significant accounts, the Company performs specific assessments to determine whether there is objective evidence of loss in the value of the receivables. The allowance for doubtful accounts is recorded under the year in which determine your need. In the opinion of management of the Company, this method allows reasonably estimate the loss for doubtful accounts , considering the characteristics of clients in Peru and the criteria established by IAS 39 , in order to adequately cover the risk of loss accounts receivable in accordance with the market conditions which the Company operates.

Derecognition -
A financial asset (or when applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

Notes to the separate financial statements (continued)

(i) The rights to receive cash flows from the asset have expired, or

(ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay all cash flows received immediately to a third party under a transfer agreement ("pass through"), and (a) the Company has transferred substantially all risks and rewards of the asset, or (b) neither transferred nor retained substantially all the risks and rewards of the asset if it has transferred its control.

When you have transferred the contractual rights to receive cash flows generated by the asset or has entered into a transfer agreement, but have neither transferred nor retained substantially all the risks and rewards of ownership of the asset, nor has transferred control over it, that asset continues to be recognized to the extent that the Company remain committed to the asset. In the latter case, the Company will also recognize the liability related. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

A firm commitment that takes the form of a guarantee over the transferred asset is measured as the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Impairment of financial assets -
At the end of each period about which is reported, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired in value. A financial asset or group of financial assets are considered impaired in value only if there is objective evidence of impairment as a result of the value of one or more events that occurred after the initial recognition of the asset (the " event that causes loss ") and the event that causes loss has an impact on the estimated future cash flows generated by the financial asset or financial assets or the Company of financial assets, and that impact can be estimated reliably. The evidence of impairment may include , among others, such as indications that the debtors or a group of debtors encounter significant financial difficulty, default or delinquency in payments of debt principal or interest , the probability that declare bankruptcy or take other form of financial reorganization or where observable data indicate that there is a measurable decrease in the estimated future cash flows , such as adverse changes in the conditions of default , or economic conditions that correlate with defaults.

(a.2) Financial liabilities -
Recognition and initial measurement
The financial liabilities under IAS 39 are classified as: (i) financial liabilities at fair value through profit or loss, (ii) liabilities at amortized cost, and (iii) derivatives designated as hedging instruments in an effective hedge, as appropriate. Management determines the classification of its liabilities financial at the time of initial recognition.

Financial liabilities are recognized when the Company is part of the agreements contractual instrument. All financial liabilities are initially recognized at fair value plus, in the case of financial liabilities not are carried at fair value through profit or loss.

At December 31, 2013 and December 31, 2012, financial liabilities include trade payables, payables to related salaries and other payables and other financial liabilities.

Subsequent measurement
After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective rate of interest. Amortized cost is calculated taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate. Gains and losses are recognized in the separate income statement when the liabilities are derecognized.

Financial liabilities are classified as current liabilities unless the Company has an irrevocable right to defer the settlement of obligations by more than twelve months after the date of the statement of financial position separately. Borrowing costs are recognized on an accrual method, including fees related to acquisition financing.

Derecognition
A financial liability (or, where applicable a part of a financial liability or a part of a group of similar financial liability) is derecognized when the obligation specified in the contract is discharged or canceled or expires liabilities. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the separate income statement.

(a.3) Offsetting of financial instruments
Financial assets and financial liabilities are offset so that report the net amount in a separate statement of financial position only if it exists when a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and cancel the liabilities simultaneously.

Notes to the separate financial statements (continued)

(b) Derivative financial instruments -

Derivative financial instruments, in accordance with the rules of IAS 39, are classified as trading and hedging. The most relevant aspects of each category are described below:

Trading -

Transactions with derivative financial instruments held by the Group in the form of currency "forwards", do not qualify as hedges under the specific rules of IAS 39, and therefore, are treated as trading derivatives, so at initial and subsequent recognition are measured at fair value and recognized as assets when the value is positive and as liabilities when it is negative, any gain or loss arising from the change in fair value is recorded in the consolidated statement of income.

Hedge -

Hedge derivative financial instruments are used to manage the Group's exposure to interest rate and foreign currency risks. Under IAS 39, hedge accounting is applied to manage particular risks for transactions which meet the specific criteria for it.

At the beginning of the hedge relationship, the Company formally designates and documents the hedge relationship which wishes to apply, the objective of risk management and strategy to perform coverage. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the fair value of the hedging instrument in offsetting the exposure to changes in the fair value of the hedged or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting the exposure to changes in fair value or cash flows and are assessed permanently to determine which have actually been highly effective throughout the reporting periods for which they were appointed.

Hedges which meet the strict criteria required for hedge accounting shall be accounted as follows:

Fair value hedges -

The change in fair value of a derivative that is a hedging instrument is recognized in the consolidated income statement as finance costs. The change in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying amount of the hedged item and is also recognized in the consolidated income statement as interest expense.

By December 31, 2012 and 2013, the Company does not have this type of derivative financial instruments.

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Notes to the separate financial statements (continued)

Cash flow hedges -

Gains or losses arising from changes in fair value are recognized directly in the consolidated income statement, except for the effective portion of the hedged cash flow, which is recognized as an unrealized result on financial instruments in the statement of comprehensive income.

The only derivative that the Company maintained was a future contract swap ("swap") interest rate, which has been classified as cash flow hedges. This derivative was initially recognized at fair value at the date the derivative contract was entered into and is subsequently measured at fair value. This derivative is recorded as a financial asset when the fair value is positive and as financial liabilities when fair value is negative. As of December 31, 2013, the derivative financial instrument has been due and liquidated.

The cash flow hedges that meet the criteria for hedge accounting are recorded as follows:

- The effective portion of the gain or loss on a hedging instrument is recognized directly in other comprehensive consolidated reserve for cash flow hedge results, while the ineffective portion is recognized immediately in the consolidated statement of comprehensive income as "Other operating expenses ".

- The amounts recognized as other results to the consolidated comprehensive statement are reclassified to the combined income statement when the hedged transaction affects the profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

- If the hedging instrument expires or is sold, terminated or exercised without a replacement or rollover for another hedging instrument, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affect the outcome.

Hedges of a net investment in foreign operations -

Hedges of a net investment abroad, including a hedge of a monetary item that is accounted for as part of the net investment, are recognized in a similar way to cash flow hedges.

In the case of the sale of the foreign operation, the cumulative amount of gains or losses recorded in equity is reclassified to the income statement. As of December 31, 2012 and 2013, the Company does not have this type of derivative financial instruments.

Notes to the separate financial statements (continued)

(c) Foreign currency transactions -
The functional currency of the Company is the Nuevo Sol, because it is used by the Company in managing its operations and conversions, and, additionally, for the preparation of the financial statements.

Balances or transactions in foreign currency –

Balances or transactions in foreign currency are considered those made in a currency other than the functional currency. Transactions in foreign currencies are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions in which initially qualify for recognition.

Monetary assets and liabilities denominated in foreign currencies are subsequently translated into the functional currency using the exchange rates in force at the date of liquidation or the separate statement of financial position. The differences between the exchange rates in force at the date of each financial statement presented and the exchange rate initially used to record transactions are recognized in the income statement in the period in which they occur, in the "Net exchange difference". Non -monetary assets and liabilities acquired in foreign currency are converted at the exchange rate at the dates of the initial transactions.

(d) Cash and cash equivalents -
For the purpose of preparation and presentation of cash flows statement, cash and cash equivalents correspond to cash items, accounts, cash in transit and deposits with original maturity less than 90 days, all registered separate statement of financial position. Such accounts are not subject to an insignificant risk of changes in value.

(e) Inventories -
Inventories are valued at cost or net realizable value, the lowest, net of any impairment. Cost is determined using the specific identification method, except for spare parts which are recognized using the weighted average cost method. The net realizable value is the estimated selling price in the ordinary course of business, net of discounts and other costs and expenses incurred to bring inventories into sale condition.

The estimation for impairment is determined based upon an analysis performed on the inventory's condition and turnover. In the case of damaged equipment and those with no movement, a provision equivalent to its carrying value is made. The estimation is recognized with charge to the results of the year when determined.

(f) Investments –
Investments in subsidiaries, joint ventures and associates are stated at cost. In each reporting date, the Company determines whether there is objective evidence that any of its investments in subsidiaries, joint ventures and associates has lost value. If applicable, the Company calculates the amount of impairment as the difference between the

Notes to the separate financial statements (continued)

recoverable amount of the investment in the subsidiary, joint venture or associate and its value in books, and recognizes the loss in a separate income statement.

Cash dividends earned are credited to the income statement when they are declared.

(g) Investment Properties –
Investment properties are initially measured by acquisition cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the close of the reporting period under review. Gains and losses arising from changes in fair values of investment properties are included in income in the period in which they occur, net of the related tax effect. The fair values recognized by an independent external valuer, are determined annually by applying the valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized either at the time of sale or when the investment property is withdrawn from use permanently and not expected to recover any economic benefit from its sale. The difference between the net income from the sale and the carrying amount of the asset is recognized in the statement of income in the period when the asset is derecognized.

Transfers are made to or from investment property only when there is a change in use of the asset. For a transfer from investment property to a component of property, plant and equipment, taken into account the deemed cost for subsequent accounting is the fair value of the asset at the date of change in use. If a component of property, plant and equipment is transferred to investment property, the Company accounts for the claim to the date of change in use in accordance with established policy for property, plant and equipment.

(h) Leases -
The determination of whether an arrangement is or includes a lease is based on the substance of the arrangement at the time of its conclusion, whether fulfillment of the arrangement is dependent on the use of one or more specific assets, or if the agreement grants the right to use the active, even if such a right is not explicitly specified in the agreement.

The Company as lessee -
Leases that transfer to the Company substantially all the risks and benefits incidental to ownership of the leased asset are recorded as capital leases that is recorded as a finance lease, ie , are capitalized at the lease term, either by the fair value of the leased p roperty or the present value of the minimum lease payments, whichever is less. Lease payments are apportioned between finance charges and reduction of the debt, so as to determine a constant rate of interest on the remaining balance of the debt. Financial charges are recognized as finance costs in the separate statement of comprehensive income.

Notes to the separate financial statements (continued)

The leased asset is depreciated over its useful life. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over its estimated useful life or the lease term, whichever is less.

Operating lease payments are recognized as operating expenses in the statement of comprehensive income separately, linearly over the lease term.

The Company as lessor
Leases in which the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as income lease.

Revenue from operating leases is recognized on a straight line basis over the lease term.

(i) Impairment of non-financial assets -
The net book value of property, plant and equipment and finite-life intangible assets are reviewed to determine whether there are indications of impairment at each year end. If any such indication exists, the Company estimates the recoverable amount, this being the lower of the fair value less costs to sell and value in use. When the recoverable amount of an asset is less than its net book value is considered to be impaired.

The recoverable amount of an asset is defined as the higher import of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in a free market, while value in use is the present value of future estimated net cash flows from the continued use of an asset and its disposal at the end of its useful life. In determining value in use, future cash flows are discounted to their present value using a discount rate before tax that reflects the assessment of current market conditions, the value of money over time and the risks specific to the asset.

When there are new events or changes in existing circumstances evidencing an impairment loss recognized in a previous period may have disappeared or been reduced, excluding goodwill, the Company makes a new estimate of the recoverable value of the asset. The previously recognized impairment losses are reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset from the date the impairment loss is recognized for the last time. If this is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount can not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss been recognized for the asset in prior years. Bliss reversal is recognized in consolidated profit or loss. Made after the reversal the depreciation charge is adjusted in future periods distributing the value of the asset over its remaining useful life.

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Notes to the separate financial statements (continued)

Goodwill
Goodwill is tested to determine whether there is impairment, annually (at December 31) and when circumstances indicate that its carrying amount may be impaired. The impairment of goodwill is determined by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized value. The impairment losses relating to goodwill can not be reversed in future periods.

(j) Borrowing costs -
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of preparation to be available for use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs are comprised of interest and other costs that the Company incurs in connection with the funds financed.

During the periods 2013 and 2012, the Company did not maintain current assets qualifying for capitalization of borrowing costs.

(k) Worker's profit sharing and income tax -
Participation of workers -
The participation of employees is calculated in accordance with the legal regulations (Legislative Decree No. 892) on the same basis used to calculate the income tax. In the case of the Company, the rate of participation of workers is 8 percent of the taxable income of the current year. According to Peruvian law, there is a limit on the share of workers that an employee may receive the equivalent of 18 monthly salaries.

The Company recognizes the current portion worker's profit sharing paid directly to them in accordance with IAS 19 "Employee Benefits" as any entity that provides benefit to workers in exchange for their services. Accordingly, the Company recognizes the participation of workers as a cost or expense, depending on their function.

Current income tax -
The income tax for the current period is calculated from the separate financial statements and the amount expected to be paid to the tax authorities. Legal rules and rates used to calculate the amounts payable are those in force at the date of statement of financial position.

The current income tax related to equity items are recognized in the separated statement of changes in net equity and not in the separate statement of income. The Management periodically evaluates tax rules which are subject to interpretation and recognizes provisions where appropriate.

Notes to the separate financial statements (continued)

Deferred income tax -
Deferred taxes -
The tax expense for future periods is recognized using the liability method, considering the temporary differences between the taxes and accounting bases of assets and liabilities at the date of separate statement of financial position.

Deferred tax liabilities are recognized for all temporary differences, except for differences related to investments in associates, where the timing of the temporary differences can be controlled and it is probable that they can be reversed in the foreseeable future.

All deductible temporary differences and carryforwards loss generate recognition of deferred tax assets to the extent that it is probable that can be used to calculate the taxable income of future years. Deferred tax assets are recognized for all taxable temporary differences and tax loss carryforwards to the extent that it is probable that there is taxable income against which to offset the deductible temporary differences, and can use the tax loss carryforwards.

The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position separately and is reduced to the extent that it is unlikely that there is sufficient taxable income against which to offset all or part of the deferred tax assets. Unrecognized deferred tax assets are reassessed at each reporting date separate statement of financial position.

Deferred tax relating to items recognized outside separate statement is recognized outside of that state, in connection with each transaction can be recognized in the separate statement of comprehensive income or directly in the separate statement of changes in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and the deferred taxes relate to the same entity and the same taxation authority.

(l) Recognition of income and expense costs -
Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Company. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, taxes and other sales -related concepts.

Rentals -
Rental income arising from operating leases, initial direct costs less from holding such contracts are recognized on a straight line basis over the lease term.

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Notes to the separate financial statements (continued)

Costs and expenses -
Costs and expenses are recognized when earned, regardless of when they are made, and are recorded in the periods to which they relate.

Dividends -
Dividend income is recognized when the right to receive payment is established by the Company.

(m) Provisions –
In general:
A provision is recognized only when the Company has a (legal or embeded) obligation as a result of a past event, it is likely that resources will be required to settle the obligation and the amount can be reasonably estimated. Provisions are reviewed at each period and adjusted to reflect the best estimate will be the date of the statement of financial position. When the effect of the value of money time is important, the amount of the provision is the present value of the expenditures expected to settle the obligation.

When the Company expects some or all of the provision is retrieved, these recoveries are recognized as an asset when the certainty of recovery is taken. The allocated amount is presented separately in the income statement net of recoveries.

The potential liabilities are not recognized in the financial statements. These are disclosed in notes to the financial statements, unless the possibility of an economic outflow to be remote.

(n) Earnings per share -
The basic and diluted earnings per share are calculated by dividing net income by the weighted average number of common shares outstanding during the period. The shares from capitalization of profits, or similar transactions, are a stock split and, therefor e, for the calculation of weighted average shares is taken into consideration that these actions were always outstanding.

As of December 31, 2013 and December 31, 2012, the Company has no dilutive financial instruments that produce effects, so that the basic and diluted earnings per share are the same.

(o) Fair Value Measurement -
The Company has financial instruments measured at amortized cost and non-financial assets such as land, at fair value at each reporting date separate statement of financial position, which are disclosed in note 22.6.

Notes to the separate financial statements (continued)

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a time of measurement. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, the most advantageous for the asset or liability.

The principal or most advantageous market should be accessible by the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use to rank the asset or liability value, assuming that market participants act in their best economic interest.

The fair value measurement of non-financial assets takes into account the ability of a market participant to generate economic benefits through more and better use of the asset or selling it to another market participant would use the assets in the best possible way.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient information is available to measure the fair value, maximizing use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair values are determined or disclosed in the financial statements are classified within the fair value hierarchy, described below, based on the lowest level of the used data that are significant for the measurement of the reasonable value as a whole:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level of information is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level of information that is significant to the fair value measurement is not observable.

For assets and liabilities that are recognized at fair value in the financial statements on a recurring basis, the Company determines whether there have been transfers between levels in the hierarchy by reviewing the categorization at the end of each reporting period.

Notes to the separate financial statements (continued)

The Company's management determines the policies and procedures for measurements to recurring and nonrecurring fair value. At each reporting date, the management analyzes the movements in the values of assets and liabilities to be valued in accordance with the accounting policies of the Company.

For purposes of the disclosures of fair value, the Company has determined classes of assets and liabilities on the basis of their nature, characteristics and risks and the level of fair value hierarchy as explained above.

(p) Subsequent Events -
The subsequent events to the end of the period that provide additional information about the Company at the balance sheet data (adjusting events) are included in the financial statements events. Significant subsequent events that are not adjusting events are disclosed in the notes to the financial statements.

(q) Discontinued operations -
The Company classifies non-current assets and groups of assets for disposal as held for sale or for distribution to owners if their carrying amount will be recovered principally through a sale or distribution rather than through continuing use. Such assets are measured at the lower of carrying amount or fair value less costs of sale or distribution. Cost of sales and distribution are directly attributable to the sale or distribution incremental costs, excluding finance costs and income tax expense to earnings.

The requirements for the classification of assets as held for sale or distribution are fulfilled only when such sale or distribution is highly probable and the asset or group of assets are available, in its present conditions, for immediate sale or distribution, as appropriate. The activities required to complete the sale or distribution should indicate that it is unlikely that significant changes can be made in the sale or distribution or they can be canceled. The management must be committed to completing the sale or distribution and pursue them within the year following the date of classification.

The properties, plant and equipment and intangible assets not subject to depreciation or amortization once they are classified as held for sale or for distribution to owners.

A group of assets for disposal (sale or distribution) qualifies as a discontinued operation if:

- A component of the Group's cash-generating unit or group of cash-generating units;
- Classified as held for sale or distribution to owners or and has been so arranged, and
- Represents a line of business or geographical area relevant to the operation, or is a subsidiary acquired exclusively with a view to resale.

Notes to the separate financial statements (continued)

Discontinued operations are excluded from the results of continuing operations and presented as a single amount of net profit or tax loss from discontinued operations in the income statement.

3.3 Judgements, significant accounting estimates and assumptions –

The preparation of financial statements requires the Management Company to make judgments, accounting estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities and related disclosures as well as the disclosure of contingent liabilities at the date of separate financial statements and the reported amounts of revenues and expenses for the years ended December 31, 2013 and 2012.

In this sense, the uncertainty about these assumptions and estimates could result in future outcomes that could require significant carrying amounts of the assets or liabilities affected settings. Significant judgments and estimates considered by the Management in the preparation of the separate financial statements are:

(a) Judgements -

In applying the accounting policies of the Company, the management has made the following judgments that have significant effect on the amounts recognized in these separate financial statements:

- Operating leases –

The Company as lessor, note 3.3. (h) Company has entered into commercial leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the agreements, such as when the lease term does not constitute a substantial portion of the economic life of the commercial property, or when retained substantially all the risks and rewards of ownership of these assets. In these cases, the Company has posted these contracts as operating leases.

(b) Estimates and assumptions -

Here are the key assumptions concerning the future and other key sources of uncertainty estimates to the closing date of the reporting period are described reporting, and have a high risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial year. The Company has based its assumptions and estimates given the parameters available at the time of preparation of these separate financial statements. However, current circumstances and assumptions about future events may change due to market changes and new circumstances that may arise beyond the control of the Company. These changes are reflected in the assumptions at the time they occur.

Notes to the separate financial statements (continued)

Revaluation of property, plant and equipment (land), Note 3.3 (g) –

The Company measures its land at revalued amounts and changes in fair value are recognized in other comprehensive income. The Company has hired an independent expert valuation specialist to determine the fair values at December 31, 2013 for land appraised.

To land, the appraiser was based on objective evidence of the market, using comparable prices adjusted by specific factors such as the nature, location and condition of the property in question.

The determined fair value for the land is extremely sensitive to any change in the estimated yield and the rate of long-term occupation. The key assumptions used to determine the fair value of investment properties are explained in Note 10.

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount which is the higher of fair value less costs to sell and value in use. The calculation of fair value less costs to sell is based on available information on sales transactions for similar goods made under conditions and independent parties or observable market prices net of incremental costs related to the sale of the property.

The calculation of value in use is based on a model of discounted cash flows. Cash flows arising from the estimated projections for the next ten years, excluding restructuring activities to which the Company had not yet been committed, and significant future investments that will enhance the operational performance of the asset or cash-generating unit which is subjected to an impairment test.

The calculation of the recoverable amount is extremely sensitive to any change in the rate used to discount cash flows, as well as the expected future income funds, and the growth rate used in long-term extrapolation.

Taxes on current and deferred income, Note 3.2 (k) -

There are uncertainties regarding the interpretation of complex tax regulations, changes in tax regulations and the amount and timing of future taxable income that is generated.

Given the wide range of international trade relations and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and key assumptions made, or future changes to such assumptions may require future adjustments to already recorded tax income. We calculate reserves based on reasonable estimates, for possible consequences of inspections conducted by the tax authorities of the respective countries in which it operates.

Notes to the separate financial statements (continued)

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of the rules on taxation made by the taxable entity and the responsible tax authority. Such differences of interpretation may arise in a wide variety of issues, depending on the circumstances and conditions in the jurisdiction of the Company.

Fair value of financial instruments, note 3.3(b) -

In cases where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured on the basis of market quotations assets, fair value is determined using valuation techniques include a model of discounted cash flows.

When possible, the input of these models is taken from observable nourish markets, but if not, a degree of discretionary judgment is required in determining fair values. These judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For details, see Note 22 (c).

Management believes that the estimates included in the financial statements were made on the basis of the best knowledge of the relevant facts and circumstances at the time of preparing the same, but the final results may differ from the estimates included in the financial statements.

3.4 New accounting pronouncements-

The Company has decided not to early adopt the following standards and interpretations were issued by the IASB, but are not effective at December 31, 2013 :

- IAS 32 "Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendment)"
  Effective for periods beginning on or after January 1, 2014. Defines the meaning of "currently has a legal right to compensation" criteria and mechanisms for non-simultaneous solution clearinghouses for entitlement to compensation modification. Additionally, this amendment clarifies that to make two or more instruments financial institutions should have a right to compensation that can not be conditioned on a fact future, and should be mandatory the following circumstances: (i) the normal course of business, (ii) an event of default, and (iii) in the event of insolvency or bankruptcy of the entity or any of the counterparties.

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Notes to the separate financial statements (continued)

- Disclosures on impairment of non-financial assets - Amendments to IAS 36 "Impairment of Assets"
  These amendments clarify certain matters not provided for by IFRS 13 with respect to the disclosures required by IAS 36, also require disclosure of the recoverable amounts of the assets or cash-generating units for which it has been recognized or reversed a loss impairment during the period. These amendments are effective for periods beginning on or after 1 January 2014, and can be taken in advance as long as the entity has also adopted the IFRS 13 .

- IAS 39 Novation derivatives and continuity of hedge accounting (amendments)
  Effective for periods beginning on or after January 1, 2014. These changes provide an exception to discontinue hedge accounting when the novation occurs a derivative designated as a hedging instrument that meets certain criteria.

- IFRS 9 "Financial Instruments: Classification and Measurement"
  This rule has an effective date of enactment. IFRS 9 reflects the first phase of the IASB's work for the replacement of IAS 39 and refers to the classification and measurement of financial assets as defined in IAS 39. The approval of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets of the Company, but potentially will have no impact on the classification and measurement of financial liabilities. IFRS 9 also introduces new requirements for the use of hedge accounting, in order that it is aligned with the risk management of a company.

- "Investment Entities" (amendments to IFRS 10, IFRS 12 and IAS 27)
  Effective for periods beginning on or after January 1, 2014. These changes provide an exception to the requirement to consolidate entities that qualify as an entity investment under the criteria of IFRS 10. The exception to consolidation requires investment entities as subsidiaries are recorded at fair value with changes in results.

- IFRIC 21 " Levies"
  Effective for periods beginning on or after January 1, 2014. IFRIC 21 clarifies that an entity recognizes a liability for a tax when the activity giving rise to the payment, as identified in the relevant legislation, is performed. To a lien that is activated when a minimum threshold, the interpretation clarifies that no person should be anticipated before reaching the minimum threshold specified.

The Company is in the process of evaluating the impact of the application of these standards, if any, on its financial statements and disclosures in the notes to the financial statements.

Translation of the Independent Auditors' Report and the Financial Statements originally issued in Spanish – Note 24

Notes to the separate financial statements (continued)

4. Foreign currency transactions

Transactions in foreign currency are made to exchange free market published by the Superintendence of Banking and Insurance and AFP. At December 31, 2013, the exchange rates of the free market for transactions made in U.S. Dollars, published by this instit ution were S/.2.794 for buying and S/.2.796 for sale (S/.2.549 for purchase and sale S/.2.551 at December 31, 2012).

At December 31, 2013 and 2012, the Company had the following assets and liabilities in U.S. dollars:

	2013 US$(000)	2012 US$(000)
Asset		
Cash and cash equivalent	886	5,281
Trade accounts receivable, net	2,660	41,287
Other accounts receivable, net	1,617	12,607
Accounts receivable from related companies	217,559	2,711
	222,722	61,886
Liability		
Financial liabilities	(324,553)	(86,371)
Trade accounts payable	(60)	(407)
Other accounts to payable	(1,814)	(41,303)
Accounts payable to related entities	(7,494)	(17,424)
	(333,921)	(145,505)
Net liability position	(111,199)	(83,619)

As of December 31, 2012 and 2013, the Management of the Company has decided to accept the currency risk of this position, so it has not derivative products for hedging. During 2013, the Company recorded a net loss difference for approximately S/.23, 248,000 (a net gain exchange difference for approximately S/.6, 810,000 during 2012), which is presented under "Exchange difference net" in the separate statement of income, see note 22.4.

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Translation of the Independent Auditors' Report and the Financial Statements originally issued in Spanish – Note 24

Notes to the separate financial statements (continued)

5. Cash and cash equivalent

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Bank accounts (b)	4,964	11,091
Petty cash	6	13
Time deposits (c)	11,485	4,333
	16,455	15,437

(b) Bank accounts are maintained in local and foreign banks in national currency and in U.S. dollars, are freely available and do not bear interest.

(c) As of December 31, 2013 and 2012, corresponding to two time deposits with original maturity less than 30 days which have been deposited in local banks and earn interest at market rates.

6. Trade accounts receivable, net

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Invoices (b)	46,055	83,259
Comercial letters (b)	3,469	71,666
Related companies, note 20	1,412	7,420
Unearned interest	(492)	(2,539)
	50,444	159,806
Less - Allowance for doubtful accounts (d)	(37,515)	(39,550)
	12,929	120,256
Less:		
Non-current portion	(832)	(5,372)
	12,097	114,884

The trade receivables are denominated in local and foreign currency non-interest, with the exception of points receivables bear an annual interest rate of between 14 and 18 percent and they meet in full its contractual terms.

(b) Corresponds mainly to receivables arising from sales of goods remnant of the discontinued operation.

Notes to the separate financial statements (continued)

(c) By December 31, 2012 and 2013, the trade receivables aging was as follows:

	No deteriorated S/.(000)	Deteriorated S/.(000)	Total S/.(000)
As of December 31, 2013			
Unexpired	6,468	-	6,468
Expired			
- To 1 month	2,293	-	2,293
- From 1 to 3 months	1,792	38	1,830
- From 3 to 6 months	1,456	8	1,464
- More tan 6 months	-	37,469	37,469
Total	12,009	37,515	49,524

	No deteriorated S/.(000)	Deteriorated S/.(000)	Total S/.(000)
As of December 31, 2012			
Unexpired	100,059	-	100,059
Expired			
- To 1 month	10,917	418	11,335
- From 1 to 3 months	3,359	926	4,285
- From 3 to 6 months	863	1,714	2,577
- More tan 6 months	177	36,492	36,669
Total	115,375	39,550	154,925

(d) The movement in the allowance for doubtful accounts is shown below:

	2013 S/.(000)	2012 S/.(000)
Opening balance at January 1	39,550	35,934
Estimation charged to income	5,839	7,112
Exchange differences	3,159	(2,518)
Recoveries and/or penalties of the year	(11,033)	(978)
Ending balance at December 31	37,515	39,550

In Management's opinion, the allowance doubtful accounts adequately cover the credit risk at December 31, 2012 and 2013.

The trade receivables are secured with inventories sold and, in some cases, depending on the size of the transaction, additional guarantees are requested.

Notes to the separate financial statements (continued)

7. Other accounts receivable, net

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Tax credit for income taxes	3,024	-
Accounts receivable Domingo Rodas S.A. (b)	5,484	7,677
Value added tax (VAT) (c)	2,555	6,241
Receivable balance drawdowns tax administration	1,620	-
Other minors	910	1,131
	13 ,593	15,049
Less:		
Allowance for doubtful accounts (d)	(2,306)	(2,155)
	11,287	12,894
Less:		
Non-current portion (b)	(2,873)	(4,120)
	8,414	8,774

(b) This receivable originated in previous years, the Company provided a loan to Domingo Rodas SA (former subsidiary) for an amount of S/.5,150,000 made in 2008. In 2010, the Company signed a transfer of shares held in Domingo Rodas SA to a subsidiary of a leading agricultural business company group in the country. As a result of this transaction, new shareholders acknowledged the debt payable to the Company, which was refinanced and will be recovered from the year 2012. This receivable bears interest at the annual rate of 7.55 percent and has no specific guarantees. This receivable is being recovered according to the Payment Schedule entered into by the Company and Domingo Rodas S.A.

(c) The value added tax corresponds mainly to disbursements for the purchase of inventory, fixed assets and other operations related to the Company's disbursements. In Management's opinion, the VAT will be recovered through the development of current business operations of the Company.

Notes to the separate financial statements (continued)

(d) The movement in the allowance for accounts receivable losses is shown below:

	2013 S/.(000)	2012 S/.(000)
Opening balance at 1 January	2,155	559
Estimation charged to income, discontinued operations	-	1,625
Recoveries of the year	(22)	-
Exchange difference	173	(29)
Closing balance at 31 December	2,306	2,155

In Management's opinion, the allowance for doubtful accounts adequately covers the credit risk at December 31, 2013 and 2012, respectively .

8. Inventories, net

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Engines and motors (b)	2,917	12,576
Parts and services workshop process	-	594
	2,917	13,170
Allowance for impairment of inventories (c)	-	(1,092)
	2,917	12,078

(b) The balance of inventories at December 31, 2013 was sold in full during the month of January 2014 at values above their net realizable value.

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Notes to the separate financial statements (continued)

(c) The movement in the allowance for impairment of inventories is as follows:

	2013 S/.(000)	2012 S/.(000)
Opening balance at January 1	1,092	6,544
Transfer equity block to Ferreyros S.A.	-	(2,972)
Transfer equity block to Motored S.A.	-	(6,313)
Allowance charged to results	-	5,026
Transfer of fixed assets	-	569
Application sales	(1,092)	(1,762)
Closing balance at December 31	-	1,092

The allowance for impairment of inventories is determined on the basis of rotational levels of merchandise and other features based on periodic evaluations of management, commercial and financial. In the opinion of management of the Company, the balance of this estimate adequately covers the risk of impairment in inventories.

Notes to the separate financial statements (continued)

9. Investments in subsidiaries, associates and joint venture

(a) This item is made up as follows:

	Main activity	Percentage of capital participation		Book value	
		2013 S/.(000)	2012 S/.(000)	2013 S/.(000)	2012 S/.(000)
Common shares in Subsidiaries					
Ferreyros S.A.(*)	Purchase - sale of machinery and spare parts and workshop services	100.00	100.00	732,623	704,623
Orvisa S.A.	Purchase - sale of machinery and spare parts and workshop services	100.00	100.00	27,287	27,287
Unimaq S.A.	Purchase - sale of machinery and spare parts and workshop services	100.00	100.00	96,647	74,545
Fiansa S.A. (common shares)	Metalworking services	100.00	100.00	61,355	35,955
Fiansa S.A. (investment share))	Metalworking services	100.00	100.00	1,529	1,529
Mega Representaciones S.A.	Representative and distributor of tires	100.00	100.00	38,960	21,679
Fargoline S.A.	Storage services	100.00	100.00	29,678	29,678
Cresko S.A.	Purchase – sale of machinery, equipment and chemical supplies	100.00	100.00	23,232	23,232
Inti Inversiones Interamericanas Corp.	Company that brings together the business abroad	100.00	100.00	13,904	13,904
Inmobiliaria CDR S.A.C.	Estate industry	100.00	100.00	55,798	55,798
Motored S.A. (*)	Purchase - sale of machinery and spare parts and workshop services	100.00	100.00	66,920	53,005
Participation in associates					
Compass Group (d)	Investment fund	100.00	-	8,802	-
La Positiva Seguros y Reaseguros S.A.	Insurance	14.96	14.96	31,926	31,926
La Positiva Vida Seguros y Reaseguros S.A.	Insurance	3.01	3.01	4,678	4,678
Joint Ventures					
Ferrenergy S.A.	Energy generation and supply	50.00	50.00	13,824	7,236
Other				2,126	1,303
				1,209,289	1,086,378

(*) In 2012 he transferred to Ferreyros S.A. by reorganizing an equity block between common control entities (see note 2).

(b) In General Shareholders' Meeting held between May and September 2012 and December 2013, several subsidiaries approved the distribution of dividends to be received by the Company totaling S/.128, 461,000 (S/.101,667,000 at December 31, 2012) , this distribution will be effective during the first quarter of 2014.

(c) During 2013, the subsidiaries have received capital contributions totaling approximately S/.72,761,000 debt and capitalization of approximately S/.41,347,000.

(d) On 10 December 2013 an operating lease (investment fund) in order to make operating leases of equipment and machinery for any subsidiary of the Group entered Ferreycorp. This fund was established through an issue of shares amounting promote you to S/.8.802 million with a term of 5 years. At December 31, 2013, the Company is the sole shareholder of the fund.

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Notes to the separate financial statements (continued)

(e) The main data of the financial statements of its subsidiaries in which it holds more than 50 percent of direct and indirect December 31, 2012 and 2013 are presented participation:

Entity	Main activity	Participation Rate		Assets		Liabilities		Equity		Net profit	
		2013 %	2012 %	2013 S/.(000)	2012 S/.(000)	2013 S/.(000)	2012 S/.(000)	2013 S/.(000)	2012 S/.(000)	2013 S/.(000)	2012 S/.(000)
Ferreyros S.A., (see note 2)	Purchase - sale of machinery and spare parts and workshop services	100	100	2,032,216	2,237,624	1,274,699	1,521,038	757,517	716,586	117,319	72,777
Orvisa S.A. y Subsidiarias	Purchase - sale of machinery and spare parts and workshop services	100	100	162,240	137,136	129,133	102,587	33,107	34,549	4,224	8,901
Unimaq S.A.	Purchase - sale of machinery and spare parts and workshop services	100	100	540,599	459,699	414,485	357,913	126,114	101,786	8,418	24,559
Fiansa S.A.	Metalworking services	100	100	62,865	66,893	39,850	51,898	23,015	14,995	(18,210)	(10,489)
Mega Representaciones S.A.	Representative and distributor of tires	100	100	145,334	72,842	106,555	51,412	38,779	21,430	1,752	3,571
Fargoline S.A.	Storage services	100	100	105,601	84,134	47,156	39,022	58,445	45,112	6,413	6,947
Cresko S.A.	Purchase - sale of machinery, equipment and chemical supplies	100	100	51,344	46,395	43,502	33,231	7,842	13,164	(4,267)	(7,385)
Inmobiliaria CDR S.A.C.	Estate industry	100	100	93,225	71,702	24,358	13,448	68,867	58,254	2,110	1,125
Ferrenergy S.A.	Energy generation and supply	50	50	14,945	16,547	9,600	13,038	5,345	3,509	(1,433)	(3,488)
Motored S.A.	Purchase - sale of machinery and spare parts and workshop services	100	100	273,587	186,093	198,865	122,590	74,722	63,503	(7,971)	4,780
Forbis Logistics S.A.	Bulking agent	100	100	2,488	293	1,796	162	692	131	559	(231)
Soluciones Sitech Perú S.A.	Marketing of software and technology - related equipment	100	100	947	-	584	-	363	-	(461)	-
Inti Inversiones Interamericanas Corp. y Subsidiarias	Company that brings together the business abroad (*).	100	100	494,286	405,195	341,220	277,592	153,066	127,603	12,820	42,698

(*) This includes primarily Holding subsidiaries that are located in Central and North America, which are: General Equipment Company SA (El Salvador), Tractors G eneral Corporation SA (Guatemala) and other subsidiaries, General Equipment Company (Belize), Central Market SA Lubricants (Nicaragua) and Forbis Logistics Corp. (USA). The activities of the subsidiaries comprising the group INTI is the purchase and sale of machinery and spare parts and service shop.

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Notes to the separate financial statements (continued)

10. Investment Properties, net

(a) A breakdown of this caption:

	2013				
Description	**Lands** S/.(000)	**Buildings and other constructions** S/.(000)	**Work in progress** S/.(000)	**Total** S/.(000)	**2012** S/.(000)
Cost -					
Balance as of January 1	166,692	148,948	1,154	316,794	307,397
Additions	171	11,811	2,897	14,879	7,301
Disposals and/or sales	(36)	(14)	-	(50)	(49)
Fair value	61,745	-	-	61,745	-
Transfer of equity blocks	-	-	-	-	2,145
Balance as of December 31	228,572	160,745	4,051	393,368	316,794
Accumulated depreciation					
Balance as of January 1	-	41,362	-	41,362	35,531
Additions	-	4,929	-	4,929	2,462
Disposals and/or sales	-	(4)	-	(4)	-
Transfer of equity blocks	-	-	-	-	3,369
Balance as of December 31	-	46,287	-	46,287	41,362
Impairment					
Balance as of January 1	-	87	-	87	87
Balance as of December 31	-	87	-	87	87
Net book value	228,572	114,371	4,051	346,994	275,345

(b) Investment property includes mainly land and buildings of the Company, which are located in Lima and provinces and are intend ed for operational and administrative hire its subsidiaries and associated locations. These properties are recorded at fair value based on valuation work performed by an independent expert, the counterpart of fair value, has a credit in the account to other equity reserves its effect on income tax .

(c) In the opinion of management, the Company has insurance policies to adequately cover all of its fixed assets.

(d) As of December 31, 2013 and 2012, the Company does not maintain mortgages on the buildings.

(e) Depreciation expense for the year was recorded in its entirety cost rental service.

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Notes to the separate financial statements (continued)

11. Financial obligations

(a) This item is made up as follows:

Creditor	Maturity	Original currency	Annual effective interest rate %	2013 Current portion S/ .(000)	2013 Non-current portion S/ .(000)	2013 Total S/ .(000)	2012 Current portion S/ .(000)	2012 Non-current portion S/ .(000)	2012 Total S/ .(000)
Bonds									
The Bank New York (b)	Up to April 2020	US$	4.934(*)	-	821,845	821,845	-	-	-
Caterpillar Financial									
Caterpillar Leasing Chile	Up to April 2014	US$	5.390	-	-	-	3,509	60,266	63,775
Promissory notes withlocal and foreign institutions									
Banco de Crédito del Perú S.A.	Up to November 2015	US$	4.080	11,184	11,184	22,368	10,204	20,408	30,612
Banco de Crédito del Perú S.A.	Up to August 2016	US$	5.550	11,314	21,311	32,625	9,761	29,766	39,527
Scotiabank Perú	Up to February 2013	US$	4.850	-	-	-	17,007	21,258	38,265
Banco Internacional del Perú - Interbank	Up to July 2014	US$	4.900	-	-	-	8,599	6,725	15,324
Banco Internacional del Perú - Interbank	Up to November 2015	US$	4.000	-	-	-	5,094	10,808	15,902
Banco Crédito del Perú S.A.	Up to March 2013	US$	Libor to 3 months + 6.6%	-	-	-	2,392	-	2,392
Leases (e)									
Banco de Crédito del Perú S.A.	Up to January 2015	US$	6.800	3,150	272	3,422	2,994	3,243	6,237
Banco de Crédito del Perú S.A.	Up to May 2014	US$	6.950	267	-	267	255	123	378
Banco de Crédito del Perú S.A.	Up to July 2013	US$	5.390	-	-	-	248	-	248
Banco de Crédito del Perú S.A.	Up to June 2013	US$	5.620	-	-	-	186	-	186
Banco de Crédito del Perú S.A.	Up to November 2013	US$	4.080	-	-	-	344	-	344
Banco de Crédito del Perú S.A.	Up to June 2013	US$	4.850	-	-	-	248	-	248
Banco de Crédito del Perú S.A.	Up to November 2013	US$	4.950	-	-	-	188	-	188
Loan from third party – no related	Up to May 2014	US$	5.050	-	9,969	9,969	-	6,706	6,706
				25,915	864,581	890,496	61,029	159,303	220,332

(*) Nominal rate of 4.875 percent converted effectively.

Notes to the separate financial statements (continued)

(b) On 19 April 2013 the first international bond placement of the Company was held. The placement of the bonds came under Rule 144A and Regulation S of the U.S. Securities Act of 1993 and a public offering aimed at institutional investors in Peru. That bond issue was for a total of U.S. $ 300 million (approximately S/.834, 900,000 at that time) at a nominal annual interest rate of 4.875 percent (4.934 percent equivalent annual effective) and a 7-year term, expiration date being 24 April 2020. The total redemption of the bonds will be the due date. The funds have been used for repaying debt and for general corporate purposes.

The bonds are backed with generic guarantee equity of the Company and comply with the following ratios:

- To maintain a Leverage Ratio (Consolidated Total Debt / EBITDA) of no more than 3.5 times.
- Maintain a service rate interest coverage (EBITDA / Interest) of no less than 3.0 times.

Compliance with the obligations described are overseen by the Company's management and validated by the representative of bondholders. In case of breach of the above safeguards, early termination will be incurred. In the opinion of management, the Company was in compliance with these obligations at December 31, 2013.

(c) Interest expense accrued during the years ended December 31, 2013 and 2012, related to other financial liabilities, amounting to approximately S/.32,451,000 and S/.3,152,000, respectively, which are presented in the caption " Interest expense " in the statement of income. The accrued interest outstanding as of December 31, 2013 amounts approximately S/.7,650,0 00 (S/.1, 521,000 as of December 31, 2012), see note 13.

(d) As of December 31, 2013, the Company had credit lines for working capital up to S/.897, 619,000 with most banks in the system, which are intended for short-term financing.

(e) Correspond to the financial lease contracts signed by the Company with the Banco de Crédito del Perú S.A., for properties located in the district of Santiago de Surco and Lambayeque. These contracts expire between the years 2013 to 2016, accrue interest at an average annual rate of 6.6 percent and are secured by the same assets related to these contracts. As of December 31, 2013, the net book value of assets amounted to S/.3, 689,000 (S/.7,829,000 as of December 31, 2012).

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(f) The following are the minimum payments on finance leases are as follows:

	2013 S/.(000)	2012 S/.(000)
Finance leases- minimum lease payments		
Up to 1 year	3,553	4,834
Over 1 year up to 5 years	273	3,488
	3,826	8,322
Future finance charges on finance lease	(137)	(493)
Present value of financial lease obligations	3,689	7,829
The present value of finance lease liabilities is as follows:		
Up to 1 year	3,434	4,681
Over 1 year up to 5 years	255	3,148
	3,689	7,829

(g) As of December 31, 2013 and 2012, the repayment schedule of the non-current portion of long-term debt was as follows:

Year	2013 S/.(000)	2012 S/.(000)
2014	-	119,644
2015	33,355	31,100
2016	9,381	8,559
2020	821,845	-
	864,581	159,303

The financial obligations related to leases are secured because property rights over the assets revert to the lessor in the event of default by the Company.

Notes to the separate financial statements (continued)

12. Trade accounts payable

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Invoices (b)	791	1,149
Related parties, note 20	84	45,151
	875	46,300

(b) The trade payables are denominated in local and foreign currency and originate mainly for acquisitions and other services for the Company. The trade payables are current maturity; no guarantees have been provided by these obligations and do not accrue interest.

13. Other accounts payables

(a) This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Provision for contingencies (c)	8,097	6,125
Interest payable, note 11 (e)	7,650	1,521
Liability for various expenses (d)	4,461	9,910
Remuneration payable	2,540	4,786
Customer advances (e)	1,209	1,170
Worker's profit sharing (f)	392	9,920
Other taxes	181	22
Dividends payable	86	-
Other minors	3,834	-
	28,450	33,454

(b) The concepts that comprise this caption have current maturities and no guarantees have been provided by them.

(c) Correspond mainly to objections related expenses from trust equity for the year 2004, which belonged to the Company.

(d) This balance comprises various liabilities estimated by the Company on the basis of the expenditure that would be required to settle obligations to the date of the statement of financial position.

(e) Correspond mainly to advance received for sale of mining trucks which delivery will be made during the following years.

(f) This balance includes the outstanding balance, which mostly were fully canceled in March 2013.

Notes to the separate financial statements (continued)

14. Deferred Income tax liability, net

(a) The components that cause the liability for deferred income taxes at December 31, 2013 and 2012 are as follows:

	As of January 1, 2012 S/.(000)	Credit (charge) to the statement of income S/.(000)	Transfer to equity block S/.(000)	As of December 31, 2012 S/.(000)	Credit (charge) to the statement of income S/.(000)	Credit (charge) to the statement of changes in equity S/.(000)	As of December 31, 2013 S/.(000)
Deferred asset -							
Provisions	610	3,161	(2,087)	1,684	(654)	-	1,030
Difference in depreciation rates	2	1,265	(1,208)	59	(232)	-	(173)
Allowance for doubtful accounts receivable	7,793	(135)	(211)	7,447	803	-	8,250
Carryforward tax losses	-	-	-	-	8,642	-	8,642
Vacations	-	636	(636)	-	-	-	-
Estimation for impairment of inventories	-	908	(557)	351	(325)	-	26
Other	377	(5)	5	377	32	-	409
	8,782	5,830	(4,694)	9,918	8,266	-	18,184
Deferred liability							
Surplus revaluation of land	40,209	-	-	40,209	(14)	18,523	58,718
Revaluation of buildings	8,889	-	-	8,889	-	-	8,889
Financial leases	4,895	273	430	5,598	23	-	5,621
Gain on deferred sales, net	882	(325)	-	557	(348)	-	209
Other	(450)	305	(901)	(1,046)	1,458	-	412
	54,425	253	(471)	54,207	1,119	18,523	73,849
Total deferred liability, net	(45,643)	5,577	(4,223)	(44,289)	7,147	(18,523)	(55,665)

(b) The expense for income tax recorded in the separate statement of comprehensive income is composed as follows:

	2013 S/.(000)	2012 S/.(000)
Income tax		
Current	(1,276)	10,512
Deferred	(7,147)	(5,577)
Total income tax from continued operations	(8,423)	4,935

Notes to the separate financial statements (continued)

(c) The following is the reconciliation of the effective rate of income tax with the tax rate:

	2013		2012	
	S/.(000)	%	S/.(000)	%
Profit before income tax	104,554	100.00	118,116	100.00
Income tax according to tax rate	31,366	30.00	35,435	30.00
Effect on non-deductible (income) expenses				
Dividends	(38,532)	(36.85)	(30,500)	(25.82)
Non-deductible expenses	386	0.37	-	-
Other income	(1,643)	(1.57)	-	-
Expense (income) for income tax	(8,423)	(8.06)	4,935	4.18

d) The income tax payable is presented net of prepayments made during this tax year.

15. Net equity

(a) Issued capital -

As of December 31, 2013, the issued capital of the Company is represented by 945,227,102 common shares with a nominal value of each S/.1.00 (803,234,873 common shares subscribed and paid as of December 31, 2012 with a nominal value of S/.1.00 each).

As of December 31, 2013, the shareholding structure of the Company was as follows:

Percentage of individual participation capital	Number of shareholders	Total sample %
To 1.00	3,033	39.00
From 1.01 to 5.00	15	39.75
From 5.01 to 10.00	3	21.25
	3,051	100.00

On the General Meeting of Shareholders held on March 26, 2013, approved the payment of cash dividends for S/.48,194,092 and capitalization of profits of the year 2012 for S/.110,091,459. The board approved the transfer of S/.17,587,284 from retaing earning to legal reserve. Also, the partial capitalization of share premium (additional capital) for S/.31, 900,770 was approved.

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On February 29, 2012, the Board, as stated in the General Meeting of Shareholders on March 31, 2011, approved the capital increase as a result of the process started on December 2011, and declared completed after concluding two wheels preemptive by its shareholders; standing S/.74,767,429 shares with a par value of S/.1.00 each. The financial resources amounted to S/.170,469,738, from which the Board approved the capitalization of S/.74,767,429 and register a premium share of S/.95,702,309, increasing accordingly the issued capital from S/.623,635,177 to S/.698,402,606, represented by 698,402,606 common shares.

On the General Meeting of Shareholders held on March 28, 2012, approved the capitalization of profits of the year 2011 for S/.104,832,000. Also, on the General Meeting of Shareholders held on March 31, 2011, approved the capitalization of the results of 2010 for S/.92,674,000 .

(b) Legal reserve -

As provided in the Corporations Act, it is required that at least 10 percent of the distributable income for each year, net of income taxes, goes to a legal reserve until the transferred amount equals 20 percent of the capital . The legal reserve can absorb losses or be capitalized, in both cases there must be replenished.

(c) Other equity reserves -

Corresponds mainly to revaluation surplus, net of the related deferred income tax. It also includes the net gains and losses from changes in the estimated fair value of derivative instruments as cash flow hedges, where the value change in equity reflected initially, subsequently affecting the income statement depending on how it is influenced by the underlying covered.

(d) Distribution of dividends -

On the General Meeting of Shareholders of March 29, 2013, it was agreed to distribute charges to earnings unrestricted in 2012 for S/.48,194,000, which was paid in May 2013 .

On the General Meeting of Shareholders of March 28, 2012, it was agreed to distribute charges to earnings unrestricted of 2011 S/.41,903,000, which was paid in May 2012 .

Notes to the separate financial statements (continued)

16. Earnings per share

The calculation of earnings per share at December 31, 2013 and 2012 is presented below:

	As of December 31, 2013		
	Utility (numerator) S/.(000)	Shares (denominator)	Earning per share S/.
Earnings per share - basic and diluted	103,329	945,227	0.109

	As of December 31, 2012		
	Utility (numerator) S/.(000)	Shares (denominator)	Earning per share S/.
Earnings per share - basic and diluted	175,873	945,227	0.186

17. Cost of rental services

This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Depreciation	4,928	2,462
Insurance of properties	513	-
Property taxes	60	-
Building maintenance	11	-
	5,512	2,462

18. Administrative expenses

This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Business support provided by Ferreyros S.A.	4,816	-
Legal, notary and registration costs	749	-
Subscriptions and contributions	136	-
Apartments for rent	84	-
Vehicle insurance	64	-
Advertising notices and publications	18	-
Stationary and supplies	5	-
	5,872	-

Notes to the separate financial statements (continued)

19. Financial expenses

This item is made up as follows:

	2013 S/.(000)	2012 S/.(000)
Interest on corporate bonds, note 11 (c)	26,870	-
Interest on long-term loans, note 11 (c)	5,412	3,317
Interest on loans from subsidiary	2,333	-
Tax on financial transactions	1,476	247
Interest on overdrafts and loans, note 11 (c)	169	35
Other financial expenses	855	299
	37,115	3,898

20. Balances and transactions with related

(a) The principal related party transactions are as follows:

	2013 S/.(000)	2012 S/.(000)
Loans granted	900,046	1,091,928
Purchase of goods	54,512	207,938
Rent of buildings	21,185	10,963
Sale of goods	12,412	178,079
Transfer of assets	10,884	-
Expense management	6,597	-
Purchases of services	6,072	26,740
Capital contribution	4,555	-
Interest for borrowings	2,333	-
Business support	3,912	-
Equipment rental	2,088	-
Sales of services	622	657
Other incomes	116	314

Management believes that the Company conducts its operations with affiliated companies under the same conditions as those made with third parties when no similar transactions in the market, so that, as applicable, there is no difference in pricing policies or base tax settlement. Regarding the payment, they do not differ with policies granted to third parties.

Notes to the separate financial statements (continued)

(b) The table below presents the accounts receivable and payable related to the December 31, 2013 and 2012:

	2013 S/.(000)	2012 S/.(000)
Trade accounts receivables current portion (b), note 6		
Ferreyros S.A.	1,372	6,892
Motored S.A.	29	340
Unimaq S.A.	11	41
Orvisa S.A.	-	85
Other	-	62
	1,412	7,420
Other accounts receivables current portion (c)		
Ferreyros S.A.	107,650	94,235
Motored S.A.	11,257	13,588
Fargoline S.A.	10,293	5,995
Orvisa S.A.	9,478	8,943
Unimaq S.A.	7,906	20,999
Cresko S.A.	7,549	-
Mega Representaciones S.A.	7,346	6,014
Fiansa S.A.	4,789	17,645
Inmobiliaria CDR S.A.C.	4,671	78
Inti Inversiones Interamericanas Corp.	3,662	129
Ferrenergy S.A.	36	1,039
Other	183	-
	174,820	168,665
Other accounts receivables-non-current portion (c)		
Ferreyros S.A.	267,832	-
Unimaq S.A.	130,433	-
Motored S.A.	55,880	-
Inti Inversiones Interamericanas Corp.	31,994	-
Orvisa S.A.	27,154	-
Mega Representaciones S.A.	25,333	-
Cresko S.A.	21,285	-
Fiansa S.A.	18,614	6,931
Fargoline S.A.	11,496	-
	590,021	6,931
Trade accounts payable-current portion (b), note 12		
Ferreyros S.A.	65	45,110
Motored S.A.	15	-
Unimaq S.A.	3	10
Mega Representaciones S.A.	-	25
Fargoline S.A.	-	1
Other	1	5
	84	45,151

Notes to the separate financial statements (continued)

	2013 S/.(000)	2012 S/.(000)
Other accounts payable-current portion (d)		
Ferreyros S.A.	20,422	91,203
Motored S.A.	12,730	6,471
Ferreynergy S.A.	4,555	-
Inti Inversiones Interamericanas Corp.	2,713	2,277
Cresko S.A.	-	1,508
	40,420	101,459

(c) Accounts receivable and trade payables arising from sales and/or services provided and received by the Company are considered current maturities, non-interest bearing and have no specific guarantees, see Note 6 (a) and 13 (a).

(d) The accounts receivable for loans granted to its subsidiaries which bear interest rates of 4.5 to 9.3 percent and have a maturity ranging between 2 and 7 years.

(e) Such payables relating to borrowings of its subsidiaries which bear interest rates of 2-6 percent and have short-term maturities.

21. Commitments and Contingencies

Commitments

As of December 31, 2013, the Company had the following commitments:

(a) Guarantees for U.S. $ 9 4,000,000 and US$15,000,000, which guarantee credit operations of subsidiaries and affiliates, and purchase transactions of third, respectively, with various maturities.

(b) Bank guarantees in favor of banks for US$1,000,000, which primarily guarantee the seriousness of the offer of the Company and the faithful fulfillment of the delivery of the products sold through public process and payment of customs duties related import of goods.

Tax situation

(a) The Company is subject to Peruvian tax law. As of December 31, 2012 and 2013, the rate of income tax was 30 percent on taxable income.

Legal persons not domiciled in Peru and individuals must pay an additional 4.1 percent tax on dividends received.

(b) For purposes of determining the income tax and general sales tax, transfer pricing transactions with related companies and companies residing in areas of low or no taxation must be supported with documentation and information on valuation methods used and the criteria used for its determination.

Notes to the separate financial statements (continued)

Based on the analysis of the Company's operations, management, and its legal counsel, the application of these standards will not result in significant contingencies for the Company as of December 31, 2012 and 2013.

(c) The Tax Authority has the power to inspect and, if necessary, adjust the income tax calculated by the Company during the four years following the year of the filing of the affidavit. The affidavits of income tax and general sales tax for the years 2009 to 2013 are pen ding of audit by the Tax Authority. The affidavits for the years 2000 to 2007 were reviewed by the Tax Authority. The Tax Administration is in the process of audit of the year 2008.

Due to the possible interpretation that the tax authority can give legal norms can not be determined, to date, if the reviews will result on liabilities to the Company, so any higher tax or surcharge that may result of any tax revisions would be applied to the year in which it is determined.

In the opinion of management of the Company, any such additional tax would not be significant for the separate financial statements as of December 31, 2013 and 2012.

Contingencies
As of December 31, 2012 and 2013, the Company had pending claims to the tax authority for approximately S/.108,000,000 (including penalt ies for S/.15,976,000 and interests for S/.70,021, 000). Such processes are pending administrative or judicial resolution, and are related to observations made by the tax authorities to the affidavits of : (i) income tax (including prepayments) of the tax years 2001 to 2006 for S/.99,807,000, (ii) the general sales tax to the taxable years 2001 to 2006 for S/.3,702,000 , and (iii) income tax non - domiciled for tax years 2002, 2003, 2005 and 2006 for S/.4,731,000.

In all cases, as of December 31, 2013, the Company is advised by specialists on these issues, who had determined, together with Management, that approximately S/.8,097, 000 (S/.6,124,000 as of 31 December 2012), could be considered as probable loss. The Company has recorded a provision for such amount as of December 31, 2013 and 2012, which is presented in caption "other accounts payable" in the separate statement of financial position. Management, together with its legal and tax advisors consider that the Company has technical and legal resources that estimate that the Tax Court in Peru will resolve favorably to the Company; in that sense, they expect future resolutions of these processes will not result in significant liabilities and, therefore, it is not necessary to register any liability as of December 31, 2013 and 2012.

Notes to the separate financial statements (continued)

22. Management of financial risks
For the nature of its activities, the Company is exposed to credit, interest rate, liquidity, exchange rates and operational risks, which are managed through a process of identification, measurement and monitoring, subject to the risk limits and other controls. This process of risk management is critical to the continued profitability of the Company and each person is responsible for the risk exposures relating to their responsibilities.

The independent risk control process does not include business risks such as changes in the environment, technology and industry, which are monitored through the strategic planning process of the Company.

(a) Structure of risk management -
The structure of risk management is based on the Company's Board of Directors, which is ultimately responsible for identifying and controlling risks, in coordination with other areas as explained below:

(i) Directory
The Board is responsible for the overall approach to risk management. The Board provides principles for risk management and the policies developed for specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative.

(ii) Risk committee
It is a governing area whose mission is to assist the General Manager and the Board, through the Audit Committee in overseeing the risk management of the Company, monitor the internal environment and provide guidance on the action plans with risks that could adversely affect the achievement of the objectives of the Company.

The Committee's role is to supervise that the risk area develops its annual work plan and that the operational areas are actively participating. This monitoring is done through regular meetings where the risks area informs the status of implementation of the plan.

(iii) Internal audit
The processes of risk management in the Company are monitored by Internal Audit, which examines both the adequacy of the procedures and compliance with them. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board.

(iv) Department of finance
The Department of Finance is responsible for managing the assets and liabilities of the Company and the overall financial structure. It is primarily responsible for managing the funds and liquidity risks of the Company, assuming liquidity risks, interest rate and exchange rate risks, as currently in force policies and limits.

Notes to the separate financial statements (continued)

(v) Corporate Risk Area

The Risk Area is responsible for providing comprehensive risk management based on established methodology, to define the work schedule with the operational areas of the entire corporation and support them in the process to identify, assess, respond , control and monitor their major risks . The operational areas of each subsidiary of Ferreycorp S.A.A. are responsible for meeting and executing the work schedule as well as the implementation of agreed action plans on risks that may have a material impact on individual companies and Ferreycorp S.A.A.

Also as part of the risks of the strategic planning process of the Company, against which there are action plans to mitigate them down , risks of competition, recruitment, retention, availability of equipment failure products of social conflict and global financial crisis are taken into consideration.

(b) Risk Mitigation -

As part of its overall risk management, the Company uses derivatives (interest rate swaps) and other instruments to manage exposures resulting from changes in interest rates, foreign exchange, equity risk and credit risk. The risk profile is assessed before hedging transactions, which are authorized by the appropriate level within the Company.

(c) Excessive concentration of exposures -

Concentrations arise when a number of counterparties are engaged in similar business activities or have similar economic or other conditions. Concentrations indicate the relative sensitivity of the Company's performance with features that affect a particular industry.

Identified concentrations of credit risks are controlled and continuously monitored.

22.1. Credit risk

The Company takes on exposure to credit risk which is the risk that counterparty will cause a financial loss by failing to discharge an obligation. Financial assets potentially exposed to concentrations of credit risk are mainly deposits with banks and trade accounts receivable and diverse.

As of December 31, 2013, the Management has estimated that the maximum amount of credit risk to which the Company is exposed is approximately S/.781,677,000 (S/.359,647,000 as of December 31, 2012), which represents the value carrying amounts of financial assets. In the opinion of the management, there are no significant concentrations of credit risk as of December 31, 2012 and 2013.

Notes to the separate financial statements (continued)

22.2. Interest rate risk

The Company's policy is to keep financial instruments that earn fixed interest rate as of December 31, 2013 and 2012. The operating cash flows of the Company are substantially independent of changes in market interest rate, due to individual credit rating of the company, which allows it to get competitive interest rates in local markets.

The Company's exposure to interest rate risk is summarized in the following table. The Company's financial instruments are their carrying amounts, categorized according to their contract terms:

	As of December 31, 2013					
	To 3 months S/.(000)	**To 3 to 12 months** S/.(000)	**To 1 to 5 years** S/.(000)	**Do not accrue interest** S/.(000)	**Total** S/.(000)	**Interest rate average by 2013** %
Asset						
Cash and cash equivalent	11,485	-	-	4,970	16,455	3.50
Trade accounts receivable, net	5,005	1,456	-	6,468	12,929	Between 14 and 20
Other accounts receivable, net (*)	-	-	3,178	910	4,088	7.55
Trade accounts receivable from related parties	31,793	23,134	590,021	119,893	764,841	Between 4.5 and 9.3
Total asset	48,283	24,590	593,199	132,241	798,313	
Liabilitiy						
Trade accounts payable	-	-	-	875	875	-
Other accounts payable	-	-	-	28,450	28,450	-
Accounts payable to related parties	40,420	-	-	-	40,420	Between 2.00 and 6.0
Financial obligations	-	25,915	864,581	-	890,496	Between 4.08 and 6.95
Total Liability	40,420	25,915	864,581	29,325	960,241	
Marginal gap	7,863	(1,325)	(271,382)	102,916	(161,928)	
Cumulative gap	7,863	6,538	(264,844)	(161,928)	-	

Notes to the separate financial statements (continued)

	As of December 31, 2012					
	To 3 months S/.(000)	To 3 to 12 months S/.(000)	To 1 to 5 years S/.(000)	Do not accrue interest S/.(000)	Total S/.(000)	Interest rate average by 2012 %
Asset						
Cash and cash equivalent	13	-	-	15,424	15,437	1.30
Trade account receivable, net	10,917	12,338	36,492	100,059	159,806	Between 14 and 20
Other accounts receivable, net (*)	-	-	7,677	1,131	8,808	7.55
Accounts receivable from related parties	-	-	73,929	101,667	175,596	Between 4 and 8
Total asset	10,930	12,338	118,098	218,281	359,647	
Liabilities						
Trade accounts payable	-	-	-	46,300	46,300	-
Other accounts payable	-	-	-	33,454	33,454	-
Accounts payable to related parties	-	-	6,471	94,988	101,459	4
Financial obligation	-	61,029	159,303	-	220,332	Between 4 and 6.95
Total liabilities	-	61,029	165,774	174,742	401,545	
Marginal gap	10,930	(48,691)	(47,676)	43,539	(41,898)	
Cumulative gap	10,930	(37,761)	(85,437)	(41,898)	-	

(*) As of December 31, 2013, other accounts receivable included in this table did not consider an amount of S/.2,555,000 (S/.6,241,000 as of December 31, 2012) for the value added tax for, S/.11,515,000 tax credit for prepayments of the income tax for S/.144,000 for the tax credit fund account withdrawals for S/.1,476,000 of accounts receivable from Sunat, which, according to IFRS, do not qualify as financial instruments.

Notes to the separate financial statements (continued)

The following table shows the sensitivity to a possible change in interest rates, holding all other variables constant, in the separate income statement before income tax. The sensitivity in the separate income statement is the effect of the estimated interest rates on net interest income for one year changes, based on the financial assets and financial liabilities exposed to changes in interest rates 2013 and December 31, 2012 :

	2013		2012	
Currency	**Changes in basis points**	**Sensitivity in net profit** S/.(000)	**Changes in basis points**	**Sensitivity in net profit** S/.(000)
Nuevos Soles	+/-50	212	+/-50	305
Nuevos Soles	+/-100	424	+/-100	610
Nuevos Soles	+/-200	848	+/-200	1,221
Nuevos Soles	+/-300	1 ,272	+/-300	1,831

The sensitivities of interest rates shown in the tables above are illustrative only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income based on the projected scenarios of the yield curve and the risk profile of the interest rate. However, this effect does not include actions that would be taken by management to mitigate the impact of this risk on interest rates. Furthermore, the Company proactively seeks to change the risk profile of interest rates to minimize losses and optimize net income. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections also include assumptions to facilitate the calculations, for example, that all positions run to maturity or, winning the year are renewed for the same amount.

Notes to the separate financial statements (continued)

22.3. Liquidity risk

Liquidity risk is the risk that the Company may not meet its payment obligations associated with financial liabilities when due and to replace funds when they are withdrawn. The consequence would be the non-payment of its obligations to third parties.

The Company controls required liquidity by proper management of the maturities of its assets and liabilities in such a way to achieve the fit between the flow of income and future payments, which allows you to develop their activities normally.

The main sources of income of the Company are cash collections from sales of imported merchandise. The average payment period from its suppliers was 60 days for the years 2013 and 2012. The Company believes that the management of billing and payment deadlines tends to improve due to improvements made in their collection management policies. In the event the Company may not have, at any given time, the necessary resources to meet its obligations in the short term, it has credit lines with financial institutions, and because of their economic solvency has managed to acquire loans and short medium term at lower rates than the market average.

Notes to the separate financial statements (continued)

The table below presents the cash flows payable by the Company in accordance with the contractual maturities at dates of state of financial position.

The amounts are the cash flows based on contractual undiscounted and include their interests:

	From 1 to 3 months S/.(000)	From 3 to 12 months S/.(000)	From 1 to 5 years S/.(000)	From 5 years to more S/.(000)	Total S/.(000)
To December 31, 2013					
Other financial assets:					
Amortization of capital	-	25,915	42,736	821,845	890,496
Amortization of interests	10,907	32,296	205,785	13,631	262,619
Trade accounts payable	875	-	-	-	875
Other accounts payables	28,450	-	-	-	28,450
Accounts payable to related entities	40,420	-	-	-	40,420
Total	80,652	58,211	248,521	835,476	1,222,860
To December 31, 2012					
Other financial assets:					
Amortization of capital	19,399	41,630	159,303	-	220,332
Amortization on interests	2,392	2,594	3,207	-	8,193
Trade accounts payable	-	46,300	-	-	46,300
Other accounts payables	33,454	-	-	-	33,454
Accounts payable to related entities	-	94,988	6,471	-	101,459
Total	55,245	185,512	168,981	-	409,738

Notes to the separate financial statements (continued)

22.4. Exchange rate risk

The Company is exposed to the effects of fluctuations in the prevailing changes in foreign currency on its financial position and cash flows. Management sets limits on the level of exposure by currency and total daily operations.

Lending and borrowing transactions are basically made in national currency. Transactions in foreign currency are carried at rates of supply and demand and are detailed in note 4.

The Company manages the risk of foreign exchange monitoring and controlling the values of the position not maintained in Nuevos Soles (functional currency) and which are exposed to movements in exchange rates. The Company measures its performance in soles so that if the position of foreign exchange is positive, any depreciation of the U.S. dollar would adversely affect the statement of financial position of the Company. The current position comprises foreign currency assets and liabilities are stated at the exchange rate, see note 1. Any devaluation / revaluation of foreign currency affect the separate income statement.

The risk of change in net foreign currency liability is covered financially with exchange position of its subsidiaries.

The following table shows the sensitivity analysis of the U.S. dollar, the currency to which the Company has significant exposure at 31 December 2013 and 2012, its assets and liabilities and its forecast cash flows. The analysis determines the effect of a reasonably possible change in the exchange rate of the U.S. dollar, with all other variables constant in the separate income statement before income tax.

A negative amount shows a potential net reduction in the statement of comprehensive income, while a positive amount reflects a net potential increase:

Sensibility analysis	Change in rates exchange %	2013 S/.(000)	2012 S/.(000)
Devaluation -			
Soles	5	15,568	10,503
Soles	10	31,136	21,005
Revaluation -			
Soles	5	(15,568)	(10,503)
Soles	10	(31,136)	(21,005)

Notes to the separate financial statements (continued)

22.5. Capital management

The Company actively manages a capital base to cover inherent risks in its activities. The capital adequacy of the Company is monitored using, among other measures, the ratios established by Management.

The objectives of the Company when managing capital, which is a broader concept than the "Equity" shown in the statement of financial position are: (i) to safeguard the Company's ability to continue to operate so as to continue to provide returns shareholders and benefits for other stakeholders, and (ii) maintain a strong capital base to support the development of their activities.

Byt December 31, 2012 and 2013, there were no changes in the activities and capital management policies of the Company.

22.6. Fair value of financial instruments–

(a) Fair value -

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing to do so parties in a current transaction, under the assumption that the entity is a going concern.

Accounting standards define a financial instrument as cash, evidence of ownership in an entity, or a contract in which they agreed or imposed on an entity 's contractual right or obligation to receive or deliver cash or another financial instrument. Fair value is defined as the amount at which a financial instrument could be exchanged in a transaction between two parties that wish to do so, other than in a forced sale or liquidation, and the best evidence of its value is its price, if any.

The methodologies and assumptions used depend on the terms and risk characteristics of various financial instruments and include the following:

- Cash and cash equivalents represents a credit risk or interest rate significantly. Therefore, it has been assumed that their carrying amounts approximate their fair value.

- Accounts receivable because they are net of provision for loan losses and primarily have maturities of less than one year, the Management has seen its fair value is not materially different from its carrying value.

- In the case of trade payables and other payables, as these liabilities have current maturities, the management believes that its accounting balance approximates its fair value.

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Notes to the separate financial statements (continued)

Based on the criteria described above, management believes that there are no significant differences between the book value and fair value of financial instruments of the Company by December 31, 2013 and 2012.

(b) Fair-value measurement -

Instruments measured at fair value by hierarchy -

Level 1 –

- Cash and cash equivalents represents a credit risk or significant interest rate, therefore, their carrying amounts approximate their fair value.

- Accounts receivable because they are net of provision for loan losses and primarily have maturities of less than three months, the Management has seen its fair value is not materially different from its carrying value.

- Trade accounts payable and other payables, due to its current maturity, the Management of the Company believes that its accounting balance approximates its fair value.

Level 2 -

- For other financial liabilities, their fair values have been determined by comparing the market interest rates at the time of initial recognition with current market rates offered for similar financial instruments. A comparison between the values presented in books and the fair values of these financial instruments is shown in the table below:

	2013		2012	
	Carrying value S/.(000)	**Fair value** S/.(000)	**Carrying value** S/.(000)	**Fair value** S/.(000)
Financial obligations	25,915	24,356	61,029	57,358
Non financial obligations	864,581	640,423	159,303	140,715

Notes to the separate financial statements (continued)

23. Discontinued operation

As described in Note 2, the Company transferred the assets and liabilities of Caterpillar and Automotive online, so the output generated by these businesses during 2012 are presented in a single line of the income statement (net income from discontinued operations) as required by IFRS 5. Statements of Income included in this line are as follows:

Statement of income

	2013 S/.(000)	2012 S/.(000)
Net sales	60,410	2,028,783
Cost of sales	(60,760)	(1,692,928)
Gross (loss) income	(350)	335,855
Operative expenses	(13,695)	(234,040)
Operating (loss) income	(14,045)	101,815
Other expenses/income	4,397	(6,844)
(Loss) income before income taxes	(9,648)	94,971
Income taxes	1,251	(32,279)
Loss (gain) net	(8,397)	62,692

Statement of financial position

	2013 S/.(000)	2012 S/.(000)
Asset		
Cash and cash equivalente	16,455	15,437
Trade accounts receivable	12,929	120,256
Other accounts receivables	11,287	12,894
Prepaid expenses	397	682
Inventories	2,917	12,078
Total assets	43,985	161,347
Total liabilities	-	-

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Notes to the separate financial statements (continued)

24. Explanation added for English translation

The accompanying financial statements were originally issued in Spanish and are presented on the basis of International Financial Reporting Standards, as described in Note 3. Certain accounting practices applied by the Company that conform to those accounting principles may not conform to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.

6. Management analysis and discussion of the audited financial statements

Ferreycorp S.A.A., In its capacity as the holding company, Ferreycorp will consolidate the results from all its subsidiaries, both in Peru and abroad, and produce policy guidelines to be followed by all the companies of the corporation. At individual level they show only dividend earnings from its investments in subsidiaries. Furthermore, it owns the buildings used by Ferreyros S.A. and, therefore, also receives rent as operating income that enable it to cover the operating costs of the corporation. Finally, the corporation plays a role in financing its subsidiaries in order to concentrate loans in high-volume operations and therefore obtain better conditions, as was the case with the placement of corporate bonds in the international market; thus it also receives as income the interest earned on loans granted. On the 26th of April Ferreycorp issued bonds denominated “4.875% Senior Guaranteed Notes due 2020”, placed on the local and international markets and valued at US$ 300 million. A significant part of the funds obtained has been assigned to the subsidiaries in order to re-profile their debt.

5.1 Individual financial statements of Ferreycorp S.A.A.

Analysis of the company's financial position

Statement of Financial Position (in millions of Nuevos Soles)

			Variance	
	31.12.13	31.12.12	Amount	%
Assets				
Current Assets				
Cash and Cash Equivalents	16.5	15.4	1.1	7.1
Trade accounts receivable, net	12.1	114.9	-102.8	-89.5
Accounts receivable from related parties	174.8	168.7	6.1	3.6
Other accounts receivable, net	8.4	8.8	-0.4	-4.5
Inventories, net	2.9	12.1	-9.2	-76.0
Prepaid expenses	0.4	0.7	-0.3	-42.9
Total current assets	**215.1**	**320.6**	**-105.5**	**-32.9**
Trade accounts receivable, net	0.8	5.4	-4.6	
Other accounts receivable from related parties	590.0	6.9	583.1	8,450.7
Other accounts receivable, net	2.9	4.1	-1.2	-29.3
Financial investments	1,209.3	1,086.4	122.9	11.3
Investment properties	347.0	275.3	71.7	26.0
Immovable property, machinery and equipment	0.1	0.1	0.0	0.0
Total	**2,365.2**	**1,698.8**	**666.4**	**39.2**

Total liability and net equity				
Current liabilities				
Other financial liabilities	25.9	61.0	-35.1	-57.5
Trade accounts payable	0.9	46.3	-45.4	-98.1
Wages, profit sharing for workers, taxes and other accounts payable	28.4	33.5	-5.1	-15.2
Accounts payable to related parties	40.4	101.5	-61.1	-60.2
Income tax liabilities	-	2.0	-2.0	-100.0
Total current liabilities	**95.6**	**244.3**	**-148.7**	**-60.9**
Other financial liabilities	864.6	159.3	705.3	442.7
Deferred income tax liabilities	55.7	44.3	11.4	25.7
Total Liabilities	**1,015.9**	**447.9**	**568.0**	**126.8**
Equity				
Capital stock	945.2	803.2	142.0	17.7
Additional capital	63.8	95.7	-31.9	
Legal reserves	99.8	82.2	17.6	21.4
Other equity reserves	137.2	93.9	43.3	46.1
Retained earnings	103.3	175.9	-72.6	-41.3
Total Equity	**1,349.3**	**1,250.9**	**98.4**	**7.9**
Total	**2,365.2**	**1,698.8**	**666.4**	**39.2**

As at the 31st of December 2013, total assets amounted to S/. 2,365.2 million, compared with S/. 1,698.8 million as at the 31st of December 2012, an increase of S/. 666.4 million (39.2%). The main changes in assets were due to: i) An increase in accounts receivable from subsidiaries for loans granted to them using funds generated by corporate bond issues in the international market in April 2013, ii) An increase in investment in securities as a result of capital contributions to subsidiaries of the corporation, as well as iii) An increase in real estate, machinery and equipment resulting from a revaluation of land; net of a reduction in trade accounts receivable resulting from collections in the period and the realization of inventories.

As at the 31st December 2013, total liabilities amounted to S/. 1,015.9 million, compared with S/. 447.9 million as at the 31st December 2012, an increase of S/. 568.0 million (126.8%). This increase is explained by the growth of the assets mentioned above.

Liquidity

The current ratio as at the 31st December 2013 is 2.25, higher than the figure of 1.31 as at the 31st December 2012 due to a change in the composition of the corporation's liabilities. As at the 31st December 2012 current liabilities represent 55% of all liabilities, whilst as at the 31st December 2013 these liabilities represented only 9%.

The financial indebtedness ratio as at the 31st December 2013 was 0.65 compared with 0.16 on the 31st of December 2012. Cash and banks and liabilities to suppliers that do not generate financial expenses were not taken into account when calculating this ratio.

The total indebtedness ratio as at the 31st December 2013 was 0.75 compared with 0.36 as at the 31st December 2012. The indebtedness ratio increased basically because of an increase in liabilities caused by the US$ 300 million bond issue.

Analysis of the results

Statement of results (in millions of Nuevos Soles)

	2013	2012	Variance
	Amount	Amount	%
Income			
Cash dividend income	128.5	101.7	26.4
Financial income	26.5	5.2	409.6
Rental services	21.3	10.8	97.2
Total income	**176.3**	**117.7**	**49.8**
Cost of rental services	-5.5	-2.5	120.0
Overheads	-5.9		
Financial expenses	-37.1	-3.9	851.3
Exchange rate difference, net	-23.2	6.8	
Total income (expenses)	**-71.7**	**0.4**	
Profit before income tax	**104.6**	**118.1**	**-11.4**
Income tax	7.1	-4.9	-244.9
Net profit from continuing operations	**111.7**	**113.2**	**-1.3**
Net result from discontinuing operations	-8.4	62.7	
Net profit	**103.3**	**175.9**	**-41.3**

Higher earnings are explained by the following factors: i) higher dividends from subsidiaries, ii) greater financial earnings from loans to subsidiaries using part of the funds generated by the international bond placement, and iii) rental services, earnings from which covered the full 12 months of 2013, whereas in 2012 they were generated in only 6 months.

Higher expenditure in 2013 basically resulted from: i) higher financial expenses arising from the corporate bond placement, and ii) exchange rate losses during the fiscal year: in 2013 the sol devalued 9.60% against the dollar, while in 2012 it appreciated by 5.41% against the dollar.

As far as the results from discontinuous operations were concerned, reduced discontinuous earnings in 2013 compared with 2012 was due principally to the fact that the main operations of 2012 were recorded only in the first half of that year.

Changes in those responsible for drawing up and revising financial information

Durante el 2013 y en 2012 no se han producido cambios en los responsables de la elaboración y revisión de la información financiera de la empresa.

5.2 Consolidated financial statements of Ferreycorp S.A.A.

The following section gives an explanation for the most important variations in the company's financial statements as at the 31st December 2013 and the 31st December 2012. For the purpose some figures have been reclassified in the income statement shown below, to include gross earnings from purchase orders transferred by Caterpillar to Ferreyros as sales and cost of sales.

Analysis of the consolidated financial situation of Ferreycorp and subsidiaries

Estado Consolidado de Situación Financiera (en millones de nuevos soles)

			Variance	
	31.12.13	31.12.12	Amount	%
Assets				
Current assets				
Cash and cash equivalent	119.4	172.7	-53.3	-30.9
Trade accounts receivable, net	826.1	751.6	74.5	9.9
Other accounts receivable, net	119.3	119.7	-0.4	-0.3
Inventories, net	1,580.1	1,534.6	45.5	3.0
Prepaid expenses	15.9	20.5	-4.6	-22.4
Total current assets	**2,660.8**	**2,599.1**	**61.7**	**2.4**
Trade accounts receivable, net	36.0	29.1	6.9	23.7
Other accounts receivable, net	5.9	6.8	-0.9	-13.2
Financial investments	85.4	74.7	10.7	14.3
Immovable property, machinery and equipment	1,291.4	1,160.3	131.1	11.3
Intangibles, net	78	73.3	4.7	6.4
Mercantile credit	156.3	115.3	41.0	35.6
Income tax assets	117.3	85.2	32.1	37.7
Total	**4,431.1**	**4,143.8**	**287.3**	**6.9**

Consolidated Statement of Financial Position (in millions of Nuevos Soles) continued

			Variance	
	31.12.13	31.12.12	Amount	%
Liabilities and Net Equity				
Current Liabilities				
Other financial liabilities	620.4	957.4	-337.0	-35.2
Trade accounts payable	406.4	445.3	-38.9	-8.7
Wages, profit sharing for workers, taxes and other accounts payable	437.4	467.1	-29.7	-6.4
Income tax liabilities	0.4	2.9	-2.5	-86.2
Total current liabilities	**1,464.6**	**1,872.7**	**-408.1**	**-21.8**
Other financial liabilities	1,240.3	727.9	512.4	70.4
Other accounts payable	3.4	3.5	-0.1	-2.9
Deferred income tax liabilities	159.9	116.3	43.6	37.5
Total Liabilities	**2,868.2**	**2,720.4**	**147.8**	**5.4**
Equity				
Capital stock	945.2	803.2	142.0	17.7
Additional capital	105.3	137.3	-32.0	-23.3
Legal reserves	99.8	82.2	17.6	21.4
Other equity reserves	211.9	124.2	87.7	70.6
Retained earnings	200.7	276.5	-75.8	-27.4
Total Equity	**1,562.9**	**1,423.4**	**139.5**	**9.8**
Total	**4,431.1**	**4,143.8**	**287.3**	**6.9**

As at the 31st of December 2013, total assets amounted to S/. 4,431.1 million, compared with S/. 4,143.8 million as at the 31st of December 2012, an increase of S/. 287.3 million (6.9%), which represents lower growth with respect to the increase in sales (13.4%). The main variations in the assets account that explain this increase are as follows:

a) An increase in trade accounts receivable of S/. 81.4 million, due to increased sales in general. Accounts receivable rose by 10.4%, a lower rate than the growth of the corporation's sales.

b) Net increase in inventories amounting to S/. 45.5 million due principally to purchases of principal products and spare parts, as a consequence of the increase in sales.

c) A net increase of S/. 131.1 million in fixed assets is explained by a re-assessment of land values.

d) The increase in mercantile credit of S/. 41.0 million derived basically from new acquisitions at the beginning of this year: the Mobil lubricants distribution business in Guatemala (US$ 12 million) and Nicaragua (US$ 2.7 million) and the incorporation of Tecseg through the Mega Representaciones subsidiary (US$ 5.8 million).

As at the 31st December 2013, total liabilities amounted to S/. 2,868.2 million, compared with S/. 2,720.4 million as at the 31st December 2012, an increase increase of S/. 147.8 million (5.4%). This increase is explained by the growth of the assets mentioned above.

Liquidity

The current ratio as at the 31st December 2013 is 1.82, higher than the figure of 1.39 as at the 31st December 2012 due to a change in the composition of the corporation's liabilities. As at the 31st December 2012 current liabilities represented 69% of total liabilities, whilst as at the 31st December 2013 these liabilities represented 51%.

The financial indebtedness ratio of 1.23 as at 31-12-13 is slightly higher than the figure of 1.19 as at 31-12-12. Cash and banks and liabilities to suppliers that do not generate financial expenses were not taken into account when calculating this ratio.

The total indebtedness ratio as at 31-12-13 was 1.84, compared with 1.91 as at 31-12-12. The indebtedness ratio in December 2013 results from changes in equity, which was affected by dividend payments in the previous year, agreed according to the Ferreycorp dividends policy, but was also favored by the profits generated in this fiscal year.

Analysis of the consolidated results of the operations of Ferreycorp S.A.A. and subsidiaries

Consolidated Statement of Results (in millions of Nuevos Soles)

		2013		2012	Variance
	Amount	%	Amount	%	%
Net sales	5,225.4	100.0	4,610.7	100.0	13.3
Cost of sales	-4,117.4	-78.8	-3,691.2	-80.1	11.5
Gross Profit	**1,108.0**	**21.2**	**919.5**	**19.9**	**20.5**
Sale expenses and overheads	-749.1	-14.3	-652.3	-14.1	14.8
Miscellaneous income (expenses), net	31.7	0.6	35.9	0.8	-11.7
Operating Profit	**390.6**	**7.5**	**303.1**	**6.6**	**28.9**
Other income (expenses):					
Financial income	21.7	0.4	23.1	0.5	-6.1
Financial expenses	-102.9	-2.0	-89.7	-1.9	14.7
Exchange rate difference, net	-146.1	-2.8	79.1	1.7	
Profit sharing in income of related parties under the equity method	2.2	0.0	-0.4	0.0	
	-225.1	**-4.3**	**12.1**	**0.3**	
Profits before income tax	**165.5**	**3.2**	**315.2**	**6.8**	**-47.5**
Income tax	-65.5	-1.3	-94.8	-2.1	-30.9
Net profit	**100.0**	**1.9**	**220.4**	**4.8**	**-54.6**

FOR MORE REASONS
Management analysis and discussion of the audited financial statements

Net sales

In millions of Nuevos Soles

			Variación
	2013	2012	%
Machinery and equipment:			
Caterpillar mining trucks and machinery (LM)	955.3	733.2	30.3
Caterpillar machinery and motors to other sectors (NLM)	1,088.1	1,349.4	-19.4
Rentals and Used Machinery	514.9	339.6	51.6
Allied Equipment	314.4	192.6	63.2
Automotive	175.5	227.9	-23.0
Agricultural equipment	78.6	95.3	-17.5
	3,126.8	**2,938.0**	**6.4**
Spare parts and services	**1,713.7**	**1,441.9**	**18.9**
Other lines			
Lubricants	157.8	76.1	107.4
Metal mechanical industry	62.2	41.8	48.8
Tires	69.7	68.4	1.9
Safety gear	52.7		
Logistic services	34.2	23.1	48.1
Others	8.3	21.4	-61.2
	384.9	**230.8**	**66.8**
Total	**5,225.4**	**4,610.7**	**13.3**

Net sales in 2013 amounted to S/. 5,225.4 million, compared with S/. 4,610.7 million in the previous year, a significant increase of 13.3%.

The Caterpillar and allied brands equipment achieved sales of S/. 3,127 millions, representing an increase of 6%, driven by sales to mining clients, which grew by 30% due principally to the new line of face shovels and drilling rigs formerly sold under the Bucyrus brand name; sales of allied brands, which rose by 63%; and rentals and sales of used equipment, which rose by 52%. In addition, sales of spare parts and services increased by 19%, in line with new machinery purchases and refurbishment of machinery sold over recent years.

We would also point out the increase in sales of other products and services complementary to the capital goods business, such as tires, lubricants and other services provided by other affiliates (companies that do not represent Caterpillar in Peru and Central America) such as Mega Representaciones, Mercalsa Nicaragua, Fiansa and Fargoline, which increased by 67%. Sales of lubricants especially rose by 107%, light engineering by 49% and logistics services by 48%.

Furthermore, sales by Ferreyros affiliates Orvisa and Unimaq, Caterpillar distributors in Peru, grew by 14%, driven principally by sales of new equipment, spare parts and services, as well as rentals of used equipment to clients in different sectors of the economy. Distributors of Caterpillar and others allied lines outside Peru increased their sales by 19%, due basically to the incorporation of new businesses such as the Mobil lubricants distribution business in Guatemala and Nicaragua, which contributed sales worth US$ 26 million. The affiliates operating in Peru also increased their sales by 7%, thanks to greater coverage of their target sectors and the incorporation by Mega Representaciones of the line of safety products, which contributed sales worth US$ 21 million.

Profit from sales

Gross profit in 2013 was 20.5% higher than in 2012. In percentage terms, gross margin was 21.2%, rather more than the 19.9% recorded in the previous year, which was explained by the following:

- Firstly, a strengthening dollar affected gross margins. The exchange rate at the beginning of the year was S/. 2.55 and at the end of December it was S/. 2.80. This means that the company's sales were recorded at a higher exchange rate and cost of sales derived from inventories purchased at a lower exchange rate. These higher gross earnings have enabled us to recover part of the exchange rate loss accumulated during the year arising from dollar-denominated debt required to finance inventories.

This impact is due to the accounting process, which requires that inventories should be accounted for in soles at the exchange rate in force on the date of acquisition, while sales are recorded at the exchange rate in force on the date of the transaction.

- Secondly, the different proportions of total sales contributed by the product lines. During 2013, sales of new machinery and equipment, which have lower margins, represented 60% of total sales (63% in 2012), whilst sales of supporting products at higher margins represented 32% of turnover (31% in 2012). These latter produce a greater margin because of the effort necessary to keep inventories and to distribute spare parts and services throughout Peru.

Sales and administration costs

Sales and administration costs in 2013 amounted to S/. 749.1 million compared with S/. 652.3 million for the previous year, which represents growth of 14.8%, lower than the increase in gross earnings (20%). Sales and administration costs were affected by the amortization of intangible assets related to the acquisition of the former Bucyrus product line for S/. 22 million soles and the incorporation of Tecseg and the Mobil distribution businesses in Guatemala and Nicaragua, the cost of which is included for the first time by the corporation.

Income (expenditure) various - net

In 2013 net income of S/.31.7 million was registered under this item, compared to a net income of S/. 35.9 million generated in the previous year, a reduction of 11.7%.

Financial earnings

Financial earnings in 2013 amounted to S/. 21.7 million, 6.1% less than the S/. 23.1 million generated in the previous year, which can be explained by a reduction in sales financed by the corporation because of greater participation by financial entities in this form of financing.

Financial expenses

Financial expenditure amounted to S/. 102.9 million in 2013 and S/. 89.7 million in the previous year, which represents an increase of 14.7% caused by an increase in average liabilities subject to interest payments (S/. 1,943 million in 2013; S/. 1,683 million in 2012), which is the principal explanation for the increase in assets (see “Analysis of the financial situation”).

FOR MORE REASONS
Management analysis and discussion of the audited financial statements

Exchange rate earnings (losses)

In 2013 net liabilities in foreign currency gave rise to exchange rate losses of S/. 146.1 million compared to earnings of S/. 79.1 million generated in the previous year. The exchange rate loss in 2013 resulted from the 9.60% strengthening of the dollar against the sol (the exchange rate was S/. 2.551 as at the 31st December 2012 and rose to S/. 2.796 as at the 31st December 2013). Exchange rate earnings in 2011 were the result of the Peruvian nuevo sol strengthening 5.41% against the United States dollars (the exchange rate was S/. 2.697 as at the 31st of December 2011 and fell to S/. 2.551 as at the 31st December 2012).

Income tax

Income Tax for 2013 and 2012 was calculated in accordance with current tax legislation.

Net profit

Because of the variations explained above, net earnings for the year amounted to S/. 100.0 million compared with S/. 220.4 million in the previous year, representing a reduction of 54.6%.

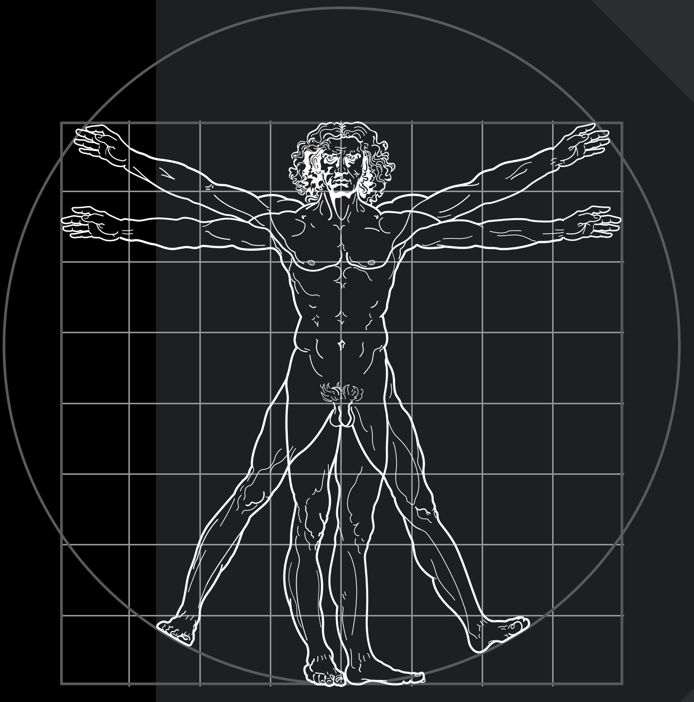
Earnings before interest, depreciation and amortization (EBITDA)

EBITDA in 2013 amounted to S/. 588.2 million compared with S/. 461.0 million in 2012, representing an increase of 27.6%.

FOR MORE REASONS

Service
Dedication
+ Closeness

For more reasons



Commitment


CAT
L. LOAYZA
A. VIZCARRA
J. RUIZ
M. REYES
F. LLANOS
J. VEGA

FOR MORE REASONS

Com mit ment

Ninety-one years ago, the seed company of present Ferreycorp - Enrique Ferreyros y Cía. was born. Since then, five generations of workers who are the driving force for success of the corporation, have focused their talent and capacity to commit themselves to serve their customers and create positive impacts on their stakeholders, long before the spread of the social responsibility notion started. In 2013, over 6,500 people in Peru and Central America continued leaving their footprint on this road.

7. Social Responsibility

Ferreycorp takes an active role as an agent of change and driver of progress in the country. In the firm belief that social responsibility should be part of the management of all companies, in 2013 the organization continued to have a positive impact on all its stakeholders.

Collaborators

Ferreycorp's most important competitive advantage is its people. Its collaborators are the people who forge the leadership and solidity of the corporation, which offers them the best working conditions, a good atmosphere in the workplace and encourages their integral development, both professional and personal.

Valuing and respecting diversity

The workplace remains free from discrimination and favors equality based on the merits of each collaborator. Equally, it has introduced a program of labor inclusion to promote the employment of people with disabilities. Mega Representaciones, Unimaq and Ferreyros have hired collaborators with different abilities.

Health, safety and working conditions

The group operates a Health, Safety and Environmental Management system that seeks to ensure permanent compliance with the highest standards of risk management.

Furthermore, the Social Services Department provides personalized service in fields such as health, education, housing and family problems, among others.

Professional and personal development

Promotes and facilitates the professional development of its collaborators. (For more information on this subject, see the chapter entitled “Organization and Human Resources”).

The corporation encourages its collaborators to spend their spare time with their families. It also develops a number of activities such as training in productive activities, vacation programs for children and recreational activities.

Relationships with our labor unions

Since 1946 to the present day Ferreyros' hourly-paid employees have been represented by a labor union with which the company maintains excellent relations. The union collaborates in the creation of policies that improve working conditions and the quality of life of our collaborators and their families.

Social activities

Personnel from the different companies attend social activities. Furthermore, since 2010, collaborators from the different companies of the corporation can take part in the Corporate Olympics as well as five-a-side football tournaments and the “Ferreyros 4k” volunteers’ race among others.

Shareholders

Ferreycorp maintains the highest standards of compliance and leadership in good corporate governance, and expresses its commitment through:

• Respect for shareholders' rights.
• Equal treatment for all shareholders.
• Opportune and transparent publication of information.
• The existence of a highly-qualified board of directors that represents all the shareholders and includes independent directors.

This has made Ferreycorp into a benchmark for other businesses. Ever since 2010 it has obtained the maximum number of points in the self-assessment of compliance with the principles of good corporate governance promoted by the Stock Market Regulatory Authority (SMV).

For further details see the chapter entitled "Corporate Governance", as well as our self-assessment of the 26 principles of good governance for Peruvian companies, (digital version) for fiscal year 2013.

Clients

The corporation encourages long-term commercial relationships bringing mutual benefits with its clients, offering the best integrated solutions for their businesses, backed by a leading corporation with a tradition of integrity and solid values.

Ferreycorp provides value to its clients in the following manner:

• The company has a varied portfolio of high-quality products and services and provides specialist attention to different sectors.
• Constant monitoring of client satisfaction and claims management focused on continually improving the services offered.
• Proper management of its businesses and appropriate communications and marketing.
• Client privacy and protection for confidential information.
• Training for clients on technical specifications and adequate handling of the products.

Suppliers

The corporation's companies choose their suppliers based on clearly established principles such as transparency, equal treatment and mutual growth. Ferreycorp's choice of suppliers is based on the quality of their products or services, as well as price and delivery terms. These criteria se are complemented by management elements, such as personal treatment and the implementation of safety programs.

Five of the corporation's companies, Ferreyros, Unimaq, Fiansa, Mega Representaciones and Fargoline, are members of the Association of Good Employers sponsored by the American - Peruvian Chamber of Commerce of Peru (Amcham). These companies are committed to encouraging their suppliers to employ good practices in the field of human resources, which in turn increase the motivation of their collaborators, levels of productivity and the quality of their products and services.

Unimaq and Ferreyros impose high safety standards on their truckers by means of annual audits. Since 2007 they have been included by Ferreyros in a Truckers Committee in which they share their experiences and good practices, thus improving processes and resolving problems.

During 2013 Fargoline provided training in quality, safety, the environment and the BASC standard to all suppliers of strategic services, who are an essential part of its operations.

Government and society

Ferreycorp maintains a policy of absolute honesty in all of its operations. The corporation's interests will never be advanced by fraudulent or illegal conduct on the part of its collaborators; it prohibits the use of unethical practices in commercial relations with state entities. Furthermore, the corporation:

• Encourages responsible citizenship and a culture of Values.
• Encourages opinion forming in forums and organizations.
• Reports annually to the United Nations Global Compact (Ferreyros).
• Through its Ferreyros subsidiary, it provides a sustainability report using the GRI (Global Reporting Initiative) methodology, aimed at measuring and improving the company's economic, social and environmental performance each year.

Community

The corporation works closely with various sectors of the community, principally on one of the subjects it considers key to the progress of Peru: Education for young people.

✖

Asociación Ferreyros' proposals for education

Association Ferreyros, a body consisting of Ferreycorp, Ferreyros, Unimaq, Orvisa and Fiansa, encourages education that includes values and civic responsibility.

Value
+ Impact
Ferreycorp

Thus the "Ferreyros Career Administration Program", aimed at university students, is intended to help with professional training and commitment to the country's development.

In 2013, 1,704 university students from 29 Peruvian towns and cities took part in this program.

✖

Sembrando tu Futuro (Planting Your Future) program and Senati Dual Apprenticeship program

The Planting your Future program is aimed at schoolchildren of limited means in the community of Huaycan, in Lima, who are interested in studying in Senati. Outstanding students are sponsored by Unimaq, which is responsible for paying the entire cost of their studies at Senati.

Furthermore and in order to complement technical training for students of Senati, students on the Dual Apprenticeship Program use the premises of Ferreyros, Fiansa, Motored, Orvisa and Unimaq for their practical work

✖

Think Big program

A training program aimed at training young people as mechanics on Caterpillar equipment. Lasting two years, this program offers access to educational loans from Ferreyros that enables students to finance up to 100% of the cost of their studies, the loan being repaid when participants obtain employment. At the end of the program graduates are offered jobs with a defined career path at Ferreyros.

In 2013 the tenth cohort of 20 technicians graduated in Lima, while in Arequipa the third cohort of nine students also graduated.

✖

Program for Young Achievers in Schools in Cajamarca

Since 2005, Ferreyros has contributed to a Training Program for Young Achievers in Schools in Cajamarca and Celendín developed by Asociación Los Andes de Cajamarca and sponsored by Compañía Minera Yanacocha. The main aim of the program is to inculcate a spirit of entrepreneurship among students and a better understanding of the free market economy, whilst smoothing their pathway into the adult world; it benefited 2,041 students in 2013.

✖

Ferreyros "Peru's Best Heavy Plant Operator" competition and Ferreyros Heavy Plant Operators Club

This competition was created as part of the company's 90th anniversary celebrations, and aims to encourage the professionalization of heavy plant operators in sectors that contribute to the country's development. More than 1,200 operators from 27 different parts of Peru answered the call.

The initiative is complemented by the Ferreyros Heavy Plant Operators Club , launched in 2013, the only community of its type in Peru, which provides members with access to the knowledge and experiences required to make them leaders in their field, through free seminars held in different parts of the country and through the Internet at www.cluboperadoresferreyros.com . At the close of 2013 the Club had more than 2,200 members.

✖

Pre-graduation practice to support academic research and vocational guidance

Ferreyros, Motored, Orvisa, Fiansa and Cresko offer these programs to assist students from different Peruvian educational institutions with their professional careers.

✖

Corporate volunteering

The volunteer efforts of collaborators from the different companies of the corporation, both in Lima and outside the capital, benefited children and young people in different parts of Peru during 2013. Activities concentrate principally on improving educational institutions all over Peru.

Driven by a desire to help the less fortunate, the "Ferreyros 4K" corporate volunteers run was held for the fourth consecutive year, simultaneously in 13 cities in Peru; more than 3,000 Ferreyros collaborators took part, together with their families and friends.

The environment

Ferreycorp's efforts aim to prevent environmental impacts and to continually improve its performance in this field, in accordance with its integrated health, safety and environmental policy. Thus it has developed a Standard Environmental Management System based on ISO 14001 standard.

This program is implemented, monitored and audited by the environmental management programs (EMP) of each company and includes four elements:

i) Planning: Identification of the environmental impacts.
ii) Training and awareness raising: Raising awareness of the environment and its upkeep.
iii) Operational Monitoring: Adequate management of the main environmental aspects of the business.
iv) Verification: Monthly consumption indicators and monitoring of corrective and preventive action.

Awards

In 2013 Ferreycorp received the following awards that can be added to a long list of achievements throughout the company's history.

Ferreyros has also been recognized as one of the ten most reputable Peruvian companies and the leader in the industrial sector, in a study by Monitor Empresarial de Reputación Corporativa (Merco). Furthermore, it was named as one of Peru's most admired companies by Price Waterhouse Coopers (PwC) and the magazine G de Gestión. Fundades also included Ferreyros among the five companies contributing most support to a paper recycling campaign.

In addition to Ferreyros, Unimaq, Mega Representaciones and Fargoline also received the Socially Responsible Company award from Peru 2021.

Similarly, the corporation received awards for good corporate governance. For further details see the chapter on "Corporate governance".

8. Corporate Governance

8.1 Self-assessment of compliance with the Principles of Good Governance for Peruvian Companies, for fiscal year 2013 | Digital version

Trading name:	Ferreycorp S.A.A. (Hereinafter the COMPANY)
RUC:	20100027292
Dirección:	Jr. Cristóbal de Peralta Norte 820, Monterrico, Santiago de Surco
Telephone:	6264000 - 6264254
Dedicated client line:	0800-13372
Fax:	6264504
Web page:	www.ferreycorp.com.pe
Stock market representative:	Mariela García Figari de Fabbri Emma Patricia Gastelumendi Lukis Hugo Sommerkamp Molinari

Section one of this report evaluates 26 recommendations of the principles of good governance for Peruvian companies.

The level of compliance with each recommendation is evaluated on a scale of 0 to 4, with 0 meaning no compliance and 4 meaning full compliance.

The information requested is completed in detail for the objective evaluation.

Section two of this report evaluates a series of aspects concerning shareholders' rights, the board of directors, the responsibilities of the COMPANY, the shareholders and shareholdings.

1 The text of the Principles of good governance for Peruvian companies can be seen at www.smv.gob.pe.
2 For this purpose you may add lines to the tables included in this report, or copy the model tables as many times as necessary.

8.2 Section One: Evaluation of the 26 recommendations of the Principles of Good Corporate Governance

I. SHAREHOLDERS' RIGHTS

✖

1. Principle (I.C.1. paragraph two)

Generic matters should not be included on the agenda, the points to be discussed should be defined so that each subject is discussed separately, facilitating analysis and avoiding the joint resolution of matters upon which different opinions may be held.

Compliance: 4
the COMPANY does not include generic matters on the agenda, the points to be discussed are defined so that each subject is discussed separately, facilitating analysis and avoiding the joint resolution of matters upon which different opinions may be held.

✖

2. Principle (I.C.1. paragraph three)

The general meetings should be held where the shareholders can attend them.

Compliance: 4
Ferreycorp's AGMs are held where access by shareholders is easy. In addition, and so that meetings can be followed by shareholders who cannot attend personally, they are transmitted in real time on the web site of the COMPANY. Thus the shareholders can take part in the meeting at a distance

a. The COMPANY called one general meeting of shareholders during 2013 and no extraordinary general meetings.

b. Date of calling:	1rd March 2013
Date of meeting:	26th March 2013
Location of meeting:	Jr. Cristóbal de Peralta Norte 820, Monterrico, Santiago de Surco (registered office of Ferreycorp)
Quórum:	70.6062%
Shareholders present:	204
Meeting started:	11.00
Meeting adjourned:	13.00

c. The COMPANY called the meeting through notices of calling in newspapers El Comercio and El Peruano on the 1st of March 2013. In addition, and in order to ensure that as many shareholders as possible could attend the meeting, a notice of calling was posted on COMPANY notice boards in its premises throughout Peru, by telephone, through the Ferreyros web site and by mail and e-mail to those on the shareholder database.

FOR MORE REASONS
Corporate governance

d. The procedure for calling the general meeting is governed by:
• By-laws of the COMPANY.
• The internal regulations of the shareholders meeting, board of directors and committees of directors.
• Manual of Good Corporate Governance.

e. The agreements adopted by the meeting were revealed to the market the following day as "significant events" and published on the Ferreycorp web site.

Shareholders can request information by various means, as establishes in the companies act and, in particular, through the company's web site in the “investor service" or “contact us” sections.

They may also ask for copies of the minutes from the securities department on a dedicated shareholder line (0800-13372).

The minutes of the 2013 meeting were published on the corporate website.

✖

3. Principle (I.C.2)

Shareholders must have the opportunity to introduce points for debate, within a reasonable limit, onto the agenda of shareholders meetings.
Subjects included in the agenda must be of interest to the company and within the legal or statutory competence of the meeting. The board of directors must not reject applications of this kind without giving the shareholder an acceptable reason.

Compliance: 4
a. Shareholders in the COMPANY can include matters on the agenda using an additional mechanism to that contemplated in the Companies Act.

The by-laws of Ferreycorp state that shareholders can ask for any subject of material importance or that may affect their rights to be discussed at the general meeting, by means of a communication to the chairman of the board of directors, whether by letter or e-mail or through the Ferreycorp website, no later than the 15th of February. The chairman must submit such requests to the board of directors, which approves the calling of the AGM and sets the agenda. The board of directors will evaluate applications by shareholders and, if it considers them to be in the company's interest, will include them on the agenda. If any of these requests is denied, the chairman shall report this decision in writing to the shareholder in question, giving reasons for the decision, the day after the relevant board meeting.

The Internal Regulations for Meetings of Shareholders, Directors and Directors Committees establishes the procedure. In accordance with article 19 of the by-laws, the shareholders also have the right to ask the board to call a general meeting to discuss any particular subject; such an application requires approval by shareholders representing 5% of the company's shares.

b. The meeting may only discuss the matters set forth in the notice of calling, unless all the shareholders are present and decide unanimously to discuss a matter that has not been included in the agenda (universal meeting).

c. The procedure for calling the general meeting is governed by
• By-laws of the COMPANY.
• The internal regulations of the shareholders meeting, board of directors and committees of directors.
• Manual of Good Corporate Governance.

d. The COMPANY did not receive any applications from shareholders during 2013.

4. Principle (I.C.4.i)

The by-laws must not impose limits on the ability of all shareholders with the right to participate in general meetings to be represented by anyone they deem appropriate.

Compliance: 4
a. The by-laws do not limit the powers of all shareholders with the right to take part in general meetings, who may be represented by such proxies as they may see fit to appoint. The by-laws of the COMPANY do not limit the right to representation.

During the general meeting held on the 26th March 2013, those present represented 567'133,670 shares in the COMPANY as shareholders or proxies, equivalent to 70.6062% of the capital, greatly exceeding the required quorum of 50%.33.7042% were represented by proxies and 36.9020% were directly represented%.

The COMPANY requires shareholders to write to the company at least 24 hours in advance to formalize their attendance at the meeting.

b. The procedure for formal representation at meetings is regulated in:
• By-laws of the COMPANY.
• The internal regulations of the shareholders meeting, board of directors and committees of directors.
• Manual of Good Corporate Governance.

II. EQUAL TREATMENT FOR SHAREHOLDERS

5. Principle (II.A.1. paragraph three)

It is recommended that the company issuing investment shares or other securities which do not carry the right to vote, offer their holders the opportunity to exchange them for ordinary voting shares or that this possibility is envisaged at the time of issue.

Compliance: 4
a. Not applicable. The COMPANY has one type of share having the same rights.

6. Principle (II.B)

A sufficient number of directors must be elected who are capable of exercising independent judgment on matters where there is a potential conflict of interest and who may, for that purpose, take into account the non-controlling shareholders.

The independent directors are chosen for their professional standing and who are not connected with the administration of the company or with its main shareholders.

Compliance: 4
a. A sufficient number of directors must be elected who are capable of exercising independent judgement on matters where there is a potential conflict of interest and who may, for that purpose, take into account the non-controlling shareholders. The independent directors are chosen for their professional standing and who are not connected with the administration of the company or with its main shareholders.

The board of directors of the COMPANY consists of five dependent directors and five independent directors.

The independent directors are:

• **Carmen Rosa Graham Ayllón**
• **Ricardo Briceño Villena**
• **Aldo Defilippi Traverso**
• **Eduardo Montero Aramburú**
• **Raúl Ortiz de Zevallos Ferrand**

b. There are no special requirements other than those contained in the applicable regulations.

c. Chapter 4 of the Manual of Good Corporate Governance gives a description of the independent directors. ("Characteristics: they should not be employees of the COMPANY. They should not have family relationships with executives or majority shareholders. They should be expressly empowered to uphold the interests of all shareholders equally. They should not receive any economic benefit from the company").

d. There should be no blood relationship between the shareholders, directors and managers of the COMPANY.

e. Director Óscar Espinosa Bedoya was the managing director from August 1983 to March 2008, when he was elected as executive chairman of the COMPANY.

f. List of directors who sit on the boards of other companies listed in the stock exchange public registry:

Given names and surnames of director	Shareholding in the company(ies)	Date	
		Start	End
Óscar Espinosa Bedoya	La Positiva Seguros y Reaseguros	1996	
	La Positiva Vida Seguros y Reaseguros	2005	
	Cosapi	2011	
Carlos Ferreyros Aspíllaga	La Positiva Seguros y Reaseguros	1983	
Ricardo Briceño Villena	Interbank	2010	
Carmen Rosa Graham Ayllón	Interbank	2007	
Manuel Bustamante Olivares	La Positiva Seguros y Reaseguros	1975	
	Futuro Inmobiliario Camacho	1994	
	Sociedad Andina de Inversiones en Electricidad S.A.	1996	
	Dispercol S.A.	1998	
	La Positiva Vida Seguros y Reaseguros	2005	
	Transacciones Financieras	2000	
	Corporación Financiera de Inversiones	2005	
	Mastercol S.A.	2008	
	Fundición Chilca S.A.	2010	
	La Positiva Sanitas	2012	
Juan Manuel Peña Roca	La Positiva Seguros y Reaseguros	1985	
	La Positiva Vida Seguros y Reaseguros	2005	
Andreas von Wedemeyer Knigge	Corporación Cervesur	1979	
	La Positiva Seguros y Reaseguros	1991	
	Compañía Industrial Textil Credisa Trutex	1995	
	Corporación Financiera de Inversiones	1999	
	La Positiva Vida Seguros y Reaseguros	2005	
	Corporación Aceros Arequipa	2010	

7. Principle (IV.C, second, third and fourth paragraphs)

Although in general, external audits concentrate of financial information, they may also examine opinions or specialist reports on the following aspects: accounting audits, operating audits, systems audits, evaluation of projects, evaluation or implementation of cost systems, tax auditing, adjustments in the value of assets, portfolio evaluation, inventories or other special services.
It is recommended that this work is carried out by different auditors, or if it is carried out by the same auditors, it should not affect the independence of their opinion. The company must reveal all the audits and special reports made by the auditor.
It must report on all the services provided by the audit company or auditor, specifying the percentage represented by each one and its share of the income of the audit company or auditor.

Compliance: 4
a. The COMPANY contracts external audit or consulting services from different companies unrelated to the company that audits its financial information. In isolated cases, it may contract consultants from the same audit firm, provided that there is no conflict with the audit of its financial statements. Furthermore, it reveals all of these services and the percentage that each payment represents of the total paid for services provided to the COMPANY.

The following audit companies have provided services to the COMPANY in the last five years:

Trading name of the audit firm	Service	Period	Remuneration**
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Audit of financial statements	2013	83.80%
	Money laundering prevention audits Others	2013	
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Audit of financial statements	2012	83.80%
	Money laundering prevention audits Procedures for net assets acquired from Bucyrus Others	2012	
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Audit of financial statements	2011	76.03%
	Money laundering prevention audits Help with the process of selecting software Others	2011	
Dongo-Soria Gaveglio y Asociados Sociedad Civil member firm of Price Waterhouse Coopers	Assistance in determining the *Purchase Price Allocation* Wages survey	2012	
Dongo-Soria Gaveglio y Asociados Sociedad Civil member firm of Price Waterhouse Coopers	Audit of financial statements	2010	80.90%
	Money laundering prevention audits Other Services	2010	
Dongo-Soria Gaveglio y Asociados Sociedad Civil member firm of Price Waterhouse Coopers	Audit of financial statements	2009	93.10%
	Money laundering prevention Assets. Other Services	2009	
Dongo-Soria Gaveglio y Asociados Sociedad Civil member firm of Price Waterhouse Coopers	Audit of financial statements	2008	94.00%
	Money laundering prevention Assets. Queries about accounting	2008	

Razón Social de la Sociedad Auditora	Servicio	Periodo	Retribución** (US$)
Deloitte & Touche S.R.L.	Tax advice(*) SIMPLE REORGANIZATION Selection of personnel Risk management	2008-2013	
KPMG Asesores Sociedad Civil de R.L.	PPA on acquisition of Tecseg and Mercalsa and the Mobil business	2013	

(*) Although this is an audit company, the service provided to Ferreyros was not an audit, but principally advice on tax matters.
(**) Percentage of the total amount paid to the audit firm for the financial auditing services.

b. In accordance with article 21 paragraph d of the by-laws, the AGM is responsible for appointing or delegating the appointment of the external auditors. The annual general meeting normally delegates this function to the board of directors. Furthermore, the audit committee recommends the audit firm to the board of directors.

The meeting on the 26th of March 2013 approved, in item 7, to delegate to the board of directors the appointment of auditors for the fiscal year, as well as to determine their fees.

c. The mechanisms described above are contained in the by-laws and in the internal regulations of the board of directors and committees of directors.

d. The audit company contracted to give an opinion on the financial statements of the COMPANY for fiscal year 2013 also gave an opinion on the financial statements for the same fiscal of other companies in the economic group:

Orvisa S.A.
Unimaq S.A.
Motored S.A.
Fiansa S.A.
Fargoline S.A.
Forbis Logistics S.A.
Ferrenergy S.A.C.
Mega Representaciones S.A.
Cresko S.A.
Inti Inversiones Interamericanas Corp.
Inmobiliaria CDR S.A.C.

e. The internal auditor held two meetings during fiscal year 2013 with the external audit firm.

8. Principle (IV.D.2)

Particular requests for information from the shareholders, investors in general or interest groups related to the company, must be answered by an instance and/or person appointed for the purpose.

Compliance: 4
a. Specific requests for information from shareholders, investors in general or related interest groups are answered by a representative appointed for that purpose.

During 2013 the shareholders and COMPANY interest groups requested information using the following means:

	Shareholders	Interest groups
E-mail	(X)	(X)
Directly within the company	(X)	(X)
By telephone	(X)	(X)
Website	(X)	(X)
By mail	(X)	Not applicable

b. The responsibilities for information which fall upon the general manager in accordance with article 190 of the Companies Act notwithstanding, the persons responsible for receiving and processing requests for information from the shareholders are:

Augusta Ponce Zimmermann **Securities Department Finance Division**
Elizabeth Tamayo Maertens **Investor Relations Finance Division**

The securities executive is responsible for answering requests from shareholders, particularly those concerning shareholdings, released shares, cash dividend payments, participation in the general meeting, etc.

The investor relations executive is responsible for answering requests for information from shareholders, investors, analysts, ratings agencies and the general public and for ensuring compliance with the principles of good corporate governance, particularly those concerning information transparency.

The functions of the securities department and investor relations representatives are governed by the internal standards of conduct for protecting confidentiality, transparency and diffusion of information in the capital market, as well as the functions and procedures manual of the administration and finance division.

c. The COMPANY procedure for dealing with requests for information from shareholders and/or COMPANY interest groups is governed by the regulations of the AGM and board of directors, in the internal conduct regulations for compliance with obligations deriving from registration in the stock market public registry and in the manual of good corporate governance.

All requests are centralized by the administration and finance division, including those addressed to the marketing department or general management. Databases are used to answer individual requests for information. Responses are coordinated at meetings with investors, several of which were attended by the general manager.

The investor relations executive keeps a record of meetings with investors held during the year.

d. 487 applications for information were received and accepted during 2013, from shareholders and/or the COMPANY's interest groups.

FOR MORE REASONS
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e. The COMPANY has a corporate web site and another specially designed for matters of good corporate governance, including a section on relationships with shareholders and investors.

f. During fiscal year 2013, the COMPANY received no complaints from any shareholders about limits on access to information.

9. Principle (IV.D.3)

Doubts over the confidential nature of information requested by shareholders or interest groups related to the company must be resolved. The criteria must be adopted by the board of directors and ratified by a general meeting, as well as included in the by laws or internal regulations of the company. In any case, the release of information must not endanger the COMPANY's competitive position or affect the normal course of its activities.

Compliance: 4
The criteria to be applied in the event of a doubt about the confidential nature of information requested by shareholders or by any interest groups are established by the board of directors and included in the by-laws or internal regulations of the company. In any case, the release of information must not endanger the COMPANY's competitive position or affect the normal course of its activities. According to the by-laws, the board is responsible for supervising compliance with the policy for handling confidential information, whether reserved or privileged, in accordance with standards issued by the company and regulatory authorities.

The confidential nature of a given piece of information is established by the board of directors, the general manager, the stock market representatives and the regulatory compliance committee, in accordance with the internal conduct regulations for compliance with obligations deriving from registration with the stock market public registry.

a. The aim is not to divulge privileged information that has not been revealed to the market as a "significant event".

b. The document entitled “internal conduct regulations to safeguard the confidentiality, transparency and diffusion of information in the capital market" mentions the functions of the regulatory compliance committee.

This committee is responsible for classifying information as privileged and reserved and its secretary is responsible for keeping a register of such information. To resolve any doubt that may arise concerning the confidential nature of information requested by shareholders or interest groups, in accordance with the criteria and guidelines established by the board of directors of Ferreycorp. Those aware of the existence of privileged and reserved information are required to sign confidentiality agreements to ensure that they act in accordance with the law and keep such information and documents confidential.

The by-laws and the glossary contained in the manual of good corporate governance also mention the handling of confidential information.

Furthermore, the induction manual for new personnel contains a code of conduct, which has a section on the communication of "significant events", privileged and reserved information that defines the means for safeguarding such information both within the COMPANY and when transmitted to the market.

10. Principle (IV.F, paragraph one)

The company must have an internal audit department. In carrying out his duties, the internal auditor must maintain his professional independence of the company by which he is engaged. He must observe the same principles of diligence, loyalty and confidentiality as are required of the board of directors and management.

Compliance: 4
a. The company has an internal audit division. In carrying out his functions the internal auditor maintains professional independence from the company and employs the principles of diligence, loyalty and reservation demanded by the directors and management.

b. The internal auditor reports to the president of the board of directors and carries out periodic presentations to the audit committee of the board of directors.

c. The main responsibilities of the internal auditor are:

• To manage and direct internal audits and information technology systems audits at the head office, branches and mining projects, as well as at the company's subsidiaries.
• To evaluate the internal control system for preventing money laundering in accordance with the regulations issued by the financial intelligence unit of the Banking, Insurance and Pensions Regulator (SBS) and to submit a report to the compliance officer.
• To report periodically to the senior management and the management committee on the results of the internal audit, including successful practices, compliance with objectives and significant results.
• To take into account reviews carried out by the external auditors in developing his working program, in order to avoid the duplication of efforts.
• To issue a report after each audit, containing observations and suggestions agreed with the audit department that may be necessary to correct any deficiencies.

The internal auditor prepares an annual plan based on an evaluation of risks, establishing priorities for review at both Ferreycorp and its subsidiary companies. Over the course of the year he adds to the program any urgent requests made by the management.

Internal audits include both financial and operational audits. Among the most important are the review of the valuation of the receivables portfolio and physical inventories of spare parts, machinery and equipment; reviews of cash and bank operations (balances, confirmation and reconciliation of bank accounts with the accounts); evaluation of accounts payable to suppliers and banks; reviews of other asset and liability accounts; reviews of the main sales of machinery and spare parts, as well as the corresponding costs; reviews of the main expenditure accounts in the profit and loss account, etc.

d. The responsibilities described are governed by the human resources department's job description manual.

e. The internal audit department has its own multi-discipline team.

III. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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11. Principle (V.D.1)

The board of directors must carry out certain key functions:
Evaluate, approve and direct corporate strategy; establish the aims and objectives as well as the principal plans of action, the monitoring, control and risk management policy, annual budgets and business plan; controlling their implementation; and supervising the principal expenses, investments, acquisitions and disposals.

Compliance: 4
a. The board of directors enjoys full management powers and legal representation necessary to conduct the business of the company, with the sole exception of matters which the law or these by-laws reserve for a general meeting of shareholders.

Therefore the board of directors has the following functions, among others:

a) To call general meetings of shareholders.
b) To draw up its own regulations.
c) To evaluate, approve and direct corporate strategy, the business plan and the company's annual budget.
d) To establish committees of directors and appoint their members, which should include independent directors.
e) To submit the Annual Report, balance sheet and profit and loss account to the shareholders every year and make recommendations on how the profits should be applied.
f) To ensure the integrity of the financial statements, accounting systems and risk control systems.
g) To accept the resignations of its members and elect replacements in the cases set forth in the act and these by laws.
h) To appoint and dismiss the general manager and, if it deems it appropriate or necessary, the other officers of the company, determine their obligations and grant and revoke their powers of attorney as appropriate.
i) To grant, in general, such the powers of attorney as it deems appropriate.
j) To oversee all the company's business with powers to review its accounts.
k) To agree on the payment of interim dividends to be charged to the year-end results.
l) To decide upon all commercial, financial and administrative matters relevant to the pursuance of the company's business, with no limitations.
m) To sell and/or dispose of COMPANY assets having a value at the time of disposal that must not exceed 50% of the company's capital.
n) To create guarantees in general, such as pledges, mortgages, warrants and others upon the company's moveable property and real estate, in order to guarantee its different operations and those of its subsidiaries or affiliates, as well as to modify the terms of existing guarantees and to agree subscription by the company of such documents as may be necessary to draw, modify and release the said guarantees.
o) To supervise compliance with the policy for handling confidential information, whether reserved or privileged, in accordance with regulations issued by the company and regulatory authorities.
p) To ensure compliance with the company's code of ethics and to approve changes and modifications thereto.
q) To delegate to the directors and/or officers of the company powers to implement the agreements adopted by the board of directors; they shall be specifically empowered to sign such public and private documents as they may be required to sign in their capacity as legal representatives and to complete the procedures necessary to implement the said agreements.
r) To carry out periodic evaluations of its own performance.
s) To exercise all other powers deriving specifically or tacitly from the by-laws.

The functions and responsibilities of the board of directors are governed by:
• the by-laws of the COMPANY
• Internal regulations of the board of directors and committees

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12. Principle (V.D.2)

The board of directors should select, control and, when necessary, replace the main executives, and set their remuneration.

Compliance: 4
The board of directors has the power to appoint and dismiss the general manager and, if it deems it appropriate or necessary, the other officers of the company, determine their obligations and grant and revoke their powers of attorney as appropriate.

To chose, replace, supervise and set the remuneration of the president and general manager and, through the organizational development and corporate governance committee, approve the main parameters main of the COMPANY remunerations policy. To delegate to the general manager the choice of principal executives.

a. The above functions are governed by the by-laws and the internal regulations of the board of directors and its committees.

13. Principle (V.D.3)

To evaluate the remuneration of the principal executives and members of the board of directors, ensuring that the procedure for electing the directors is formal and transparent.

Compliance: 4
a. The board of directors has a formal process for self-assessment of its joint and individual performance. The directors use this self-assessment to propose improved the practices and procedures of the board of directors.

b. The entity responsible for:

Function	Board of directors	General Manager	Other (give details)
Hiring and replacing the general manager	(X)	(...)	
Hiring and replacing the managers	(...)	(X)	
Setting the remuneration of the principal executives	(X)	(X)	
Evaluating the remuneration of the principal executives	(X)	(X)	
Evaluating the directors' remuneration	(X)	(X)	General meeting

c. The by-laws define the functions of the president of the board of directors, which include: proposing the general manager to the board, approving the organizational structure of the COMPANY and appointments of the managers proposed by the general manager and setting their remuneration.

d. These policies are also governed by the by-laws and the internal policies of the COMPANY, in the regulations for general meetings of shareholders, the board of directors and committees of directors.

14. Principle (V.D.4)

The board of directors should monitor and control possible conflicts of interest between the management, the members of the board of directors and shareholders, including the fraudulent use of corporate assets and abuse of transactions between interested parties.

Compliance: 4
a. One of the functions of the board of directors is that of monitoring and controlling possible conflicts of interest between the management, the directors and the shareholders, including fraudulent use of corporate assets and abusive transactions between interested parties.

The subject of conflicts of interest is mentioned in the code of ethics and in the regulations for general meetings of shareholders, the board of directors and committees of directors.

b. Ferreycorp has had no cases of conflict of interest that have been discussed by the board of directors during fiscal year 2013.

c. The COMPANY has a code of ethics that governs any conflicts of interest that may arise. Furthermore, it possesses a code of conduct and internal conduct regulations governing compliance with obligations deriving from its registration with the stock exchange public registry.

d. Pre-established procedures for approving transactions between non-arms-length parties include ensuring that such transactions take place in accordance with market conditions.

FOR MORE REASONS
Corporate governance

15. Principle (V.D.5)

The board of directors should ensure the integrity of the company's accounting systems and financial statements, including an independent audit and the existence of proper control, particularly control of financial and non-financial risks and compliance with the law.

Compliance: 4
The board of directors of the COMPANY ensures the integrity of the company's accounting systems and financial statements, including the contracting of an independent auditor and the existence of proper risk control systems. This function of the board is contained in the by-laws, the regulations governing the board of directors and committees of directors and the manual of good corporate governance.

The board of directors' audit committee reviews the work plan of the internal auditor annually, as well as the recommendations of the external auditors and monitors implementation of improvements to the accounting systems mentioned in these recommendations.

a. The internal audit division determines the main risks and organizes its work plan in accordance with the incidence and probability of these risks. The central management control department is responsible for monitoring and control of the main risks faced by the COMPANY, and a risks committee has been created.

b. The control systems are governed by the job description manual (human resources department).

c. The audit committee meets four times a year to discuss aspects of risk management and internal control, as well as to review the work of the internal and external auditors.

16. Principle (V.D.6)

The board of directors should supervise the effectiveness of the management practices governing its operation, making such changes as may be necessary.

Compliance: 4
a. The board of directors' organizational development and corporate governance committee supervises the effectiveness of the corporate governance practices to which it adheres and makes changes as they become necessary.

b. Since 2005 the board of directors has carried out an annual self-assessment. This document identifies improvements to be implemented and procedures that should be documented.

c. The organizational development and corporate governance committee met four times in 2013. The procedure is governed by the internal regulations of the board of directors and committees of directors.

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17. Principle (V.D.7)

The board of directors supervises information policy.

Compliance: 4

a. The board of directors supervises information policy, which is governed by the by-laws and the internal regulations of the board of directors and committees of directors.

b. In accordance with the company's by-laws and regulations, its information policy is supervised by the board of directors. According to this policy, the functions of the board of directors include that of supervising compliance with the policy for managing confidential information, whether reserved or privileged, according to the company's rules and those of the regulatory authorities.

Furthermore, the COMPANY by-laws also include a procedure for handling confidential information within the board of directors. Directors are obliged to keep the company's business and any privileged and confidential information to which they have access confidential, even after they have ceased to be directors, in compliance with applicable regulations.

c. The COMPANY policy on the revelation and communication of information to investors is governed by the by-laws and internal regulations, but details of the procedure are given in the internal conduct regulations for compliance with obligations deriving from registration with the stock exchange public registry. The COMPANY also has a compliance committee and stock market representatives, so that "significant events" are reported in the periods envisaged in the applicable legislation. In accordance with these regulations, the "committee is responsible for classifying information as privileged and reserved and the committee secretary shall keep a record of such information. Resolving any doubt that may arise as to the confidential nature of the information requested by the shareholders or interest groups, in accordance with the criteria and guidelines established by the board of directors of Ferreycorp. The committee should ensure that the persons involved sign confidentiality agreements regarding the privileged and reserved information, so that they shall act in accordance with the law and keep such information and documents confidential".

Financial information is sent periodically (quarterly and annually) to the market and the company has a specialist department to resolve queries. Finally, it takes part in meetings with investors.

The above procedure is governed by the internal conduct regulations for compliance with obligations deriving from registration with the stock exchange public registry.

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18. Principle (V.E.1)

The board of directors may create special committees in accordance with the needs and size of the company, especially those responsible for the auditing function. These special bodies may also examine the appointment, payment, control and planning functions.

These special bodies shall be created within the board of directors as support mechanisms, and should preferably be composed of independent directors, in order that impartial decisions can be taken on matters where conflicts of interest may arise.

Compliance: 4

a. The board of directors created three committees, which are special entities in accordance with the needs of the COMPANY and provide support; they are made up of dependent and independent directors who take impartial decisions on aspects where conflicts of interest could arise.

The presidents of each of these committees and their functions are described below:

GENERAL MANAGEMENT AND SUBSIDIARIES COMMITTEE

I. Date created:

January 2005 (formerly the general management and corporate governance committee; its name was changed in 2010).

II. Functions:

a. To review the strategic plans and annual business plans.
b. To carry out a detailed evaluation of the operation of affiliated companies.
c. To draft recommendations to the board of directors on investment policy, acquisitions and disposals of fixed assets.
d. To review and issue directives on the levels of indebtedness of the COMPANY, as well as the structure of its liabilities, and monitor the guarantees it has granted.
e. To review periodically the status of credit granted by the COMPANY.
f. To function as an advisory and consulting body to the management on matters submitted to it for consideration.

III. Principal rules governing organization and function:

The committee consists of at least three directors, one of whom must be an independent director. The president of the board of directors, the vice president and the general manager sit on all the committees.

Insofar as possible, the committee must meet at least every three months.

The general management shall propose to the board of directors an annual meeting program for the committees, which may be modified as circumstances require.

IV. Members of the committee

Given names and surnames	Date		Position within the committee
	Start	End	
Óscar Espinosa Bedoya	January 2005		
Carlos Ferreyros Aspíllaga	January 2005		
Eduardo Montero Aramburú	January 2005		President
Juan Manuel Peña Roca	January 2005		
Ricardo Briceño Villena	April 2011		

V. Number of meetings held during the fiscal year:

4 (15TH January 2013, 9th April 2013, 17th July 2013 and 15th October 2013)

VI. The committee has powers delegated in accordance with article 174 of the Companies Act:	(X) YES	(...) NO

AUDIT COMMITTEE

I. Date created:

January 2005.

II. Functions:

To supervise the integrity of the accounting systems and to analyze the external auditors' report on the financial statements.

Special functions:

a. To supervise the integrity of the accounting systems by means of an appropriate external audit.

b. To review and analyze the financial statements of the COMPANY periodically.

c. To review the external audit reports on the financial statements.

d. To supervise the annual work plan of the internal auditor and receive the relevant reports.

e. To propose the external auditors.

III. Principal rules governing organization and function:

The committee consists of at least three directors, one of whom must be an independent director. The president of the board of directors, the vice president and the general manager sit on all the committees.

Insofar as possible, the committee must meet at least every three months.

The general management shall propose to the board of directors an annual meeting program for the committees, which may be modified as circumstances require.

It should review the recommendations of the external auditors and the internal audit plan and progress with that plan.

IV. Members of the committee:

Given names and surnames	Date		Position within the committee
	Start	End	
Óscar Espinosa Bedoya	January 2005		
Carlos Ferreyros Aspíllaga	January 2005		
Andreas von Wedemeyer K.	January 2005		President
Manuel Bustamante Olivares	April 2011		
Carmen Rosa Graham Ayllón	April 2011		

V. Number of meetings held during the fiscal year:

4 (26TH March 2013, 11th June 2013, 25th September 2013 and 18th December 2013)

VI. The committee has powers delegated in accordance with article 174 of the Companies Act:	(X) YES	(...) NO

ORGANIZATIONAL DEVELOPMENT AND CORPORATE GOVERNANCE COMMITTEE

I. Date created:

January 2005 (formerly the organizational development committee; its name was changed in 2010)

II. Functions:

To support the management in bringing the company's organizational structure into line with changes and evaluations of the performance, training and professional skills of the COMPANY personnel. As far as good corporate governance is concerned, its function is to ensure compliance with good practices.

a. To supervise the organizational development programs through reports on the administrative structure and human resources programs.

b. To supervise the performance administration programs and remunerations, training and development policies, among others.

c. To approve hiring of the principal executives, the salary scales of management and executive positions and to monitor the general management's supervision of performance.

d. To supervise the effectiveness of the governance to which the company adheres, proposing or approving improved practices of governance.

e. To review the self-assessment of the 26 principles of good corporate governance contained in the company's Annual Report.

f. To supervise the policy concerning "significant events" and privileged and reserved information.

g. To identify possible conflicts of interest between the administration, directors and shareholders, and to supervise monitoring by the management.

III. Principal rules governing organization and function:

The committee consists of at least three directors, one of whom must be an independent director. The president of the board of directors, the vice president and the general manager sit on all the committees.

Insofar as possible, the committee must meet at least every three months.

The general management shall propose to the board of directors an annual meeting program for the committees, which may be modified as circumstances require.

IV. Members of the committee:

Given names and surnames	Date		Position within the committee
	Start	End	
Óscar Espinosa Bedoya	January 2005		
Carlos Ferreyros Aspíllaga	January 2005		President
Aldo Defilippi Traverso	January 2005		
Raúl Ortiz de Zevallos Ferrand	April 2011		

V. Number of meetings held during the fiscal year:

4 (12th March 2013, 14th May 2013, 13th August 2013 and 17th December 2013)

VI. Powers are delegated in accordance with article 174 of the Companies Act:	(X) YES	(...) NO

✖

19. Principle (V.E.3)

The number of members of the board of directors must ensure a plurality of opinions, such that decisions are adopted after appropriate discussion, always observing the best interests of the company and its shareholders.

Compliance: 4
a. The members of Ferreyros' board of directors provide a plurality of opinion within the board, given their different professional fields and business activities. Thus the decisions taken are arrived at after appropriate deliberation and in line with the best interests of the COMPANY and of the shareholders.

The following is information on the COMPANY's directors DURING THE FISCAL YEAR COVERED BY THIS REPORT.

FOR MORE REASONS
Corporate governance

Given names and surnames	Training	Date		Shareholding (1)	
		Start	End	N° of shares	Shareholding (%)
Dependent directors					
Óscar Espinosa Bedoya	Industrial engineer, Universidad Nacional de Ingeniería Postgraduate degree in Engineering from North Carolina State University, USA. Master, University of Harvard Diploma in Economic Development, ISVE, Italy Postgraduate degree in Economics, Inst. Economics Univ. Colorado CEO Management Program, Kellogg School, Northwestern University Diploma, PAD Universidad de Piura	1987		Not applicable	
Carlos Ferreyros Aspíllaga	Business Administration, University of Princeton, USA.	1971		Not applicable	
Manuel Bustamante Olivares	Faculty of Law, Universidad Católica del Perú	2011		Not applicable	
Juan Manuel Peña Roca	Civil Engineer, Universidad Nacional de Ingeniería	1984		Not applicable	
Andreas von Wedemeyer Knigge	Master in Business (Diplom Kaufmann), University of Hamburg, Germany Studied the Program for Management Development (PMD) and others at Harvard Business School, USA. and the Universidad de Piura	2003		Not applicable	
Independent directors					
Carmen Rosa Graham Ayllón	Graduate in Business Administration, Universidad del Pacífico Has taken part in different systems engineering and executive development programs at IBM Corporation, Georgetown University, Harvard Business School, Universidad de Monterrey and Adolfo Ibáñez School of Management	2011		Not applicable	
Aldo Defilippi Traverso	Bachelor in Economics, Universidad del Pacífico Master's degree in Economic Policy and Economic Development, Boston University: Ph. D. Candidate in Economics, Boston University Chief Executive Officers' Program, Northwestern University	2005		Not applicable	
Ricardo Briceño Villena	Graduated in industrial engineering from the Universidad Nacional de Ingeniería Master's degree in economics and finance from the universities of Lovaine and Antwerp, Belgium	2011		Not applicable	
Eduardo Montero Aramburú	Bachelor in economics from Lehigh University, USA Master in business administration, Wharton School of Finance and Commerce, University of Pennsylvania, USA	1980		Not applicable	
Raúl Ortiz de Zevallos Ferrand	Attorney, bachelor of law from the Universidad Católica del Perú	2011		Not applicable	

(1) Obligatory if the person holds 5% or more of the COMPANY's shares.

✖

20. Principle (V.F., second paragraph)

Information in the matters to be discussed at each meeting must be made available to the directors sufficiently in advance for them to examine it, except for strategic matters where confidentiality is essential, in which case mechanisms must be established to enable the directors to examine these matters adequately.

Compliance: 4
a. Information on the agenda for each meeting is sent to the directors for review by e-mail in advance of the meetings. This is the normal procedure, except for strategic matters that require confidentiality, in which case there are mechanisms to allow the directors to study these matters adequately.

b. The agenda is sent to the directors five days before a board meeting, by e-mail.

Confidential information or matters that require a more rigorous analysis are examined firstly by the committees of directors and then in greater detail by the board.

c. The COMPANY has a procedure governed by the internal regulations for the board of directors and committees of directors.

✖

21. Principle (V.F., paragraph three)

Following clearly established and defined policies, the board of directors decides on such specialized consulting services as the company may need in order to take decisions.

Compliance: 4
a. The practice in question is that as the management is responsible for identifying the need for advice, it contracts such advice for specialist matters. Advice contracted by the company is therefore limited. When the matters subject to consultation are vital or their cost is high, a report is submitted to the board, in which the management describes the relevant conclusions.

b. These policies are governed by the general management manual of regulations and procedures.

c. The following specialist advisors have provided services to the board of directors and management of the COMPANY during fiscal year 2013.
Deloitte & Touche S.R.L.
Ernst & Young Asesores S. Civil de R.L.
Gartner
Hay Group
Price Waterhouse Coopers
Estudio Muñiz, Ramírez, Pérez-Taiman & Olaya, Abogados, S.C.R.L.
Real Time Management
ESAN
Celeritech
Business & Business Latam
Asix
Llorente & Cuenca
Jaime Tori Fernández & Asociados
APOYO Comunicación Corporativa

✖

22. Principle (V.H.1)

New directors should be instructed on their powers and responsibilities, as well as the characteristics and organizational structure of the company.

Compliance: 4
a. New directors are instructed on their powers and responsibilities, as well as the characteristics and organizational structure of the company, in induction meetings during which detailed presentations are given.

The regulations for the board of directors and committees of directors establish the mechanism by which new directors should be instructed about their powers, responsibilities, the characteristics of the business, the market in which the company operates and the operation of the company's different entities. Induction is performed by the general manager, who may involve the other managers of the company. The induction process starts with a meeting with the new directors within 30 days after their election and may be complemented by documentation and information about the COMPANY, as well as meetings with other managers.

New directors were elected in 2011 and they were given information on the operations and the corporate and financial structure of the COMPANY.

✖

23. Principle (V.H.3)

Procedures must be established for the board of directors to follow when electing one or more replacements of there are no deputy directors and one or more directorships become vacant, in order to make up the number of directors during the period remaining for the board to serve, when no procedure is set forth in the by laws.

Compliance: 4
a. No directorships became vacant during 2013.

b. The procedure followed by the board of directors in electing one or more replacements is described in the by-laws of the COMPANY. If there are no deputy directors and one or more directorships become vacant, an interim director may be appointed to complete the remaining period of service if no other procedure is detailed in the by-laws.

c. Article 33 of the by-laws. “A directorship becomes vacant on the death, resignation or permanent impairment of a director, dismissal by a general meeting of shareholders, unauthorized absence for a period of more than six months or any other impediment accepted by a unanimous vote of the remaining directors. Except for dismissal by a general meeting of shareholders, when the meeting itself must fill the vacancy, the board of directors shall decide upon any other vacancies and may fill the vacancy by appointing an interim director who shall serve until the end of the mandate of the director he replaces.”

d. The procedures described above are governed by article 33 of the by-laws.

✖

24. Principle (V.I, paragraph one)

The functions of the chairman of the board of directors, executive chairman if applicable, and the general manager must be clearly defined in the by laws or internal regulations of the company in order to avoid duplication of functions and possible conflicts of interest.

Compliance: 4
The functions of the chairman of the board of directors, executive chairman if applicable, and the general manager are clearly defined in the by laws or internal regulations of the company in order to avoid duplication of functions and possible conflicts of interest.

✖
25. Principle (V.I, second paragraph)

The organic structure of the company must avoid a concentration of powers, attributes and responsibilities with the chairman of the board of directors, executive chairman if applicable, general manager and other officers.

Compliance: 4
The structure of governance of Ferreycorp avoids the concentration of powers, attributes and responsibilities with the executive president, general manager and other management officers.

a. The responsibilities of the chairman of the board of directors, executive chairman and general manager, and other managers are contained in:

Responsibilities of:	By-laws	Internal regulations	Manual	Others	Name of document	Not regulated	Not applicable
President of the board of directors	(X)	(..)	(...)	(...)		(...)	(...)
Executive Chairman	(X)	(...)	(X)	(X)		(...)	(..)
General Manager	(X)	(...)	(X)	(X)		(...)	(...)
Plana gerencial	(...)	(...)	(X)	(...)	Job description manual - human resources division	(...)	(...)

✖
26. Principle (V.I.5)

It is recommended that the management receive at least part of its remuneration as a function of the company's results, in order to ensure compliance with the objective of maximizing shareholder value.

Compliance: 4
a. The management receives at least part of its remuneration as a function of the results of the COMPANY, to ensure that they fulfill their duty to maximize the value of the COMPANY to the shareholders and comply with key indicators aligned with the business strategy.

b. The remuneration of the general manager and management is as follows:

	Fixed remuneration	Variable remuneration	Remuneration (%)*
General Manager	(X)	(X)	0.41%
Management	(X)	(X)	

* Salaries of the managers and general manager as a percentage of gross earnings as shown in the COMPANY's consolidated financial statements.

c. The COMPANY does not have any type of guarantee or similar in the event of the general manager and/or management being dismissed, other than that set forth in current employment legislation.

8.3 Section Two: Additional information

II.1 SHAREHOLDERS' RIGHTS

a. Shareholders' rights are defined in the by-laws and internal regulations for meetings of shareholders, the board of directors and committees of directors published on the Internet. Furthermore, the COMPANY has a good corporate governance web site on which the general public can view its rights.

New shareholders are not specifically informed of their rights or or how to exercise them.

b. Shareholders can see the agenda of the meeting and documents pending approval such as the Annual Report and financial statements communicated as "significant events" in advance. At the meeting they are given a copy of the Annual Report and audited financial statements.

c. The finance division has two specialist departments that deal with shareholders and investors. Particularly anything relating to the general meeting of shareholders and its decisions, from the date of the notice of calling, as well as requests for information from analysts, investors and others.

The following people have been responsible for these activities during 2013:

Emma Patricia Gastelumendi Lukis	**Administration and Finance Division Manager**
Liliana Montalvo Valiente	**Treasury Manager**
Augusta Ponce Zimmermann	**Securities Department Manager**
Elizabeth Tamayo Maertens	**Investor Relations Executive**

d. The information on holdings by the COMPANY's shareholders is also found there. Updated shareholdings and publication of sales and purchases as “significant events” as required by law, is the responsibility of the securities department executive.

e. Share transfers are modified daily, including the number of shares, and this information is verified on a monthly basis with Cavali.

Address and telephone details are modified when Cavali sends this information. It should be pointed out that addresses provided by Cavali are sometimes incomplete or out of date, for which reason the information sent by the company to its shareholders is returned from time to time. For this reason the securities department makes every effort to locate shareholders in order to update their details, but this is a complicated task as most shareholders have no relation with the COMPANY or their stock brokers have not updated their addresses.

The database of addresses, e-mails and other shareholder details is updated periodically.

f. The COMPANY has had a dividends policy since 1997, which was modified by a shareholders meeting on the 28th of March 2007 and slightly modified thereafter by a shareholders meeting on the 26th of March 2013.

Date of approval	26th of March 2013
Entity giving approval	General meeting of shareholders
Dividend policy (criteria for distribution of profits)	Cash dividends shall be equivalent to 5% of the nominal value of the shares in circulation on the date of the meeting and up to 60% of freely available earnings may be paid out. If 5% of the nominal value of shares in circulation on the date of the meeting is less than 60% of the freely available earnings obtained at the close of the fiscal year, the meeting may pay a higher cash dividend, the ceiling for which shall be 60% of freely available earnings.

Date of approval	28th of March 2007
Entity giving approval	General meeting of shareholders
Dividend policy (criteria for distribution of profits)	Cash dividends shall be equivalent to 5% of the nominal value of the shares in circulation on the date of the meeting and up to 50% of freely available earnings may be paid out. If 5% of the nominal value of shares in circulation on the date of the meeting is less than 50% of the freely available earnings obtained at the close of the fiscal year, the meeting may pay a higher cash dividend, the ceiling for which shall be 50% of freely available earnings.
Date of approval	18th of March 1997
Entity giving approval	General meeting of shareholders
Dividend policy (criteria for paying dividends)	Distribution, whether in cash or new issue shares, all of the freely available earnings of each year. The cash dividend shall be equivalent to 5% of the nominal value of shares in circulation on the date of the shareholders meeting, provided that it does not exceed 50% of the freely available earnings in each year. If it does, then 50% of the freely available earnings shall be paid out.

g. Details of dividends in cash and shares distributed by Ferreycorp in recent years:

Date	**Dividend per share**		**Current policy**
	In cash	**In shares**	
Share type: Ordinary			
Fiscal year 2011	S/. 0.06	15.0102915%	2007
Fiscal year 2012	S/. 0.06	17.67754780%	2007

II.2. BOARD OF DIRECTORS

h. During 2013, the board of directors met 17 times. No director was represented by deputy or replacement directors.

i. The COMPANY does not have bonus programs for directors. In accordance with the provisions of Article 36 of the by-laws, the remuneration of the board of directors shall be equivalent to 6% of the liquid earnings of the fiscal year before taxes and after covering the statutory reserve.

j. The board of directors may reduce its remuneration whenever it deems such action necessary or appropriate. Furthermore, it shall agree on the distribution of the global remuneration among its members.

k. Total remuneration paid to members of the board and the management as a percentage of gross earnings, as shown in the consolidated financial statements of Ferreycorp, is 0.56%.

l. The board of directors does not discuss any matter without the presence of the general manager.

II.3. SHAREHOLDERS AND SHAREHOLDINGS

m. Ferreyros has one type of share only: the ORDINARY share and the 3,051 shareholders have the right to vote.

n. At the close of the fiscal year covered by this report, shareholders and holders of more than 5% of the shares were as follows:

Given names and surnames	**Number of shares**	**Shareholding (%)**	**Origin**
La Positiva Vida Seguros y Reaseguros	76'749,658	8.12%	Peruvian
Equinox Partners LP	63'983,915	6.77%	United States
AFP Integra Fondo 2 (In-Fondo 2)	60'128,744	6.36%	Peruvian

Holding:

Holding	**N° of shareholders**	**N° of shares**	**% participation**
Less than 1%	3,033	368'615,795	39.00
From 1% to less than 5%	15	375'748,990	39.75
From 5% to less than 10%	3	200'862,317	21.25
10% and over	0	0	0
Total	3,051	945'227,102	100.00

II.4 OTHERS

o. The COMPANY has a code of conduct on ethical criteria and social responsibility.

p. The COMPANY keeps a record of cases of non-compliance with the code of conduct.

q. This register is kept by the human resources division, which has an ethics officer.

r. Some of the documents mentioned in this report are detailed below:

Name of document	**Órgano de aprobación**	**Fecha de aprobación**	**Fecha de última modificación**
By-laws	General meeting	March 1998	March 2010
Job Description Manual	Management	Permanent	Permanent
Agreement by the general meeting of shareholders - dividend policy	General meeting	March 1997	March 2007
Internal conduct regulations for compliance with obligations deriving from registration of securities at the stock market public registry	Board of directors and general meeting	January 2005	March 2005
Internal regulations of the general meeting of shareholders	Board of directors	February 2006	October 2010
Internal regulations of the board of directors and committees	Board of directors	February 2006	October 2010
Manual of good corporate governance	Board of directors	2006	October 2010
Code of conduct	Management	August 2005	

9. Annexes

9.1 Annexe 1: General details of the corporation

1.1 Trading name and domicile

Trading name	Ferreycorp S.A.A.
Type of company	Public limited company
RUC	20100027292
Address	Jr. Cristóbal de Peralta Norte 820, Monterrico, Santiago de Surco, Lima, Perú
Telephone	511-626-4000
Fax	511-626-4504
Web page	www.ferreycorp.com.pe
Dedicated client line	511-626-5000
Dedicated shareholder line	0800-13372

1.2. Incorporation and registration at the public records office

Ferreycorp (formerly Ferreyros S.A.A.) was incorporated as Enrique Ferreyros y Compañía Sociedad en Comandita, by public deed on the 14th of September 1922 drafted by notary public of Lima Dr Agustín Rivero y Hurtado. It was registered under entry 1, page 299, volume 15 of Lima Companies Registry. That company was dissolved, as shown in entry 10, page 296, volume 30 at Lima Companies Registry.

Enrique Ferreyros y Compañía S.A. took over the assets and liabilities of the previous company by means of a public deed dated the 21st of February 1931 drafted by notary public of Lima Dr Agustín Rivero y Hurtado, registered under entry 1, page 457, volume 31 at Lima Companies Registry. The change of name to Enrique Ferreyros S.A. took place by public deed on the 23rd of November 1981 drafted by notary public of Lima Dr Jorge Orihuela Iberico, registered under Companies Registry entry N° 11007355.

The change of name to Ferreyros S.A. took place by public deed on the 6th of May 1996 drafted by notary public of Lima Dr Jorge Orihuela Iberico, registered under item 2B of entry 117502 in the Companies Register. On the 24th of March 1998, a general meeting of shareholders agreed to modify the trading name of the company to Ferreyros S.A.A., registered under entry N° 11007355 at the Companies Registry.

The shareholders meeting in March 2012 agreed to a simple reorganization of the company, by which two blocks of equity would be split off into two subsidiary companies.

As mentioned in the chapter entitled Financial Management, the first block, derived from the automotive division, was transferred to the Motored S.A. subsidiary; and the other, derived from the Caterpillar and allied lines machinery, equipment and after-sales services business was transferred to the Ferreyros S.A. subsidiary

After the separation of these equity blocks, the company changed its trading name from Ferreyros S.A.A. to Ferreycorp S.A.A.

The new structure of the holding company will allow it to concentrate on its role as investor while each of the operating subsidiaries focus on improving their services to clients, extending their coverage, seeking their own business opportunities and improving their operational skills.

In accordance with its by-laws, the business of Ferreycorp S.A.A. is the sale and purchase of merchandise and products of Peruvian and foreign origin; importing and exporting merchandise and articles in general; the provision of services, investment and commissions. Its duration is indefinite and its business is covered by group 5150, division N° 51 of the United Nations CIIU classification.

1.3 Brief summary of the company

A historical summary of Ferreycorp is available in the "Historical Summary" and "Prospects of the Corporation", in the chapter entitled "Aims and Structure of the Corporation".

1.3.1 Product lines

Ferreycorp is the sole Caterpillar distributor in Peru, it has represented this brand since 1942, which includes a vast range of machinery and equipment: mining trucks, loaders, tractors, motor graders, excavators, electric and hydraulic face shovels, track-drills and rotary drills, both diesel and electric, low-profile loaders for underground mining, marine engines and electricity generating sets, among others.

In addition to Caterpillar machinery and engines, Ferreyros distributes a wide range of products from other prestigious builders, including Terex cranes, equipment, trucks and low-profile loading shovels of less than 4 yd3 built by Paus, Oldenburg underground drilling equipment and Metso aggregate equipment for the construction industry. For the agriculture sector it represents Massey Ferguson and Landini tractors, Zaccaria rice milling equipment and Kepler Weber grain driers and silos, among others.

Other Ferreycorp subsidiaries supply other prestigious equipment in their respective territories, such as Kenworth and DAF trucks, Iveco vehicles, Sullair compressors, Mitsubishi-CAT fork lift trucks, Wacker compacting equipment, Lincoln Electric welding sets, Olympian-CAT electricity generating sets, Amida lighting towers, Enerpac hydraulic tools and Carmix concrete mixers. It also distributes Goodyear tires and Mobil lubricants.

For clients who wish to hire rather than buy machinery, Ferreyros, Unimaq- The Cat Rental Store and Ferreycorp's subsidiaries in Central America possess a large fleet of Caterpillar machinery to meet this need, especially for infrastructure and general construction projects. For further information on this service see the chapter entitled "Commercial and Operations Management" - Plant Hire section.

Ferreyros provides after-sales service to its clients from a large network of workshops in strategic locations throughout Peru and staffed by highly qualified mechanics who receive continual training, as well as the latest generation of equipment. Furthermore, Unimaq, Mega Representation, Motored and the companies in Central America have branches in different parts of their territories in order to provide adequate coverage for their clients, wherever they may be working.

In order to guarantee prompt supply of spare parts for all the lines it distributes, all of the company's machinery and vehicle distributors have warehouses and distribution centers at their branches and in strategic locations near their main clients' operations.

1.3.2 Competition

The range of products it distributes means that Ferreyros competes in different segments with a large number of suppliers who import and distribute different makes. Nevertheless, and thanks to their clients' loyalty, the operating companies, capital goods distributors, lead practically every market segment in which they participate. Ferreyros thus has a leading market share.

As far as competition for the makes represented by Ferreycorp is concerned, in the auxiliary machinery and off-road truck segment Caterpillar competes against Komatsu. Its competitors in the supply of low-profile loaders for deep mining are Atlas Copco and Sandvik. In electric and hydraulic face shovels its competitors include P&H, Hitachi, Komatsu and Liebherr.

For earth moving in both light and heavy construction projects, the Caterpillar equipment distributed by Ferreyros competes with Komatsu, Volvo, Hyundai, Case, JCB, Daewoo and John Deere. Furthermore, since 2008 Chinese earth moving machinery has been imported into Peru aimed at the heavy construction sector; in 2013 this equipment - more than twenty different makes imported by 43 importers - had a market share of approximately 6% by FoB value and 15% of all units imported into the country.

Cresko, a subsidiary of Ferreycorp, distributes machinery from Asia to compete in the same segment. Its main competitors are Liugong, Lonking, SDLG for loading shovels, and FAW, Sinotruck, Howo and Dongfeng for tipper trucks. In farm tractors it competes with Yto and in forklift trucks with Toyota and Nissan, among others.

As far as diesel engines are concerned, the Caterpillar brand distributed by Ferreyros competes with Detroit Diesel, Cummins, FG Wilson and Volvo; in the heavy fuel-oil segment, with Wartsila and Man; as well as Wartsila and Waukesha in the gas engine segment.

In drilling rigs for surface mining, we distribute Caterpillar (the line formerly sold under the Bucyrus name) and compete against Sandvik, Atlas Copco and Drilltech. In cranes of different characteristics and capacities it represents Terex and competes with Manitowoc and Grove. In the portable air compressor market, Sullair, competes with Atlas Copco.

As far as farm machinery is concerned it distributes Massey Ferguson and Landini and competes with John Deere and Ford New Holland.

In the tipper truck and tractor markets, Motored sells its Kenworth, Iveco and DAF brands and competes with Volvo, Scania, Mercedes Benz, Freightliner, Hino and Volkswagen, as well as Chinese makes FAW, Sinotruk and Dongfeng. The company sells Iveco and Yutong buses and competes with Mercedes Benz, Volkswagen, Scania and Agrale.

The corporation supplies spare parts for the various makes it distributes and competes with distributors of copy-cat spares supplying small segments of the market.

the Goodyear tires sold by Mega Representation compete with brands such as Bridgestone, Michelin and Chinese makes. In lubricants, for which this subsidiary is one of the Mobil representatives, the competition consists of Shell and Castrol, among others. The personal safety equipment line competes against Miller, North, Honeywell and MSA, among others.

Fiansa -whose business is heavy and medium-heavy steel fabrication and boilermaking, light engineering and electrical installations- competes against Técnicas Metálicas, Esmetal, Haug, Fima and Imecom.

In the sale and supply of energy, Ferrenergy competes with Agrekko, APR and Power Solution.

Fargoline operates in competition with other firms belonging to different Peruvian and foreign business groups in the bonded warehouse and storage business, such as Tramarsa and Ransa (the Romero group), Neptunia (the Andino group), Imupesa (Agunsa of Chile), APM Terminals (Danish group A.P Moller Maersk) and Dubai Ports World (a holding company owned by the State of Dubai in the United Arab Emirates), among others.

In the freight forwarding field Forbis Logistic Corp. competes with Alexim, La Hanseatica, Gamma Cargo, New Transport, DHL, MIQ and Flota.

Meanwhile , Soluciones Sitech Peru, representing Trimble in the market for machinery control and positioning equipment, has as its main competitors Topcon, belonging to Komatsu and Leica, which originated in Central Europe.

1.4 Other investments

Ferreycorp has investments in the following companies:

Company	Number of shares	Shareholding
La Positiva Seguros y Reaseguros	40,558,535	14.9574%
La Positiva Vida Seguros y Reaseguros	4,984,295	3.0050%
Plural transactions	1,698,660	16.1305%
Special transactions	16,599	0.5165%
Ferrenergy	12,888,055	50.00%

As indicated in the section entitled “Structure of the Economic Group”,
although Ferrenergy is one of the corporation's businesses its results are not consolidated for accounting and financial purposes. The corporation's shareholding in this company is shown under Investments in Associates.

1.5 Capital, shares and shareholdings

As at the 31st December 2013, Ferreyros' capital was represented by ordinary shares having a nominal value of 1.00 nuevos soles each, fully subscribed and paid up, of which 63.27% is held by Peruvian investors and 36.73% by foreigners.

The share price at the beginning of the year was 2.21 nuevos soles and at the close of the year 1.93. The maximum price during the year was 2.82 nuevos soles in March, and the minimum was 1.55, in July. The average share price in 2013 was 2.10 nuevos soles (Annex 2).

The following shareholders held 5% or more of the company's capital as at the 31st December 2012:

Given names and surnames	Number of shares	Shareholding (%)	Origin
La Positiva Vida Seguros y Reaseguros	76,749,658	8.12%	Peruvian
Equinox Partners LP	63,983,915	6.77%	EE.UU.
AFP Integra Fondo 2 (In-Fondo 2)	60,128,744	6.36%	Peruvian

The distribution of voting shares is as follows:

Holding	N° of shareholders	N° of shares	% participation
Less than 1%	3,033	368´615,795	39.00
From 1% to less than 5%	15	375´748,990	39.75
From 5% to less than 10%	3	200´862,317	21.25
10% and over	0	0	0
Total	**3,051**	**945'227,102**	**100.00**

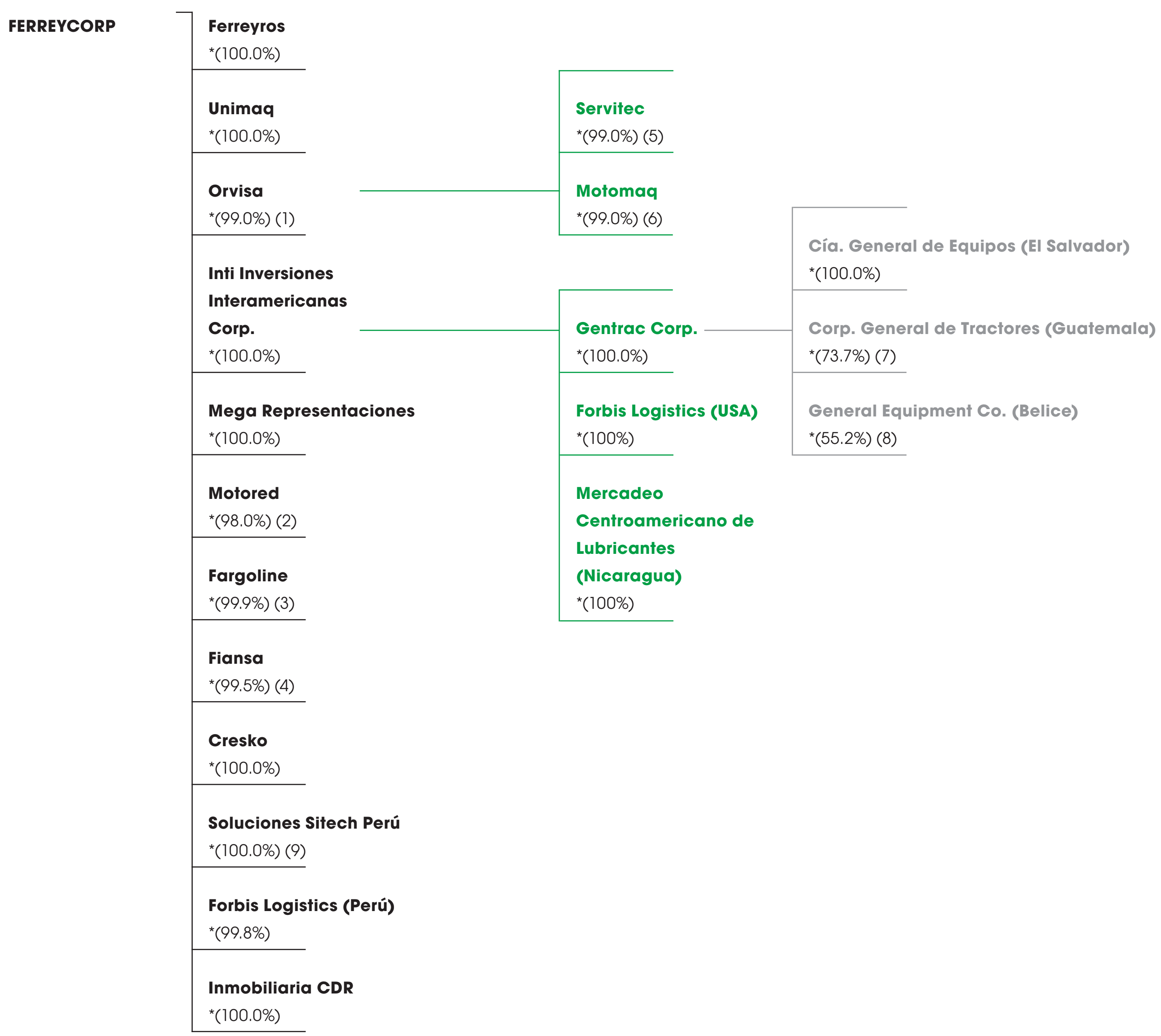
1.6. Economic group

In accordance with the definition of “economic group” as used by Conasev, Ferreyros forms an economic group with the following subsidiaries:

Ferreyros S.A.
Unimaq S.A.
Orvisa S.A., which also owns:
- Servitec
- Motomaq

Motored S.A.
Mega Representaciones S.A.
Cresko S.A.
Fiansa S.A.
Fargoline S.A.
Forbis Logistics Perú
Soluciones Sitech Perú S.A.
Inmobiliaria CDR S.A.C.
Inti Inversiones Interamericanas Corp., which in turn owns:
- Gentrac Corporation, which in turn owns:
  - Cía. General de Equipos (Cogesa - El Salvador)
  - Corp. General de Tractores (Gentrac - Guatemala)
  - General Equipment Co. (Gentrac - Belice)
- Mercadeo Centroamericano de Lubricantes (Nicaragua)
- Forbis Logistics (EE.UU.)

The following page shows the corporation's companies in graphic form:



Nota
* Percentage shareholding of direct majority shareholder
(1) Ferreyros holds 1.0%
(2) Unimaq holds 2.0%
(3) Orvisa holds 0.1%
(4) Orvisa holds 0.5%
(5) Ferreycorp holds 1.0%
(6) Servitec holds 1.0%
(7) Cia. General de Equipos holds 26.3%
(8) Cia. General de Equipos holds 44.8%
(9) Unimaq holds 0.2%

FOR MORE REASONS
Annexes

9.2 Annexe 2: Information on capital market instruments

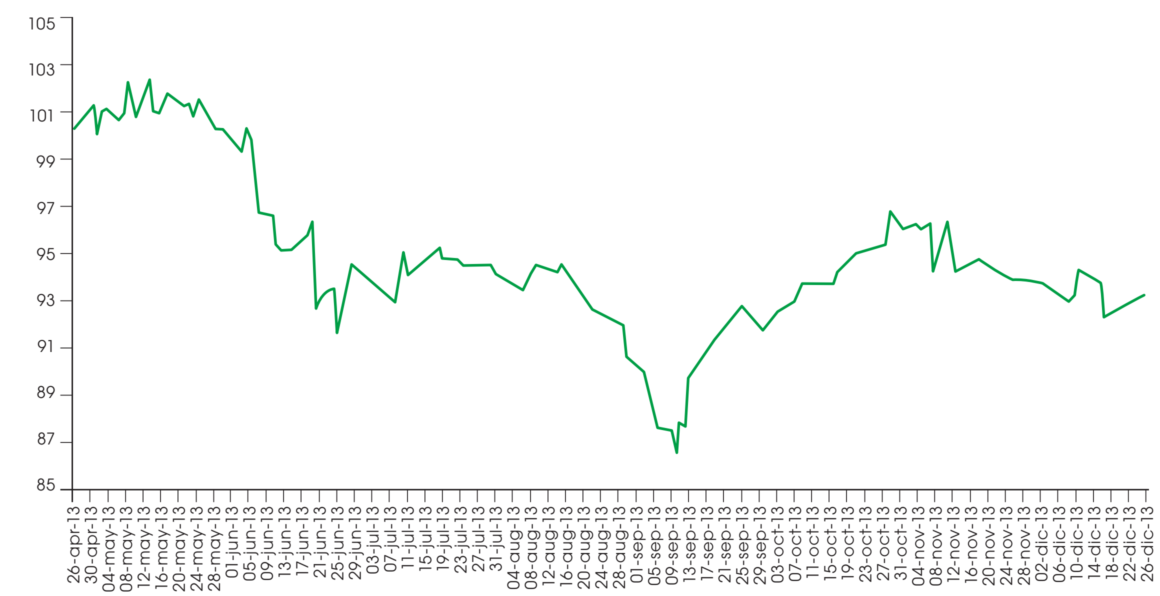
2.1. Share prices

FERREYCORP S.A.A.
Share prices

ISIN code	Nemonic	Year - Month	2013 Quotes				Average
			Opening S/.	Closing S/.	Maximum S/.	Minimum S/.	price S/.
PEP736001004	FERREYC1	2013-01	2.21	2.47	2.47	2.21	2.36
PEP736001004	FERREYC1	2013-02	2.47	2.79	2.81	2.47	2.67
PEP736001004	FERREYC1	2013-03	2.79	2.68	2.82	2.49	2.68
PEP736001004	FERREYC1	2013-04	2.70	2.29	2.70	2.28	2.49
PEP736001004	FERREYC1	2013-05	2.30	2.03	2.40	2.03	2.17
PEP736001004	FERREYC1	2013-06	2.03	2.10	2.16	1.95	2.05
PEP736001004	FERREYC1	2013-07	2.10	1.65	2.10	1.55	1.78
PEP736001004	FERREYC1	2013-08	1.66	1.83	1.90	1.64	1.80
PEP736001004	FERREYC1	2013-09	1.83	1.81	1.99	1.78	1.86
PEP736001004	FERREYC1	2013-10	1.82	1.81	1.82	1.72	1.79
PEP736001004	FERREYC1	2013-11	1.81	1.78	1.87	1.70	1.77
PEP736001004	FERREYC1	2013-12	1.78	1.93	1.93	1.76	1.83

2.2. Current debt instrument issues

In April 2013 Ferreycorp placed corporate bonds worth US$ 300 million on the international market. The performance of these bonds during fiscal year 2013 is shown below:



Ferreyros S.A., the company with the highest trading volumes in the Ferreycorp group has a debt instrument program, details of which are shown below:

Balance of issues in force as at the 31st of December 2013
(In US$ million)

First IRD Program Ferreyros S.A.

	Resolution Conasev N° 054-2009-EF/94.06.3
Class	Registered and indivisible in account at CAVALI ICLV S.A.
Face value	US$ 1,000 each
Series	One or more
Maximum Issue Amount	US$ 130,000,000
Term	2 years renewable
Payment of Interests	End of quater

Characteristies of the placement current as at december

Issues 1IRD Ferreyros S.A.	Amount of issue	Balance	Term (years)	Placement rate	Date of issue	Date of redemption	Amortization
Second issue of bonds Series A	130,000,000	11,786,000	5	5.56%	16/05/2011	16/05/2016	16 quarterly payment, 1 free
Second issue of bonds Series B	130,000,000	13,624,000	5	5.75%	28/10/2011	28/10/2016	16 quarterly payment, 1 free
		25,410,000					

9.3 Annexe 3: Guarantees, contingencies and commitments

As at the 31st December 2013 the Group has the following commitments:

Ferreycorp S.A.A.

(a) Guarantees amounting to US$904,000,000 and US$15,000,000 to cover credit operations by subsidiaries and affiliates and purchases from third parties, respectively, have different maturities.
(b) Bank guarantees in favor of financial institutions worth US$1,000,000 principally for use as the company's bid bonds and compliance bonds for the delivery of products sold through public tenders and payment of customs duties due on imported merchandise.

Subsidiarias

✖

Ferreyros S.A.

(a) Guarantees valued at US$8,600,000, to guarantee credit purchases from third parties.
(b) Bank guarantees in favor of financial institutions worth US$31,000,000 principally for use as the company's bid bonds and compliance bonds for the delivery of products sold through public tenders and payment of customs duties due on imported merchandise.

✖

Cresko S.A.

Bank guarantee in favor of a third party, valued at S/.243,000 to guarantee payment of obligations.

✖

Fargoline S.A.

This subsidiary has a letter of guarantee in favor of the Customs Authority for merchandise passing through customs, valued at US$1,200,000 and for merchandise in temporary storage, amounting to US$1,400,000.

✖

Ferrenergy S.A.C.

Bank guarantees amounting to US$14,633,000 in favor of financial institutions, to cover the payment of obligations.

Mega Representaciones S.A.

(a) Guarantees valued at US$8,120,755 and S/. 18,522,000, to cover purchases from third parties and financial leasing, respectively, maturing on different dates.
(b) Bank guarantees in favor of finance institutions valued at US$ 3,097,000 and S/. 365,000, as well as S/. 8,120,000 to be used principally as a bid bond by the company and a compliance guarantee covering delivery of products sold in public tenders, together with payment of.

Motored S.A.:

(a) Guarantees valued at US$ 18,000,000, to guarantee credit purchases from third parties.
(b) Bank guarantees of US$ 50,000 to cover payment of customs duties arising from imports of merchandise.
(b) Bank guarantees in favor of financial institutions valued at US$ 704,000, principally for use as bid bonds and compliance bonds by the subsidiary for delivery of products sold through public tenders.
(d) Cómex promissory note payment guarantees amounting to US$ 25,000,000.

Orvisa S.A.

(a) Guarantees valued at US$ 630,000 to cover purchases on credit from third parties.
(b) Bank guarantees in favor of financial institutions valued at US$3,784,000 and S/.1,266,000, principally for use as bid bonds and compliance bonds by the subsidiary for delivery of products sold through public tenders.

Tax position

(a) The Group is subject to the tax regime of the country in which it operates and pays tax separately based on its separate financial results. As at the 31st December 2013 and 2012, the income tax rate in the main countries in which the Group operates is 30%, 31%, 25% and 25% of taxable earnings in Peru, Nicaragua, Guatemala, El Salvador and Belize, respectively.
In accordance with current legislation as at the 31st December 2013 and 2012, cash dividends to shareholders not domiciled in Peru are subject to income tax. The rate for Peru is 4.1 percent, whilst that in El Salvador is 5 percent and in the rest of Central America such dividends are not taxable.

(b) Transfer pricing regulations are in force in Peru, Nicaragua, Guatemala, El Salvador and Belize and state that transactions with local or foreign non-arms-length companies should be carried out at market prices.
The tax authorities have the right to ask for this information. Based upon an analysis of Group operations, the management and its legal advisors believe that no significant contingencies will arise from applying these regulations as at the 31st December 2013 and 2012.

(c) The tax authorities of each country are empowered to monitor and, if applicable, correct the corresponding income tax calculated by each Group company in the years after their tax returns have been filed.

For Ferreycorp S.A.A. (formerly Ferreyros S.A.A.) Income tax and value added tax returns for fiscal years 2008 to 2013 are awaiting examination by the Tax Authority in Peru. The tax authority is currently auditing fiscal year 2008.

Furthermore, income tax and value added tax returns for the principal subsidiaries are subject to audit by the tax authorities of each country during the following periods:

	Period subject to audit
Foreign subsidiaries:	
Country	
Guatemala	2009 to 2012
Guatemala	2009 to 2012
El Salvador	2009 to 2013
Belice	2006 to 2012
Nicaragua	2007 to 2013
Estados Unidos de América	2009 to 2013
Local subsidiaries	
Ferreyros S.A. (antes Motorindustria S.A.)	2008 to 2012
Unimaq S.A.	2012 to 2013
Cresko S.A.	2009 to 2013
Fiansa S.A.	2009 a 2013
Mega Representaciones S.A.	2009 to 2013
Fargoline S.A.	2009 to 2013
Orvisa S.A. y Subsidiarias	2009 to 2013
Motored S.A.	2011 to 2013
Inmobiliaria CDR S.A.	2010 to 2013
Forbis Logistics S.A.	2012 to 2013
Soluciones Sitech Perú S.A.	2013

Because of the possible interpretations of current legislation by the tax authority, it is not possible to determine at this date whether any reviews will have an effect on the company, therefore any future increase in tax or charges resulting from tax audits would be applied to the results of the fiscal year in which they are determined; however, in the opinion of the Group management, any future additional tax payment will not be significant for the consolidated financial statements as at the 31st December 2013 and 2012.

(d) As at the 31st December 2013, the Company has received various objections to its income tax and value added tax returns for fiscal years 2001 to 2007, amounting to approximately S/.108,000,000 including fines and interest. the Corporation has submitted appeals to the tax authority (SUNAT) and the Tax Tribunal as appropriate.

With regard to the reviews that gave rise to the objections mentioned, in accordance with established procedures the Tax Authority informed the Company of the result of each review before publications, allowing a period for the alleged omissions and infringements to be corrected. Thus, the Company has corrected and paid the omissions and infringements it considered justified in accordance with an exhaustive evaluation by its tax advisors.

In the opinion of the company's management, based on the opinion of its legal and tax advisors, these objections and lawsuits are inadmissible and the final result will be favorable to the company; therefore it does not consider it necessary to make a provision for these proceedings.

In the opinion of the Group management and legal and taxation advisors, these objections and reviews are inadmissible and the final result should be in the Group's favor; therefore it has not considered it necessary to record additional liabilities in the financial statements.

Ferreycorp S.A.A. Subsidiaries

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