Ferreycorp Annual Report 2014

We aim higher

Declaration of Responsibility

This document contains accurate and sufficient information regarding the business activities of Ferreycorp S.A.A. during fiscal year 2014.

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

Lima, March 30th, 2015

Annual Report 2014 **We aim higher — Ferreycorp**

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Ferreycorp 2014

Annual Report 2014 We aim higher —— Ferreycorp

Letter from the President

Sales by Ferreycorp group companies in fiscal year 2014 were slightly lower than in the previous year, but they remained close to their clients to attend to their different needs and those of the market in general. Together they did well to cover the market, maintaining and in some cases increasing their percentage share. Although economic growth was less than in previous years due to various internal and external factors, the corporation continued to provide its acknowledged value to its clients, enabling it to remain the market leader, obtain a high level of earnings and prepare the ground for future growth.

The demand from mines already in production and the existence of a number of infrastructure projects meant that we ended 2014 with positive results and renewed optimism that has characterized Ferreycorp throughout its 92 years, and has helped it to weather the economic and political storms it has had to face.

This optimism is based on a number of important announcements made during the year concerning large projects worth around US$ 10,000 million which in the next few years will help to continue the changes in our country, making it more competitive, closing the infrastructure gap and furthering development. For that reason Peru is going forward and the corporation has adopted the phrase Let's go Forward to define its current situation.

In this context it is important to underline the diversification strategy adopted by the corporation in recent years, which has enabled it to provide a more homogeneous cover for sectors other than mining and to get involved in other Latin American countries with different economic cycles.

During 2014 Peru's gross domestic product was affected in part by an adverse international environment characterized by a strengthening dollar and low metal prices. In addition, a fall in public investment and weak private investment contributed by the end of the year to a significant deceleration in GDP, which grew at a rate of 2.35% after a decade of more than 6% growth on average. Consequently, GDP growth by sector was also below expectations, particularly in the mining industry as important projects were delayed and production from existing mines fell. In the construction industry, delays in implementing public infrastructure projects in the regions seriously affected the sector's growth. In other sectors in which the corporation has a presence, such as fishing and farming, weather and biological factors prevented better performance.

In such a scenario, a number of clients decided to postpone investment and hiring decisions and opted for reducing costs and concentrating on increasing their management efficiency. In general, not only did the rate of growth in private investment reduce, but as mentioned above it actually fell overall by 1.6% during the year, affected by a fall in business confidence and by the increasing difficulty of obtaining permits and authorizations that is restricting the possibility of doing business in Peru.

The political environment also showed signs of deterioration, creating uncertainty and weakening the drive to impose the reforms that are necessary to increase competitiveness and productivity in the medium term.

As a reflection of this reduced economic activity, the corporation's consolidated sales amounted to S/. 4,878 million at the end of 2014, a fall of 7% compared to the figures for 2013. It should be pointed out that once again the weakening of Peru's currency against the United States dollar, which has accentuated in recent months, had a negative though transient effect on our results.

An analysis of the results of Ferreycorp's three divisions in 2014 shows that the first group of companies, which distributes Caterpillar machinery, equipment and spares in Peru and consists of Ferreyros, Orvisa, Unimaq and Ferrenergy, generated sales of S/. 3,814 million, a reduction of 10% compared with 2013. The fall in sales of machinery and trucks for new large - scale mining projects was in part offset by sales to underground mines, the construction sector, the farm sector and sales of spare parts and services.

The group of companies operating outside Peru, also mainly Caterpillar dealers, increased their sales by 14% to a figure of S/. 528 million. This result includes the earnings of the new Chilean subsidiary Trex, acquired during the year by Ferreycorp, as discussed below.

Finally, sales by the third group of companies, which completes the corporation's portfolio, remained at levels similar to those of 2013, with a slight increase of 1% during the year, to achieve total earnings of S/. 535 million. This group consists of Mega Representaciones, Motored, Cresko, Fiansa, Fargoline, Forbis Logistics and Soluciones Sitech Perú, companies whose businesses have many synergies with the main capital goods business.

In general we can say that despite lower sales the companies of the Ferreycorp group maintained their leadership in their different markets. Caterpillar's market share in Peru and Central America exceeded 50%.

An important part of Ferreycorp's integral offer is the prompt delivery of equipment, better after-sales service, operator training, technological support and financing, either direct or indirect. The effort made to provide support to clients in a year in which many of them decided not to buy large numbers of new machines, is worthy of mention. As a result, sales of spare parts and services made up 40% of the corporation's consolidated sales in 2014, compared with 33% in 2013.

Internationally, Ferreycorp continued to develop its capital goods and services business in Latin America by acquiring Trex in Chile during the year, a company that represents the Terex range of cranes and lifting platforms, and port equipment, all of which have complementary functions to CAT machinery. It should be mentioned that as with Trex in Chile, Ferreyros and Unimaq represent different Terex products in Peru. This operation contributes to expand Ferreycorp's presence in the region by strengthening its relationships with the manufacturers it represents.

In addition to the acquisition of new businesses, Ferreycorp –today with 16 operating companies– also extended its brand portfolio by including a new line of products, in Ferreyros, which allows this subsidiary to offer a complete solution for the asphalt industry. Astec asphalt plants complement the wide range of Caterpillar paving equipment and the Metso line of crushers and screens. At the same time, 2014 saw a consolidation of the high-technology instrument business through Soluciones Sitech Peru, which aims to increase the operating efficiency of machinery, trucks and other equipment. In this sense, Ferreycorp continues to grow and add to its portfolio, but always in the field of capital goods and related services.

As far as the company's finances were concerned, at the end of 2014 the EBITDA reached a total of S/. 521 million, a fall of 11% compared with the figure of S/. 588 million for the same period of the previous year, due to lower operating profits deriving mainly from the reduction in sales that we have already described. Similarly, the EBITDA margin in 2014 was 10.7%, somewhat less than the 11.3% achieved in the previous year, caused by a reduced capacity to absorb operating costs, a high percentage of which are fixed costs in businesses of this type.

In this situation severe cost cutting was required in some subsidiaries, and less radical measures in others, as the business needs to be ready for the growth that is expected in the not too distant future. Furthermore, insofar as sales of spares and services account for a significant percentage of consolidated sales, the company's gross margin and EBITDA will be higher.

In the field of asset management, corporation companies continue to make every effort to rotate inventories and accounts receivable, which are the principal components of their working capital. I would point out that in the capital goods business it is common to see fluctuations in manufacturers' delivery dates, meaning that it is frequently necessary to keep high inventory levels of machinery and equipment for delivery to clients after they have been shipped to Peru.

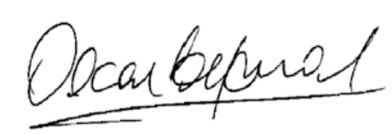
As far as corporate governance is concerned, good practices adopted and encouraged by Ferreycorp remain the basis of investor confidence and confidence on the part of the

market in general. The corporation is committed to continual improvement and to continue conducting its business in line with the principals of seriousness, fairness and transparency, as it has been for the 50 years or more that its shares have been traded on the stock market. Thus the corporation's shares were included in Lima Stock Exchange's Good Corporate Governance Index (IBGC) for the seventh consecutive year, since the index was created in 2008.

Viewing 2015 from a commercial point of view, there are good reasons for expecting better conditions than last year, therefore the companies of the corporation are preparing for a small improvement in their commercial activities. Among these reasons and despite reduced economic activity, Ferreyros has orders for Caterpillar mining equipment worth a significant sum, to be invoiced and delivered from the first quarter of 2015 onwards. We also expect greater dynamism in the construction industry this year, thanks to the projects mentioned above, which were approved and for which concessionaires were found in 2014, and which will require machinery and equipment in 2015.

In conclusion, and with a new year ahead of us in which we expect better things, I must once again thank the shareholders for their confidence in the board of directors, confirming our desire for a fluid and transparent relationship; our clients for their loyalty and continued preference; Caterpillar and the other prestigious manufactures we represent for their continual support; and those who have provided financial backing. Our management and collaborators deserve a special mention as without their loyal and efficient work we would not have been able to achieve our goals.

Let me therefore commend to the shareholders the "Annual Report for 2014" drawn up by the management and approved by the board of directors at a meeting on the 02nd of March 2015, as well as the financial statements prepared of 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

Annual Report 2014 **We aim higher —— Letter from the President**

We aim higher

We have faith in Peru and in its potential to continue growing and developing.

We expand good practices and values across borders.

We reaffirm our commitment to generate positive impacts on our environment.

These are the reasons why, in Ferreycorp, WE AIM HIGHER.

Annual Report 2014 **We aim higher —— Ferreycorp**

Soundness and Results

Ferreycorp's soundness is key to provide its clients with value. Thanks to the attention skills built over the years, Ferreycorp was able to offer in 2014 alternatives such as immediate availability of inventory in the country, rental of machinery, semi-new equipment, financing methods, condition monitoring of equipment, training to technicians and operators, specialized maintenance and repair services, consumables, steel structures, logistics services, among others. The ultimate goal: Generate more and better results in clients operations and build long-term relations.

Impact and prestige

Ferreycorp's internationalization continued. After starting successful operations in Guatemala, El Salvador and Belize representing Caterpillar, and in Nicaragua, with Mobil lubricants, the corporation expanded its business border in 2014 up to Chile representing Terex. By growing internationally and capitalizing on best practices sharing between the various subsidiaries, the corporation expands its positive impact on the countries where it operates, with a prestigious portfolio of products and services, and sound relations with the companies it represents.

Annual Report 2014 **We aim higher — Ferreycorp**

Dynamism and Human Resources

Over 6,600 collaborators in 16 companies of the corporation are committed to accompany clients in their continuous challenges. In this context, subsidiaries complement the offer of solutions provided in a comprehensive manner, combining their knowledge on industries with their expertise to make synergies in favor of clients and to continue identifying new opportunities to contribute to a greater productivity in their operations.

Annual Report 2014 We aim higher —— Structure of Ferreycorp

Strengthening the value proposition to its clients to make them more successful and reinforcing its own growth are the essence of Ferreycorp strategy.

Prestige

1. Structure of Ferreycorp

1.1 Aims and trajectory of the corporation

With 92 years in the business, Ferreycorp is a Peruvian corporation specializing in the provision of capital goods and related services, operating principally in Peru, its country of origin; in Central American, through subsidiaries in Guatemala, El Salvador, Belize and Nicaragua; and more recently in Chile. It is traded very successfully on Lima Stock Exchange (BVL), consisting of 16 operating companies with more than 6,500 employees.

Ferreycorp's response to the changing circumstances has been to transform the company in order to meet the varied needs of its clients under the best possible conditions, continue to create jobs and to ensure an attractive return on their investments for its shareholders.

In the early years, since its foundation in 1922, the company sold a series of consumer products, but in 1942 Ferreycorp began its long relationship with Caterpillar, which has strengthened over the years. Ferreycorp's work over seven decades is acknowledged by its main supplier, the world leader in machinery.

Throughout its life, Ferreycorp has developed a prestigious portfolio of brands and unbeatable coverage in Peru, making the company the undisputed leader in its field. It has also incorporated new businesses in Peru through its different subsidiary companies, whether created or acquired -thus reducing the learning curve if necessary-. The company later went international, after being appointed the representative of Caterpillar and Mobil lubricants in Central America; more recently it has become the representative of Terex in Chile, taking advantage of the skills

Ferreycorp continues growing in terms of capital assets and services, increasing its presence in Latin America with the acquisition of Trex in Chile.

and knowledge accumulated over the years and putting them at the service of the brands it represents in new territories with a potential for growth.

The Ferreycorp companies have concentrated since the 90s, on the supply of capital goods and complementary services. Extractive industries such as mining, oil and fishing; productive activities such as agriculture and manufacturing; and tertiary sector activities such as construction, energy, trade and transport, have benefited from the products and services it offers.

In addition to contributing sales and profits to Ferreycorp, the corporation's subsidiaries increase its market coverage and complement the integrated solutions it provides to its clients. The subsidiaries bring their experience, coverage and logistic abilities, among other skills to the corporation, creating synergies for its clients based on increasing the efficiency and productivity of its operations. In virtue of this, many clients of the principal subsidiary, Ferreyros, receive goods and services from other company corporation companies.

The continual expansion of its portfolio of products and services, the inclusion of synergetic businesses through acquisitions or the creation of new companies, market penetration in extensive segments of the market and the international expansion of its operations, backed up by the brands it represents, form some of the engines of Ferreycorp's growth, in line with the economic performance of the countries in which it operates.

It is worth remembering that in 2012 the corporation was reorganized to create a holding company called Ferreycorp, the parent company of 16 subsidiaries, each with a different business but equally focused and specializing on capital goods and related services.

Ferreyros S.A. was created as a subsidiary in July 2012, as part of this reorganization, and took over the commercial operations of the company formerly called Ferreyros S.A.A. It thus gave up its former role as parent company in order to concentrate exclusively on its business activities. For more information on the corporation's history see the historical summary in the Annexes.

1.2 Business divisions

The businesses of the Ferreycorp corporation are distributed among three large 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 · Ferrenergy	· Corporación General de Tractores- Gentrac (Guatemala) · Compañía General de Equipos- Cogesa (El Salvador) · General Equipment Company Limited- Gentrac (Belice) · Mercadeo Centroamericano de Lubricantes - Mercalsa (Nicaragua) · Trex Latinoamérica (Chile)	· Motored · Mega Representaciones · Cresko · Fiansa · Fargoline · Forbis Logistics · Soluciones Sitech Perú

The chapter “Commercial and operations management” includes a detailed view of these subsidiaries. For information on the economic group as defined by the SMV, see the Annexes.

With 16 subsidiaries throughout Peru and five more countries, Ferreycorp aims at strategic economic sectors offering new opportunities every year thereby guaranteeing its own soundness and future growth.

Soundness

2. Commercial operations management

In 2014 the consolidated turnover of Ferreycorp's subsidiaries in Peru and abroad was S/. 4,878 million (US$ 1,718 million). The companies representing Caterpillar and allied brands in Peru generated 78% of consolidated sales; those in other countries generated 11%; and those companies complementing the supply of goods and services to different industry sectors contributed 11%.

This chapter describes the scope of Ferreycorp subsidiaries' commercial and operations management during the year, with emphasis on their activities and the principal sectors served in the fiscal year.

2.1 Performance of the companies representing Caterpillar and allied brands in Peru

Ferreycorp supplies the Caterpillar and allied brands portfolio and its leading support skills to the Peruvian market. It has therefore developed specialist channels that facilitate greater market coverage and attention to the needs of the different sectors, taking into account the wide variety of products offered and the different industries and geographical areas it serves.

As the principal sales channel for this of portfolio, Ferreyros concentrates on the distribution of high-value capital goods to strategic sectors such as mining, heavy construction, energy and agriculture, among others. Unimaq has specialized in urban and small-scale construction activities, while in the Amazon region Orvisa sells products distributed by both Ferreyros and Unimaq. Furthermore, Ferrenergy generates electricity using diesel fuel, residual oil and gas.

During 2014, in a context in which industry in general has retrenched and clients have chosen to minimize their capital expenditure (Capex), this group of companies concentrated on opportunities that arose for providing machinery in Peru, increasing the productivity of its clients' existing fleets through first-class after-sales service and providing alternatives such as rental services.

In a conservative investment environment, these subsidiaries together earned S/. 3,814 million in 2014 (US$ 1,343 million), a figure 10% less than in the previous year. Nevertheless, its clear leadership was evident in 2014: The principal company it represents, Caterpillar, obtained a 54% share of the Peruvian market, higher to that of 2013, according to official FoB import figures, responding especially to a demand for both light and heavy construction equipment from this manufacturer.

Furthermore, the results show that sales of spares and service have increased by 12 % compared with 2013, thanks to an increased number of machines and equipment and a high level of after-sales support from the subsidiaries ; machinery leasing as an alternative way of meeting client needs; and the incremental contributions by Orvisa and Unimaq to the results.

2.1.1 Ferreyros S.A.

The leading supplier of capital goods and specialist services in Peru, Ferreyros is the mainstay of the Ferreycorp corporation, having around 3,700 collaborators and more than 60 outlets around the country.

In 2014, Ferreyros retained its clients' loyalty and served their various capital goods and support requirements throughout Peru. The company's turnover reached S/. 3,100 million (US$ 1,092 million), in a conservative investment environment, providing 62% of the corporation's total earnings.

Clients' preference for Ferreyros and the Caterpillar brand was clear during the year, not only from new machinery acquisitions but also from rental services and sales of refurbished units from the Rentafer business.

Once again, during the year Ferreyros provided a prompt and high-quality after sales service coverage for both new and existing fleets. This was reflected in the fact that 50% of total sales consisted of spares and services, which are more profitable to the corporation.

Mining was again the key sector for Ferreyros's earnings, contributing S/. 1,897 million (US$ 637 million). The mining industry in 2014 was more cautious with its investments (Capex), although it operated its assets to obtain maximum performance, thus maintaining spare parts and service requirements. As in 2013, a fall in world prices of Peru's main mineral exports during 2014 led the large mining companies, which concentrate mainly on copper production, to adapt to this situation.

Deliveries of new mining trucks of different capacities during the year brought the Peruvian total of very large Caterpillar trucks up to around 600. There was a continued increase in the number of electric and hydraulic face shovels and drilling rigs and low-profile loaders for underground mines -of which there are 400 supplied by Caterpillar- as well as numerous items of auxiliary equipment by Caterpillar and allied brands. Furthermore, mining operations continued to seek maximum productivity with the aid of world-class support and skills in the field, which proved a decisive factor in our clients' loyalty.

Despite lower sales of larger mining equipment during the year compared with 2013, basically because of delayed investment in fixed assets, Ferreyros was awarded contracts for machinery to be delivered and invoiced from 2015 onwards, which makes for a promising start to the new year.

The growing fleet of 797F trucks with a capacity of 400 short tons is particularly worthy of mention; these are the largest trucks used in the Peruvian mining industry. During the year purchase orders for more than 30 units were received, to be delivered from 2015 onwards, which will add to the country's fleet. The high value of this equipment is worth noting, within a trend for bigger and bigger machines to increase the productivity of mining operations.

We also received orders during the year for four additional face shovels from the former Bucyrus line, which was integrated into the Caterpillar brand in 2012. These orders include the acquisition of the largest pieces of equipment in the CAT portfolio: model 7495 electric face shovels. Thus the company has consolidated its position as the market's only supplier capable of providing all of the equipment needed to operate an open pit mine.

In a year of conservative investments in the country, the importance of capital assets business linked to Caterpillar is reflected.

Underground mining companies also sought to maintain their levels of production, placing emphasis on reducing operating costs and postponing or reducing investment and exploration programs. In spite of these challenging circumstances, in 2014 Ferreyros achieved the record figure of US$ 50 million for sales of underground mining machinery. Furthermore, we would point out the leading position of the Caterpillar brand in sales of low-profile loaders for use underground, with around a 96% market share in the 4 yd3 and above sector despite reduced demand in the sector.

On the other hand, the construction sector generated sales in 2014 of S/. 762 million (US$ 253 million), on both machinery and equipment and spares and services. The commercial performance of the Caterpillar brand can be seen from its leading 65% share in the construction market, which is higher than in 2013, according to official figures based on FoB import values. This also reflects confidence in the brand and backing by Ferreyros: market share was increased even though the market had contracted by around 20%, according to import data.

During the year, construction companies continued with road building and maintenance contracts for the Ministry of Transport and Communications and certain regional governments that had awarded contracts for important highways: sections of the Huacho-Pativilca- Trujillo, Lima- Canta, Quilca- Matarani- Punta Bombón and Ayacucho- Abancay highways, as well as section 2 of the Highlands Trunk Road.

Work on long-term hydroelectric projects such as Cerro del Águila, Chaglla, Quitaracsa, Cheves and Huanza also continued apace.

2014 also saw contracts awarded for important infrastructure such as the Lima Metro Line 2, the Southern Peru Gas Pipeline, modernization of Talara Refinery, new roads in Lima and Chincheros Airport. In addition, and in spite of falling metals prices, construction companies were involved in mine expansion and construction work in 2014.
During the year the number of

In 2014, Ferreyros held a large market share thus confirming its leadership resulting from its clients preference. The company continued increasing its value proposition by adding international, highly prestigious brands to the sales of machinery and equipment.

Annual Report 2014 **We aim higher — Commercial and Operations Management**

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.

Thanks to the confidence of its clients and these projects, Ferreyros supplied the construction sector with Caterpillar machinery, Terex cranes and Metso crushing equipment, as well as spare parts and services. Furthermore, in 2014 Ferreyros expanded its portfolio to include road building companies, with a new line: asphalt plants by Astec, the North American market leader. This line complements Caterpillar road finishers (pavers, rollers, planers and recyclers) and the Metso line, and provides a complete solution to the asphalt industry.

Caterpillar machinery, either owned or leased, has had a significant presence in the projects mentioned, as has our accompaniment throughout the work with qualified advice, spare parts and full-time maintenance. Clients in this market once again showed an interest in leasing machinery from our Rentafer business unit, which has a rental fleet of more than 600 items of heavy plant, on average.

Project execution in 2015 and subsequent years will continue to provide opportunities for Ferreyros to serve its construction industry clients. It will also, among others aspects, strengthen the role of Ferreyros's branches, insofar as such projects requires services all over the country.

Furthermore, the demand for energy in Peru was growing by an average of 5% up to October 2014. In this context Ferreyros met the energy requirements of clients in different sectors: for example electricity generating companies, mines, fishing companies, office buildings, hotel chains, factories and agribusinesses, to which we supplied electricity generating sets in the 200 kW to 2,000 kW per unit range. Depending on their specification, these units can be connected either with the national grid or with other equipment belonging to the clients, thus guaranteeing that their energy demand will be met. Ferreyros stands out because of its product portfolio and ability to provide integrated solutions, such as turn-key plants or encapsulated generating sets.

In the hydrocarbons sector, demand was concentrated on the provision of model 3512B generating sets drilling rigs that require autonomous generating capacity greater than 3 MW for each rig. We also delivered gas-fueled 200 to 600 kW generators to certain oil wells in the early exploration stage, and leased and sold Caterpillar machinery for exploratory well finishing and maintaining access roads in the Peruvian jungle and the north of the country. We would also point out that in this same area we have sold spare parts for thermal power stations and were given an order for major repairs to two Caterpillar generating sets (formerly Mak) having a capacity of 10 MW.

Next year we expect to supply a significant amount of equipment for the start of construction of the Southern Peru Gas Pipeline, some items of which are already being imported for delivery to oil contractors who are clients of the company.

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, Caterpillar brand has achieved a 65% share in the market for electricity generating sets, measured in dollars FOB imported.

As far as the marine and fishing sector is concerned, only one fishing season was authorized during the first half of 2014; the second season was suspended as fish numbers and size had reduced because of a rise in the water temperature off the Peruvian coast. This meant that fish landings (in MT) fell by 28.1% compared with 2013, leading to a similar reduction in the volume of processed fish products.

Despite the contraction of the fishing industry in the first half year, a significant number of engines from the 3500 family were sold for refitting fishing vessels. The Caterpillar brand retained its leadership with a market share of 65% for marine engines, measured in dollars for FoB imports.

Furthermore, in 2014 the Peruvian Navy acquired a significant number of 3500-family engines to be installed in coastal patrol boats being built by SIMA, as well as electricity generating sets for use in these vessels. These engines possess certificates issued by various international classification societies. This important operation, as well as services provided to the Harbormasters Bureau, positioned Ferreyros as a strategic partner of the Peruvian Navy.
As far as sales to the State sector are concerned,

Annual Report 2014 We aim higher —— Commercial and Operations Management

Productivity as a Promise

In the mines of Peru and in infrastructure projects, Caterpillar machinery and those of allied brands continue to add value to operations, thereby guaranteeing dynamism and development. Like every year, Ferreyros accompany the fleets with a top level service, driving its productivity throughout the country.

Dynamism

it is worth mentioning that during 2014 planned government spending exceeded US$ 24 billion, equivalent a 50% increase compared with the previous year. Nevertheless, only around half of this amount was actually spent, according to OSCE figures, resulting in lower investment in capital goods and services compared with 2013.

In spite of this, Ferreyros remained in pole position in capital goods sales to the government, having been chosen as the winning bidder in more than 120 purchasing processes for machinery, equipment and spare parts throughout Peru. The company

With proven excellence products, Ferreycorp offers world-class solutions to mining, construction, energy, industry, oil & gas, fishing, government, transport, agriculture, among others.

closed a sale of construction machinery and generating sets by Caterpillar, as well as tractors by Massey Ferguson and Landini. The company also supplied Caterpillar spares and services and agricultural machinery.

Similarly, Ferreyros continued to serve the farm sector in 2014. Peru has 4.16 million hectares of cultivable land, amounting to 58% of the country's total agricultural land. Agricultural mechanization is a key to the development of the business, as it results in improvements in product quality, more efficient use of resources, higher productivity and, therefore, higher profitability for farmers.

Ferreyros it the leading supplier of capital goods for farmers in Peru. In 2014 it sold 400 tractors by Massey Ferguson and Landini, giving it a 36% market share, measured by import figures.

In addition to good sales figures, provision of spare parts for agricultural and agribusiness machinery grew 17% compared with 2013.

Agribusiness is another field in which Ferreyros saw sustained development, given that a number of large rice drying plants were built in northern Peru by its principal Kepler Weber Brazil. Storage facilities are currently being developed throughout the country with capacities of up to 160,000 tons.

It is worth pointing out that Ferreyros provides credit facilities for all its clients in this sector, through collaboration agreements with financial institutions such as Agrobanco, private banks and savings-and-loan institutions.

2.1.2 Unimaq S.A.

Unimaq is the arm of the corporation specializing in the sale and leasing of Caterpillar light plant, it includes the “The CAT Rental Store”, business unit and allied brands. It mainly serves the urban or small-scale construction sector, as well as manufacturing, mining, farming and fishing.

During 2014 its turnover was S/. 562 million (US$ 198 million), including spares and services, an increase on the previous year.

Most of the company's sales –some 40% in 2014– came from the small-scale construction sector. It also retained its leading position in almost all of the lines it distributes: particularly Caterpillar, for which it was once again the market leader with a share of 64% in the light plant segment, according to official FoB import figures.

It should be pointed out that during the year Unimaq continued to supply light plant by Caterpillar, including skid-steer loaders, back hoes and excavators of less than 20 tons to small and medium-sized contractors working on local and regional road and drainage projects. 80% of Caterpillar's light and general construction machinery is aimed at small and medium companies.

Similarly, the company maintained a strong presence in the rental market after adding more than 1,500 units to its fleet of light plant having a renewal value of approximately US$ 58 million, to meet the needs of the market.

2014 was the second year running in which Unimaq was chosen as the best Caterpillar light plant distributor in the world, thanks to its commercial performance. It is also worth noting that during the year Unimaq continued to attract new clients for the corporation, who generated around 30% of its sales.

Founded in 1999, Unimaq has branches in Arequipa, Cajamarca, Cusco, Chiclayo, Huancayo, Ilo, Lima, Piura and Trujillo. In addition to Caterpillar light plant, the company distributes Mitsubishi-CAT forklift trucks, Wacker compacting equipment, Lincoln Electric welding equipment, Olympian-CAT generating sets, Amida lighting towers, Enerpac hydraulic tools, Compare compressors and Carmix concrete mixers.

2.1.3 Orvisa S.A.

As the first company importing and selling capital equipment in the Peruvian Amazon, Orvisa provides integral solutions to clients operating in this region. During in 2014, Orvisa's turnover was S/. 217 million (US$ 76 million), which was higher than in the previous year, from sales to the construction, river transport, hydrocarbons and energy, forestry and farm sectors.

Orvisa's most significant activities during the year included the supply of CAT construction machinery (crawler tractors, backhoes and excavators, loading shovels, road rollers and motor graders) for use in road maintenance and construction and public hygiene projects in the jungle area. It also sold CAT engines for tugs and other vessels.

Orvisa also remained the leading supplier of equipment to the river transport sector, both passengers and cargo, including Caterpillar model C18 marine engines with power outputs of up to 455 HP selling fewer units. Equally, this was the engine of choice for the main crude oil carriers serving producers in the zone.
Orvisa's results were also boosted by sales of new machinery to the forestry industry throughout 2014, as well as sales of spare parts and services to important clients in the energy sector.

As well as its head office in the city of Iquitos, Orvisa has branches in Pucallpa and Tarapoto and offices in Yurimaguas, Huánuco, Bagua and Madre de Dios, giving it a presence near to its clients. Its portfolio consists largely of the same products and services as Ferreyros and Unimaq, as well as some other products used specifically in the jungle zone.

As you know, the company provides specific solutions to the different requirements of clients operating in the Peruvian jungle, who take advantage of tax benefits applicable in this zone and Orvisa's quality services.The company started trading in 1973 on an initiative of Ferreyros.

2.1.4 Ferrenergy S.A.C.

Ferrenergy was incorporated in 2006 by Ferreycorp and Energy International Corporation (now SoEnergy International, linked to the Caterpillar distributor in Colombia), each of which hold 50% of the stock. The main business of the company is the supply and sale of electricity generated in temporary or permanent thermal power stations driven by reciprocating or turbine engines, to clients who have decided not to acquire their own generating equipment or who cannot receive power from the national grid.

During 2014,Ferrenergy's turnover reached S/. 10 million (US$ 3.5 million). The year saw the end of one of its temporary energy supply agreements, although it retains contracts for 9 MW and 3 MW with Electro Ucayali and Electro Oriente, respectively. The company also examined various options, which are expected to bear fruit in the future.

During the year it sought new opportunities for providing energy solutions by strengthening its technical team and increasing its commercial coverage to government, the hydrocarbons industry and industry in general. The company has an attractive portfolio of potential projects, which are expected to result in an increase in turnover from the end of 2015 onwards.

It should be pointed out that although Ferrenergy is one of the corporation's businesses, its results are not consolidated for accounting and financial purposes, as the group's shareholding is 50%, as shown under "investments in associates".

2.2 Performance of the companies representing Caterpillar and allied brands outside Peru

One of the mainstays of Ferreycorp's strategy for growth is to strengthen its links with its principals by distribution operations in other areas, which will enable the corporation to expand its presence in other countries. This process began in 2010 with the acquisition of the Caterpillar distributors in Guatemala, El Salvador and Belize having been invited to do so by Caterpillar as a result of its excellent relationships.

In 2013 it acquired the integral distribution of Mobil lubricants in Nicaragua, thus complementing its sales of these products in Guatemala. It is worth pointing out that this brand has also been represented for more than ten years by the subsidiary Cogesa, in El Salvador.

In 2014, Ferreycorp obtained a presence in Chile with the incorporation of Trex, which represents the entire range of cranes and lifting platforms, as well as a complete series of Terex port equipment. This acquisition expands the company's portfolio and brings valuable potential for commercial development as well as increased earnings for this group of subsidiaries. It should be pointed out that Ferreycorp also has a solid relationship with Terex, through representation by other subsidiaries in Peru.
During the year Ferreycorp's operations outside Peru generated earnings of S/. 528 million (US$ 186 million), a difference of 14% compared with the previous year.

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

Gentrac is the only Caterpillar machinery and equipment representative in Guatemala, it is the Mobil lubricants distributor in the country and represents other prestigious brands.

Its sales rose slightly in 2014, to a total of S/. 351 million (US$ 123 million). Furthermore, its market share rose to 45% for Caterpillar machinery and equipment.

Once again, the construction industry was the most important sector for Gentrac. Large-scale infrastructure, roads and hydroelectric installations were especially important and the company is the leading supplier to this segment with more than 60% of the market.

Private road projects drove the construction sector in 2014, as public works development fell compared with the previous year, whilst the demand for hydroelectric generating equipment was similar to the previous year.

Mining was the second most important sector for Gentrac, although its demand for equipment was lower this year. Nevertheless, demand for support services from clients in this sector, which has had a long and close relationship with Gentrac remained high. Its market share continued above 80%.

Gentrac has also been the sole distributor of Mobil lubricants in Guatemala since 2013, serving all economic sectors and generating sales of US$ 18 million. After the acquisition of Mercalsa in 2013, Gentrac took over the distribution of Mobil lubricants throughout Guatemala.

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; and a spare parts store in the city of Morales; as well as 17 mobile shops on its clients' installations.

The company distributes Sullair, Genie, Wacker, Olympian, Carmix and Cipsa equipment through the Gentrac Rental Store. It is also the distributor of Michelin tires for plant and trucks. Cresko Guatemala was created in 2014 with Gentrac holding 100% of the stock, to act as the exclusive distributor of Mitsubishi forklift trucks and Wacker equipment in that country.

Gentrac was acquired by the El Salvador distributor in 1998. Formerly it operated under another name and with other partners, and has been the exclusive Caterpillar distributor since 1938.

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

Founded in 1926, Cogesa has been the Caterpillar distributor in El Salvador since 1930. It is also the sole distributor of Mobil in the country, as well as of other top-quality lines.

During 2014 the company's turnover was close to S/. 88 million (US$ 31 million), which was lower than the previous year, basically due to the political situation as 2014 was an election year. Nevertheless, Cogesa obtained a 60% market share for Caterpillar machinery and equipment.

Although the construction sector was less dynamic because of an absence of large infrastructure projectsand delays in public investment caused by the election, Cogesa continued to provide support for main road rebuilding and routine maintenance. Cogesa supplied the sector with construction equipment, lubricants and tires, as well as after-sales service.

In the farm sector, Cogesa also obtained a high market share (70%). The company supplied new and used machinery, spare parts and services and lubricants. In this country sugar growing and processing and products such as maize and beans make a significant contribution to the economy. The farm sector is responsible for 23% of Cogesa's income from machinery and spare parts.

Its exclusive distribution rights for Mobil lubricants in El Salvador, like Gentrac in Guatemala, was responsible for 22% of the company's turnover in 2014. Cogesa has been the sole distributor of Mobil lubricants in its territory since 2001.

Cogesa's sales in 2014 were also affected by the performance of sectors such as housing construction, electricity generation and manufacturing, to which the company supplies products and services.

In addition to its head office in San Salvador, Cogesa has two branches in the towns of Sonsonate (in the west of the country) and San Miguel (in the east). It also represents lines such as Mitsubishi - CAT forklift trucks, Wacker compacting and lighting equipment, Lincoln Electric welds equipment, Olympian - CAT generating sets, Sullair compressors, Mack trucks, John Deere farm machinery and Michelin tires for plant, farm machinery and trucks.

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

Mercalsa has been the Mobil lubricants main dealer in Nicaragua since it was founded in 2009, after Mobil de Nicaragua transferred its operations to a group of its own executives, who took on the job of developing a nationwide distribution network. It was incorporated into the Ferreycorp corporation in 2013.

In 2014, Mercalsa achieved sales of S/. 26 million (US$ 9 million), distributing Mobil lubricants to the vehicle, heavy plant, electricity generation and manufacturing markets all over Nicaragua.

Although the year saw a number of adverse natural phenomena such as drought and earthquakes, which had an impact on the country's economic development, GDP growth was based principally on the dynamism of farming and industry. These sectors are supported by the portfolio of lubricants for industry and vehicles supplied by Mercalsa, as well as added-value engineering services that form part of the integrated Mobil lubricants business.
Furthermore, Mercalsa supplies the Nicaraguan mining industry –which has become a driver of the country's economy– with industrial lubricants. It is also a supplier to the country's sugar mills.

It will be remembered that in 2013 the corporation acquired the full distribution rights for Mobil lubricants in Nicaragua. Mercalsa is based in Managua, from which it serves the entire country.

2.2.4 General Equipment Company Limited / Gentrac (Belice)

Gentrac was incorporated in Belize in 1998, the year in which it acquired the Belize assets and business of Cemcol Limited, the country's Caterpillar distributor until then. The company distributes other prestigious brands in addition to Caterpillar.

In 2014 Gentrac Belize achieved a turnover of S/. 12 million (US$ 4.2 million), an increase on the previous year through Caterpillar and other brands. Once again its business was driven by electricity generating sets supplied to commercial premises, hospitals, hotels and data centers.

The country's economic expansion during the year was due mainly to the construction, tourism, farming and electricity generating sectors, all of which are supplied by Gentrac Belize from its portfolio of products. The company has 29 employees and is the only nationwide construction equipment distributor that provides a complete heavy plant service.

Its head office is in Ladyville, where the country's international airport is also located. In addition to the Caterpillar portfolio, it distributes Wacker, Sullair and Twin Disc products, as well as Mitsubishi forklift trucks and Olympian generating sets.

2.2.5 Trex Latinoamérica SpA

The company was incorporated into the Ferreycorp group in 2014. It represents the entire line of Terex cranes and lifting platforms, and a complete series of port equipment for clients in Chile and other countries in the region. It was founded in 2000, but has a history in the crane and port equipment industry in Chile that goes back to the 1980s.

Aggregate sales by Trex Latinoamérica amounted to S/. 52 million (US$ 18 million). It is worth noting that the market is gravitating to higher capacity, higher value and more complex equipment for which highly specialized after-sales service is even more vital, and it is precisely

In the various countries where it operates, the corporation consolidates and reinforces its actions serving development-driving sectors.

in this area that Trex excels. The company was the market leader for the fourth consecutive year, having a share of 39% in cranes in general and 60% in port equipment.

Trex specializes on the port and mining sectors. The first was one of the most dynamic in Chile, driven by growing investment in expanding ports in the central and northern regions of the country and in new port operating contracts. The company delivered more than 15 Terex container cranes to the expanded ports of Arica, Mejillones, Valparaiso and San Antonio. It also sold the first of a new Terex Fuchs model MHL350 crane for materials handling.

The Chilean mining industry was also in a transition phase between the construction of several large mining projects and the start of operations. The uncertainty of the first half year contrasted with greater business confidence in the second, which saw several operations start to expand. In 2014, Trex supplied Terex truck-mounted model BT70100 cranes for mine maintenance; it sold the first fully-equipped AC500-2 crane, having a total height of 140 meters,; as well aslighting towers and telescopic booms by Genie Lift. Of particular importance was the renewal of a crane maintenance contract with Minera Escondida, one of the main copper mining operations in Chile.

Trex also supplied the needs of the construction sector for lifting gear by Terex of different types, as well as the energy sector, which required Terex cranes from different families (All Terrain, Rough Terrain, Boom Truck and Crawler Crane).

The company sold and leased equipment throughout Chile from its offices in Santiago, Antofagasta, Calama, Copiapó and Concepción. Trex Latinoamérica aims to serve sectors such as mining, energy, ports and construction.

It has high-quality after sales service, including service in the field, a permanent presence on clients' sites, a centralized network of workshops and warehouses and maintenance and training plans for clients.

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

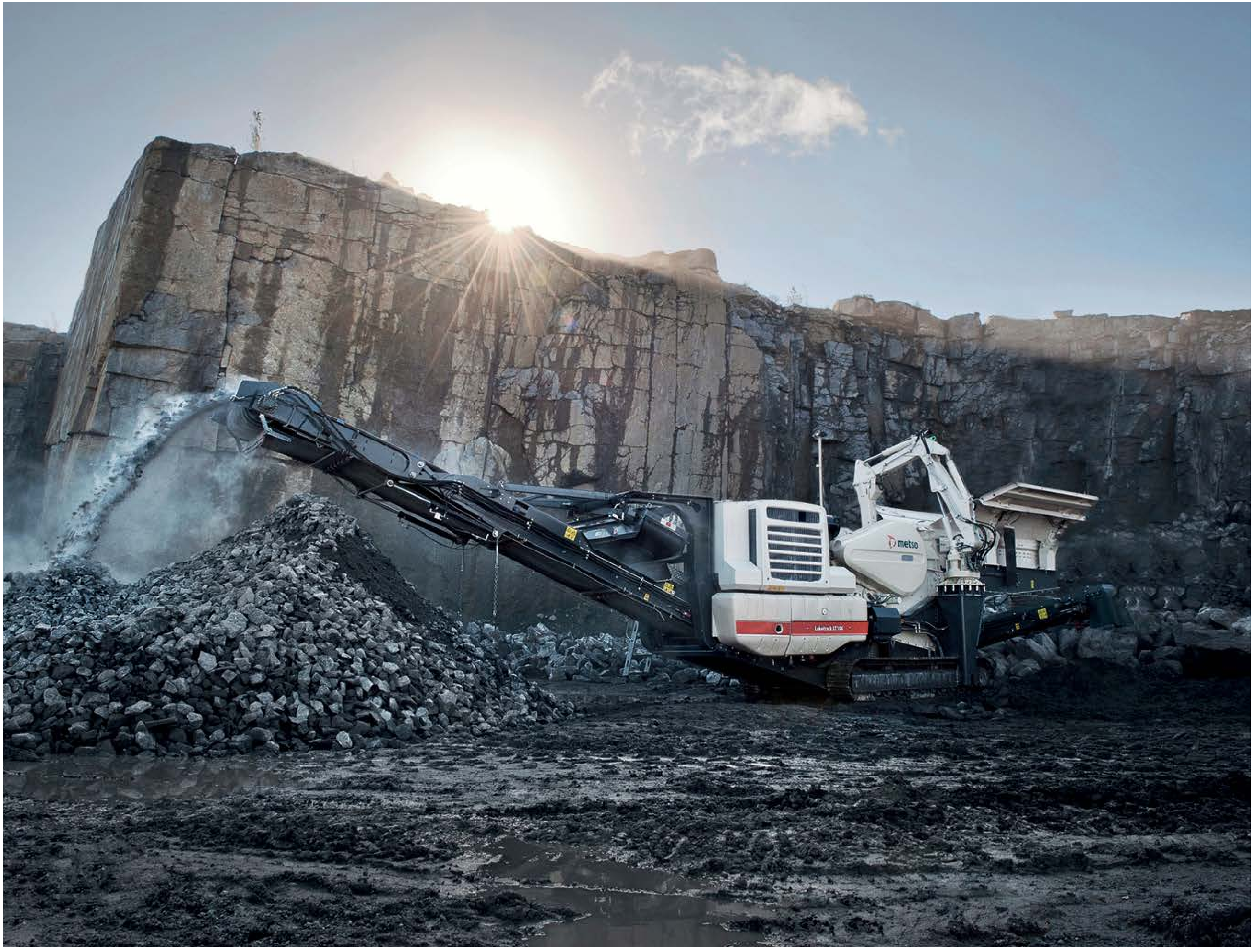
The companies of the Ferreycorp group generate synergies in the field of capital goods and related businesses. In particular, this group of subsidiaries contributes a large portfolio of products that complement the Caterpillar line, as well as additional services to those offered by other corporation companies, thus extending the supply of solutions and coverage of different sectors of the economy.

In 2014 this group of companies had to operate in a context of reduced economic activity. However it made a greater effort to consolidate the skills that contribute to its own value proposal, by continuing to expand its presence outside the capital as well as its portfolio of products, introducing new technology to the subsidiaries to support their activities and renewing and certifying its processes.
In total, these subsidiaries contributed sales of S/. 535 million (US$ 188 million) to Ferreycorp in 2014, a slight increase of 1% compared with the previous year.

2.3.1 Motored S.A.

Motored supplies 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

Annual Report 2014 **We aim higher** —— **Commercial and Operations Management**



Top-Level Equipment
Product portfolio of Ferreycorp's companies is charaterized by its high quality. The picture shows a Metso LT106 crusher in action, which is part of the construction line distributed by Ferreyros in Peru.

and natural gas and with different configurations and associated equipment. It represents the brands Kenworth, Iveco and DAF, as well as a wide range of spare part brands, distributed by its Motored Parts division.

In 2014, the market for trucks and tractor units contracted by 26% due to the deceleration of the economy. In this scenario Motored managed to maintain its market share and concentrate on encouraging client loyalty and developing new lines of spare parts. During the year, Motored achieved ISO 9001:2008 certification for its maintenance and repair workshops and call-out service in the city of Lima, with a consequent increase in client satisfaction and the continual improvement of its operations.

At the close of 2014, Motored had achieved a turnover of S/. 215 million (US$ 76 million) and had sold 513 units, maintaining its market share of 6% in the trucks and tractor units of more than 16 tons segment.

As far as the spare parts business is concerned, the company launched lines to complement its existing portfolio and achieved growth of 22% compared with 2013.

Motored has two premises 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. In addition it has three full-service branches (sales of units, service and spare parts) in Arequipa, Trujillo and Cajamarca. Furthermore, Motored Parts has spare parts sales outlets in Huancayo and Piura.

Motored started trading in 2012 providing transport solutions to clients in sectors such as mining, construction, commerce and services.

2.3.2 Cresko S.A.

Since it began trading in October 2007, Cresko has served emerging clients in the construction, mining and farming sectors and industry in general that are not covered by Ferreyros or Unimaq. It specializes in products from Asia and offers after-sales services that differ from those offered by the Caterpillar distributors.

In 2014 Cresko achieved a turnover 19% higher than that of 2013, amounting to S/. 39 million (US$ 14 million). This enabled it to strengthen 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, the company -which also provides used CAT equipment to the emerging sector- continued to deploy its itinerant sales force in different parts of Peru and to offer after-sales services backed by its head office in Lima and its two new sales offices in Trujillo and Huancayo.

Imports of Chinese loading shovels fell by 70%, though this did not affect Cresko's leadership with its SEM brand, which obtained a market share of 29% in the Chinese loading shovel segment. This has strengthened the SEM brand in Peru and confidence on the part of Caterpillar (Qingzhou) Ltd., in the distribution of its SEM motor graders and crawler tractors in Peru. Thus Cresko is the Latin America's first and only distributor of this new portfolio in our country. Similarly, Shanxi Automobile Co. has confirmed its confidence in Cresko by granting it new lines of mixer trucks, tractor units Shacman light goods vehicles.

As part of its commercial restructuring and process optimization program, it has implemented SAP CRM, a tool that will enable it to improve its commercial management with a view to meeting its clients' needs.

The capital goods, both new and used, offered by Cresko include SEM loading shovels, Shacman trucks, Foton farm tractors, rollers and lighting towers by Wacker Neusson, electricity generating sets by Super, and Mitsubishi forklift trucks, among others.

2.3.3 Mega Representaciones S.A.

Became part of the corporation in 2007 with the acquisition of Mega Caucho S.A., which, two years later was merged with Inlusa (Industria y Comercio S.A.) 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 Representaciones' earnings in 2014 amounted to S/. 204 million (US$ 72 million), which was less than in 2013 because of two important factors: the falls in the price of tires (some product lines fell by up to 20%) and the contraction of the mining market. These aspects had an impact on the products offered by Mega Representaciones.

Ferreycorp's offer includes the supply of heavy transport vehicles, consumables, steel structures, logistics services, energy, technological solutions, among others, adding to the portfolio of machinery and other equipment.

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. Training was increased, both on clients' premises and on those of the company.

In addition, its ISO 9001:2008 certification was renewed for the retreading plant, warehouse and dispatch operation.

In the last two years it has developed its skills at prediction and support, as well as its technical knowledge and training. It has a retreading plant and six branches throughout the country.

2.3.4 Fiansa S.A.
Trading for 46 years, the company concentrates on light engineering projects for the main economic sectors, including heavy and light structural steelwork and fabrication work, as well as assembly work for the mining, construction, energy, manufacturing, transport and retail sectors.
In order to expand its project management business, Ferreycorp has entered a partnership with Spanish company URSSA, a specialist in light engineering that is part of Corporación Mondragón, and has operations in Europe, America, Africa and Asia.

At the end of 2014, all 16 operating companies of the corporation amounted to S/. 4,878 Million in sales.

In 2014, after entering into a joint venture with URSSA, Fiansa made significant changes in its production processes and management system. It has improved its manufacturing installations and invested in machinery and equipment in order to increase the efficiency of its project management and performance.

From a commercial point of view, reduced economic activity meant a reduction in demand for projects in 2014; Fiansa expects this demand to recover in the future and to achieve sales of S/. 50 million (US$ 18 million). Nevertheless, this reduced activity facilitated the changes to the company mentioned above.

To date, Fiansa has a plant in Huachipa, which replaces the previous plant in Trujillo and has been producing structural steelwork since 2011. The plant covers 40,000 m2 and is equipped with modern technology for the manufacture of such structures. Its production capacity is 750 tons of steel a month.

It is worth mentioning that Fiansa will build its new manufacturing facility south of Lima so as to positioning itself as one of the main leading companies in its sector. Once the new plant is operating, Fiansa's productive and management capacity will have increased significantly.

2.3.5 Fargoline S.A.
With 31 years in the Peruvian market, Fargoline provides temporary storage, bonded warehouse and ordinary warehousing facilities.

Fargoline continued to grow during 2014, providing exemplary performance in the export logistics sector. Its sales amounted to S/. 61 million (US$ 22 million), equivalent to 17% growth compared with 2013. The temporary warehousing business is responsible for 68% of its earnings. Bonded and ordinary warehousing represented 24%. Fargoline also offers project logistics, a service that made a positive start with the acquisition of two important clients.

In line with changes in national and international circumstances, Fargoline's own value proposal was successful in spite of strong competition as the company met the needs of its clients and achieved satisfactory financial results.

During 2014, 30% of its operating capacity was used by Ferreycorp companies; the remaining 70% was dedicated to clients in different markets, both imports and exports of merchandise.

Fargoline's culture concentrates on the client, leading the company to increase its investment in human capital in the form of training and instruction, which also extended to its suppliers.

Importers of capital goods and consumer durables, paper and non-ferrous metal exporters form a significant part of its portfolio of clients, while it continues to meet the logistics needs of companies belonging to the corporation. It renewed its BASC certification (Business Alliance for Secure Commerce), the international alliance that promotes secure commerce in cooperation with governments and international bodies. It also holds ISO 9001 and OHSAS 18000 international certificates.

2.3.6 Forbis Logistics
Created in 2010 to act as a freight forwarder to Peruvian clients engaged in international trade, it is based in the State of Florida in the United States. In 2012 it began operating in Peru as Forbis Logistics Peru S.A., within the Ferreycorp group.

Its nomination as a Caterpillar freight forwarder meant that Forbis Logistics became part of an exclusive group of world-class freight forwarders. Thanks to this nomination, air freight volumes increased from an average of 50 tons a month to more than 300 tons, making the company one of the principal freight forwarders by volume in 2014.

2014 was also one of commercial expansion for Forbis Logistics, as it added a new office in Lima, from which to manage its businesses. Outside Peru, in 2013 the company opened new premises in Florida, covering an extra 35,000 square feet of floor space.

In the Peruvian market Forbis Logistics increased its sales as a freight forwarder to third parties exponentially. This growth involved hiring new members of the sales force, with long experience in the Peruvian forwarding business.

At the end of 2014 the company began operating on the Brazil – Callao route, one that requires a high degree of efficiency, organization, order and control due to the export procedures required in Brazil. Among the forwarders operating on this route it was chosen to handle AGCO tractors and parts from the beginning of the route.

As far as the financial results were concerned, Forbis Logistics ended the year with a turnover of S/. 24 million (US$ 8 million). Although its main existing clients are subsidiaries of the corporation, the company has plans to acquire other corporate clients in the international market.

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

The company began trading in the second quarter of 2013 with the positioning and machinery guidance products and solutions produced by the two joint ventures developed by Caterpillar and Trimble, the leading company in GPS/GNSS technologies. Throughout 2014 the company extended its portfolio of products and developed the skills necessary to meet the rising demand for solutions, particularly in the construction and mining markets. At the same time it has begun pre-sales activities in the form of pilot projects and demonstrations.

In addition to its portfolio of solutions by Trimble for machinery positioning and guidance, in 2014 the company became the representative of AMT asset management solutions from I Solutions. It also signed a contract to represent the DSS anti fatigue solution from Seeing Machines for the mining sector.

Ferreycorp greatest competitive advantage resides in its human capital with over 6,600 collaborators, enablers of its successful activities.

Human Resources

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

The board of directors of Ferreycorp S.A.A. consists of ten directors elected for a three year period, in accordance with the provisions of the companies act and in compliance with article 32 of the company's by-laws.

It is important to highlight that each of the directors was ratified individually by the general meeting of shareholders. This process included advance publication of the names of candidates for directorships.

The directors of Ferreycorp S.A.A., for the period 2014-2017, elected by the AGM held on the 26st of March 2014 are:

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

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.

The professional careers of the directors are included in the annexes. The working practices of the board of directors are included in the evaluation of corporate governance.

3.1.1 Special bodies within the board of directors

As part of Ferreycorp's objective of continually improving corporate governance, in 2014 it decided to update the functions of the existing committees of directors..It also created an Innovation and Systems Committee,which seeks to achieve a positive impact on the competitiveness and profitability of the corporation.As a result, the board of directors of Ferreycorp S.A.A. includes four committees:

· The General Management and Strategy Committee (formerly General Management and Subsidiaries Committee)

· The Appointments, Remuneration and Corporate Governance Committee (formerly the Organizational Development and Corporate Governance Committee)

· Audit and Risks Committee (formerly the Audit Committee).

· Innovation and Systems Committee (newly created).

For more information on the functions and attributes of each of the committees, see the self-assessment of compliance with the principles of good corporate governance.

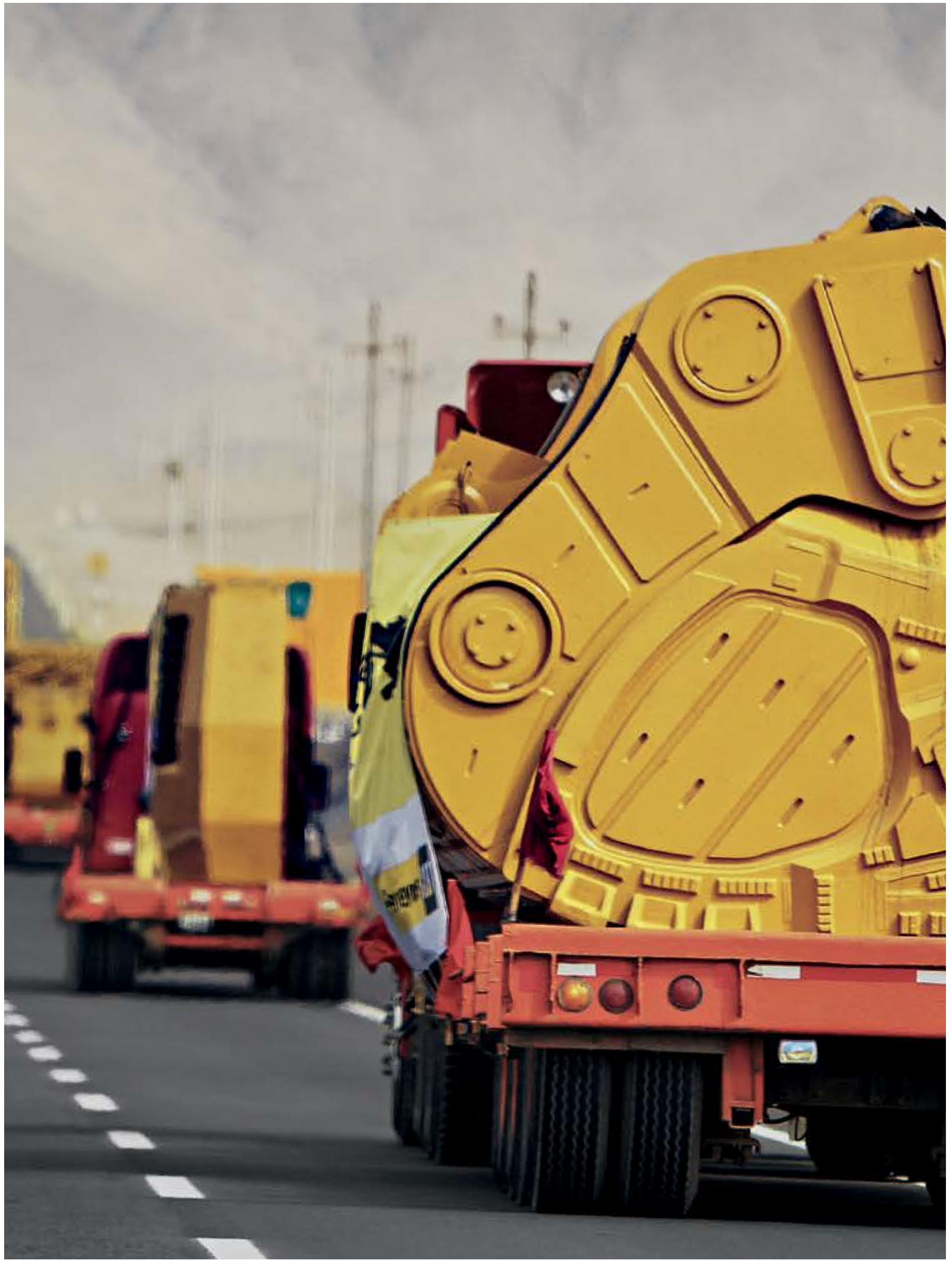
3.1.2 Boards of directors of subsidiary companies

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 subsidiaries different from Ferreyros 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.

Also, the boards are composed of the following managers of Ferreyros S.A. and/or Ferreycorp S.A.A.:

Name	Position	Subsidiaries directionships
Gonzalo Díaz Pro	Central Business Manager of Ferreyros	Unimaq, Ferrenergy, Orvisa, Fiansa, Mega Representaciones, Cresko, Soluciones Sitech Perú, empresas del grupo Gentrac y Mercalsa, así como Trex
Patricia Gastelumendi Lukis	Central Finance Manager of Ferreyros and Corporate Finance Manager of Ferreycorp	Unimaq, Orvisa, Fiansa, Mega Representaciones, Ferrenergy, Fargoline, Cresko, empresas del grupo Gentrac y Mercalsa, Forbis Logistics, Motored, Soluciones Sitech Perú y Trex
Hugo Sommerkamp Molinari	Central Control and Systems Manager of Ferreyros	Unimaq, Orvisa, Fiansa, Mega Representaciones, Fargoline, Cresko, empresas del grupo Gentrac y Mercalsa, Forbis Logistics, Motored y Soluciones Sitech Perú
Luis Bracamonte Loayza	Corporate Investment Manager of Ferreycorp	Orvisa, Fiansa, Mega Representaciones, Fargoline, Cresko, Forbis Logistics, Motored y Soluciones Sitech Perú
Óscar Rubio Rodríguez	General manager of Unimaq and Light Construction Division Manager of Ferreyros	Orvisa y Cresko
Jorge Durán Cheneaux	Branches and Agricultural Manager of Ferreyros	Motored
Enrique Salas Rizo- Patrón	Construction and Mining Division Manager of Ferreyros	Unimaq, Mega Representaciones, Cresko, Motored, Soluciones Sitech Perú y Trex
Andrea Sandoval Saberbein	Logistics Managerof Ferreyros	Fargoline y Forbis Logistics
Carlos Dongo Vásquez	Central Component Repair Center (CRC) Manager of Ferreyros	Fiansa
Rodolfo Paredes León	Development Manager of Ferreycorp	Fiansa



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3.2. The management

In 2014, Ferreycorp had a general management department and five corporate management departments (Corporate Affairs, Internal Audits, Finance, Human Resources and Investment). 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.

3.2.1 Principal officers of Ferreycorp S.A.A.

Mariela García Figari de Fabbri
General managers

Luis Bracamonte Loayza
Corporate Investment Manager

Andrés Gagliardi Wakeham
Central Human Resources Manager

Patricia Gastelumendi Lukis
Corporate Finance Manager

Eduardo Ramírez del Villar López de Romaña
Group Corporate Affairs Manager

Raúl Vásquez Erquicio
Corporate Internal Audit Manager

The professional careers of the principal officers of Ferreycorp S.A.A. can be found in the Annexes.

3.2.2 Principal officers of Ferreyros

Mariela García Figari de Fabbri
General Manager

Gonzalo Díaz Pro
Central Business Manager

Hugo Sommerkamp Molinari
Central Control and Systems Manager

Patricia Gastelumendi Lukis
Central Finance Manager

Andrés Gagliardi Wakeham
Central Human Resources Manager

José Miguel Salazar Romero
Central Marketing Manager

José López Rey Sánchez
Central Product Support Manager

Luis Fernando Armas Tamayo
Large-scale Mining Division Manager

Jorge Durán Cheneaux
Branches and Agricultural Manager

Enrique Salas Rizo-Patrón
Construction and Mining Division Manager

3.2.3 Principal officers of other Ferreycorp subsidiaries

Carlos Barrientos Gonzales
General Manager of Mega Representaciones

Javier Barrón Ramos Plata
General Manager of Cresko

Henri Borit Salinas
General Manager of Motored

José Luis Chocarro Amunárriz
General Manager of Fiansa

Jorge Devoto Núñez del Arco
General Manager of Forbis Logistics

David Matuk Heresi
General Manager of Ferrenergy

Raúl Neyra Ugarte
General Manager of Fargoline

Víctor Otero Pizarro
General Manager of Trex

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

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

César Vásquez Velásquez
General Manager of Orvisa

Marcos Wieland Conroy
General Manager of Soluciones Sitech Perú

For more information on the professional careers of these officers, see the Annexes.

3.3 Human Resources

Ferreycorp's collaborators are its main competitive advantage; it is they who provide prompt delivery of products and quality services, ensure efficient distribution of spare parts, acquire financial resources for the company's clients and training for their technicians and operators, and implement our value proposal with the clients. To that end they work on implementing best practices in human resource management, and seek to maintain a good working environment to attract and retain the best talent.

By the end of 2014, the corporation's human resources totaled 6,633 people, an increase of only 2% compared with 2013, despite the incorporation of the 131 employees of the recently acquired company Trex.

COMPOSICIÓN	2009	2010	2011	2012	2013	2014
Funcionarios	88	104	127	139	154	167
Empleados	1,854	2,247	2,600	3,169	3,518	3,660
Técnicos	1,879	2,386	2,631	2,929	2,847	2,806
Total Ferreycorp	**3,821**	**4,737**	**5,358**	**6,237**	**6,519**	**6,633**

The Ferreyros, Fiansa, Fargoline, Mega Representaciones and Unimaq subsidiaries are members of the Association of Good Employers in Peru, sponsored by the American Chamber of Commerce (Amcham). Ferreyros is a founder member of that institution, which brings together companies that respect their collaborators and create a proper working environment by the use of good human resources practices in all their processes.

Furthermore, 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., had 327 members at the end of 2014, who helped to create policies propitiating good working conditions and quality of life for the company's collaborators and their families.

Ferreycorp seeks to reward its collaborators through a remuneration and benefits policy above the market average, and guarantees promptness and transparency in payment of remunerations.

Furthermore, it emphasizes the achievement of a life balance, including mechanisms to include more women in the labour force and facilitating their role as working mothers. In this respect two subsidiaries of Ferreycorp, Ferreyros and Unimaq, are among the 20 private companies that provide facilities for nursing mothers. This year Ferreyros also obtained an honorable mention in the campaign entitled "Safe Company, free from Violence and Discrimination against Women", awarded by the Ministry of Women and Vulnerable Groups.

The corporation also provides many benefits for collaborators and their families aimed at increasing the level of satisfaction and commitment of its of personnel.

It is worth pointing out that during 2014, the corporation received a number of acknowledgements of its work in human resources management. For that reason Ferreyros was chosen as the preferred company in the category "sales of industrial supplies / machinery" in Peru on a study entitled "where would you like to work" conducted by Arellano Marketing and Laborum. The company was also chosen as one of the 10 most admired companies in Peru in the "Most Admired Peruvian Companies" contest organized by PricewaterhouseCoopers (PwC) and the magazine G de Gestión.

In Ferreycorp, we are committed every year to implement the best practices in human management.

Finally, it was chosen as one of the 10 best companies to work for, in a survey carried out by Merco Personas.

3.3.1 Internal training programs

The corporation encourages the development and mobility of its collaborators, through a number of training programs and a policy of employment opportunities that gives priority to internal applicants when filling new or vacant positions.

More than 400 Ferreycorp leaders have enrolled in a program run by the Harvard Business Review América Latina and the University of Piura, aimed at improving their leadership and personnel management skills. Furthermore, various subsidiaries of the corporation have signed agreements with schools offering master's degrees, diplomas and specialist courses, workshops and other courses.

The corporation also seeks to further the development of its personnel, both technical and administrative and commercial through programs and initiatives to increase their skills. In the technical field, it is worth mentioning the Service Pro program, which provides permanent training for technicians in different specializations and skills.

It should be emphasized that during 2014 Ferreyros , the subsidiary with the largest operation, built a new Technical Development Center in Callao, having a total floor area of 2,300 m2, containing eight classrooms and a workshop for the acquisition and certification of technical skills, as well as bays for Caterpillar machinery, among other facilities. It also developed the Virtual Campus, a virtual training center giving information security and health, safety and the environment courses.

Thanks to an efficient management and sustained leadership in the market, Ferreycorp maintains sound financial results.

Results

Annual Report 2014 We aim higher — Management analysis and discussion of the audited financial statements

4. Financial management and management's analysis and discussion of the financial statements

Ferreycorp S.A.A., in its capacity as a holding company, invests in its subsidiaries in Peru and abroad, and provides the strategic guidelines and policies that all corporation companies should follow. It also attempts to acquire funds in an aggregate manner for the corporation and its subsidiary companies. Ferreycorp's earnings as an individual company derive from its share of its subsidiaries' results, from rent on certain buildings it owns and from the interest on loans to its subsidiaries.

After the reorganization carried out in 2012, Ferreycorp retained the real estate used by its main subsidiary Ferreyros S.A., these buildings are scattered throughout Peru. This income derives from fixed-term contracts at market rents and are considered by the parent company as operating income, which covers the operating costs of managing this real estate.

In addition, Ferreycorp's role is to finance its subsidiaries, both to improve rates or terms from local banks and to concentrate loans on larger-scale operations in the international capital market and to re-profile the corporation's loans over longer terms, as with the placement of corporate bonds in the international market. Thus the interest on loans to its subsidiaries also contributes to its financial earnings. it should be mentioned that on the 26th of April 2013, Ferreycorp placed bonds on the international market denominated as "4.875% Senior Guaranteed Notes due 2020", valued at US$ 300 million.

When recording the results of its subsidiaries, it should be mentioned that in 2014 Ferreycorp changed its accounting policy for valuing its investments in its subsidiaries, associates and joint ventures from the "cost method" to the "equity participation method", and adopted the modified IAS 27 "Separate financial statements". The "cost method" was used until 2013, by which the profits of subsidiaries were recognized only when dividends were paid out. The above-mentioned modification enables companies to use the equity participation method to record their investments in subsidiaries, joint ventures and associates in the separate financial statements. Entities that are already applying the IFRS and chose to change to the equity participation method in their separate financial statements will have to apply this change retroactively. The modifications take effect for fiscal years starting on the 1st of January 2016 and allow early adoption. Thus Ferreycorp modified its financial statements as at the 31st of December 2013 for comparison purposes. The adoption of these regulations permitted Ferreycorp to increase its accumulated results by a further S/. 39.1 million, which in turn enabled it to increase its dividends by S/. 2.3 million.

For a full understanding of the volume of business and the results of all of the corporation's businesses, we recommend reading this chapter in conjunction with the consolidated financial statements.

Individual financial statements of Ferreycorp S.A.A.

Analysis of the company's financial position

Statement of financial position (in million of nuevos soles)

			Variation	
	31.12.14	31.12.13	Import	%
Assets				
Current assets				
Cash & cash equivalents	4.5	16.5	-12.0	-72.7
Trade accounts receivable, net	4.3	12.1	-7.8	-64.5
Accounts receivable, net	237.5	174.8	62.7	35.9
Other accounts receivable,net	10.1	8.4	1.7	20.2
Inventories, net	-	2.9	-2.9	-100.0
Prepaid expenses	1.1	0.4	0.7	175.0
Total current assets	**257.5**	**215.1**	**42.4**	**19.7**
Trade accounts receivable long term, net	0.1	0.8	-0.7	-87.5
Accounts receivable from related companies long term	523.6	590.0	-66.4	-11.3
Other accounts receivable long term, net	1.7	2.9	-1.2	-41.4
Investments in subsidiaries, associates and join venture	1,554.9	1,403.5	151.4	0.8
Investment properties, net	346.2	347.0	-0.8	-0.2
Other assets, net	-	0.2	-0.2	-100.0
Assets	**2,684.0**	**2,559.5**	**124.5**	**4.9**

Statement of financial position (in million of nuevos soles)

			Variation	
	31.12.14	31.12.13	Importe	%
Liabilities & net equity				
Current liabilities				
Otther financial liabilities	41.7	25.9	15.8	61.0
Trade accounts payable	0.5	0.9	-0.4	-44.4
Other accounts payable	33.6	28.5	5.1	17.9
Accounts payable to related companies	1.0	40.4	-39.4	-97.5
Total current liabilities	**76.8**	**95.7**	**-18.9**	**-19.7**
Other financial liabilities	969.9	864.6	105.3	12.2
Defered income tax liability, net	41.5	55.7	-14.2	-25.5
Total liabilities	**1,088.2**	**1,016.0**	**72.2**	**7.1**
Equity				
Issued	1,014.3	945.2	69.1	7.3
Additional capital	73.5	105.4	-31.9	-30.3
Legal reserve	110.1	99.8	10.3	10.3
Other equity reserves	245.8	234.2	11.6	5.0
Translation results	21.0	8.2	12.8	156.1
Retained earnings	131.1	150.7	-19.6	-13.0
Total Equity	**1,595.8**	**1,543.5**	**52.3**	**3.4**
Total liabilities and equity	**2,684.0**	**2,559.5**	**124.5**	**4.9**

As at the 31st of December 2014, total assets amounted to S/. 2,684.0 million, compared with S/. 2,559.5 million as at the 31st December 2013, an increase of S/. 124.5 million (4.9%). The main variations in assets arise from an increase in investments in securities amounting to S/. 151 million due to: i) a new accounting policy for valuing investments in subsidiaries, associated companies and joint ventures that uses the "equity participation method" instead of the "cost method" amounting to S/. 125 million; ii) the acquisition of Trex for S/. 47 million, and iii) other net changes amounting to S/. -21 million. This increase was partially counteracted by a reduction in cash, as funds were loaned to certain subsidiaries; by a reduction in trade accounts receivable as a result of payments received in the period; and by inventories.

As at the 31st December 2014, total liabilities amounted to S/. 1,088.2 million compared with S/. 1,016.0 million as at the 31st December 2013, an increase of S/. 72.2 million (7.1%). This increase is explained by the growth of the assets mentioned above.

Financial ratios

The current ratio as at the 31st December 2014 is 3.35, higher than the figure of 2.25 as at the 31st of December 2013 due to a change in the composition of the corporation's liabilities. As at the 31st of December 2013, current liabilities represented 10% of liabilities, whilst at the 31st of December 2014 these liabilities were equivalent to only 8% of the total. This was principally because the debt had been re-profiled by the international bond issue and other medium-term operations with Caterpillar Financial Services, originating from the financing of acquisitions by Caterpillar distributors in Central America and the face shovel and drilling rig line (formerly Bucyrus).

The financial indebtedness ratio as at the 31st December 2014 was 0.63 compared with 0.57 as at the 31st of December 2013. 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 2014 was 0.68 compared with 0.66 as at the 31st December 2013.

Analysis of the results

Income statement (in million of nuevos soles)

	2014	2013	Variation
	Value	Value	%
Earnings			
Participation in results of subsidiaries, investment funds, associates and joint ventures	124.8	125.0	-0.2
Financial cost	37.5	26.5	41.5
Rental services	24.1	21.3	13.1
Total earnings	**186.4**	**172.8**	**7.9**
Cost of rental services	-6.5	-5.5	18.2
Administration costs	-17.0	-8.4	102.4
Financial costs	-53.0	-37.1	42.9
Exchange rate difference, net	-25.1	-23.3	7.7
Earnings - various	4.9	3.0	63.3
Total (costs) earnings	**-96.7**	**-71.3**	**35.6**
Earnings before income tax	**89.7**	**101.5**	**-11.6**
Income tax	5.6	5.9	-5.1
Net earings from continuing operations	**95.3**	**107.4**	**-11.3**
Net result from discontinued operations	-3.3	-7.6	
Net earnings	**92.0**	**99.8**	**-7.8**

Higher earnings in 2014 can be explained by: i) higher financial earnings generated by loans to subsidiaries, using part of the funds received from the international bond issue (in 2013 these earnings were recorded in the period May to December and in 2014 in the period January to December) and ii) an increase in rental services after prices were adjusted.

Higher expenditure in 2014 basically resulted from: i) financial expenses generated as a consequence of the placement of corporate bonds, offset by the benefit of financing under better conditions; and ii) an increase in management costs because on the 1st of January 2014, various people providing corporate services were transferred to the payroll of Ferreycorp S.A.A. These people were on the payroll of Ferreyros S.A. until December 2013.

As far as the results of intermittent operations are concerned, the reduced loss in 2014 compared with 2013 was due principally to reduced expenditure in the "trade accounts receivable" and "inventories" accounts. As at the 31st of December 2014 these assets were insignificant.

Changes in those responsible for drawing up and revising financial information

During 2014 and 2013 there were no changes in personnel responsible for preparing and reviewing the company's financial information.

Consolidated financial statements of Ferreycorp S.A.A.

The consolidated financial statements as at the 31st of December 2014 and the 31st of December 2013 are given below, with an explanation of the principal accounts and variations in them. 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.

Modification of income tax rates (Law N° 30296)

In 2014 the corporation made an adjustment for income tax paid of S/. 12.4 million, which increased and affected net profit, in compliance with Law N° 30296 published in the Official Gazette El Peruano on the 31st of December 2014; this will have an impact on the corporation's results once only. This adjustment affected deferred income tax (the difference between the tax shown in the accounts and the amount payable to the treasury), which was recorded. The accounting rule governing this tax as at the regulation value that East tax establishes a deferral of taxes paid when there are time differences between the expenditure calculated for financial and reporting purposes, and these are recognized by the tax authority for calculating the tax base used to determine the tax payable.

The main time differences affecting the company arise from three concepts: a) differences in rates of depreciation of real estate, machinery and equipment, particularly the rental fleet. b) provision for the devaluation of inventories; and c) provision for bad debts. For tax purposes, this increased expenditure would be deductible in future years and, therefore, the higher tax paid in the current fiscal year would be recovered.

The adjustment registered at the close of fiscal year 2014 became necessary because in December 2014 a law was promulgated reducing the 30% rate in force until 2014 to 28% in 2015, falling further to 26% in 2019. Deferred income tax is calculated up to fiscal year 2013 at a single rate of 30% and has had to be adjusted in line with the rates applicable in future years in which expenditure recorded up to 2014 can be deducted, but at a lower rate, with the consequent partial loss of the tax benefit. This is a once only loss, however in the future the company will pay a lower rate of income tax, which will imply a lower outlay on this concept in the future.

Analysis of the consolidated financial situation of Ferreycorp and subsidiaries

Consolidated statement of financial position (in million of nuevos soles)

			Variation	
	31.12.14	31.12.13	Value	%
Assets				
Current assets				
Cash & cash equivalents	89.9	119.4	-29.5	-24.7
Trade accounts receivable, net	889.3	826.1	63.2	7.7
Other accounts receivable, net	132.5	119.3	13.2	11.1
Inventories, net	1,561.8	1,580.1	-18.3	-1.2
Prepaid expenses	17.2	15.9	1.3	8.2
Total current assets	**2,690.7**	**2,660.8**	**29.9**	**1.1**
Trade accounts receivable long term, net	31.3	36.0	-4.7	-13.1
Other accounst receivable long term, net	4.7	5.9	-1.2	-20.3
Investments in asociates and joint venture	78.0	74.9	3.1	4.1
Property, machinery & equipment, net	1,328.2	1,291.4	36.8	2.8
Intangibles, net	79.0	78.0	1.0	1.3
Goodwill	170.4	147.5	22.9	15.5
Deferred income tax asset	136.9	115.9	21.0	18.1
Asset	**4,519.2**	**4,410.4**	**108.8**	**2.5**

Consolidated statement of financial position (in million of nuevos soles) Continued

			Variation	
	31.12.14	31.12.13	Value	%
Liabilities and net equity				
Current liabilities				
Financial liabilities	504.0	620.4	-116.4	-18.8
Trade accounts payable, net	459.9	406.4	53.5	13.2
Other accounts payable, net	453.4	408.5	44.9	11.0
Income tax payable	24.5	29.0	-4.5	-15.5
Total current liabilities	**1,441.8**	**1,464.3**	**-22.5**	**-1.5**
Other financial liabilities long term	1,341.0	1,240.3	100.7	8.1
Other accounts payable long term	0.8	3.4	-2.6	-76.5
Deferred income tax liabilities	139.8	158.6	-18.8	-11.9
Total liabilities	**2,923.4**	**2,866.6**	**56.8**	**2.0**
Equity				
Issued	1,014.3	945.2	69.1	7.3
Additional capital	73.6	105.3	-31.7	-30.1
Legal reserve	110.1	99.8	10.3	10.3
Other equity reserves	245.8	234.2	11.6	5.0
Translation results	20.9	8.2	12.7	154.9
Accumulated results	131.1	151.1	-20.0	-13.2
Total Equity	**1,595.8**	**1,543.8**	**52.0**	**3.4**
Total liability and equity	**4,519.2**	**4,410.4**	**108.8**	**2.5**

As at the 31st of December 2014, total assets amounted to S/. 4,519.2 million, compared with S/. 4,410.4 million as at the 31st December 2013, an increase of S/. 108.8 million (2.5%). The main variations in the assets account that explain this increase are as follows:

a) Increase in accounts receivable of S/. 58.5 million, explained principally by the sale of a Caterpillar face shovel to a mining client, which was paid in January 2015, on the date on which Caterpillar was paid for the same machine. Therefore this item is affected, but not the cash flow, as Caterpillar was paid using money received from the client.
b) of S/. 36.8 million in fixed assets, explained by increased machinery purchases by the workshops.
c) Increase in mercantile credit of S/. 22.9 million, originating basically from the acquisition of the Chilean subsidiary Trex, in 2014.

As at the 31st December 2014, total liabilities amounted to S/. 2,923.4 million compared with S/. 2,866.8 million as at the 31st December 2014, an increase increase of S/. 56.8 million (2.0%) explained by the above-mentioned growth in assets.

Financial ratios
The current ratio as at the 31st December 2014 is 1.87., higher than the figure of 1.82 as at the 31st December 2013 due to a change in the composition of the corporation's liabilities. As at the 31st of December 2013 current liabilities represented 54% of total liabilities, whilst as at the 31st of December 2014 these liabilities were equivalent to 52% of the total.

The financial indebtedness ratio as at the 31st of December 2014 was 1.14, which is less than the 1.23 ratio as at the 31st of December 2013. Cash and banks and liabilities to suppliers that do not generate financial expenses were not taken into account when calculating this ratio.

The indebtedness ratio as at the 31st of December 2014 was 1.83, slightly less than the 1.86 obtained as at the 31st of December 2013.
The ratio of net financial debt (cash) / EBITDA as at the 31st of December 2014 was 3.49, higher than the figure of 3.24 as at the 31st of December 2013, and the adjusted ratio of 2.86, if inventory finance is not taken into account. The corporation thus continues to demonstrate its ability to generate the cash necessary to comply with its obligations without problems within the covenants established in the conditions for the international corporate bond issue.

Analysis of the consolidated results of the operations of Ferreycorp S.A.A. and subsidiaries

Consolidated income statement (in million of nuevos soles)

	2014		2013		Variation
	Value	%	Value	%	%
Net sales	4,877.8	100.0	5,225.4	100.0	-6.7
Cost of sales	-3,760.4	-77.1	-4,117.4	-78.8	-8.7
Gross earnings	**1,117.4**	**22.9**	**1,108.0**	**21.2**	**0.8**
Sales & administration costs	-798.4	-16.4	-749.1	-14.3	6.6
Earnings (expenditure) various, net	18.5	0.4	31.3	0.6	-40.9
Earnings from operations	**337.5**	**6.9**	**390.2**	**7.5**	**-13.5**
Other earning (expenditure):	19.9	0.4	21.7	0.4	-8.3
Financial earnings	-97.4	-2.0	-102.8	-2.0	-5.3
Financial costs	-99.5	-2.0	-146.1	-2.8	-31.9
Participation in results of associates and joint ventures	6.6	0.1	2.6	0.0	153.8
	-170.4	**-3.5**	**-224.6**	**-4.3**	**-24.1**
Earnings before income tax	**167.1**	**3.4**	**165.6**	**3.2**	**0.9**
Income tax	-75.1	-1.5	-65.5	-1.3	14.7
Not earnings	**92.0**	**1.9**	**100.1**	**1.9**	**-8.1**

Net sales

In million of nuevos soles

	2014		2013		Variation
	Value	%	Value	%	%
National sales	4,349.4	89.2	4,762.1	91.1	-8.7
Foreign sales	528.3	10.8	463.3	8.9	14.0
Total	**4,877.8**	**100.0**	**5,225.4**	**100.0**	**-6.7**

In million of nuevos soles

			Variation
	2014	2013	%
Machinery & equipment			
Mine trucks & cart machinery (GM)	382.2	955.3	-60.0
Caterpillar machinery & engines to other sectors (NGM)	1,074.1	1,088.1	-1.3
Rental & used units	515.2	514.9	0.1
Associated equipment	330.3	314.5	5.0
Vehicles	166.4	175.5	-5.2
Farm machinery	90.3	78.5	15.0
	2,558.5	**3,126.8**	**-18.2**
Spares & services	**1,935.4**	**1,713.7**	**12.9**
Other lines			
Lubricants	164.5	157.9	4.3
Light engineering	48.2	62.2	-22.6
Tires	58.4	69.7	-16.3
Safety equipment	51.1	52.7	
Logistic sefvices	44.5	34.2	30.3
Others	17.2	8.2	108.3
	383.9	**384.9**	**-0.2**
Total	**4,877.8**	**5,225.4**	**-6.7**

Net turnover in 2014 amounted to S/. 4,877.8 million, compared with S/. 5,225.4 million generated in the previous year, which represents a reduction of 6.7% as a result of a less dynamic Peruvian economy.

Sales of Caterpillar and allied brands amounted to S/. 2,559 million, representing a fall of 18%, as a result of fewer sales of large mining equipment during the fiscal year and, in general, reduced activity in the Peruvian economy and conservative levels of public spending. Nevertheless, it is important to mention that the Caterpillar heavy machinery line for the construction industry achieved a market share in excess of 60% at FoB values.

In addition, sales of spare parts and services increased by 13%, in line with new machinery purchases and refurbishment of machinery sold over recent years.

An analysis of the results of each group of companies as at the 31st of December 2014 shows that sales by Caterpillar distributors in Peru (3.814.4 millions) fell by 9.8% against 2013, mainly due to lower earnings from new equipment for large-scale mining operations. Nevertheless, it should be noted that during 2014 sales of spares and services by Caterpillar distributors in Peru increased by 11.7% compared with 2013, which reflects the support given to clients' machinery thanks to the infrastructure built over the years by the corporation's companies. Caterpillar distributors and others businesses abroad reached sales of S/. 528.3 million with an increase of 14.0% compared to 2013, equivalent to S/. 65.1 million, driven principally by the acquisition of Trex (with operations in Chile, which contributed earnings over seven months, as the company was acquired in June 2014. Furthermore, sales by the other subsidiaries operating in Peru that complement the Caterpillar business (S/. 535.1 millions), were similar to 2013 with a growth of 0.7% despite the country's reduced economic activity.

Profit from sales
Gross profit in 2014 was 0.8% higher than in 2013. In percentage terms, gross margin was 22.9%, rather more than the 21.2% recorded in the previous year, which was explained by the following:

Secondly, the different proportions of total sales contributed by the product lines. During 2014, sales of new machinery and equipment, which have lower margins, represented 53% of total sales (60% in 2013), whilst sales of supporting products at higher margins represented 40% of turnover (33% in 2013). These latter sales produced a better margin because of the efforts needed to keep inventories and distribute spares and services throughout the country, as well as the logistics effort involved in consigning items to more than 60 places in Peru, including clients' mining projects and other sites.

Secondly, a strengthening dollar affected gross margins. The exchange rate at the beginning of the year was S/. 2.796 soles and at the end of December, S/. .2.989 soles. 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.

Sales and administration costs
Sales and administration costs in 2014 amounted to S/. 798.4 million compared with S/. 749.1 million in the previous year, representing growth of 6.6%. Sales and administration costs were affected by the acquisition of Trex, whose costs were included in those of the corporation for the first time (S/. 11.5 million) and wage increases granted in the middle of 2013, in line with increases in the Peruvian labour market; and increases in expenditure by the commercial department as well as support for expanding market coverage, which meant an increase of S/. 5.0 million.

Income (expenditure) various - net
In 2014 this item saw net income of S/. 18.5 million, compared with a net income of S/. 31.3 million in the previous year, a reduction of 40.9%, as a result of fewer claims on Caterpillar and lower recovery of sales cost provisions made in previous years.

Financial earnings
Financial earnings in 2014 amounted to S/. 19.9 million, 8.3% less than the S/. 21.7 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. This achieved a reduction in credit risk, provisions for bad debts and portfolio management costs.

Financial expenses
Financial expenditure amounted to S/. 97.4 million in 2014 and S/. 102.8 million in the previous year, which represents an increase of 5.3 % caused by an increase in average liabilities subject to interest payments (S/.1,857 million in 2014; S/. 1,970 million in 2013). The corporation has maintained its strategy of reducing debt by pre-paying borrowings with the excess cash generated.

Exchange rate earnings (losses)
In fiscal years 2014 and 2013, net liabilities in foreign currency produced an exchange rate loss of S/. 99.5 million and S/. 146.1 millones, respectivamente. These losses were the result of the US dollar strengthening against the nuevo sol in 2014 and 2013 by 6.90% and 9.60 respectively (the exchange rate was S/. 2.796 as at the 31st December 2013 and rose to S/. 2.989 as at the 31st December 2014; and 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).

Income tax
Income tax for 2014 and 2013 was calculated in accordance with current tax and accounting legislation.

Net profit
Net profit for the fiscal year amounted to S/. 92.0 million, a fall of 8.1% compared to the figure of S/. 100.1 million generated in the previous year. The results were affected principally by exchange rate losses, higher operating costs and the change in the deferred income tax rate. Nevertheless it is important to point out that dividends this fiscal year have been improved by a change in the accumulated results deriving from net profits from subsidiaries not recognized in previous fiscal years but included in 2014 thanks to the adoption of new accounting rules.

Earnings before interest, depreciation and amortization (EBITDA)
EBITDA in 2014 amounted to S/. 522.3 millions, a reduction of 11% compared to the figure of S/. 588.2 million achieved in the previous year, principally the result of lower sales and higher costs, as the company structure is designed to cope with higher sales. EBITDA in 2014 was 10.7%, showing a certain stability compared with the figure of 11.3% for the previous year.

Ferreycorp assumes social responsibility as a critical element to its business model. This is why it builds sustainable, mutually beneficial relations with all its stakeholders.

Impact

5. Social Responsibility

5.1 Collaborators

Ferreycorp's most important asset is its human capital. Having a committed and motivated team is essential to the corporation's leadership and stability. For that reason the corporation recognizes their efforts and ensures that it provides all collaborators with optimal working conditions, a good atmosphere and stimuli for their integral development.

Valuing and respecting diversity
Ferreycorp's workplace remains free from discrimination and the company 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. Ferreyros, Mega Representaciones and Unimaq employ collaborators with disabilities.

Health, safety and working conditions
Ferreycorp uses an Industrial Safety, Occupational Hygiene and Environmental Management System to monitor all conditions that may affect the physical integrity and health of its collaborators, damage the company's installations or have a negative impact on the environment. Furthermore, the Social Services Department provides personalized welfare in fields such as health, education, housing and family problems, among others.

Professional and personal development
Ferreycorp is committed to the professional development of its collaborators and offers them various training programs to enhance their skills. (For more information on this subject, see the

Aware of the importance to promote sustainable development through a socially responsible management model, Ferreycorp assumes actively its role as a change agent and driver of the country's progress.

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chapter entitled "Organization and Human Resources"). It also encourages a proper balance between work and personal life and has a number of training initiatives in subjects including production, holiday programs for children and recreational activities.

Relationships with our labor unions
From 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
Social meetings between the personnel of the different companies of the corporation is encouraged- 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.

5.2 Shareholders

Ferreycorp is recognized in Peru and abroad for its good corporate governance, which can be seen in its fair treatment and respect for the rights of all shareholders, prompt and transparent presentation of information and the existence of a highly qualified board of directors that represents all the shareholders.

In 2014, for the seventh consecutive year, the corporation was included in Lima Stock Exchange's Good Corporate Governance Index, as it has been since the index was created in 2008. It also continued its active participation in the Latin American Companies Circle, of which it has been a member since 2006.

Ferreycorp's high standards of corporate governance are based on continual improvement, by which it makes permanent progress in its field of action. For more information see the self-assessment on compliance with the Principles of Good Corporate Governance 2014, in the digital file.

5.3 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 the businesses and adequate marketing and communications policies.
· Client privacy and protection for confidential information.
· Training for clients on technical specifications and adequate handling of the products.

5.4 Suppliers

Suppliers are chosen in line with clearly established principles such as transparency, fair treatment and mutual growth, based on the quality of their product or service, 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 have assumed a commitment to encourage good human resources practices in their suppliers, which in turn increase motivation and the welfare of their collaborators, productivity levels and the quality of the products and services offered.

Ferreyros and Unimaq demand high standards of safety from their truckers through homologation processes carried out every year. 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.

In 2014 Fargoline provided training to all its suppliers of strategic services, in matters of quality, safety, the environment and the BASC standard. Similarly, Unimaq, Motored and Mega Representaciones provided safety induction training to their suppliers.

5.5 Government and society

Ferreycorp maintains a rigid policy of honesty in all its commercial operations, ensuring that the interests of each of the corporation's companies are never favored by any fraudulent or illegal conduct on the part of its collaborators.

Furthermore, the corporation:

· Encourages responsible citizenship and a culture based on Values.
· Encourages opinion forming in forums and organizations.
· Reports annually to the United Nations Global Compact.
· Drafts a sustainability report through its subsidiary Ferreyros, using the methodology of the GRI (Global Reporting Initiative), which describes the company's economic, social and environmental performance and implementation of improvements that have been identified.

Ferreycorp puts an emphasis on education of the young, critical to Peru's growth, as part of its initiatives with the community.

5.6 The community

The corporation works closely with various sectors of the community, principally on a subject that it considers essential for the country's progress: Education for young people.

Ferreycorp Professional Development Program – Asociación Ferreycorp
Asociación Ferreycorp consists of Ferreyros, Unimaq, Orvisa, Fiansa, Cresko, Fargoline, Motored, Mega Representaciones and Ferreycorp; it promotes ethical education and civic commitment on the part of students in higher education, as well as skills training to enable them to enter the labor market.

In 2014, 1,863 university students from 30 Peruvian towns and cities took part in this program.

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. When the training is completed, graduates have first refusal to work in Ferreyros and Unimaq with defined career paths. 2014 saw the tenth class graduating in Lima and the fourth in Arequipa, with 23 and 21 students respectively.

Dual apprenticeship program run by Senati and the program entitled Sembrando tu Futuro (planting your future)
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.
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.

Ferreyros "Peru's Best Heavy Plant Operator" competition and Ferreyros Heavy Plant Operators Club
This competition was created in 2012 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. We hope that the second competition, preparation for which started in 2014, will exceed the 1,200 participants in the first competition.

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 2014 the Club had more than 3,500 members.

Works in lieu of taxes
Ferreyros seeks to contribute directly to the decentralized development of Peru by financing and implementing public investment projects in lieu of tax payments. Thus in 2014, Ferreyros and the mining companies Chungar and Chinalco started a project of this type aimed at improving and extending drinking water and drainage services and waste water treatment in seven neighborhoods in the district of Yauli (province of Yauli, Junín).

The company is concentrating on improving and extending the water and drainage service, roads and schools. Through the Works for Taxes program Ferreyros seeks to encourage the efficient and productive execution of public investment projects and thus to contribute to the country's progress.

Pre-graduation practice to support academic research and vocational guidance.
Ferreyros, Unimaq, Mega Representaciones, Motored, Orvisa, Fiansa and Cresko offer this program as a means of support for the professional development of students in different educational establishments.

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 2014. 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.

5.7 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. For that reason it has developed a Standard Environmental Management System based on ISO 14001 standard.

This system is implemented, monitored and audited by the environmental management programs (EMP) of each company and includes four elements:

· Planning: Identification of the environmental impacts.
· Training and awareness raising: Raising awareness of the environment and its upkeep.
· Operational Monitoring: Adequate management of the main environmental aspects of the business.
· Verification: Monthly consumption indicators and monitoring of corrective and preventive action.

5.8 Awards

In 2014 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 WaterhouseCoopers (PwC) and the magazine G de Gestión. Kimberly Clark also acknowledged Ferreyros as one of the ten companies that have made the biggest contributions to its paper recycling campaign "Recíclame, cumple TU papel".

In addition, Ferreyros, Unimaq, Mega Representaciones and Fargoline received the Socially Responsible Company award granted by Peru 2021 the previous year.

Financial Statements

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Ferreycorp S.A.A. and Subsidiaries

Consolidated financial statements as of December 31, 2014 and 2013 together with the independent auditors' report

Translation of the independent auditors' report and the consolidated financial statements originally issued in Spanish – Note 28

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Content

Paredes, Zaldívar, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

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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, 2014 and 2013, and the related statements of income, comprehensive income, changes in equity and 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 internal control that 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 audits. We conducted our audit in accordance with International Standards on Auditing approved for their application in Peru by the Board of Deans of Colleges of Public Accountants of 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 consolidated financial statements presentation.

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

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Translation of the independent auditors' report and the consolidated financial statements originally issued in Spanish – Note 28

Independent Auditors' Report (continued)

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, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Lima, Peru
February 24, 2015

Paredes, Zaldivar, Burga & Asociados

Countersigned by:

W. Rubiños V.

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, 2014 and 2013

	Note	2014 S/.(000)	2013 S/.(000)
Assets			
Current assets			
Cash and cash equivalent	4	89,949	119,413
Trade accounts receivable, net	5	889,351	826,055
Other accounts receivable, net	6	132,480	119,374
Inventories, net	7	1,561,763	1,580,128
Prepaid expenses		17,160	15,868
		2,690,703	2,660,838
Trade accounts receivable long term, net	5	31,311	36,042
Other accounts receivable long term, net	6	4,656	5,874
Investments in associates and joint venture	8	78,045	74,936
Property, machinery and equipment, net	9	1,328,247	1,291,336
Intangible, net	10(a)	78,954	78,031
Goodwill	10(b)	170,415	147,510
Deferred income tax asset	14(a)	136,874	115,899
Total non-current asset		1,828,502	1,749,628
Total asset		4,519,205	4,410,466

	Note	2014 S/.(000)	2013 S/.(000)
Liabilities and net equity			
Current liabilities			
Financial liabilities	11	503,950	620,395
Trade accounts payable	12	459,886	406,383
Other accounts payable	13	453,414	408,535
Income tax payable	14 (d)	24,553	29,033
Total current liabilities		1,441,803	1,464,346
Other financial liabilities long term	11	1,341,022	1,240,311
Other accounts payable long term	13	781	3,381
Deferred income tax liability	14(a)	139,807	158,555
Deferred income		16	-
Total non-current liabilities		1,481,626	1,402,247
Total liabilities		2,923,429	2,866,593
Equity	15		
Issued capital		1,014,326	945,227
Additional capital		73,536	105,436
Legal reserve		110,099	99,766
Other equity reserves		245,802	234,173
Translation results		20,913	8,205
Retained earnings		131,100	151,066
Total equity		1,595,776	1,543,873
Total liability and equity		4,519,205	4,410,466

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Ferreycorp S.A.A. and Subsidiaries

Ferreycorp S.A.A. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2014 and 2013

	Note	2014 S/.(000)	2013 S/.(000)
Net sales	16	4,846,215	4,998,740
Other operating income		3,118	15,209
		4,849,333	5,013,949
Cost of sales	16	(3,731,913)	(3,905,925)
Gross profit		1,117,420	1,108,024
Selling expenses	17	(576,700)	(559,624)
Administrative expenses	18	(221,685)	(189,472)
Other income and expenses, net		18,530	31,315
Operating profit		337,565	390,243
Financial income	20	19,848	21,737
Share of profit of an associate and a joint venture	8(b)	6,563	2,607
Financial expenses	21	(97,466)	(102,865)
Exchange difference, net	25	(99,487)	(146,140)
Profit before income tax		167,023	165,582
Income tax	14(b)	(75,042)	(65,474)
Net income		91,981	100,108
Basic and diluted earnings per share (in Nuevos Soles)	22	0.091	0.098
Weighted average of shares outstanding (in thousands of units)	22	1,014,326	1,014,326

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

Ferreycorp S.A.A. and Subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2014 and 2013

	Note	2014 S/.(000)	2013 S/.(000)
Net income		91,981	100,108
Other comprehensive income			
Other comprehensive income to be reclassified to profits in subsequent periods			
Net gain on hedging derivatives		72	177
Deferred income tax effect		(22)	(54)
Exchange difference on translation of foreign operations	17(e)	12,708	12,078
Gain on available for-sales of associates, net of tax effect deferred gain		(2,694)	(3,011)
Other comprehensive income to be reclassified to profits in subsequent periods		10,064	9,190
Other comprehensive income to be not reclassified to profits in subsequent periods			
Revaluation of land	15(d)	-	108,559
Deferred income tax effect		-	(32,568)
Change in tax rate effect	3.3 (m)	13,174	-
Other comprehensive income to be not reclassified to profits in subsequent periods		13,174	75,991
Other comprehensive income for the year, net		23,238	85,181
Net comprehensive income for the year		115,219	185,289

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

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Ferreycorp S.A.A. and Subsidiaries

Ferreycorp S.A.A. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2014 and 2013

	Number of shares outstanding (in thousands)	Issued capital S/.(000)	Additional capital S/.(000)	Legal reserve S/.(000)	Other equity reserves: Unrealized gains S/.(000)	Other equity reserves: Other reserves S/.(000)	Other equity reserves: Revaluation surplus S/.(000)	Translation results S/.(000)	Retained earnings S/.(000)	Total S/.(000)
Balance as of January 1, 2013	803,235	803,235	137,336	82,179	(2,222)	2,045	160,918	(3,873)	225,931	1,405,549
Net income	-	-	-	-	-	-	-	-	100,108	100,108
Revaluation effect of land to fair value, net of deferred income tax, note 15 (d)	-	-	-	-	-	-	75,991	-	-	75,991
Valuation of hedging derivatives, note 15 (d)	-	-	-	-	-	123	-	-	-	123
Gain on valuation of investments available for sale of associates, note 15 (g)	-	-	-	-	(3,011)	-	-	-	-	(3,011)
Other comprehensive income, net income tax	-	-	-	-	-	-	-	12,078	-	12,078
Total comprehensive income	-	-	-	-	(3,011)	123	75,991	12,078	100,108	185,289
Transfer to legal reserve, note 15(c)	-	-	-	17,587	-	-	-	-	(17,587)	-
Decreased equity joint venture and associates note 15 (g)	-	-	-	-	-	329	-	-	900	1,229
Dividends, note 15 (f)	-	-	-	-	-	-	-	-	(48,194)	(48,194)
Capitalization of retained earnings, note 15 (a)	141,992	141,992	(31,900)	-	-	-	-	-	(110,092)	-
Balance as of December 31, 2013	945,227	945,227	105,436	99,766	(5,233)	2,497	236,909	8,205	151,066	1,543,873
Net income	-	-	-	-	-	-	-	-	91,981	91,981
Revaluation effect of land to fair value, net of deferred income tax	-	-	-	-	-	-	13,174	-	-	13,174
Valuation of hedging derivatives	-	-	-	-	-	50	-	-	-	50
Gain on valuation of investments available for sale of associates	-	-	-	-	(2,694)	-	-	-	-	(2,694)
Other comprehensive income, net of income tax	-	-	-	-	-	-	-	12,708	-	12,708
Total comprehensive income	-	-	-	-	(2,694)	50	13,174	12,708	91,981	115,219
Transfer to legal reserve, note 15 (c)	-	-	-	10,333	-	-	-	-	(10,333)	-
Decreased equity joint venture and associates	-	-	-	-	-	1,099	-	-	(8,618)	(7,519)
Dividends, note 15 (f)	-	-	-	-	-	-	-	-	(55,797)	(55,797)
Capitalization of retained earnings, note 15(a)	69,099	69,099	(31,900)	-	-	-	-	-	(37,199)	-
Balance as of December 31, 2014	1,014,326	1,014,326	73,536	110,099	(7,927)	3,646	250,083	20,913	131,100	1,595,776

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

Ferreycorp S.A.A. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2014 and 2013

	2014 S/.(000)	2013 S/.(000)
Operating activities		
Collections from customers and third parties	4,868,405	5,047,963
Payments to suppliers	(3,937,189)	(4,321,623)
Payroll and others	(419,969)	(355,953)
Income tax payments	(132,275)	(111,304)
Taxes paid	(11,973)	(11,934)
Net cash provided from operating activities	366,999	247,149
Investing activities		
Purchase of property, machinery and equipment	(158,890)	(244,780)
Acquisition of subsidiary, net of cash acquired	(46,332)	(90,013)
Additions to intangibles	(9,050)	(2,437)
Disposition of property, machinery and equipment	1,132	5,756
Net cash used for investing activities	(213,140)	(331,474)
Financing activities		
Increase in borrowings	1,133,434	821,845
Payments of financial obligations	(1,171,708)	(637,262)
Interest paid	(91,884)	(95,528)
Dividends paid	(55,797)	(48,194)
Net cash provided from (used for) financing activities	(185,955)	40,861
Net decrease in cash and cash equivalent	(32,096)	(43,464)
Translation results	12,708	12,078
Effect of movements in exchange rates on cash and cash equivalent	(10,076)	(21,925)
Cash and cash equivalent at beginning of year	119,413	172,724
Cash and cash equivalent at end of year	89,949	119,413
Non-cash transactions		
Financial leasing	2,828	2,753
Capitalization of retained earnings	37,199	110,092
Unrealized gain	7,927	5,233

The accompanying notes 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, 2014 and 2013

1. **Economic activity**

Ferreycorp S.A.A. (hereinafter "the Company") was incorporated in Lima, Peru on September 1922 under with the 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 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.

Therefore, 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, 2013 were approved by the Shareholders' Meeting and by the Board of Directors held on March 26, 2014. The accompanying consolidated financial statements for the year ended December 31, 2014, were approved by the Company's Management on February 24, 2015 and will be submitted for their approval by the Board of Directors and the Shareholders' Meeting that will occur within the first quarter of 2015. In Management's opinion, these consolidated financial statements will be approved by the Board of Directors and Shareholders' Meeting without modifications.

Notes to the consolidated financial statements (continued)

2. Group Identification

As of December 31, 2014, the consolidated financial statements include the financial statements of Ferreycorp SAA and subsidiaries in which it has control. The Group owns 100% interest in the subsidiaries either through its parent (Ferreycorp SAA) or other subsidiaries. The main data of the Group involved in the process of consolidation as of December 31, 2014 and 2013, before eliminations for consolidation purposes are as follows:

Entity	Activity	Percentaje of ownership		Assets		Liabilities		Equity		Net income (loss)	
		2014 %	2013 %	2014 S/.(000)	2013 S/.(000)	2014 S/.(000)	2013 S/.(000)	2014 S/.(000)	2013 S/.(000)	2014 S/.(000)	2013 S/.(000)
Ferreyros S.A.	Purchase and sale of machinery, spare parts and workshop services	99.99	99.99	1,956,215	2,032,216	1,155,317	1,274,699	800,898	757,517	119,289	117,319
Inti Inversiones Interamericanas Corp. and subsidiaries	Holding company business in Central America	100.00	100.00	526,975	494,286	347,840	341,220	179,135	153,066	13,063	12,820
Unimaq S.A.	Purchase and sale of machinery, spare parts and workshop services	99.99	99.99	562,702	540,599	428,816	414,485	133,886	126,114	7,703	8,414
Inmobiliaria CDR S.A.C.	Real estate	99.99	99.99	103,452	93,225	30,716	24,358	72,736	68,867	1,664	2,105
Fargoline S.A.	Warehouse	99.91	99.91	109,423	105,601	43,645	47,156	65,778	58,445	5,856	6,413
Motored S.A.	Purchase - sale of automotive line, automotive spare parts and provision of services	99.99	99.99	243,151	273,587	185,667	198,865	57,484	74,722	(18,116)	(7,971)
Trex Latinoamerica SpA and subsidiaries(***)	Holding company business in South America	100.00	-	104,499	-	63,923	-	40,576	-	(1,787)	-
Orvisa S.A. and subsidiaries	Purchase and sale of machinery, spare parts and workshop services	99.37	99.37	178,360	162,240	136,530	129,133	41,830	33,107	2,338	4,210
Mega Representaciones S.A. and subsidiaries (*)	Representative and distributor of tires and lubricant	99.99	99.99	140,951	145,334	100,248	106,555	40,703	38,779	924	1,752
Fiansa S.A. (common shares and labor)	Metalworking services	99.76	99.76	64,692	62,866	26,954	39,850	37,738	23,016	(8,604)	(18,210)
Cresko S.A.	Purchase and sale of machinery and chemical supplies	99.99	99.99	50,257	51,344	37,558	43,502	12,699	7,842	(4,643)	(4,267)
Soluciones Sitech Perú S.A.	Commercialization of software and hardware	99.80	99.80	4,470	947	2,547	584	1,923	363	(940)	(461)
Forbis Logistics S.A.	Bulking agent	99.98	99.98	4,772	2,488	3,858	1,796	914	692	222	559
Compass Fondo de Inversión de Arrendamiento Operativo	Investment fund	100.00	100.00	16,178	8,817	230	9	15,948	8,808	1,234	28
Ferrenergy S.A.	Power generation and supply	50.00	50.00	15,131	14,945	6,612	9,600	8,519	5,345	214	(1,003)

(*) Soltrack S.A.C., Company was incorporated on June 26, 2014, whose major Shareholder is Mega Representaciones S.A. (subsidiary of Ferreycorp S.A.A.), this company has a main activity the purchase, sale, marketing and distribution of goods; and the import and export of consumer goods and personal protective equipment and safety.

(**) This Holding mainly includes subsidiaries in Central and North America: Compañía General de Equipos S.A. (El Salvador), Corporación General de Tractores S.A. (Guatemala), Mercado Centroamericano de Lubricantes S.A. (Nicaragua), General Equipment Company (Belice) 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.

(***) This Holding mainly includes subsidiaries in South America: Trex Latinoamerica Spa, which is the parent of Equipos y Servicios Trex Spa that has a subsidiary Trex Overseas Investment S.A., parent of a Company located in Ecuador and other one in Colombia.

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Ferreycorp S.A.A. and Subsidiaries

Notes to the consolidated financial statements (continued)

Acquisitions 2014-

(a) Trex Latinoamerica Spa y Subsidiarias (Chile, Colombia and Ecuador):
On June 1, 2014, the Group acquired 100 percent of the shares entitled to vote Trex Chile Group, the Group at 31 December 2014, realized a corporate reorganization and created Trex Latinoamerica Spa, parent company of Equipos y Servicios Trex SpA of Chile, which in turn is a subsidiary Trex Overseas Investment S.A. that is the parent company of a company located in Ecuador and other one in Colombia.

For this acquisition, the Group paid approximately US$16,663,000 (equivalent to S/.46,672,000 at the acquisition date), this acquisition gives the Group major presence in Latin America. Subsequently, the Group made a capital contribution of US$289,000 (equivalent to S/.847,000) for the constitution of Trex Latinoamerica SpA.

The fair values of assets and liabilities acquired are as follows:

	Fair value recognized at the acquisition date S/.(000)
Assets	
Cash	2,135
Trade accounts receivable, net	16,381
Inventories, net	12,687
Other assets	22,638
Liabilities	53,841
Trade accounts payable	9,749
Provisions	23,776
Net assets acquired	20,316
Assets and liabilities identified	
Trademark rights	1,367
Customer relationship	2,638
Order babcklog	438
Relations with suppliers	2,470
Non-competition agreement	1,699
Tax assets Deferred income	643
Tax liabilities Deferred income	(2,243)
Total net assets identified measured at fair value	7,012
Fair value of the total net assets identified	27,328
Less: Purchase price at the date of acquisition	46,671
Goodwill, note 10(d)	19,343

Notes to the consolidated financial statements (continued)

	Cash flow at the date of acquisition S/.(000)
Net cash arising from acquisition	2,135
Cash payment	(46,671)
Net cash at the date of acquisition	44,536

The trademark rigths, customer relations, order backlog, supplier relationships and non-competition agreement include intangible assets acquired through business combinations, which are detailed in note 10. The relationship with customers were granted by the various contracts held the Group, purchase orders correspond to obligations held by the Group with its various suppliers, the useful lives of these assets are 3-29 years old and 1 year, respectively. The relationship with suppliers and non-competition agreement have a lifespan of 40 and 5 years, respectively.

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 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 assets identified measured at fair value	6,680

Notes to the consolidated financial statements (continued)

	Fair value recognized at the acquisition date S/.(000)
Fair value of the total net assets identified	18,903
Less: Purchase price at the date of acquisition	45,751
Goodwill arising from the acquisition, note 10(d)	26,848

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

The relationship with customers and distribution contracts include intangible assets acquired through business combinations, which are detailed in note 10. The relationship with customers were granted by the various contracts held by the acquired business line; as well as exclusive distribution contract that Exxon Mobil has. The useful lives of such assets are 9 and 10 years, respectively.

(b) Mercadeo Centroamericano de Lubricantes S.A.- Mercalsa (Nicaragua)
On February 28, 2013, the Group acquired 100 percent of the shares entitled to vote Compañía Mercadeo Centroamericana de Lubricantes - Mercalsa (Nicaragua), for approximately US$5,205,000 (equivalent to S/.14,544,000 at that time). Mercalsa's main activity is the sale of lubricants Exxon Mobil.

The fair values of assets and liabilities acquired are as follows:

	Fair value recognized at the acquisition date S/.(000)
Assets	
Cash	452
Trade accounts receivable, net	3,890
Inventories, net	4,539
Other assets	1,197
	10,078

Notes to the consolidated financial statements (continued)

	Fair value recognized at the acquisition date S/.(000)
Liabilities	
Trade accounts payable	(2,348)
Provisions	(614)
Net assets acquired	7,116
Assets and liabilities identified	
Customer relationship	1,168
Trademark rights	2,277
Distribution agreement	3,250
Deferred income tax liability	(2,053)
Total net assets identified measured at fair value	4,642
Fair value of the total net assets identified	11,758
Less: Purchase price at the date of acquisition	14,544
Goodwill, note 10(d)	2,786

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

Customer relations, trademarks and distribution contracts include intangible assets acquired through business combinations, which are detailed in note 10. The relationship with customers were granted by the various contracts held by the Group; and the exclusive distribution contract that Mercalsa has. A Trademark rights corresponds to the representation used by the Group in Central America. The useful lives of such assets are 7 and 10 years respectively. The Trademark rights of the Group is indefinite life, and an annual impairment assessment is performed to assess that there is non-impairment issues with these assets.

(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 safety supplies. 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

Notes to the consolidated financial statements (continued)

business of industrial safety in Peru and thus complement the portfolio of consumables of Mega Representaciones S.A.C.

The fair values of assets and liabilities acquired are as follows:

	Fair value at the acquisition date S/.(000)
Assets	
Cash	760
Trade accounts receivable, net	13,214
Inventories, net	9,308
Other assets	3,403
	26,685
Liabilities	
Trade accounts payable	(6,143)
Provisions	(4,523)
Net assets acquired	16,019
Assets and liabilities identified	
Customer relations	5,083
Trademark rights	3,313
Order Backlog	254
Deferred income tax liability	(2,595)
Total net assets identified measured at fair value	6,055
Fair value of the total net assets identified	22,074
Less: Purchase price at the date of acquisition	32,142
Surcharge	186
Goodwill, nota 10(d)	10,254

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

Notas a los estados financieros consolidados (continuación)

Las políticas de contabilidad adoptadas son consistentes con las aplicadas en años anteriores, excepto por las nuevas NIIF y NIC's revisadas que son obligatorias para los periodos que se inician después del 1 de enero de 2014, pero que el Grupo ya ha adoptado; sin embargo, debido a la estructura del Grupo y la naturaleza de sus operaciones, la adopción de dichas normas no tuvo un efecto significativo en su posición financiera y resultados; por lo tanto, no ha sido necesario modificar los estados financieros consolidados comparativos del Grupo. Dichas nuevas NIIF y NIC's revisadas se describen a continuación:

- Compensación de activos financieros y pasivos financieros - Enmiendas a la NIC 32
Estas enmiendas aclaran el significado de "actualmente tiene reconocido legalmente el derecho a la compensación" y los criterios de mecanismos de solución no simultáneas de cámaras de compensación para tener derecho a la compensación. Estas modificaciones no tuvieron impacto en el Grupo.

- Revelaciones sobre el importe recuperable de los activos no financieros - Modificaciones a la NIC 36
Estas enmiendas eliminan las consecuencias no previstas en la NIIF 13 Medición del Valor Razonable, en lo referente a las revelaciones requeridas por la NIC 36 Deterioro del Valor de los Activos. Asimismo, requieren la divulgación de los importes recuperables de los activos o unidades generadoras de efectivo por los cuales se ha reconocido o reversado una pérdida por deterioro durante el periodo. Estas modificaciones no tuvieron ningún impacto en el Grupo.

- Novación de Derivados y continuación de la contabilidad de cobertura - Modificaciones a la NIC 39
Estas modificaciones proporcionan una excepción para suspender la contabilidad de coberturas cuando se da la novación de un derivado designado como un instrumento de cobertura que cumple con ciertos criterios. Estas modificaciones no tuvieron ningún impacto en el Grupo, debido a que no han novado sus derivados durante el periodo actual o en ejercicios anteriores.

- CINIIF 21 Gravámenes
La CINIIF 21 aclara que una entidad reconoce un pasivo por un gravamen cuando se realiza la actividad que dé lugar al pago, en los términos señalados en la legislación pertinente, se realiza. La aplicación retroactiva se requiere para la CINIIF 21. Esta interpretación no tuvo ningún impacto significativo en el Grupo.

Notes to the consolidated financial statements (continued)

- IFRIC 21 Liens
  IFRIC 21 clarifies that an entity recognizes a liability for a tax when the activity that triggers payment under the terms specified in the relevant legislation, is done. Retrospective application is required to IFRIC 21. This interpretation had no significant impact on the Group.

3.2 Basis for consolidation –

The consolidated financial statements include the financial statements of Ferreycorp and its subsidiaries for all periods presented. Control is achieved where the Group is exposed, or has rights, to variable returns from its holding in the investee and has the ability to affect those returns through its power over the entity. The Group controls an entity if and only if you have:

- Power over the entity; so existing rights that give it the current ability to govern the relevant activities of the entity
- Exposure or rights to variable returns from its involvement in the entity, and
- Ability to use its power over the entity to affect yields.

When the Group has less than a majority of the voting or similar rights in the state, the Group considers all relevant facts and circumstances in assessing whether it has power over the entity, including:

- The contractual agreement with other vote holders of the entity.
- Rights derived from other contractual arrangements.
- The voting rights of the Group and potential voting rights.

The Group assess whether it has control over an entity when if facts and circumstances indicate that there are changes in any of the control elements. The consolidation of a subsidiary begins when the Group has control over the subsidiary and is no longer consolidated from the date that control ceases. The consolidated financial statements include assets, liabilities, income and expenses of Ferreycorp and its affiliates.

The profit or loss and each component of other comprehensive income are attributed to the owners of the parent and non-controlling interests even if the results of non-controlling interests with negative balance. When necessary, adjustments to the financial statements of subsidiaries are made to align the accounting policies with those of the Group. All assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are fully eliminated during consolidation process.

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

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 requires assets acquired and liabilities assumed to be measured at their fair value at the acquisition date, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group can have a choice in the measurement of non-controlling interests (NCI) in the acquiree at its fair value or the NCI's proportionate share of net assets of the acquiree. 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 conditions and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives from host contracts of the acquiree.

If the business combination is achieved in stages the acquirer´s previously-held in equity interest in the acquiree is measured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated results. These records are considered in the determination of goodwill.

Any contingency that is transferred by the acquirer's will be recognized at fair value at the acquisition date. The contingency classified as an asset or liability that is a financial instrument and is within the scope of IAS 39 Financial Instruments: Measured at fair value in the consolidated statements of comprehensive income. If the contingency is not within the scope of IAS 39, it is measured in accordance with relevant IFRS applicable. The contingency is classified as equity shall not be measured again and its subsequent settlement is accounted for within equity.

The acquisition of non-controlling interest is recognized directly in the consolidated statement of changes in equity; the difference between the amount paid and the net assets acquired is recorded as an equity transaction. Therefore, the Group did not record any additional goodwill upon the acquisition non-controlling interest, or recognize a gain or loss on sale of non-controlling interest.

Equity attributable to non-controlling interest is disclosed separately in the consolidated statements of financial position. The income attributable to non-controlling interest is disclosed separately in the consolidated income statement and consolidated statements of comprehensive income.

Notes to the consolidated financial statements (continued)

Goodwill is initially measured at cost, which is the excess of the sum of the consideration transferred and the amount of non-controlling interests over the acquired net assets recognized exceeds the consideration transferred, the Group reassess whether it has correctly identified all the assets acquired and liabilities assumed all and review the procedures used to measure the amounts recognized at the acquisition date. If, in such reassessment still determines that the value of the net assets acquired exceeds the sum of the consideration transferred, the gain is recognized in the consolidated statements of income.

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

If goodwill has been distributed to a cash-generating unit and part of the assets that the unit operates is disposed, goodwill and assets of are included in the carrying amount of the transaction to determine the loss or write-off from disposal. Under these circumstances, goodwill is measured based on the relative value of the assets disposed of and the portion of the cash-generating unit retained.

The impairment of goodwill is determined by assessing the recoverable amount of each CGU (or group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill can't be measured in future periods.

(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 participate in the financial and operating policy decisions of an investee 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 arrangement. 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.

Notes to the consolidated financial statements (continued)

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 joint venture are 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 acquisition date. Goodwill related to an associate or joint venture is included in the carrying amount of the investment. 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 the Group's consolidated other comprehensive income. In addition, if any recognized directly in equity of the associate or joint venture, the Group would recognize its participation on any of these changes, as appropriate, in the consolidated 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 in the consolidated income statement, out of operations profit. 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 of the Group. If necessary, adjustments are made in order to align their accounts policies to the Group's accounting policies.

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 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 "Share of profit of an associate and a joint venture" in the consolidated income statement.

When the significant influence over an associate or joint control over the joint venture is lost, the Group measures and recognizes any retained interest at fair value. In this case, any difference between the carrying amount of the associate or joint venture and the respective fair value of the retained interest, and sale proceeds are recognized in the consolidated results.

Notes to the consolidated financial statements (continued)

(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, except in the case of assets not at fair value through profit or loss, directly attributable transaction costs or issuance of the instrument.

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 whit fixed or determinable payments that are not traded in an active market, the Group does not intend to sell immediately or in the near future and have no recovery risk 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 income statement.

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

Notes to the consolidated financial statements (continued)

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 contractual obligation to pass those 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 ownership of the asset, but has transferred control of the asset.

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 recognizes 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.

Notes to the consolidated financial statements (continued)

Financial assets carried at amortized cost -
For financial assets carried at amortized cost, the Group first assesses whether there is objective evidence of impairment for financial assets on an individual basis that are individually significant, or in a collective basis for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment for individually assessed financial asset, regardless of its importance, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively evaluated to determine whether impairment exists. Assets that are individually assessed to determine whether impairment exist and for which an impairment loss is recognized or continue to be recognized, are not included in the assessment of impairment collectively.

If there is objective evidence of an impairment loss, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that still have not occurred). The present value of estimated future cash flows is discounted at the original effective interest rate of financial assets. If a loan bears variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognized in the consolidated statements of income.

(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, are carried at amortized cost. This includes directly attributable transaction costs or issuance of the instrument.

As of December 31, 2014 and 2013, the Group has only liabilities at amortized cost, including accounts payable (trade, to related parties and others), and other financial liabilities.

Notes to the consolidated financial statements (continued)

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 income statement when 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 expired. 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 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 income statement.

(c.3) Offsetting of financial instruments -
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only if there is 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 settle the liabilities simultaneously.

(d) Derivative financial instruments -
Derivative financial instruments, pursuant to the rules of IAS 39 are classified as trading and hedging. The Group only has derivatives that are identified as accounting hedges; which are essentially of:

- Fair value when hedging the exposure to changes in fair value of recognized assets or liabilities or unrecognized firm commitments.
- Cash flow when hedging exposure to variations in cash flows attributed either to a particular risk associated with a recognized asset or liability or a highly probable transaction, or at risk of exchange rate in unrecognized commitment;

Notes to the consolidated financial statements (continued)

At the beginning of the hedge relationship, the Group formally designates and documents the hedge relationship. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of the hedge against changes in the fair value of the hedging instrument to offset changes in the fair value of the hedged item or changes in cash flows. The Group continuously asses the hedging instrument to determine that they actually have been highly effective throughout the periods for which they were designated.

The change in fair value of a derivative that is a hedging instrument is recognized in the consolidated income statements as financial expenses. The change in fair value attributable to the hedged risk recorded as part of the carrying amount of the hedged item and recognized in the consolidated income statements as financial expenses.

The Group has a contract for "Swap" interest rate classified as cash flow hedges. As a result, the effective portion of the gain or loss on the hedging instrument is recognized directly in reserve for cash flow hedges in the statements of comprehensive income, while the ineffective portion is recognized immediately in "Other, net" in the consolidated income statement. The ineffective portion related to foreign exchange contracts is recognized as financial expenses.

The amounts recognized in other comprehensive income are reclassified to earnings when the hedged transaction affects profit or loss, such as financial income or expense of the hedged item is recognized, or when the expected sale takes place. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized in other comprehensive income are reclassified to the carrying amount initially recognized for the non-financial asset or liability.

If the realization of the transaction or firm commitment, the cumulative gain or loss previously recognized in equity is reclassified to consolidated income statements. If the hedging instrument expires or is sold, it is resolved or exercised without a replacement or successive renewal for another hedging to instrument, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other result Integral remains in other comprehensive income until the forecast transaction or firm commitment affect results.

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

Notes to the consolidated financial statements (continued)

The accompanying consolidated financial statements have been prepared primarily to disclose 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.; the Nuevo Sol. Consequently, the balances in the financial statements of the companies operating in countries with a functional currency other than the Nuevo Sol have been converted to this currency in accordance with the methodology set out in IAS 21 "Effects of changes in foreign exchange rates".

Transactions and balances in foreign currency–
Balances or transactions in foreign currency are those made in a currency other than the functional currency of each entity. Transactions in foreign currencies are initially recorded at their functional currency spot rates at the dates the transactions first qualifies for recognition.

Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchanges at the reporting dates. The differences between this rate and the exchange rate initially used to record transactions are recognized in the consolidated income statement in the period in which they arise, under "Exchanges difference, net". Non-monetary assets and liabilities acquired in foreign currency are converted at the exchange rate on the dates of the initial transactions.

Balances and transactions in foreign currency -
Considered balances or transactions in foreign currency to those made in a currency other than the functional currency of each entity. 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.

Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate of liquidation or account closing date of the reporting period is reported. The differences between this rate and the exchange rate initially used to record transactions are recognized in the consolidated income statement in the period in which they arise, under "Exchanges, difference, net". Non-monetary assets and liabilities acquired in foreign currency are converted at the exchange rate on the dates of the initial transactions.

As required by IAS 21, the exchange differences resulting from transactions between related parties eliminated on consolidation process 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.

Notes to the consolidated financial statements (continued)

(f) Cash and cash equivalent -
For purposes of preparation and presentation of the consolidated cash flows 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 the lower of cost or net realisable value, 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 realisable 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 based on Management's assessment that determines the impairment amount for each item. The estimation is recognized affecting the results of the year when it is determined.

(h) Property, machinery and equipment-
Property, machinery and equipment, except the lands, is stated at cost, net of accumulated depreciation and, accumulated impairment losses if any. Such cost includes the cost of replacing components of property, machinery and equipment. For significant components of property, machinery and equipment that must be replaced periodically the replaced component is disposed and the new component with is useful life and depreciation is recognized.

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

Land is measured at fair value using appraisals that are performed every 2-3 years by an independent expert appraiser, to ensure that fair value does not differ materially from its carrying amount. When changes in fair value are not significant, revaluations are carried out every three to five years.

Any revaluation surplus is recognized in the consolidated statement of comprehensive income and credited to the asset revaluation surplus in equity, in the "Other equity reserve" caption, except that this increase corresponds to the reversal of a revaluation deficit of the previously recognized asset in the consolidated income statement, in which case the surplus is recognized in the consolidated income statement. A revaluation deficit is recognized in the consolidated income statement, except to the extent that the

Notes to the consolidated financial statements (continued)

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

(*) Based on machine-hours used.

The residual values, useful lives and 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 income statement 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 whether the arrangement conveys a right to use the asset or whether even if that right is not explicitly specified in an arrangement.

Group as a lessee -
Leases that transfer substantially all the risks and rewards incidental to ownership to the Group is classified as finance leases and is capitalized at the lease term, either at the fair value of the leased property or the present value of the minimum lease payments, whichever is lower. Lease payments are apportioned between finance charges and reduction of lease liability, so as to determine a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as interest expense in the consolidated statements of income.

Notes to the consolidated financial statements (continued)

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.

Group as a lessor -
Leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases, keeping receipts made to these contracts in the statement of financial position. 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 rental income.

Operating lease payments are recognized as operating expenses in the consolidated statements of income, on a straight line basis over the term of the lease.

Revenue from operating leases is recognized on a straight line basis over the lease term.

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

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 income statement under the category that is consistent with the function of the intangible asset.

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Notes to the consolidated financial statements (continued)

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

	Years
Client relationships	3 to 29
Rights of use	2
Purchase orders (Order Backlog)	1
Distribution Agreement	10
Supplier relations	40
Non-competition agreement	5
Software licenses	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 income statement when the asset is derecognized.

(k) Impairment of non-financial assets -
The net book value of property, machinery and equipment and intangible assets with finite lives are reviewed to determine if there is evidence of impairment at the end of each reporting period. If any such indication exists, the Group estimates the asset's recoverable amount, being the higher of fair value less costs of disposal and value in use.

Where the recoverable amount of an asset is below its carrying amount is considered to be impaired.

Fair value is the amount obtainable from the sale of an asset in a free market, while the value in use is the present value of future net cash flows estimated from the continued use of an asset and from its disposal at end of its useful life. In assessing value in use, 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 risks specific to the asset.

When there are new events or changes in existing conditions evidencing a previously recognized impairment losses no longer exist or have decreased, excluding goodwill, the Group estimates a new recoverable amount 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 since the lost impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increase can not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement. After completed the reversal, the depreciation charge is adjusted in future periods distributing the carrying amount over its remaining useful life.

Notes to the consolidated financial statements (continued)

Goodwill
Goodwill is tested to determine if an 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. Where the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill can not be reversed in future periods.

(l) Borrowing 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 expensed 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 2014 and 2013, the Group did not have assets that qualified for the capitalization of financing costs.

(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 Nº 892) on the same basis used to compute 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 benefits that any entity provides to the workers in exchange for their services and recognizes as a cost or expense depending on the function of each of them.

Current income tax -
The income tax for the current period is calculated according to the legal regulations in each country, based on the consolidated financial statements and the amount expected to be paid to the tax authorities. Tax regulations and tax rates used compute the amounts payable are those enacted at the date of the statement of financial position.

Management periodically assesses the tax regulations which are subject to interpretation and recognizes provisions when necessary.

Notes to the consolidated financial statements (continued)

Deferred income tax -
The income tax for future periods is recognized using the liability method, on temporary differences between the tax and accounting bases of assets and liabilities at the date of the consolidated statement of financial position. The deferred assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which temporary differences are recovered or settled.

Deferred tax assets are recognized for all taxable temporary differences and tax loss carry forwards, to the extent that is likely that taxable income will be available to offset the deductible temporary differences, and can use the tax loss carry forwards. The carrying amount of deferred tax assets is reviewed at each date of the consolidated statements of financial position and is reduced to the extent that it is unlikely that sufficient taxable profits against which to offset all or part of the deferred asset. Unrecognized deferred tax assets are reviewed at each reporting date the consolidated statements of financial position.

The deferred assets and liabilities are offset if there is a legal right to offset and deferred taxes relate to the same entity and the same tax 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 income according to the stage of completion of the service.
- Other income of the Group 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 rendered.

Notes to the consolidated financial statements (continued)

Cost of sales, for the cost of the products sold by the Group is recognized when goods are delivered simultaneously to the revenue recognition from the corresponding sale.

Costs and expenses -
The other costs and expenses are recognized when incurred, 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 of the best estimate as to the date of the statement of financial position. When the effect of time value of money is important, provision is the present value of expenditures expected to settle the obligation.

When the Group expects some or all of a provision to be reimbursed, these recoveries are recognized as assets, when the reimbursement is virtually certain. The expense related to a provision is presented in the consolidated income statement, net of reimbursement.

Possible contingencies are not recognized in the consolidated financial statements. These are disclosed in notes to the consolidated financial statements, except the possibility that 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 to be always outstanding, and the calculation of earnings per basic and diluted share are adjusted retroactively.

At December 31, 2014 and 2013, the Group has no financial instruments that produce dilutive effects, so that the basic and diluted earnings per share are the same.

(q) Fair value measurement -
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.

Notes to the consolidated financial statements (continued)

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 Group. Also, the fair value of a liability reflects their risk of default.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is considered active if transactions for the asset or liability is carried out with sufficient frequency and volume to provide pricing information on a continuing basis.

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.
- 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.

For purposes of the disclosures of fair value, the Group 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

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 Group's accounting policies.

Notes to the consolidated financial statements (continued)

(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 27.

(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.

3.4 Significant accounting judgments, estimates and assumptions –
The preparation of the Group's financial statements requires Management to make judgments, estimates and accounting assumptions that affect the reported amounts of revenues and expenses, assets and liabilities and related disclosures, the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses.

Management believes that the estimates included in the consolidated financial statements were made on the basis of their better knowledge of the relevant facts and circumstances at the date of preparation thereof; However, the final results may differ significantly from the estimates included in the consolidated financial statements.

The significant judgments and estimates considered by Management in preparing the consolidated financial statements are:

(a) Judgments
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, has leases of machinery and equipment rental fleet. The Group will assess whether these contracts are operating or finance leases based on an evaluation of the arrangements terms and conditions of the agreements, such as: the lease term not constituting a substantial part of the economic life of the asset, that it substantially retains all the risks and rewards of ownership of these assets, among others.

Notes to the consolidated financial statements (continued)

(b) Estimates and assumptions -
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a high risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Changes reflected in the assumptions when they occur.

Revaluation of property, machinery and equipment (land), note 3.3(h) -
The Group measures its land at revalued amounts and changes in fair value are recognized as revaluation surplus in the consolidated statements of changes in equity and the consolidated statements of comprehensive income. The Group engaged independent valuation specialists to assess fair values for revalued land.

For land, the appraiser is based on objective evidence of the market, using comparable prices adjusted for specific factors such as the nature, location and conditions.

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 of disposal and its value in use. The fair value less costs of disposal calculation is based on available data on sales transactions for similar goods made under conditions and independent parties or observable market prices net of incremental costs for disposing of the asset.

The value in use calculation is based on a model of discounted cash flows (DFC). Cash flows arising from the budget 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 very sensitive to any change in the discount rate used for the DCF model as well as, the expected future cash-inflows and the growth rate used to determine the recoverable amount of the different cash generating units. This information, including a sensitivity analysis, are disclosed and explained in more detail in the notes 10 and 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.

The Group calculates provisions based on reasonable estimates of the possible consequences of the revisions made by the tax authorities of the respective countries in which it operates. The value of these provisions is based on several factors, such as

Notes to the consolidated financial statements (continued)

experience in previous tax revisions, and different interpretations of the Tax rules made by the taxable entity and the 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 subsidiaries of the Group.

Fair value of financial instruments, note 3.3 (c) -
When 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 the discounted cash flows (DFC) model.

When possible, the input of these models is taken from observable markets, but if not, a degree of discretionary judgment is required in determining fair values. These professional 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 (b).

3.5 New accounting pronouncements -
The Group decided not to early adopt the following standards and interpretations that were issued by the IASB and are considered relevant for the Group, but are not effective at December 31, 2014:

- IFRS 9 Financial Instruments -
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of project financial instruments and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for the classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but the comparative information is not mandatory. The adoption of IFRS 9 will have an effect on the classification and measurement of financial assets of the Group, but no impact on the classification and measurement of financial liabilities.

- Amendments to IAS 19 Employee Benefits -
IAS 19 requires an entity to consider the contributions from employees or third parties in the accounting for defined benefit plans. When contributions are linked to the service, must be attributed to periods of service as a negative benefit. These amendments clarify that if the amount of contributions is independent of the number of years of service, an entity may recognize these contributions as a reduction in the service cost in the period in which the service is provided, instead of assigning the contribution to periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. It is not expected that this change is relevant for the Group, since none of the entities within

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the scope of consolidation has defined benefit plans with input from employees or third parties.

- IFRS 15, Revenue from contracts with customers -
IFRS 15 was issued in May 2014 and established a new five-step model to be applied to income from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration that the entity expects to be entitled in exchange for the transfer of goods or services to a customer. The principles of IFRS 15 provides a more structured approach to measurement and revenue recognition approach. The new standard of income is applicable to all entities and replace all current requirements for revenue recognition under IFRS. Complete or modified retrospective application is required for annual periods beginning on or after January 1, 2017, with early adoption is permitted. The Group is evaluating the impact of NIIF15 and plans to adopt the new standard as of the effective date requested.

- Amendments to IFRS 11 Joint Arrangements: Accounting for acquisitions of interests.
Amendments to IFRS 11 requires that a joint operator post the acquisition of an interest in a joint venture in which the activity of the joint venture is a business, according to IFRS 3. The amendments also clarify that an interest existing in a joint operation is not remeasured in the acquisition of an additional interest in the same joint operation, while the joint control is maintained. In addition, a scope exclusion has been added to the Amendments to IFRS 11 Joint Arrangements: Accounting for acquisitions of interests Amendments to IFRS 11 requires, that a joint operator post the acquisition of an interest in a joint venture in which the activity of the joint venture is a business, according to IFRS 3. The amendments also clarify that a pre-existing interest in a joint operation is not remeasured in the acquisition of an additional interest in the same joint operation, while the joint control is maintained. In addition, a scope exclusion has been added to IFRS 11 to specify not apply when the parties sharing joint control, including reporting entity under common control of the same main controller.

The changes apply to both the acquisition of the initial stake in a joint operation and the acquisition of any additional interest in such joint operation, and are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group early adopted in 2013, the modification of this standard.

- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization
The amendments clarify the principle of IAS 16 and IAS 38 that revenues reflect the pattern of economic benefits generated from operating a business (from which the asset is part), rather than the economic benefits are consumed through the use of the asset. As a result, income-based method can not be used to depreciate property, machinery and equipment and can only be used in very limited to the amortisation of intangible assets

Notes to the consolidated financial statements (continued)

circumstances. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. It is not expected that these amendments have an impact on the Group, since it has not used an income based method to depreciate its non-current assets.

4. **Cash and cash equivalent**

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Petty cash	1,306	1,105
Bank deposits (b)	69,547	78,239
Time deposits (c)	16,123	39,675
Savings accounts (b)	2,322	-
Cash in transit	651	394
	89,949	119,413

(b) Bank deposits and saving accounts are maintained in local and foreign banks in local currency and in US dollars. These deposits are freely available and has non-interest except for savings accounts that yield interest based on market deposit rates.

(c) As of December 31, 2014 and 2013, corresponds to time deposit with maturities of 30 days, deposited in local banks of first level, bearing interest at market rates and are freely available.

5. **Trade accounts receivable, net**

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Invoices (b)	764,473	729,401
Commercial letters(b)	261,061	218,398
Unearned interests	(11,540)	(10,185)
	1,013,994	937,614
Less – Allowance for doubtful accounts receivable (d)	(93,332)	(75,517)
	920,662	862,097
Less:		
Non-current portion	(31,311)	(36,042)
Current portion	889,351	826,055

Notes to the consolidated financial statements (continued)

(b) The trade receivables are mainly local and foreign currency, non-interest, except for the letters receivable bearing an annual interest rate in Nuevos Soles at rates ranging from 6 to 20 percent.

The balance corresponds to trade accounts receivable arising from sales of inventories to various local and foreign companies.

(c) As of December 31, 2014 and 2013, the trade accounts receivable aging is as follows:

	Not impaired S/.(000)	Impaired S/.(000)	Total S/.(000)
As of December 31, 2014 -			
Current	675,699	1,178	676,877
Past due			
- Up to 1 month	135,252	258	135,510
- From 1 to 3 months	72,394	511	72,905
- From 3 to 6 months	33,835	2,011	35,846
- More than 6 months	15,022	89,374	104,396
Total	932,202	93,332	1,025,534
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

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

	2014 S/.(000)	2013 S/.(000)
Beginning balance as of January 1	75,517	64,860
Provision, note 17	19,179	20,404
Addition for business combination	153	68
Recoveries and write-offs	(6,156)	(15,449)
Translation effect	4,639	5,634
Ending balance as of December 31	93,332	75,517

In Management's opinion, the allowance for doubtful accounts receivable adequately covers the credit risk for the years ended December 31, 2014 and 2013.

Notes to the consolidated financial statements (continued)

Trade accounts receivable secured with inventores when sold and, in some circumstances, depending upon the particular transaction, additional collateral is requested, note 23.

6. **Other accounts receivable, net**

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Income tax credit (b)	47,506	26,681
Value added tax credit (c)	31,131	31,506
Accounts receivable from Caterpillar(d)	24,619	30,895
Accounts receivable from employees	8,753	11,382
Accounts receivable from Domingo Rodas Inc. (e)	5,079	5,484
Drawback and other taxes (f)	3,085	3,402
Guarantee deposits	2,143	2,716
Claims to other providers	1,525	1,210
Other tax credit	1,476	1,476
Advances to suppliers	924	1,722
Claims to insurance companies and third parties	908	685
Other accounts receivable	12,949	10,798
	140,098	127,957
Less – Allowance for other doubtful accounts receivable	(2,962)	(2,709)
	137,136	125,248
Less: Non-current portion	(4,656)	(5,874)
Current portion	132,480	119,374

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

(c) Credit general sales tax is primarily disbursements for purchases of inventory, fixed assets and other items related to the Group's operations disbursements. In the opinion of Management, credit general sales tax will be recovered as part of the Group's current business operations of the Group.

(d) Includes mainly reimbursements agreed with factory warranties (Caterpillar) arising from the sale of used machinery.

Notes to the consolidated financial statements (continued)

(e) This receivable is a loan to Domingo Rodas S.A. (former subsidiary) for an amount of S/.5,150,000 in 2008. In 2010, the Group signed a transfer of the shares it held in Domingo Rodas S.A. to a subsidiary of a leading agricultural business group within the country. As a consequence, the new shareholders acknowledged the debt payable to the Group, which was refinanced and being payed on a quarterly basis. This receivable bears interest at the annual rate of 7.55 percent and has no specific guarantees. This receivable is being recovered according to a payments schedule underwritten by the Group and Domingo Rodas S.A.

(f) Corresponds to refunds tax and customs duty which will be requested for devolution from the pertinent tax authorities, and will become effective during the first quarter of next year.

(g) At December 31, 2014 and 2013, the accounts receivable aging is as follows:

	2014 S/.(000)	2013 S/.(000)
Current	133,812	109,302
Past due up to 180 days	1,281	8,857
Past due greater than 180 days	5,005	9,798
	140,098	127,957

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

	2014 S/.(000)	2013 S/.(000)
Opening balance as of 1 January	2,709	2,207
Provision, note 17	116	319
Write-offs of the year	(18)	(22)
Translation effect	155	205
Ending balance as of December 31	2,962	2,709

In Management's opinion, the allowance for other doubtful accounts receivable covers adequately the credit risk as of December 31, 2014 and 2013.

Notes to the consolidated financial statements (continued)

7. **Inventories, net**

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Machinery, engines and vehicles	824,520	881,044
Spare parts	402,280	370,728
Repair and maintenance services in process (b)	100,831	99,211
Merchandise	58,567	48,933
Advances to suppliers	36,637	48,821
Supplies	7,973	1,536
Raw materials and packaging	2,827	3,072
Products in process	526	857
Finished goods	186	165
Inventories in transit	175,487	157,663
	1,609,834	1,612,030
Estimation for obsolescence of inventories (c)	(48,071)	(31,902)
	1,561,763	1,580,128

(b) Mainly corresponds to the maintenance and repair services that the Group provide to customers (inventory in progress), pending the 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:

	2014 S/.(000)	2013 S/.(000)
Beginning balance as of January 1	31,902	24,810
Provision, note 16	36,314	16,476
Transfer to fixed assets	-	286
Transfer of fixed assets	(223)	-
Additions for business combination	363	101
Recoveries, note 16	(19,391)	(8,641)
Write-offs	(1,459)	(795)
Translation effect	565	(335)
Ending balance as of December 31	48,071	31,902

The estimation for obsolescence 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, 2014 and 2013.

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Notes to the consolidated financial statements (continued)

8. **Investments**

(a) This item is made up as follows:

	Main activity	Percentage of capital participation 2014	2013
Common shares in associates (b)			
La Positiva Seguros y Reaseguros S.A.	Insurance	14.96	14.96
La Positiva Vida Seguros y Reaseguros S.A.	Insurance	3.01	3.01
Joint ventures (c)			
Ferrenergy S.A	Power generation and supply	50.00	50.00
Others investments (c)			
Inversiones Varesli S.A.	Holding	46.57	46.57
International Machinery Co S.A.	Holding	46.67	46.67
Other	Others	-	-

(b) The Group has recognized in the caption "Participation in associated companies and joint ventures under equity method' statement a total gain for approximately S/.6,563,000 (S/.2,607,000 during 2013) according to the policy described in

Figures in the financial statements for La Positiva Seguros y Reaseguros S.A. and "La Positiva Vida Seguros y Reasegurc and 2013, are as follows:

	La Positiva Seguros y Reaseguros S.A.		La Positiva Vida Seguros y Reaseguros S.A.	
	2014 S/.(000) (Unaudited)	2013 S/.(000)	2014 S/.(000) (Unaudited)	2013 S/.(000)
Statement of financial position				
Total assets	994,552	958,821	2,418,578	2,115,289
Total liabilities	710,848	672,146	2,223,568	1,926,068
Net equity	283,704	286,675	195,010	189,221
Statement of income				
Total revenues	516,385	445,805	125,206	218,860
Operating profit	41,039	30,376	33,990	12,722
Net income	35,059	21,590	33,990	12,722

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

Notes to the consolidated financial statements (continued)

9. **Property, machinery and equipment, net**

(a) This item is made up as follows:

	2014								2013
Description	**Land** 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	469,992	283,575	339,035	558,816	30,077	98,427	19,261	1,799,183	1,594,340
Additions (b)	2,119	14,633	26,438	85,133	7,896	10,415	15,084	161,718	247,533
Disposals and/or sales	(13)	(307)	(724)	(63,420)	(2,905)	(997)	-	(68,366)	(79,836)
Revaluation	-	-	-	-	-	-	-	-	108,587
Transfers from inventories	-	-	24,184	196,860	-	-	-	221,044	202,106
Transfers to used inventories	-	-	(12,801)	(243,150)	(1,365)	-	-	(257,316)	(284,304)
Addition of purchased subsidiary, see note 2 (a)	1,083	2,587	1,577	12,658	4,693	1,208	-	23,806	1,950
Other transfers	-	12,003	1,941	(1,659)	(104)	(41)	(12,156)	(16)	(2,307)
Translation effect	3,416	1,960	1,513	4,100	(621)	5,399	125	15,892	11,114
Balance as of December 31	476,597	314,451	381,163	549,338	37,671	114,411	22,314	1,895,945	1,799,183
Accumulated depreciation									
Balance as of January 1	-	66,874	196,618	152,306	15,543	71,185	-	502,526	431,011
Additions (a)		11,704	35,651	86,298	4,229	9,652	-	147,534	150,980
Disposals and/or sales	-	(56)	(306)	(23,284)	(2,458)	(549)	-	(26,653)	(17,808)
Transfers from inventories	-	-	(7,041)	(66,656)	(105)	-	-	(73,802)	(64,094)
Addition of purchased subsidiary, see note 2 (a)	-	270	755	1,686	2,624	763	-	6,098	668
Other transfers	-	-	41	(19)	(15)	(10)	-	(3)	(185)
Foreign currency translation	-	708	1,159	2,146	(708)	1,496	-	4,801	1,954
Balance as of December 31	-	79,500	226,877	152,477	19,110	82,537	-	560,501	502,526
Allowance for impairment									
Balance as of January 1	-	86	914	4,321	-	-	-	5,321	3,052
Additions	-	-	250	2,300	-	-	-	2,550	2,561
Transfers from inventories	-	-	-	-	-	-	-	-	(123)
Transfers to used inventories	-	-	-	223	-	-	-	223	(32)
Disposals, sales and other	-	1	-	(887)	-	-	-	(886)	(137)
Translation effect	-	-	(11)	-	-	-	-	(11)	-
Balance as of December 31	-	87	1,153	5,957	-	-	-	7,197	5,321
Net book value	476,597	234,864	153,133	390,904	18,561	31,874	22,314	1,328,247	1,291,336

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(b) As of December 31, 2014, the Group maintains buildings and facilities that were acquired under finance leases whose total cost amounts approximately to S/.33,399,000 and accumulated depreciation of S/.5,130,000 (S/.28,935,000 and S/.4,000,000 as of December 31, 2013, respectively).

(c) As of December 31, 2014 and 2013, 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 given the type of assets held by the Group.

(d) During 2014, revenues from rentals amounts approximately to S/.282,230,000 (S/163,372,000 in 2013), related to renting of machinery and equipment rental fleet, which are included in "Net of sales" caption of consolidated income statement.

(e) During 2014, the Group acquired 100 percent of the shares Trex Latinoamerica Spa. and Subsidiaries. Also in 2013 and through its subsidiary Inversiones Interamericanas Corp, acquired 100 percent of the shares of the company Mercadeo Centroamericano de Lubricantes SA.

(f) As of December 31, 2013 and 2014, the Group does not maintain mortgages on the buildings.

Notes to the consolidated financial statements (continued)

(f) As of December 31, 2013 and 2014, the Group does not maintain mortgages on the buildings.

(g) As of December 31, 2013 and 2014, Management conducted an assessment of the status of use of its property, machinery and equipment, and found no evidence of impairment in such assets so that, in its opinion, the book value of fixed assets will be recovered through future profits generated by the Group.

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

	2014 S/.(000)	2013 S/.(000)
Cost of sales, note 16	92,679	103,424
Selling expenses, note 17	38,912	34,659
Administrative expenses, note 18	14,419	12,429
Other expenses	1,524	468
	147,534	150,980

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Notes to the consolidated financial statements (continued)

10. **Intangible assets, net and goodwill**

(a) This item is made up as follows:

	2014									2013
	Client relationships S/.(000)	Trademark rights S/.(000)	Distribution agreement S/.(000)	Order backlog S/.(000)	User rights S/.(000)	Relations with suppliers S/.(000)	Non-competition agreement S/.(000)	Others S/.(000)	Total S/.(000)	Total S/.(000)
Cost										
Balance as of January 1	54,455	5,590	10,104	254	17,552	-	-	25,834	113,789	85,819
Additions	2,638	1,367	-	438	-	2,470	1,699	9,050	17,662	27,463
Dispositions and transfers	-	-	-	-	-	-	-	(293)	(293)	507
Translation effect	267	152	677	-	-	-	-	1	1,097	-
Saldo al 31 de diciembre	57,360	7,109	10,781	692	17,552	2,470	1,699	34,592	132,255	113,789
Amortization										
Balance as of January 1	12,141	-	840	254	14,522	-	-	8,001	35,758	12,548
Additions (c)	7,906	-	1,007	-	2,716	-	-	5,736	17,365	24,855
Dispositions and transfers	-	-	-	-	-	-	-	-	-	(1,645)
Translation effect	50	-	128	-	-	-	-	-	178	-
Balance as of December 31,	20,097	-	1,975	254	17,238	-	-	13,737	53,301	35,758
Net book value	37,263	7,109	8,806	438	314	2,470	1,699	20,855	78,954	78,031

(b) The relationship with customers, trademark rights, contract distribution, purchase orders, user rights supplier relationships and non-competition agreement correspond to the intangibles acquired through various business combinations, see note 2.

As of December 31, 2013 and 2014, Management made projected cash flows and based on the results, it verified that there are no indications that the recoverable values on intangible assets (trademarks) are lower than their book values.

Notes to the consolidated financial statements (continued)

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

	2014 S/.(000)	2013 S/.(000)
Cost of sales, note 16	220	249
Selling expenses, note 17	8,888	21,524
Administrative expenses, note 18	8,257	3,082
	17,365	24,855

(d) The composition of "Goodwill" for a cash-generating unit is as follows:

	2014 S/.(000)	2013 S/.(000)
Ferreyros S.A. (Bucyrus)	83,396	83,396
Inversiones Interamericanas Corp.	53,764	50,388
Mega Representaciones S.A.	13,912	13,726
Trex Latinoamerica SpA	19,343	-
Total	170,415	147,510

Impairment test of goodwill and intangible assets-

For the purpose of impairment testing, goodwill acquired through business combinations and intangibles assets with indefinite useful lives (trademarks) to cash-generating units (CGU):

Notes to the consolidated financial statements (continued)

Cash-generating units:

- Trex Latinoamerica Spa (included in Ferreycorp S.A.A.),
- 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. - MEGA (includes Tecseg S.A.C.)

Cash-generating units for impairment indicators:

- Fiansa S.A. (included in Ferreycorp S.A.A.)
- Cresko S.A. (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 value in use, using cash flow projections arising from financial budgets approved by Management, and the discount rate corresponding to the risk thereof. The cash flows are then projected for a given period and are using a growth rate similar to the average rate of long-term growth for the industry in which each CGU operates.

As of December 31, 2014, the carrying amount of intangibles, and goodwill related to each CGU has been compared with the recoverable value, and Management has determined that it is not necessary to register a provision for impairment on these assets to the date of the statement of financial position.

Notes to the consolidated financial statements (continued)

The assumptions used un the impairment assessment for each CGU as of December 31, 2014 is as follows:

CGU	Book value S/.(000)	Recoverable value S/.(000)	Discount rate %	Flow period (years)	Growth Rate %
Bucyrus	111,625	272,680	10.5%	10	2.0%
Inti	68,318	418,275	10.6%	10	2.0%
Mega Representaciones S.A.	20,615	73,822	10.3%	10	2.0%

Key assumptions used in value in use calculations
The calculation of value in use for the assessed 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 upon average figures achieved in the three years preceding the beginning of the budget period and future projects of each company which are considered on the basis of projected revenues and costs though their historical budget of each Group Company based on projected revenues and costs based on their historical budget basis of each Group Company. Additionally, increases during budget period for expected improvements to increase efficiency are being considered. In the long term, gross margin decreased by 1-2 percent, depending on the company or business line.

Notes to the consolidated financial statements (continued)

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
Industry information is used to predict growth rates, based on Management's assessment of how management assesses how it could change the position of the unit relative to its competitors during the budget period. In general, Management expects the Group's share of the market remains stable during the budget period.

Long-term growth rate
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.

Sensitivity to changes in key assumptions
The implications related to the key assumptions used to determine the recoverable amount are discussed below:

Management has considered that the rotation of the collection of the accounts receivable, inventory, and paying suppliers (working capital) is higher than predicted. If the rotation of such assets does not maintain an efficient improvement, according to the forecast, could generate an impairment in the goods identified.

Notes to the consolidated financial statements (continued)

11. Other financial liabilities

(a) This item is made up as follows:

	2014			2013		
	Current portion S/.(000)	Non-current portion S/.(000)	Total S/.(000)	Non-current portion S/.(000)	Current portion S/.(000)	Total S/.(000)
Bank overdrafts	2,243	-	2,243	618	-	618
Banks loans (b)	275,335	-	275,335	443,002	-	443,002
Bonds and long-term debt to bank (c)	226,372	1,341,022	1,567,394	176,775	1,240,311	1,417,086
	503,950	1,341,022	1,844,972	620,395	1,240,311	1,860,706

(b) Banks loans -

	Weight average annual effective interest rate-fixed				
	2014 %	2013 %	Original currency	2014 S/.(000)	2013 S/.(000)
Financial institution					
Banco Crédito del Perú S.A.A. - BCP	Between 1.38 and 5.40	Between 1.52 and 7.50	US$	93,172	68,325
Mercantil Commercebank - EE.UU.	1.25	1.50	US$	52,308	69,900
Scotiabank del Perú	1.22	Between 2.50 and 2.82	US$	33,775	13,607
Banco Lationamericano de Comercio Exterior S.A. - Bladex	1.37	3.55	US$	22,060	31,596
The Bank of Nova Scotia	0.84	1.55	US$	19,429	5,592
Banco Internacional - Guatemala	4.30	-	Q	11,955	-
Banco Crédito del Perú S.A.A. - BCP	Between 5.40 and 6.05	-	S/.	6,033	-
Banco Financiero	2.90	-	US$	5,978	-
Scotiabank - El Salvador	3.47	-	US$	5,963	-
Banco de América Central - Guatemala	6.30	-	Q	5,401	-
BBVA Banco Continental	0.89	Between 1.35 and 4.97	US$	4,484	93,922
Citibank	4.30	-	US$	4,484	-
Banco Santander - Chile	7.00	-	$	3,171	-
Banco Davivienda Salvadoreño, S.A.	4.25	-	US$	2,279	-
Banco de América Central - Guatemala y El Salvador	Between 0.90 and 1.22	Between 4.00 and 6.00	US$	2,242	10,769
Banco Internacional del Perú - Interbank	5.16	-	S/.	1,575	-
Banco Internacional del Perú - Interbank	2.65	Between 1.40 and 5.76	US$	996	126,068
Ford Motor Credit Company - EE.UU.	9.20	Between 4.00 and 9.00	US$	17	30
Banco Internacional - Ecuador		-	US$	9	-
Banco Occidente - Colombia	4.00		$	4	-
BCI Miami Branch	-	2.80	US$	-	16,412
Banco Davivienda Salvadoreño S.A	4.75	4.75	US$	-	4,474
HSBC Bank - El Salvador	4.25	4.25	US$	-	1,398
Grupo Financiero de Occidente - Guatemala	5.00	5.00	US$	-	909
				275,335	443,002

Notes to the consolidated financial statements (continued)

The accrued interest expense for the year ended as of December 31, 2014 related to debts and bank loans, amounts approximately to S/.11,820,000 (S/.17,750,000 for the year ended at December 31, 2013), and is presented in the caption "Financial expenses" of the consolidated income statement, see note 21. Of this total, the accrued interest balance as of December 31, 2014 amounted to approximately S/.1,367,000 (S/.2,528,000 at December 31, 2013), see note 13.

As of December 2014 and 31, 2013, bank loans in foreign currency obtained from local and foreign financial institutions were mainly used for working capital, have maturities between 6 and 360 days and can be renewed at maturity up to 360 days. Interest rates for such bank loans range between 0.84% and 9.20%.

As of December 31, 2014, the Group has credit lines for working capital up to S/.3,183,761,000 (S/.3,338,589,000 at December 31, 2013) with most banks in the system, which are intended for short term financing. The Group has no specific conditions for using the credit.

Notes to the consolidated financial statements (continued)

(c) Bonds and long-term debt
This item is made up as follows:

Creditor	Maturity	Original currency	Weighted annual effective interest rate %	2014 Current portion S/.(000)	2014 Non-current portion S/.(000)	2014 Total S/.(000)	2013 Current portion S/.(000)	2013 Non-current portion S/.(000)	2013 Total S/.(000)
Bonds Ferreycorp S.A.A.									
Corporate bonds - Rule 144 (i)	Up to abril 2020	US$	4.934(*)	-	882,522	882,522	-	821,845	821,845
Bonds Ferreyros S.A.(ii)									
Second program of Corporate Bonds									
Seventh edition, Serie A	Up to may 2016	US$	5.563	-	-	-	13,182	19,773	32,955
Seventh edition, Serie B	Up to october 2016	US$	5.750	-	-	-	12,697	25,395	38,092
Financial notes									
Caterpillar Financial	Up to December 2016	US$	Between 5.19 and 6.35	50,158	181,840	231,998	3,463	20,408	23,871
Caterpillar Leasing Chile	Up to June 2017	US$	Between 3.45 and 5.20	14,263	48,166	62,429	37,128	229,381	266,509
Caterpillar Credito S.A. de C.V.	Up to December 2016	US$	Between 3.01 and 6.0	6,207	8,339	14,546	6,550	13,515	20,065
Notes with local and foreign institutions	Up to March 2019	US$	Between 0.83 and 7.00, Libor 6 m +3.8%	142,034	201,152	343,186	77,604	81,538	159,142
Finance Leases (iii)	Up to May 2019	US$	Between 4.08 and 6.80	13,710	6,675	20,385	26,098	18,110	44,208
Other financing	Up to 2015	US$	5.05	-	12,328	12,328	53	10,346	10,399
				226,372	1,341,022	1,567,394	176,775	1,240,311	1,417,086

(*) Nominal rate of 4.875 percent.

As of December 31, 2014, accrued interest expense related to financial notes and long-term liabilities amounted approximately to S/.71,515,000 (S/.68,540,000 at December 31, 2013), which are presented the caption "Financial expenses" of the consolidated income statement, see note 21. The accrued interest balances as of December 31, 2014, amounted approximately to S/.10,828.000 (S/.10,053,000 as of December 31, 2013) and is presented under "Other account payable" of the consolidated statement of financial position, see note 13.

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(i) On 19 April 2013 the first international issuance of corporate bonds was listed. The New York Mellon Bank was named as a trustee. The issuance bonds was regulated under Rule 144A and Regulation S of the U.S. Securities Act of 1933 and a public offering for 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, with final maturity in April 24, 2020. Total redemption of the bonds will take place at the maturity date. Funds have been used for repaying debt and for general corporate purposes.

The bonds are secured with a general warranty over Ferreycorp S.A.A. equity and must meet the following ratios:

- Maintain a leverage ratio (Consolidated Total Debt / EBITDA) no greater than 3.5.
- Maintain on interest coverage ratio (EBITDA/interest) of at least 3.0 no less than 3.0.

The compliance with the obligations described are overseen by Management and validated by the bondholder representative. In case of default of the above covenants 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, 2014 and 31, 2013.

(ii) On 30 March 2010, the General Shareholders' Meeting agreed to structure the second program of Corporate Bond Issuance, up to a maximum outstanding amount to US$130,000,000 and with a maturity of 5 years.

The bonds are secured with a general guarantee over the equity of the subsidiary Ferreyros S.A. and must meet the following ratios:

- Maintain a leverage ratio no greater than 3.2.
- Maintain an interest coverage ratio of at least 1.5.

The fulfillment of the obligations described are overseen by the Group Management and validated by the bondholder representative. In case of default of the above covenants will be incurred in the event of early termination. In the opinion of Management, the Group has complied with these obligations as of December 31, 2014 and 2013.

Corresponds to financial lease contracts financed by the Group with different banks.

Other financial liabilities related to leases are collateralized by the assets financed by the Bank revert to the lessor in case of default by the Group.

Notes to the consolidated financial statements (continued)

Corresponds to financial lease contracts financed by the Group with different banks.

Other financial liabilities related to leases are collateralized by the assets financed by the Bank revert to the lessor in case of default by the Group.

At December 31, 2013 and 2014, the repayment schedule of long-term debt is as follows:

Year	2014 S/.(000)	2013 S/.(000)
2014	-	176,775
2015	226,369	174,896
2016	181,055	76,216
2017	155,374	148,159
2018	84,214	841,040
2019 onwards	920,382	-
	1,567,394	1,417,086

12. Trade accounts payable

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Invoices (b)	390,137	241,302
Commercial notes (b)	69,749	165,081
	459,886	406,383

(b) As of December 31, 2014, the balances of invoices and commercial notes payable mainly to include payables to Caterpillar Americas Co. for approximately S/.95,766,000 and S/.58,679,000, respectively (equivalent to approximately US$32,040,000 and US$19,632,000 respectively). As of December 31, 2013, the balances amounted approximately to S/.140,958,000 and S/.156,831,000, respectively (equivalent to approximately US$50,414,000 and US$$56,091,000, respectively). As of December 31, 2014 and 2013, commercial notes beared interest at an weighted average annual rate of 2.06 and 2.95 percent, respectively.

Notes to the consolidated financial statements (continued)

13. Other accounts payable

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Advances from customers (c)	158,402	113,812
Liabilities for various expenses (d)	83,131	97,447
Salaries payable (e)	91,589	60,413
Labor contributions payable	27,854	26,583
Provisions for warranty (f)	27,208	32,464
Interest payable, notes 11(b) and (c)	12,195	12,581
Contributions and labor contributions payable	10,365	34,928
Provision for contingencies	8,857	8,829
Taxes payable	9,931	6,611
Other accounts payable (g)	24,663	18,248
	454,195	411,916
Less:		
Non-current portion	(781)	(3,381)
Current portion	453,414	408,535

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

Notes to the consolidated financial statements (continued)

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

(d) Mainly comprises various liabilities estimated by the Group on the basis of the expenditure required to settle down at the date of the consolidated statements of financial position.

(e) Salaries payable includes the provision for term of service compensation.

(f) 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).

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

Notes to the consolidated financial statements (continued)

14. Assets and liabilities for deferred income tax, net

(a) The deferred income tax asset and liability as of December 31, 2014 and 2013 is made up as follows:

	As of January 1, 2013 S/.(000)	(Debit)/credit to the consolidated income statement S/.(000)	(Debit)/credit to the consolidated statement of changes in equity S/.(000)	As of December 31, 2013 S/.(000)	(Debit)/credit to the consolidated income statement S/.(000)	(Debit)/credit to the consolidated statement of changes in equity S/.(000)	(Debit)/credit to the consolidated statement of financial position S/.(000)	As of December 31, 2014 S/.(000)
Deferred asset								
No deductible provisions	23,114	1,402	-	24,516	1,282	-	-	25,798
Difference in depreciation rates	26,978	8,172	-	35,150	3,797	-	-	38,947
Allowance for doubtful accounts receivable	8,998	2,512	-	11,510	116	-	-	11,626
Provision for vacation	7,156	2,283	-	9,439	642	-	-	10,081
Carry forward tax losses	8,201	11,882	-	20,083	9,884	-	-	29,967
Estimation for impairment of investments and fixed assets	230	(17)	-	213	52	-	-	265
Allowance for obsolescence of inventories	4,766	3,285	-	8,051	3,797	-	-	11,848
Other provisions	4,221	173	-	4,394	967	-	-	5,361
Others	534	2,009	-	2,543	438	-	-	2,981
	84,198	31,701	-	115,899	20,975	-	-	136,874
Deferred liability								
Change in assets useful lives	6,765	425	-	7,190	(3,783)	-	-	3,407
Exchange difference in fixed assets and inventories	2,806	(1,188)	.	1,618	(829)	-	-	789
Gain deferred sales, net	806	1,369	-	2,175	(236)	-	-	1,939
Leasing	6,149	189	-	6,338	(783)	-	-	5,555
Provision for compensation	942	(169)	-	773	1,142	-	-	1,915
Revaluation of property, buildings and installations	8,811	(336)	-	8,475	(1,527)	-	-	6,948
Revaluation of land	72,208	(15)	32,577	104,770	-	(13,180)	-	91,590
Fair value of financial instruments	(7)	-	7	-	349	-	-	349
Differences in depreciation rates	759	2,524	-	3,283	2,188	-	-	5,471
Profiting from business combinations	-	5,058	-	5,058	133	-	1,600	6,791
Others	16,131	2,744	-	18,875	(3,822)		-	15,053
	115,370	10,601	32,584	158,555	(7,168)	(13,180)	1,600	139,807
Total deferred liability, net	(31,172)	21,100	(32,584)	(42,656)	28,143	13,180	(1,600)	(2,933)

Due to a decrease in income tax rate disclosed in note 24 (a), there has been a decrease in S/. 11,492,000 and S/. 5,651,000 in assets and liabilities deferred tax earnings, respectively. The net effect; is a decrease in liabilities of approximately S/. 5,841,000, registered within Income tax caption in the consolidated statements of income.

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Notes to the consolidated financial statements (continued)

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

	2014 S/.(000)	2013 S/.(000)
Income tax -		
Current	95,534	87,223
Deferred	(28,143)	(21,100)
Others	7,651	(649)
Total income tax expense	75,042	65,474

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

	2014		2013	
	S/.(000)	%	S/.(000)	%
Profit before income tax	167,023	100.00	165,582	100.00
Income tax according to tax rate	50,107	30.00	49,675	30.00
Net effect of non-deductible expenses				
Non-taxable income	(37,395)	(22.39)	(43,937)	(26.53)
Effect of changes in rates, Note 3.3 (m)	5,841	3.50	-	-
Non-deductible expenses net of non-taxable income	56,489	33.82	59,736	36.08
Income tax earnings	75,042	44.93	65,474	39.54

(d) The income tax payable of S/.24,553,000 (S/.29,033,000 at December 31, 2013) is presented net of advances.

15. Equity

(a) Issued Capital -
As of December 31, 2014, the capital stock of the Company is represented by 1,014,326,324 common shares with a nominal value of S/.1.00 each (945,227,102 common shares subscribed and paid in December 2013 with a nominal value of S/.1.00 each). Also, the partial capitalization of the share premium (additional capital) by S/.31,900,000 was approved.

At December 31, 2014, the shareholding structure of the Group was as follows:

Percentage of individual share capital	Shareholders number	Total participation %
Up to 1.00	2,717	31.50
From 1.01 to 5.00	17	39.21
From 5.01 to 10.00	4	29.29
	2,738	100.00

Notes to the consolidated financial statements (continued)

(b) Additional Capital -
During 2012 Inti Inversiones Interamericanas Corp. S.A., a foreign subsidiary of the Group, received, in its local 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 shares premiums 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, leading to an ownership of 100 percent control over the Inti Group share premium established as 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 equity of the Group as additional capital. The holding period of the non-controlling interest is not material to the consolidated financial statements. The partial capitalization of the share premium was approved by S/.31,900,000 in General Shareholders Meeting of May 26, 2013 (in General Shareholders Meeting of May 26, 2012 the partial capitalization of the share premium was approved for S/.31,900,000).

(c) Legal reserve -
Pursuant to in the Corporations Act, it's mandatory that at least 10 percent of the annual income, net of income taxes be transferred a legal reserve. The Group must reach a legal reserve of at least 20 percent of its paid-in capital. The legal reserve can absorb losses or be capitalized, in both cases there must be replenished. At December 31, 2014, the Shareholders 'Meeting of May 26, 2013 approved the transfer of S/.10,333,000 of earnings to the legal reserve (At December 31, 2013 the Shareholders' Meeting of March 29, 2013 approved the transfer of S/.17,587,000 of accumulated legal reserve).

(d) Other reserves -
Mainly attributable to revaluation surplus, net of the related deferred income tax. 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 initially disclosed in equity subsequently affecting the income statement depending on how it is influenced by the underlying covered financial instrument.

(e) Reserve for translation exchange-
Corresponds to the exchange difference resulting from the financial statements translation for foreign operations into the Group's presentation currency.

(f) Distribution of dividends -
In General Meeting of March 26, 2014, payment of cash dividends was approved for S/.55,797,000 and capitalization pending of subscription of 2013 profits by S/.37,199,000.

Notes to the consolidated financial statements (continued)

In General Meeting of March 26, 2013, payment of cash dividends was approved by S/.48,194,000 and capitalizing pending of subscription of 2012 profits by S/.110,092,000.

(d) Unrealized gains –
Corresponds to an equity adjustments to certain associates under the equity method. It also includes the results of investments available for sale measured at fair value net of tax deferred income.

16. **Sales and cost of sales**
This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Sales -		
Sales of machinery, engines, equipment and vehicles	2,262,944	2,283,081
Sales of spare parts	1,477,362	1,599,400
Rental services of machinery, engines, equipment, maintenance and repair services	694,260	684,192
Other income	411,649	432,067
	4,846,215	4,998,740
Cost of sales -		
Opening balance of inventory, note 7	1,405,546	1,365,533
Purchase of inventory	3,031,499	3,288,685
Labor, note 19(d)	189,695	197,918
Maintenance and repair services expenses	110,245	117,045
Depreciation, note 9(h)	92,679	103,424
Amortization, note 10(c)	220	249
Allowance for obsolescence of inventories, note 7 (c)	36,314	16,476
Recoveries, note 7 (c)	(19,391)	(8,641)
Operating costs of rental fleet	167,607	135,833
Impairment of rental fleet	2,300	2,479
Services provided by third parties	95,000	89,874
Others expenses	17,909	2,596
Ending balance of inventory, note 7	(1,397,710)	(1,405,546)
	3,731,913	3,905,925

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Notes to the consolidated financial statements (continued)

17. **Selling expenses**
(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Personnel expenses, note 19(d)	291,212	259,480
Services provided by third parties (b)	115,715	116,853
Various management expenses (c)	98,946	104,483
Depreciation, note 9(h)	38,912	34,659
Allowance for doubtful accounts receivable, notes 5(d) and 6(h)	19,295	20,693
Amortization of intangibles, note 10 (c)	8,888	21,524
Taxes	3,732	1,932
	576,700	559,624

(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.

18. **Administrative expenses**
(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Personnel expenses, note 19(d)	137,321	124,310
Services provided by third parties (b)	48,466	36,896
Depreciation, note 9(h)	14,419	12,429
Various management expenses	10,563	9,607
Amortization of intangible assets, note 10(c)	8,257	3,082
Taxes	2,659	2,665
Provisions	-	483
	221,685	189,472

(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)

19. Personnel expenses

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Salaries	413,425	345,544
Legal bonuses	83,785	80,020
Payroll taxes	43,243	40,961
Vacations	14,244	34,958
Training	26,054	29,799
Other payments to workers	20,756	15,912
Workers' profit sharing	3,034	17,741
Other	13,687	16,773
	618,228	581,708

(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 5,378 in 2014 and 6,303 in 2013.

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

	2014 S/.(000)	2013 S/.(000)
Cost of sales, note 16	189,695	197,918
Selling expenses, note 17	291,212	259,480
Administrative expenses, note 18	137,321	124,310
	618,228	581,708

(e) Compensation to key personnel -
The total remuneration paid to directors and key management officers during 2014 amounted approximately to S/.40,540,000 (approximately to S/.33,016,000 in 2013), which include short-term benefits and compensation for time service.

Notes to the consolidated financial statements (continued)

20. Financial income

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Interest for commercial letters	12,611	13,544
Interest for customers defaults	3,804	2,571
Interest on bank deposits	1,066	1,337
Other financial income	2,367	4,285
	19,848	21,737

21. Financial expenses

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Interest on corporate bonds and long-term debt, note 11(c)	71,515	68,540
Interest on overdrafts and borrowings, note 11(b)	11,820	17,750
Tax on financial transactions	5,582	7,337
Interest on foreign suppliers financing	885	391
Other financial expenses	7,664	8,847
	97,466	102,865

22. Earnings per share

Earnings per share calculation as of December 31, 2014 and 2013 are as follows:

	As of December 31, 2014		
	Net profit (numerator) S/.(000)	Shares (denominator) (en miles)	Earnings per share S/.
Earnings per share - basic and diluted	91,981	1,014,326	0.091

	As of December 31, 2013		
	Net profit (numerator) S/.(000)	Shares (denominator) (en miles)	Earnings per share S/.
Earnings per share - basic and diluted	100,108	1,014,326	0.098

Notes to the consolidated financial statements (continued)

23. **Commitments and contingencies**

As of December 2014, the Group had the following commitments:

Ferreycorp S.A.A.:

(a) Endorsements for US$96,000 and US$3,000,000, which guarantee credit operations of subsidiaries and affiliates, and third parties purchase transactions, respectively, with various maturities.

Subsidiaries

Ferreyros S.A.:

(a) Endorsements for US$10,500,000 securing third purchase transactions

(b) Bank guarantees in favor of banks for US$27,000,000, which mainly ensure the Company´s offer and the fulfillment of the delivery of the products sold through competitive process as well as payment of customs duties relating to the importation of goods.

Fargoline S.A.:

The subsidiary has contracted a guarantee insurance in favor of SUNAD 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$7,969,000 and S/.16,888,000, to guarantee third parties purchase transactions and leases, respectively, with various maturities.

(b) Bank guarantees in favor of banks for US$2,565,000 and S/.671,000, which primarily guarantee the company's offer and the 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.

Motored S.A.:

(a) Endorsements for US$16,390,000 to guarantee credit operations for third party purchase transactions.

(b) Bank guarantees in favor of third parties by S/.1,446,000 which mainly ensure reliability of supply and the fulfillment of the delivery of the products sold through competitive process.

Notes to the consolidated financial statements (continued)

(b) The rules and transfer pricing are in effect in Peru, Nicaragua, Guatemala, El Salvador, Belize, Chile, Colombia and Ecuador, 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, 2014 and 2013.

(c) The Tax Authority in Peru has the power to inspect and, if necessary, adjust the income tax calculated by the Company during the four years following the year of filing the affidavit. The affidavits of income tax and general sales tax the years 2011 to 2014 are pending audit by the Tax Authority. The sworn statements for the years 2000 to 2008 were reviewed by the Tax Authority. The Tax Administration is in the process of audit of 2009 and 2010.

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

	Fiscal years subject to review
Foreign subsidiaries:	
Country	
Guatemala	2011 to 2014
El Salvador	2005 to 2014
Belice	2008 to 2014
Nicaragua	2009 to 2014
United States of America, Chile, Colombia y Ecuador	2009 to 2014
Local subsidiaries	
Ferreyros S.A.	2012 to 2014
Unimaq S.A.	2011 to 2014
Cresko S.A.	2011 to 2014
Fiansa S.A.	2011 to 2014
Mega Representaciones S.A. and Subsidiary	2013 to 2014
Fargoline S.A.	2011 to 2014
Orvisa S.A. and subsidiaries	2011 to 2014
Motored S.A.	2012 to 2014
Inmobiliaria CDR S.A.	2013 to 2014
Forbis Logistic S.A.	2012 to 2014
Soluciones Sitech Peru S.A.	2013 to 2014

Notes to the consolidated financial statements (continued)

(b) The rules and transfer pricing are in effect in Peru, Nicaragua, Guatemala, El Salvador, Belize, Chile, Colombia and Ecuador, 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, 2014 and 2013.

(c) The Tax Authority in Peru has the power to inspect and, if necessary, adjust the income tax calculated by the Company during the four years following the year of filing the affidavit. The affidavits of income tax and general sales tax the years 2011 to 2014 are pending audit by the Tax Authority. The sworn statements for the years 2000 to 2008 were reviewed by the Tax Authority. The Tax Administration is in the process of audit of 2009 and 2010.

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Notes to the consolidated financial statements (continued)

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

	Fiscal years subject to review
Foreign subsidiaries:	
Country	
Guatemala	2011 to 2014
El Salvador	2005 to 2014
Belice	2008 to 2014
Nicaragua	2009 to 2014
United States of America, Chile, Colombia y Ecuador	2009 to 2014
Local subsidiaries	
Ferreyros S.A.	2012 to 2014
Unimaq S.A.	2011 to 2014
Cresko S.A.	2011 to 2014
Fiansa S.A.	2011 to 2014
Mega Representaciones S.A. and Subsidiary	2013 to 2014
Fargoline S.A.	2011 to 2014
Orvisa S.A. and subsidiaries	2011 to 2014

Due to possible interpretations that the Tax Authority may give to legislation in effect, it is not possible to determine, as of to 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 future tax audits would be applied to the results of the year in which such tax or surcharge is assessed.

In the opinion of Management of the Group, any additional tax assessment by the relevant Tax Administration of each country would not have a material effect to the consolidated financial statements as of December 31, 2014 and 2013.

Notes to the consolidated financial statements (continued)

(d) **Contingencies**

At December 31, 2014 and 2013, the Group has pending claims for total amount of approximately S/.116,000,000 (including fines by S/16,323,000 and interest by S/.77,031.000). 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 2008 by S/.107,235,000, (ii) the value added tax for the taxable years from 2001 to 2006 by S/.3,254,000, and (iii) income tax non- domiciled for tax years 2002, 2003, 2005 and 2006 by S/.5,082,000.

In all cases, at December 31, 2014, the Company has requested specialist advice on these issues. In opinion of the Group´s Management and its legal advisors, there are some estimates of approximately S/.8,097.000 (S/.8,097,000 to 31 December 2013), the degree of loss has been assessed as more than likely. The Company has recorded a provision for such amount as of December 31, 2014 and 2013, which is presented in the "other accounts payable" caption of the consolidated statement of financial position. Management, together with its legal and tax advisors consider that the Group has technical evidence to believe that the Tax Court in Peru will resolve favorably to the Group; in this case, they expect that future resolutions of these processes will not result in significant liabilities and, therefore, it is not necessary to account for any liabilities as of December 31, 2014 and 2013.

25. **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.

Notes to the consolidated financial statements (continued)

(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.

(a.4) Administration and 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.

Notes to the consolidated financial statements (continued)

(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.

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. The other critical business risks are addressed through action plans implemented by each of the Subsidiaries Management.

(c) 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.

Notes to the consolidated financial statements (continued)

(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, 2014, the Management has estimated that the maximum amount of credit risk to which the Group is exposed for approximately S/.1,069.110 (S/.1,048,571 at December 31, 2013), which represents the carrying amounts within of financial assets. In the opinion of Management, there are no significant concentrations of credit risk at December 31, 2014 and 2013.

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(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 to obtain 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, 2014						Weighted	
	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 2014 %	Average variable interest rate at 2014 %
Assets								
Cash and cash equivalent	16,105	18	-	-	73,826	89,949	0.29 to 3.81	-
Trade accounts receivable, net	467,342	63,522	54,647	-	335,151	920,662	Between 6 y 20	-
Other accounts receivable, net (**)	-	-	2,637	-	55,862	58,499	7.55	-
Total assets	483,447	63,540	57,284	-	464,839	1,069,110		
Liabilities								
Trade accounts payable	27,797	20,919	-	-	411,170	459,886	1.82	-
Other accounts payable	-	-	-	-	454,195	454,195	-	-
Other financial liabilities	221,592	281,699	1,341,022	659	-	1,844,972	Between 1.05 and 9.37	Libor +2.5
Total liabilities	249,389	302,618	1,341,022	659	865,365	2,759,053		
Marginal gap	234,058	(239,078)	(1,283,738)	(659)	(400,526)	(1,689,943)		
Cumulative gap	234,058	(5,020)	(1,288,758)	(1,289,417)	(1,689,943)	-		

Notes to the consolidated financial statements (continued)

	At December 31, 2013						Weighted	
	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 equivalents	28,332	-	-	-	91,081	119,413	0.2 to 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	-	-	-	-	411,916	411,916	-	-
Other financial liability	309,395	311,000	1,238,461	1,850	-	1,860,706	Between 1.71 and 8.50	Libor (3 meses) + 2.5
Total liabilities	322,423	358,496	1,238,461	1,850	757,775	2,679,005		
Marginal gap	200,808	(350,788)	(1,215,987)	(1,850)	(262,617)	(1,630,434)		
Cumulative gap	200,808	(149,980)	(1,365,967)	(1,367,817)	(1,630,434)	-		

(*) It is considered variable all obligations with variable rates.

(**) At December 31, 2014, other receivables included in this chart do not consider an amount S/.78,637,000 (S/.58, 187,000 at December 31, 2013) for the value added tax payable and income tax payable wich, do not qualify as financial instruments in accordance to IFRS.

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The following chart shows the sensitivity to a possible change in interest rates, with all other variables held constant, in the consolidated income statement before taxes. The sensitivity of the consolidated income statement 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, 2014 and 2013:

	2014		2013	
Currency	Change in basis points	Sensitivity in net profit S/.(000)	Change in basis points	Sensitivity in net profit S/.(000)
Nuevos Soles	+/-50	+/-4,871	+/-50	+/-5,430
Nuevos Soles	+/-100	+/-9,742	+/-100	+/-10,861
Nuevos Soles	+/-200	+/-19,485	+/-200	+/-21,721
Nuevos Soles	+/-300	+/-29,227	+/-300	+/-32,582

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.

Notes to the consolidated financial statements (continued)

(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 through a proper management of 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 2014 and 2013. 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 on credit lines with financial institutions and because of its economic solvency it has given short and medium term loans market rates.

The following chart shows the cash flows payable by the Group in accordance with the contractual terms on the dates of the consolidated statement of financial position. The amounts are the undiscounted cash flows according to contracted terms and at 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 onwards S/.(000)	Total S/.(000)
As of December 31, 2014					
Other financial liabilities:					
Amortization of capital	222,187	281,763	458,500	882,522	1,844,972
Amortization of Interest	22,039	52,722	230,106	-	304,867
Trade accounts payable	430,845	29,041	-	-	459,886
Other accounts payable	439,414	14,000	781	-	454,195
	1,114,485	377,526	689,387	882,522	3,063,920
As of December 31, 2013					
Other financial liabilities:					
Amortization of capital	309,395	311,000	393,236	847,075	1,860,706
Amortization of Interest	16,815	44,212	43,922	15,805	120,754
Trade accounts payable	358,887	47,496	-	-	406,383
Other accounts payable	-	411,916	-	-	411,916
	685,097	814,624	437,158	862,880	2,799,759

Notes to the consolidated financial statements (continued)

(c.4) Exchange rate risk –

The Group is exposed to the effects of fluctuations in the exchange rates prevailing foreign currency on its financial position and cash flows. Management sets limits on the level of exposure by currency and total daily operations.

The lending and borrowing transactions are conducted primarily in functional currency, the Group measures its performance in Nuevos Soles, so that if the position in foreign exchange (US dollar) is positive, any devaluation of the Nuevo Sol positively affect the consolidated statements of financial position of the Group. Transactions in foreign currencies are made at rates of supply and demand.

The Group manages the risk of foreign exchange monitoring and controlling the values of the position is not maintained in the functional currency and are exposed to movements in exchange rates. The Group measures its performance in the currency of each country so that if the position of foreign exchange is positive, any devaluation of the US dollar would negatively affect the consolidated statement of financial position of the Group. Any devaluation/revaluation of foreign currency affect the consolidated statements of comprehensive income.

Transactions in foreign currency in Peru are made at the exchange rates of the open-market published by the Superintendencia de Banca y Seguros AFPs. At December 31, 2014, the exchange rates at the open-market for transactions in US dollars, published by this institution were of S/.2.981 for buying and S/.2.989 for sale (S/.2.794 for buying and S/.2.796 for sale at December 31, 2013).

Notes to the consolidated financial statements (continued)

As of December 31, 2014 and 2013, the Group had the following assets and liabilities for each currency:

	2014					
	Dólares S/.(000)	Quetzal S/.(000)	Córdoba S/.(000)	Pesos Chilenos S/.(000)	Dólar Belice S/.(000)	Total S/.(000)
Active						
Cash and cash equivalents	51,947	288	122	547	152	53,056
Trade accounts receivable, net	790,567	8,734	125	17,094	-	816,520
Other accounts receivable, net	40,899	1,852	-	11,750	124	54,625
	883,413	10,874	247	29,391	276	924,201
Liabilities						
Other financial liabilities	(1,639,975)	(13,991)	(122)	(37,477)	(800)	(1,692,365)
Trade accounts payables	(393,179)	(26,387)	(794)	(16,284)	(425)	(437,069)
Other accounts payables	(196,826)	-	-	(3,362)	-	(200,188)
	(2,229,980)	(40,378)	(916)	(57,123)	(1,225)	(2,329,622)
Net liability position	(1,346,567)	(29,504)	(669)	(27,732)	(949)	(1,405,421)

	2013					
	Dólares S/.(000)	Quetzal S/.(000)	Córdoba S/.(000)	Pesos Chilenos S/.(000)	Dólar Belice S/.(000)	Total S/.(000)
Active						
Cash and cash equivalents	50,348	519	382	-	257	51,506
Trade accounts receivable, net	713,954	12,601	546	-	-	727,101
Other accounts receivable, net	41,812	1,810	-	-	43	43,665
	806,114	14,930	928	-	300	822,272
Liabilities						
Other financial liabilities	(1,567,731)	(24,727)	(44)	-	(629)	(1,593,131)
Trade accounts payables	(339,904)	(22,962)	(633)	-	(799)	(364,298)
Other accounts payables	(130,665)	-	-	-	-	(130,665)
	(2,038,300)	(47,689)	(677)	-	(1,428)	(2,088,094)
Net liability position	(1,232,186)	(32,759)	251	-	(1,128)	(1,265,822)

Notes to the consolidated financial statements (continued)

At December 31, 2014 and 2013, the Group Management has decided to accept the currency risk of this position, so it has not derivative products for hedging. During 2014, the Group recorded a net loss difference upshift approximately S/. 99,487,000 (net loss of approximately S/.146,140,000 in 2013), which is presented under "Exchange difference net "in the consolidated statements of income.

The following chart shows the sensitivity analysis of the US dollar, the currency to which the Group has significant exposure at December 31, 2014 and 2013, in its assets and liabilities and estimated cash flows. The analysis determines the effect of a reasonably possible change in the exchange rate of the US dollar, with all other variables constant in the consolidated statements of comprehensive income before income taxes.

An amount reflect a potential net reduction in consolidated statements of income before tax, while a positive amount reflects a net potential increase:

Sensitivity analysis	Change in currency rates %	2014 S/.(000)	2013 S/.(000)
Devaluation -			
Nuevos Soles	-5	67,238	61,609
Nuevos Soles	-10	134,657	123,219
Revaluation -			
Nuevos Soles	+5	(67,238)	(61,609)
Nuevos Soles	+10	(134,657)	(123,219)

(d) Capital management –
The Group actively manages a capital base to hedge 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" within 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 maximize shareholder's value and benefits for the other stakeholders; and (ii) to maintain a strong capital base to support its business activities.

Notes to the consolidated financial statements (continued)

As of December 31, 2014 and 2013, there were no changes in the Group's activities and capital management's policies.

26. 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 an equivalent doesn't represent a credit risk or significant interest rate. 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, Management believes 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 carrying value and fair value of financial instruments of the Company at December 31, 2014 and 2013.

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 believes 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 carrying balance approximates its fair value.

Level 2 –

- Management believes that the carrying amounts of financial instruments (assets and liabilities) at 31 December 2014 and 2013 do not defer significantly from their fair values.
- Except for the following item, the Group Management believes that the carrying value of financial instruments recorded at amortized cost is about fair value.

	2014		2013	
	Carrying amount S/.(000)	Fair Value S/.(000)	Carrying amount S/.(000)	Fair Value S/.(000)
Other current financial liabilities	503,950	503,950	620,395	620,395
Other non-current financial liabilities	1,341,022	1,035,617	1,240,311	1,005,653

Notes to the consolidated financial statements (continued)

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

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

Management monitors the operating results of its business units separately for the decision making purposes about resource allocation and performance assessment. Segment performance assessed based on pre – tax profits.

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

Notes to the consolidated financial statements (continued)

	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 S/.(000)	Profit before income tax S/.(000)	Income tax S/.(000)	Net profit S/.(000)
2014														
Heavy machinery, spare parts and services	3,863,521	2,805	3,866,326	898,258	(443,204)	(159,691)	14,773	(77,703)	15,823	(79,314)	-	168,942	(59,826)	109,116
Vehicles, spare parts and services	216,240	-	216,240	23,670	(22,241)	(11,986)	827	(4,349)	886	(4,439)	-	(17,632)	(3,348)	(20,980)
Rental equipment	264,988	-	264,988	68,930	(41,857)	(13,056)	1,013	(5,329)	1,085	(5,440)	-	5,346	(4,103)	1,243
Agricultural equipment, spare parts and services	90,808	313	91,121	23,620	(17,081)	(5,882)	347	(1,826)	372	(1,864)	-	(2,314)	(1,406)	(3,720)
Other	410,658	-	410,658	102,942	(52,317)	(31,070)	1,570	(8,259)	1,682	(8,430)	6,563	12,681	(6,359)	6,322
Total consolidated	4,846,215	3,118	4,849,333	1,117,420	(576,700)	(221,685)	18,530	(97,466)	19,848	(99,487)	6,563	167,023	(75,042)	91,981
2013														
Heavy machinery, spare parts and services	4,034,954	14,853	4,049,807	896,634	(427,638)	(133,414)	25,277	(83,032)	17,546	(117,963)	-	177,410	(52,850)	124,560
Vehicles, spare parts and services	214,728	-	214,728	28,299	(21,142)	(10,952)	1,345	(4,419)	934	(6,278)	-	(12,213)	(2,813)	(15,026)
Rental equipment	263,355	-	263,355	64,638	(38,740)	(11,289)	1,650	(5,419)	1,145	(7,699)	-	4,286	(3,449)	837
Agricultural equipment, spare parts and services	85,263	356	85,619	18,185	(16,758)	(5,277)	534	(1,755)	371	(2,493)	-	(7,193)	(1,117)	(8,310)
Other	400,440	-	400,440	100,268	(55,346)	(28,540)	2,509	(8,240)	1,741	(11,707)	2,607	3,292	(5,245)	(1,953)
Total consolidated	4,998,740	15,209	5,013,949	1,108,024	(559,624)	(189,472)	31,315	(102,865)	21,737	(146,140)	2,607	165,582	(65,474)	100,108

Notes to the consolidated financial statements (continued)

	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)	Equity income in associates S/.(000)	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)
2014														
Peru	4,309,499	3,118	4,312,617	992,630	(504,922)	(197,720)	19,307	6,563	(77,098)	13,070	(99,380)	152,450	(70,598)	81,852
Guatemala	355,868	-	355,868	73,556	(42,100)	(8,475)	-	-	(5,329)	854	1,348	19,854	(1,733)	18,121
El Salvador	90,729	-	90,729	25,647	(15,690)	(4,204)	(1,322)	-	(1,492)	292	-	3,231	(1,423)	1,808
Belice	11,946	-	11,946	3,354	(1,611)	(1,513)	(227)	-	(60)	79	160	182	(212)	(30)
United States of America	23,816	-	23,816	5,517	(3,644)	(201)	-	-	(26)	-	-	1,646	(617)	1,029
Nicaragua	25,652	-	25,652	5,661	(2,370)	(1,895)	105	-	(47)	14	(218)	1,250	(373)	877
Panama	-	-	-	-	-	(2,064)	-	-	(8,089)	1,414	-	(8,739)	-	(8,739)
Chile	49,733	-	49,733	10,436	(6,098)	(4,407)	154	-	(1,290)	152	(1,397)	(2,450)	(86)	(2,536)
Ecuador	1,948	-	1,948	383	(111)	(404)	-	-	(8)	-	-	(140)	-	(140)
Colombia	544	-	544	236	(154)	(310)	21	-	(54)	-	-	(261)	-	(261)
Intercompany Operations	(23,520)	-	(23,520)	-	-	(492)	492	-	(3,973)	3,973	-	-	-	-
Total consolidated	4,846,215	3,118	4,849,333	1,117,420	(576,700)	(221,685)	18,530	6,563	(97,466)	19,848	(99,487)	167,023	(75,042)	91,981
2013														
Peru	4,527,373	15,209	4,542,582	1,003,399	(501,903)	(174,043)	31,496	2,607	(90,148)	19,220	(146,590)	144,038	(56,750)	87,288
Guatemala	329,740	-	329,740	64,687	(36,594)	(7,158)	600	-	(5,272)	1,613	381	18,257	(5,280)	12,977
El Salvador	99,959	-	99,959	26,349	(14,635)	(4,050)	(452)	-	(1,826)	346	-	5,732	(1,841)	3,891
Belice	10,657	-	10,657	2,512	(1,277)	(1,336)	(35)	-	(56)	126	240	174	(194)	(20)
United States of America	34,390	-	34,390	6,115	(3,327)	(302)	-	-	(24)	3	-	2,465	(989)	1,476
Nicaragua	22,531	-	22,531	4,962	(1,888)	(1,502)	252	-	(90)	13	(171)	1,576	(420)	1,156
Panama	-	-	-	-	-	(1,627)	-	-	(6,473)	1,440	-	(6,660)	-	(6,660)
Chile														
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	(559,624)	(189,472)	31,315	2,607	(102,865)	21,737	(146,140)	165,582	(65,474)	100,108

28. **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 2. 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.

Translation of the Independent Auditors' Report and the Financial Statements originally issued in Spanish – Note 23

Ferreycorp S.A.A.

Separate financial statements as of December 31, 2014 and 2013 together with the independent auditors' report.

Translation of the Independent Auditors' Report and the Financial Statements originally issued in Spanish – Note 23

Ferreycorp S.A.A.

Separate financial statements as of December 31, 2014 and 2013 together with the independent auditors' report

Content

Paredes, Zaldívar, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

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Translation of the Independent Auditors' Report and the Financial Statements originally issued in Spanish – Note 23

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, 2014 and 2013, and the related statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the 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 internal control that 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 audits. Our audits were conducted in accordance with International Standards on Auditing approved for their application in Peru by the Board of Deans of Colleges of Public Accountants of 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 separate 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 financial statements presentation.

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

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Translation of the Independent Auditors' Report and the Financial Statements originally issued in Spanish – Note 23

Independent auditors' report (continued)

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, 2014 and 2013, 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 Peru for financial reporting. These separate financial statements reflect the value of its investments in subsidiaries and associates under the equity 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, 2015, we issued an unqualified opinion.

Other Issues

As indicated in Note 2.4 attached, in 2014 the Company changed its accounting policy to value its investments in subsidiaries, associates and joint venture of "cost method" to "equity method" early adopting the amendment to the IAS 27 "Separate Financial Statements".

Lima, Peru
February 24, 2015

Paredes, Zaldivar, Burga & Asociados

Countersigned by:

W. Rubiños V.

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

Ferreycorp S.A.A.

Separate statement of financial position

As of December 31, 2014 y 2013

	Note	2014 S/.(000)	2013 S/.(000) Restructured	01.01.2013 S/.(000) Restructured
Asset				
Current asset				
Cash and cash equivalents	4	4,523	16,455	15,437
Trade accounts receivables, net	5	4,294	12,097	114,884
Accounts receivables from related companies	19(b)	237,492	174,820	168,665
Other accounts receivables, net	6	10,165	8,414	8,774
Inventories, net	7	-	2,917	12,078
Prepaid expenses		1,073	397	682
Total current assets		257,547	215,100	320,520
Trade accounts receivable long term , net	5	117	832	5,372
Accounts receivable from related companies long term	19(b)	523,569	590,021	6,931
Other accounts receivable long term, net	6	1,659	2,873	4,120
Investments in subsidiaries, associates and joint venture	8	1,554,855	1,403,535	1,240,994
Investment properties, net	9	346,233	346,994	275,345
Other assets, net		-	103	103
Total non-current assets		2,426,433	2,344,358	1,532,865
Total assets		2,683,980	2,559,458	1,853,385

	Note	2014 S/.(000)	2013 S/.(000) Restructured	01.01.2013 S/.(000) Restructured
Liabilities and net equity				
Current liabilities				
Other financial liabilities	10	41,659	25,915	61,029
Trade accounts payables	11	549	875	46,300
Other accounts payables	12	33,647	28,450	35,472
Accounts payable to related companies	19(b)	983	40,420	101,459
Total current liabilities		76,838	95,660	244,260
Long-term financial obligations	10	969,853	864,581	159,303
Deferred income tax liability, net	13	41,532	55,665	44,289
Total non-current liabilities		1,011,385	920,246	203,592
Total liabilities		1,088,223	1,015,906	447,852
Equity	14			
Issued capital		1,014,326	945,227	803,235
Additional capital		73,536	105,436	137,336
Legal reserve		110,099	99,766	82,179
Other equity reserves		245,802	234,173	160,741
Translation results		20,913	8,205	(3,873)
Retained earnings		131,081	150,745	225,915
Total equity		1,595,757	1,543,552	1,405,533
Total liabilities and equity		2,683,980	2,559,458	1,853,385

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Ferreycorp S.A.A.

Separate Statement of income

For the years ended December 31, 2014 and 2013

	Note	2014 S/.(000)	2013 S/.(000) Restructured
Income			
Share of profit of subsidiaries, associates and joint venture	8(f)	124,766	124,950
Finance income		37,569	26,547
Rental services	9(f)	24,093	21,293
		186,428	172,790
Cost and operating expenses			
Finance expenses	18	(52,971)	(37,115)
Administrative expenses	17	(17,030)	(8,412)
Cost of rental services	16	(6,489)	(5,512)
Miscellaneous income		4,930	2,996
Exchange difference, net	3	(25,182)	(23,248)
		(96,742)	(71,291)
Profit before income tax		89,686	101,499
Income tax	13(c)	5,585	5,887
Net income from continued operations		95,271	107,386
Net income from discontinued operations	22	(3,290)	(7,568)
Net income		91,981	99,818
Basic and diluted share and investment (in nuevos soles)	15	0.091	0.098
Basic and diluted share from continuing operations (in nuevos soles)		0.094	0.106
Basic and diluted share from discontinued operations (in nuevos soles)		(0.003)	(0.008)
Weighted average of shares outstanding (in thousands of units)	15	1,014,326	1,014,326

The accompanying notes to the separate financial statements are an integral part of this statement.

Ferreycorp S.A.A.

Separate comprehensive income statement

For the years ended December 31, 2014 and 2013

	2014 S/.(000)	2013 S/.(000) Restructured
Net income	91,981	99,818
Other comprehensive income		
Other comprehensive income to be reclassified to profits in subsequent periods		
Revaluation of land, net of deferred income tax	-	75,991
Change in tax rates effect, note 2.2 (k) and note 13 (c)	13,174	-
Translation result	12,708	12,078
Net gain on valuation of investments available for sale of associates, net of the effect of deferred income tax	(2,694)	(2,978)
Hedging derivatives valuation, net of the effect of deferred income tax	50	123
Other comprehensive income for the year, net	23,238	85,214
Total comprehensive income for the year, net	115,219	185,032

The accompanying notes to the separate financial statements are an integral part of this statement.

Ferreycorp S.A.A.

Separate statement of changes in equity

For the years ended December 31, 2014 and 2013

					Other equity reserves					
	Number of shares oustanding (in thousands)	Issued capital S/.(000)	Additonal capital S/.(000)	Legal reserve S/.(000)	Unrealized gains S/.(000)	Other reserves S/.(000)	Revaluation surplus S/.(000)	Translation result S/.(000)	Retained earning S/.(000)	Total S/.(000)
Balance at January 1, 2013 before restructuring, Note 2.4	803,235	803,235	95,702	82,179	-	762	93,166	-	175,873	1,250,917
Adjustments to opening balance, Note 2.4	-	-	41,634	-	(2,222)	1,283	67,752	(3,873)	50,042	154,616
Balance at January 1, 2013, restructured Note 2.4	803,235	803,235	137,336	82,179	(2,222)	2,045	160,918	(3,873)	225,915	1,405,533
Net income	-	-	-	-	-	-	-	-	99,818	99,818
Effect of updating the fair value of land, net of deferred income tax, note 14 (d)	-	-	-	-	-	-	75,991	-	-	75,991
Valuation of hedging derivatives, note 14 (d)	-	-	-	-	-	123	-	-	-	123
Gain on valuation of investments available for sale of associates, note 14 (g)	-	-	-	-	(2,978)	-	-	-	-	(2,978)
Other comprehensive income for the year, note 14 (f)	-	-	-	-	-	-	-	12,078	-	12,078
Total comprehensive income	-	-	-	-	(2,978)	123	75,991	12,078	99,818	185,032
Transfer to statutory reserve, note 14 (c)	-	-	-	17,587	-	-	-	-	(17,587)	-
Decreased equity subsidiaries, joint venture and associates note 14 (g)	-	-	-	-	-	296	-	-	885	1,181
Dividends, note 14 (e)	-	-	-	-	-	-	-	-	(48,194)	(48,194)
Capitalization of retained earnings, note 14 (b) and (e)	141,992	141,992	(31,900)	-	-	-	-	-	(110,092)	-
Balances at December 31, 2013, restructured Note 2.4	945,227	945,227	105,436	99,766	(5,200)	2,464	236,909	8,205	150,745	1,543,552
Net income	-	-	-	-	-	-	-	-	91,981	91,981
Effect of change in tax rates, rating 2.2 (k) and note 13 (c)	-	-	-	-	-	-	13,174	-	-	13,174
Valuation of hedging derivatives, note 14 (d)	-	-	-	-	-	50	-	-	-	50
Gain on valuation of investments available for sale of associates, note 14 (g)	-	-	-	-	(2,694)	-	-	-	-	(2,694)
Other comprehensive income for the year, note 14 (f)	-	-	-	-	-	-	-	12,708	-	12,708
Total comprehensive income	-	-	-	-	(2,694)	50	13,174	12,708	91,981	115,219
Transfer to statutory reserve, note 14 (c)	-	-	-	10,333	-	-	-	-	(10,333)	-
Decreased equity subsidiaries, joint venture and associates note 14 (g)	-	-	-	-	-	1,099	-	-	(8,316)	(7,217)
Dividends, note 14 (e)	-	-	-	-	-	-	-	-	(55,797)	(55,797)
Capitalization of retained earnings, note 14 (b) and (e)	69,099	69,099	(31,900)	-	-	-	-	-	(37,199)	-
Balances at December 31, 2014	1,014,326	1,014,326	73,536	110,099	(7,894)	3,613	250,083	20,913	131,081	1,595,757

The accompanying notes to the separate financial statements are an integral part of this statement.

Annual Report 2014 **We aim higher —— Financial Statements**
Ferreycorp S.A.A.

Ferreycorp S.A.A.

Separate statement of cash flow

For the years ended December 31, 2014 and 2013

	2014 S/.(000)	2013 S/.(000) Restructured
Operating activities		
Collections from customers and third parties	92,064	231,878
Payment to suppliers and others	(28,919)	(210,138)
Payroll and others	(11,236)	(2,547)
Income tax payment	(216)	(4,370)
Taxes paid	(4,751)	(2,117)
Dividends collected	125,850	110,206
Net cash provided from operating activities	172,792	122,912
Investing activities		
Acquisition of subsidiaries, net of cash acquired , note 8(g)	(46,672)	-
Purchase of investments	(4,806)	(8,802)
Acquisition of investment properties	(4,930)	(14,981)
Capital contributions to subsidiaries	(12,052)	(68,206)
Net cash used for investing activities	(68,460)	(91,989)
Financing activities		
Increase in borrowings	109,622	859,511
Loans charged to subsidiaries	96,312	250,331
Loans to subsidiaries	(181,148)	(841,531)
Payments of financial obligations	(33,314)	(189,347)
Dividends paid	(55,797)	(48,194)
Interest paid	(51,819)	(38,737)
Net cash used for financing activities	(116,144)	(7,967)
Net (decrease) increase in cash and cash equivalents	(11,812)	22,956
Effect of movements in exchange rates on cash and cash equivalents	(120)	(21,938)
Cash and cash equivalents at beginning of year	16,455	15,437
Cash and cash equivalents at end of year	4,523	16,455
Non – cash transactions		
Capitalization of debt receivable to subsidiary	33,500	-
Contribution outstanding from subsidiary	847	-

The accompanying notes to the separate financial statements are an integral part of this statement.

Ferreycorp S.A.A.

Notes to the separate financial statements

As of December 31, 2014 and 2013

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 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 from Ferreyros S.A.A. to Ferreycorp S.A.A. Also, Ferreycorp S.A.A. assumed the role of Holding subsidiary companies of the Group.

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, 2013 were approved by the Company's management on February 13, 2014 and were approved by the shareholders' meeting and by the board of directors meeting held on March 26, 2014. The accompanying financial statements as of December 31, 2014 have been approved by the Management of the Company as at February 24, 2015 and will be submitted for approval to the Board of Directors and the Shareholders, meeting that will occur within the first quarter of 2015. In Management's opinion, these financial statements will be approved by the Board of Directors and Shareholders' Meeting without modifications.

The accompanying separate 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, 2014 and 2013:

	2014 S/.(000)	2013 S/.(000)
Current asset	2,690,703	2,660,838
Non current asset	1,828,502	1,749,628
Total asset	4,519,205	4,410,466
Total liability	2,923,429	2,866,593
Equity	1,595,776	1,543,873
Gross profit	1,117,420	1,108,024
Operating profit	337,565	390,243
Net profit	91,981	100,108

The accompanying notes to the separate financial statements are an integral part of this statement.

Notes to the separate financial statements (continued)

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

2.1 Basis of preparation and presentation -

The financial statements have been prepared in accordance with International Standards Financial Reporting Standards (hereinafter "IFRS") issued by the International Accounting Standards Board (the "IASB") in effect at December 31, 2014.

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

The accounting policies adopted are consistent with those applied in previous years, except for the new IFRS and IAS's revised that are mandatory for periods beginning after January 1, 2014, except for the early application of IAS 27, no have required modifying the comparative financial statements, and have had no significant effect on its financial position and results. Standards applicable for the operations of the Company are:

- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
  These amendments clarify the meaning of "currently has a legally enforceable right to compensation" mechanisms and criteria for non-simultaneous clearing solution for entitlement to compensation. These changes had no impact on the Company.

- Revelations on the recoverable amount of non-financial assets - Amendments to IAS 36
  These amendments eliminate the unintended consequences of IFRS 13 Fair Value Measurement, regarding the disclosures required by IAS 36 Impairment of Assets. They also require the disclosure of amounts recoverable asset or cash-generating units for which it is recognized or reversed an impairment loss for the period. These changes had no impact on the Company.

- Derivatives novation and continuation of hedge accounting - Amendments to IAS 39
  These amendments provide an exception to discontinue hedge accounting if the hedging a derivate was novated, provided certain criteria are met. These changes had no impact on the financial statements of the Company, because it has not derivatives during the current period or in previous years.

- IFRIC 21 Liens
  IFRIC 21 clarifies that an entity recognizes a liability for a tax when the activity that triggers payment under the terms specified in the relevant legislation, is done. Retrospective application is required to IFRIC 21. This interpretation had no significant impact on the Company.

Notes to the separate financial statements (continued)

2.2 Summary of significant accounting principles and practices

(a) Financial Instruments: Recognition and Measurement -

(a.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 Company determines the classification of its financial assets 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, except in the case of assets not at fair value through profit or loss, directly attributable transaction costs or issuance of the instrument.

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 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 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 whit fixed or determinable payments that are not traded in an active market, the Group does not intend to sell immediately or in the near future and have no recovery risk 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 separate income statement

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

Notes to the separate financial statements (continued)

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:

(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 contractual obligation to pass those cash flows in full without material delay to a third party under a 'pass-through' arrangement; and (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

When The Company 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 Company's continuing involvement in it. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company 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 Company could be required to repay.

Impairment of financial assets -
The Company 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 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.

Notes to the separate financial statements (continued)

(a.2) Financial liabilities -
Initial recognition and initial measurement
The financial liabilities under 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 Company determines the classification of its financial liabilities at initial recognition.

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

As of December 31, 2014 and 2013, the Company has only liabilities at amortized cost, including accounts payable (trade, to related parties and others), and other financial liabilities.

Subsequent measurement
After initial recognition, 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 separate income statement when liabilities are derecognized.

Financial liabilities are classified as short-term unless the Company has the irrevocable right to defer the payment for more than twelve months after the date of the 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 a part of a group of similar financial liability) is derecognized when the obligation under the liability is discharged or cancelled or expired. 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.

Notes to the separate financial statements (continued)

(a.3) Offsetting of financial instruments
Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is 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 settle the liabilities simultaneously.

(b) Derivative financial instruments -
Derivative financial instruments, pursuant to the rules of IAS 39, are classified as trading and hedge. The company only has derivatives that are identified as accounting hedges; which are essentially of:

- Fair value when hedging the exposure to changes in fair value of recognized assets or liabilities or unrecognized firm commitments.
- Cash flows when hedging exposure to variations in cash flows attributed either to a particular risk associated with a recognized asset or liability or a highly probable transaction, or at risk of exchange rate in unrecognized commitment;

At the beginning of the hedge relationship, the Company formally designates and documents the hedge relationship. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the fair value of the hedging instrument to determine that they actually have been highly effective throughout the periods for which they were designated.

The change in fair value of a derivative that is a hedging instrument is recognized in the separate income statement as financial expenses. The change in fair value attributable to the hedged risk recorded as part of the carrying amount of the hedged item and recognized in the income statement as financial expenses.

The Company has only one contract "Swap" interest rate classified as cash flow hedges. As a result , the effective portion of the gain or loss on the hedging instrument is recognized directly in reserve for cash flow hedges in the statements of comprehensive income , while the ineffective portion is recognized immediately in "Finance expenses" in the separate income statement. The ineffective portion related to foreign exchange contracts is recognized as financial expenses.

The amounts recognized in other comprehensive income are reclassified to earnings when the hedged transaction affects profit or loss, such as financial income or expense of the hedged item is recognized, or when the expected sale takes place. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized in other comprehensive income are reclassified to the carrying amount initially recognized for the non-financial asset or liability.

Notes to the separate financial statements (continued)

If the realization of the transaction or firm commitment, the cumulative gain or loss previously recognized in equity is reclassified to the income statement. If the hedging instrument expires or is sold, it is resolved or exercised without a replacement or successive renewal for another hedging instrument, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income until the forecast or firm commitment affect results.

(c) Foreign currency transactions -
The Company's functional currency and presentation currency is the Nuevo Sol, as this currency is used by the Company for its operations and translation and additionally, for the preparation of the financial statement.

Balances or transactions in foreign currency –

Balances or transactions in foreign currency are those made in a currency other than the functional currency of each entity. Transactions in foreign currency are initially recorded in their functional currency spot rates at the dates the transaction first qualifies for recognition.

(d) Cash and cash equivalents -
For purpose of preparation and presentation of cash flows statement, cash and cash equivalents comprise, petty cash, banks deposits, cash in transit and deposits with original maturity less than 90 days, all recorded in the separate statement of financial position. These accounts do not have significant risks in their values.

(e) Inventories -
Inventories are valued at the lower of cost or net realizable value, 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 have no movement, a provision based on Management's assessment that determines the impairment amount for each item. The estimates is recognized affecting the results of the year when it is determined.

(f) Investments –
Investments in subsidiaries, investment funds, associates and joint venture are recorded under the equity method. Under this method, investments are initially recorded at cost. Later, its carrying amount is increased or decreased according to the participation of the Company in the equity movements and profits or losses of subsidiaries, investment fund, joint venture partners and recognizing them in the accounts corresponding equity and results of operations, as appropriate.

Notes to the separate financial statements (continued)

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

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. Joint control is the contractually agreed sharing of control to a joint agreement which exists only when decisions about the relevant activities of the required unanimous consent of the parties sharing control.

(g) Investment Properties –
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date. Gains and losses arising from changes in fair values of investment properties are included in profit or loss in the period in which they occur, net of the related tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer.

Investment properties are derecognized either when they have been disposed of or when the investment property is withdrawn from use permanently no economic benefit is expected from its sale. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

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, 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 such property in accordance with established policy for property, plant and equipment up to the date of change in use.

(h) Leases -
The determination of whether an arrangement is or includes 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 assets or whether the arrangement conveys a right to use the asset or whether even if that right is not explicitly specified in an arrangement.

Notes to the separate financial statements (continued)

The Company as lessee -
Leases that transfer substantially all the risks and rewards incidental to ownership to the Company is classified as finance leases and is capitalized at the lease term, either by the fair value of the leased property or the present value of the minimum lease payments, whichever is less. Lease payments are apportioned between finance charges and reduction of the lease liability, so as to determine a constant rate of interest on the remaining balance of the debt. Financial charges are recognized as financial expenses in the separate statement of income.

A leased asset is depreciated over the useful life of the asset. 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 the shorter of the estimated useful life of the asset and the lease term.

The Company as lessor -
Leases where the Company does not transfer substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases, keeping receipts made to these contracts in the statement of financial position. 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 rental income.

Operating lease payments are recognized as operating expenses in the income statement on a straight line basis over the term of the 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 investment property and intangible assets with finite lives are reviewed to determine if there is evidence of impairment at the end of each reporting period. If such indication exists, the Company estimates the asset's recoverable amount, being the higher of fair value less costs of disposal and value in use.

Where the recoverable amount of an asset is below its carrying amount is considered to be impaired.

The recoverable amount is the amount obtainable from the sale of an asset in a free market, while value in use is the present value of future net cash flows estimated from the continued use of an asset and from its disposal at end of its useful life.

Notes to the separate financial statements (continued)

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

When there are new events or changes in existing conditions evidencing previously recognized impairment losses no longer exist or have decreased, excluding goodwill, the Company estimates a new recoverable amount 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 since the lost impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increase can not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized for the asset in prior years. Such reversal is recognized in the separate income statement. After completion of the reversal, the depreciation charge is adjusted in future periods distributing the carrying amount over its remaining useful life.

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. 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 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 expensed 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 the periods 2014 and 2013, the Company did not maintain current assets qualifying of financing costs.

(k) Income tax and workers' profit sharing -
Workers' profit sharing -
Worker's profit sharing is calculated in accordance with the laws in force (Legislative Decree Nº 892) on the same basis used to compute the income tax. In the case of the Company, 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.

Notes to the separate financial statements (continued)

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

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. 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 financial statements.

Management periodically assesses the tax regulations which are subject to interpretation and recognizes provisions when necessary.

Deferred income tax -
The income tax for future periods is recognized using the liability method, on temporary differences between the tax and accounting bases of assets and liabilities at the date of the separate statement of financial position. The deferred assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which temporary differences are recovered or settled.

Deferred tax assets are recognized for all taxable temporary differences and tax loss carry forwards, to the extent that it is likely that taxable income will be available to offset the deductible temporary differences, and can use the tax loss carry forwards. 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 sufficient taxable profits against which to offset all or part of the deferred asset. Unrecognised deferred tax assets are reviewed at each date of the statement of financial position.

The deferred assets and liabilities are offset if there is a legal right to offset and deferred taxes relate to the same entity and the same tax authority.

(l) Recognition of income and costs and expenses -
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 less initial direct costs from holding such contracts are recognized on a straight line basis over the lease term.

Notes to the separate financial statements (continued)

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

(m) Provisions –
General:
A provision is recognized only when the Company 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 time value of money is important, provision is the present value of expenditures expected to settle the obligation.

When the Company expects some or all of the provision to be reimbursed, these recoveries are recognized as assets, when the reimbursement is virtually certain. The expense related to a provision is presented in the income statement, net of reimbursement.

Possible contingencies are not recognized in the separate financial statements. These are disclosed in notes to the separate financial statements, except the possibility that an outflow of economic benefits is 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, therefore, for the calculation of weighted average shares considered that these actions to be always outstanding, and the calculation of earnings per basic and diluted share are adjusted retroactively.

As of December 31, 2014 and December 31, 2013, the Company has no financial instruments that produce dilutive effects, so that the basic and diluted earnings per share are the same.

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Notes to the separate financial statements (continued)

(o) Fair Value Measurement -
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. As well, the fair value of a liability reflects their risk of default.

All assets and liabilities for which fair values are determined or disclosed in the separate 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 separate 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, the management analyzes the movements in the values of assets and liabilities to be valued in accordance with the Company's accounting policies.

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.

Notes to the separate financial statements (continued)

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

(q) Discontinued operations -
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 separately in the separate income statement.

Additional disclosures are provided in Note 22. All other notes to the financial statements include amounts from continuing operations, unless otherwise indicated.

2.3 Significant accounting judgments, estimates and assumptions –
The preparation of the Company's financial statements requires Management to make judgments, estimates and accounting assumptions that affect the reported amounts of revenues and expenses, assets and liabilities and related disclosures, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses.

Management believes that the estimates included in the separate financial statements were made on the basis of their better knowledge of the relevant facts and circumstances at the date of preparation thereof, however; final results may differ significantly from the estimates included in the separate financial statements.

Significant judgments and estimates are considered by Management is preparing separate financial statements are:

(a) Judgments -
In applying the accounting policies of the Company, 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 2.2. (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 the lease term not constituting substantial part of the economic life of the asset, or when it retains substantially all the risks and rewards of ownership of these assets. In these cases, the Company has posted these contracts as operating leases.

Notes to the separate financial statements (continued)

(b) Estimates and assumptions -
The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a high risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. These changes are considered in the estimates at the time in which known.

Revaluation of investment properties (land), Note 2.2 (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 valuation specialist to determine the fair values at December 31, 2014 for land appraised.

For 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.

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 9.

Impairment of non-financial assets, note 2.2 (i)
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 of disposal and its value in use. The fair value less costs of disposal calculation is based on available data on sales transactions for similar goods made under conditions and independent parties or observable market prices net of incremental costs for disposing of the asset.

The value in use calculation is based on a model of discounted cash flows (DFC). Cash flows arising from the budget 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 discount rate used for the DCF model, as well as the expected future cash-inflows, and the growth rate used in long-term extrapolation.

Taxes on current and deferred income, Note 2.2 (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.

Notes to the separate financial statements (continued)

The Company calculates provisions based on reasonable estimates, for possible consequences of inspections conducted by the tax authorities of the respective countries in which it operates. The value of these provisions is based on several factors, such as experience in previous tax audits and differing interpretations of the tax rules made by the taxable entity and the tax authority.

Fair value of financial instruments, note 2.2 (a) -
When the fair value of financial assets and financial liabilities recorded in the separate 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 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 more details, see Note 21.6.

2.4 Amendment to IAS 27: Method of equity in the separate financial statements-
The Company has decided to early adopt the IAS 27 amended at December 31, 2014:

According to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" policy changes are made retroactively, for this reason Management has made some adjustments to the audited financial statements as reported above.

The amendments allow entities to use the equity method to record the investments in subsidiaries, joint venture and associates in its separate financial statements. Those entities which had been applying IFRS and choose to change the equity method in its separate financial statements will have to apply the change on a retroactive basis. The amendments are effective for annual periods beginning on January 1, 2016 and early adoption is permitted. In this regard, the Company proceeded to amend its financial statements as of December 31, 2013 for comparative reasons.

Notes to the separate financial statements (continued)

The corrections indicated by the policy change and for the year ended December 31, 2013 is as follows:

Separate Statement of financial position	Balance Reported at 31.12.2013 (1) S/.(000) Audited	Adjustment S/.(000)	Restructured Balance at 31.12.2013 S/.(000) Restructured
Total current assets	215,100	-	215,100
Investments in subsidiaries, associates and joint venture	1,209,289	194,246	1,403,535
Accounts receivable from related companies	590,021	-	590,021
Investment properties, net	346,994	-	346,994
Other non-current assets	3,808	-	3,808
Total non-current assets	2,150,112	194,246	2,344,358
Total Assets	2,365,212	194,246	2,559,458
Liabilities and equity			
Current liabilities	95,660	-	95,660
Non-current liabilities	920,246	-	920,246
Total Liabilities	1,015,906	-	1,015,906
Equity	1,245,977	146,830	1,392,807
Retained earnings	103,329	47,416	150,745
Total equity	1,349,306	194,246	1,543,552
Total liabilities and equity	2,365,212	194,246	2,559,458

Separate comprehensive income statement	Balance Reported at 31.12.2013 (1) S/.(000) Audited	Adjustment S/.(000)	Restructured Balance al 31.12.2013 S/.(000) Restructured
Share of profit of subsidiaries, associates and joint venture	-	124,950	124,950
Dividend income	128,461	(128,461)	-
Other income	47,840	-	47,840
	176,301	(3,511)	172,790
Costs, expenses and other operating income	(71,291)	-	(71,291)
Income before income taxes	105,010	(3,511)	101,499
Income tax	5,887	-	5,887
Net income from continuing operations	110,897	(3,511)	107,386
Net loss from discontinued operations	(7,568)	-	(7,568)
Net income	103,329	(3,511)	99,818

Notes to the separate financial statements (continued)

Cash flow statement –
The review of the financial statements of the Company has had no effect on cash flows; however, there were transactions for certain accounts for the review that are not significant.

The main components of the statement of financial position of the Company as of January 1, 2013, according to the audited financial statements for that year , together with adjustments and reclassifications made for review, is presented below:

Separate Statement of financial position	Balance Reported at 01.01.2013 (1) S/.(000) Audited	Adjustment S/.(000)	Restructured Balance al 01.01.2013 S/.(000) Restructured
Total current asset	320,520	-	320,520
Investments in subsidiaries, associates and joint venture	1,086,378	154,616	1,240,994
Accounts receivable from related companies	6,931	-	6,931
Investment properties, net	275,345	-	275,345
Other non-current assets	9,595	-	9,595
Total non-current asset	1,378,249	154,616	1,532,865
Total Assets	1,698,769	154,616	1,853,385
Liabilities and Equity			
Current Liabilities	244,260	-	244,260
Non-current Liabilities	203,592	-	203,592
Total liabilities	447,852	-	447,852
Equity	1,075,044	104,574	1,179,618
Retained earnings	175,873	50,042	225,915
Total equity	1,250,917	154,616	1,405,533
Total liabilities and equity	1,698,769	154,616	1,853,385

Notes to the separate financial statements (continued)

Separate Statement of comprehensive income	Balance reported at 01.01.2013 (1) S/.(000) Audited	Adjustment S/.(000)	Restructured Balance at 01.01.2013 S/.(000) Restructured
Share of profit of subsidiaries , associates and joint venture	-	144,672	144,672
Dividend income	101,667	(101,667)	-
Other income	16,178	-	16,178
	117,845	43,005	160,850
Costs, expenses and other operating income	(7,733)	-	(7,733)
Income before income taxes	110,112	43,005	153,117
Loss of income tax	(2,534)	-	(2,534)
Net income from continuing operations	107,578	43,005	150,583
Net income from discontinued operations	68,295	-	68,295
Net income	175,873	43,005	218,878

(1) Financial statements for the period 2012, according to audited report dated February 19, 2013.

The summary of the above adjustments in equity at December 31 and January 1, 2013 is presented below.

	31.12.2013 S/.(000)	01.01.2013 S/.(000)
Equity reported in the audited financial statements	1,349,306	1,250,917
Adjustment of dividends collected from subsidiaries	(230,128)	(101,667)
Adjustment for income per share of subsidiaries, associated and joint venture	424,374	256,283
Total Adjustments	194,246	154,616
Equity restructured	1,543,552	1,405,533

Notes to the separate financial statements (continued)

2.5 New accounting pronouncements -

The Company decided not to early adopt the following standards and interpretations that were issued by the IASB, which are considered relevant by the company, but are not effective at December 31, 2014:

- IFRS 9 Financial Instruments –
  In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of project financial instruments and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for the classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but the comparative information is not mandatory. The adoption of IFRS 9 will have an effect on the classification and measurement of financial assets of the Company, but no impact on the classification and measurement of financial liabilities.

- Amendments to IAS 19 Employee Benefits –
  IAS 19 requires an entity to consider the contributions from employees or third parties in the accounting for defined benefit plans. When contributions are linked to the service, must be attributed to periods of service as a negative benefit. These amendments clarify that if the amount of contributions is independent of the number of years of service, an entity may recognize these contributions as a reduction in the service cost in the period in which the service is provided, instead of assigning the contribution to periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. It is not expected that this change is relevant to the Company, as it has no defined benefit plans with contributions from employees or third parties.

- IFRS 15 , Revenue from contracts with customers -
  IFRS 15 was issued in May 2014 and established a new five-step model to be applied to income from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration that the entity expects to be entitled in exchange for the transfer of goods or services to a customer. The principles of IFRS 15 provides a more structured approach to measurement and revenue recognition approach. The new standard of income is applicable to all entities and replace all current requirements for revenue recognition under IFRS.

  Complete or modified retrospective application is required for annual periods beginning on or after January 1, 2017, with early adoption is permitted. The Company is evaluating the impact of IFRS15 and plans to adopt the new standard as of the effective date requested.

Notes to the separate financial statements (continued)

- Amendments to IFRS 11 Joint Arrangements: Accounting for acquisitions of interests -
  Amendments to IFRS 11 requires that a joint operator post the acquisition of an interest in a joint venture in which the activity of the joint venture is a business, according to IFRS 3. The amendments also clarify that a pre-existing interest in a joint operation is not remeasured in the acquisition of an additional interest in the same joint operation, while the joint control is maintained. In addition, a scope exclusion has been added to the Amendments IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including reporting entity under common control of the same main controller.

  The changes apply to both the acquisition of the initial stake in a joint operation and the acquisition of any additional interest in such joint operation, and are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company in 2013 performed early adoption of this standard.

- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization.
  The amendments clarify the principle of IAS 16 and IAS 38 that revenues reflect the pattern of economic benefits generated from operating a business (from which the asset is part), rather than the economic benefits are consumed through the use of the asset. As a result, income-based method can not be used to depreciate property, plant and equipment and can only be used in very limited to the amortization of intangible assets circumstances. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. It is not expected that these amendments have an impact on the Company, since it has not used a income based method to depreciate its non-current assets.

3. **Foreign currency transactions**

Transactions in foreign currency are made at the exchange rate of the open market published by the Superintendencia de Banca y Seguros y AFPs. At December 31, 2014, the exchange rates of the open market for transactions in U.S. Dollars, published by this institution were S/.2.981 for buying and S/.2.989 for sale (S/.2.794 for buying and S/.2.796 for sale at December 31, 2013).

Notes to the separate financial statements (continued)

At December 31, 2014 and 2013, the Company had the following assets and liabilities in U.S. dollars:

	2014 US$(000)	2013 US$(000)
Asset		
Cash and cash equivalent	773	886
Trade accounts receivable, net	1,191	2,660
Other accounts receivable, net	1,230	1,617
Accounts receivable from related companies	225,513	217,559
	228,707	222,722
Liabilities		
Financial liabilities	(343,155)	(324,553)
Trade accounts payable	(117)	(60)
Other accounts to payable	(1,205)	(1,814)
Accounts payable to related entities	-	(7,494)
	(344,477)	(333,921)
Net liability position	(115,770)	(111,199)

As of December 31, 2014 and 2013, the Company Management had decided to accept the currency risk of this position, of approximately S/.25,182,000 (S/.23,248,000 in 2013), which is presented under " Exchange difference, net " in the separate income statement, see note 21.4 of exchange rate risk.

4. Cash and cash equivalent

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Petty cash	17	6
Bank deposits (b)	4,506	4,964
Time deposits (c)	-	11,485
	4,523	16,455

(b) Bank deposits are maintained in local and foreign banks in local currency and in U.S. dollars, are freely available and has non-interest.

(c) As of December 31, 2014, the balance corresponds to two time deposits with original maturity less than 30 days, deposited in local banks of first level, bearing interest at market rates.

Notes to the separate financial statements (continued)

5. Trade accounts receivable, net

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Invoices (b)	7,970	46,055
Comercial letters (b)	36,005	3,469
Related companies, note 19(b)	2,556	1,412
Unearned interest	(30)	(492)
	46,501	50,444
Less - Allowance for doubtful accounts receivable (d)	(42,090)	(37,515)
	4,411	12,929
Less:		
Non-current portion	(117)	(832)
Current portion	4,294	12,097

(b) Trade receivables are denominated in local and foreign currency, non-interest, except for the letters receivable bearing an annual interest rating between 14 and 20 percent. They comply in full with their contractual terms.

(c) At December 31, 2014 and 2013, the trade receivables aging was as follows:

	No impaired S/.(000)	Impaired S/.(000)	Total S/.(000)
As of December 31, 2014			
Current	3,182	88	3,270
Past due			
- Up to 1 month	253	77	330
- From 1 to 3 months	386	58	444
- From 3 to 6 months	124	132	256
- More tan 6 months	466	41,735	42,201
Total	4,411	42,090	46,501

	No impaired S/.(000)	impaired S/.(000)	Total S/.(000)
As of December 31, 2013			
Current	5,984	-	5,984
Past due			
- Up to 1 month	2,348	-	2,348
- From 1 to 3 months	3,131	38	3,169
- From 3 to 6 months	1,466	8	1,474
- More tan 6 months	-	37,469	37,469
Total	12,929	37,515	50,444

Notes to the separate financial statements (continued)

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

	2014 S/.(000)	2013 S/.(000)
Beginning balance at January 1	37,515	39,550
Provision	5,364	5,839
Exchange differences	2,328	3,159
Recoveries	(2,717)	(3,453)
Write-offs	(400)	(7,580)
Ending balance at December 31	42,090	37,515

In Management's opinion, the allowance for doubtful accounts adequately cover the credit risk at December 31, 2014 and 2013.

Trade receivables are secured with inventories when sold and, in some cases, upon the particular transaction, additional guarantees are requested.

6. Other accounts receivable, net

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Tax credit for income taxes (b)	6,293	3,024
Accounts receivable from Domingo Rodas S.A. (c)	5,079	5,484
Accounts receivable drawdowns to the tax administration	1,476	1,476
Accounts receivable from employees	244	-
Tax credit drawdown	-	144
Value added tax (VAT) (d)	-	2,555
Other minors	1,174	910
	14,266	13,593
Less:		
Allowance for other doubtful accounts receivable (e)	(2,442)	(2,306)
	11,824	11,287
Less:		
Non-current portion (b)	(1,659)	(2,873)
	10,165	8,414

(b) The income tax receivables include in advance payments of such tax incurred during the year, corresponding to the same tax credit for income tax , which amounted to approximately S/.6,293,000 at December 31, 2014 (S/.3,024,000 at December 31, 2013).

Notes to the separate financial statements (continued)

(c) This receivable arose in previous years, the Company provided a loan to Domingo Rodas SA (former subsidiary) for an amount of S/.5,150,000 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 consequence, new shareholders acknowledged the debt payable to the Company, which was refinanced and is being paid on a quarterly basis since 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.

(d) 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 was recovered as part of the Company's current business operations.

(e) The movement in the allowance for accounts receivable losses is as follows:

	2014 S/.(000)	2013 S/.(000)
Opening balance at 1 January	2,306	2,155
Recoveries of the year	-	(22)
Exchange difference	136	173
Ending balance at 31 December	2,442	2,306

In Management's opinion, the allowance for doubtful accounts adequately covers the credit risk at December 31, 2014 and 2013.

7. Inventories, net

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Engines and motors (b)	-	2,917
	-	2,917

(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.

Notes to the separate financial statements (continued)

8. Investments in subsidiaries, associates and joint venture

(a) This item is made up as follows:

	Main activity	Percentage of capital Participation 2014 %	Percentage of capital Participation 2013 %	Equity 2014 S/.(000)	Equity 2013 S/.(000) Restructured	Book value 2014 S/.(000)	Book value 2013 S/.(000) Restructured
Common shares in Subsidiaries							
Ferreyros S.A.	Purchase - sale of machinery and spare parts and workshop services	99.99	99.99	800,898	757,517	800,898	757,517
Inti Inversiones Interamericanas Corp. and Subsidiaries (a.1)	Holding company business in central america	100.00	100.00	179,135	153,066	179,135	152,684
Unimaq S.A.	Purchase - sale of machinery and spare parts and workshop services	99.99	99.99	133,886	126,114	133,881	126,109
Inmobiliaria CDR S.A.C.	Real state	99.99	99.99	72,736	68,867	72,733	68,860
Fargoline S.A.	Storage services	99.91	99.91	65,778	58,445	65,718	58,392
Motored S.A.	Purchase - sale of automative line, automative spare part and services	99.99	99.99	57,484	74,722	57,485	74,722
Trex Latinoamérica SpA and Subsidiaries (e) y (a.2)	Holding company business in South America	100.00	-	40,576	-	40,576	-
Orvisa S.A. and Subsidiaries	Purchase - sale of machinery and spare parts and workshop services	99.37	99.37	41,830	33,107	41,534	32,830
Mega Representaciones S.A. and Subsidiaries	Representative and distributor of tires	99.99	99.99	40,703	38,779	40,702	38,779
Fiansa S.A. (common share and investment)	Metalworking services	99.76	99.76	37,738	23,016	37,734	22,992
Cresko S.A.	Purchase – sale of machinery, equipment and chemical supplier	99.99	99.99	12,699	7,842	12,699	7,841
Soluciones Sitech Perú S.A.	Marketing software and technology related equipment	99.80	99.80	1,923	363	1,923	362
Forbis Logistics S.A.	Bulking Agent	99.98	99.98	914	692	913	692
Investment Fund							
Compass Fondo de Inversión de Arrendamiento Operativo	Investment fund	100.00	100.00	15,948	8,808	15,947	8,807
Associates							
La Positiva Seguros y Reaseguros S.A.	General Insurance	14.96	14.96	283,704	286,675	37,070	37,514
La Positiva Vida Seguros y Reaseguros S.A.	Life Insurance	3.01	3.01	195,010	189,221	5,554	5,380
Joint venture:							
Ferrenergy S.A.	Generation and power supply	50.00	50.00	8,519	5,345	9,454	9,155
Other investments:							
Other						899	899
						1,554,855	1,403,535

(a.1) This Holding mainly includes the subsidiaries in Central and North America, which are: Compañía General de Equipos S.A. (El Salvador), Corporación General de Tractores S.A. (Guatemala) and other subsidiaries, General Equipment Company (Belize), Mercado Central de Lubricantes S.A. (Nicaragua) and Forbis Logistics Corp. (USA). The activities of the subsidiaries that make up the Inti Group are the purchase and sale of machinery and spare parts, and workshop service.

(a.2) This Holding mainly includes the subsidiaries in South America, Trex Latinoamerica SpA, which is parent company of Equipos y Servicios Trex SpA that in turn has a subsidiary Trex Overseas Investment SA parent of a Company located in Ecuador and Colombia.

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Notes to the separate financial statements (continued)

(b) In General Meeting of Shareholders held between the months of December 2013, May, June and September 2014, several subsidiaries approved the distribution of dividends to be collected by the Company for a total of S/.75,958,000 (S/.128,461,000 to December 31, 2013).

(c) During 2014, the Company made cash contributions to its subsidiaries for approximately S/.13,303,000. Also during 2013 the subsidiary companies received capital contributions of approximately S/.81,563,000 and debt capitalization of approximately S/. 41,347,000.

(d) On December 10, 2013 an operating lease (investment fund) in order to make operating leases of equipment and machinery for any subsidiary of the Ferreycorp Group. This fund was established through an issue of shares amounting to S/.8.802,000 with a term of 5 years. At December 31, 2014, the Company is the only shareholder of the fund. This fund is presented under the equity method, which does not differ significantly from its consolidated figures along with the company.

(e) On June 1, 2014, Ferreycorp SAA acquired 100 percent of the shares entitled to vote Trex Group (Chile). At December 31 2014 the Group made a business organization and created the Compañia Trex Latinoamericana Spa, parent company of Equipos y Servicios Trex Spa de Chile, who in turn has a subsidiary Trex Overseas Investment SA, parent of a subsidiary in Ecuador and Colombia. By this acquisition, the Company paid approximately US$16,965,000 (equivalent to S/.47,519,000 at the acquisition date).

(f) The book value of investments in subsidiaries, investment fund, associates and joint venture has had the following transactions during 2014 and 2013:

	2014 S/.(000)	2013 S/.(000)
Carrying amount of investments in subsidiaries, associates and joint venture as to January 1	1,403,535	1,240,994
More -		
Share of Profit in subsidiaries, associates and joint venture	124,766	124,950
Acquisition of investment, Note 8 (e)	47,519	-
Capitalization of debt, note 8 (c)	33,500	41,347
Cash contribution in subsidiaries, note 8 (c)	13,303	81,563
Effect of change in tax rates on equity investments	5,345	-
Revaluation of land	-	32,769
Share of changes in equity of subsidiaries, associates and joint venture (*)	2,845	10,373
Less -		
Dividends declared, note 8 (b)	(75,958)	(128,461)
Carrying amount value of investments in subsidiaries, investment fund, associates and joint venture as of December 31	1,554,855	1,403,535

(*) Includes: equity items from local and foreign subsidiaries.

Notes to the separate financial statements (continued)

(f) Income and costs incurred as a result of investment properties are as follows:

	2014 S/.(000)	2013 S/.(000)
Income from rental services (*)	24,093	21,293
Cost of rental service, note 16	(6,489)	(5,512)
	17,604	15,781

(*) This category includes the following items:

	2014 S/.(000)	2013 S/.(000)
Lease to related companies and third parties		
Ferreyros S.A.	23,387	21,280
Fima Industrial S.A.C.	638	-
Caterpillar Internacional Services S.A.	32	7
Not-for-profit Ferreyros Association	21	6
Motored S.A.	15	-
	24,093	21,293

Notes to the separate financial statements (continued)

10. **Financial obligations**

(a) This item is made up as follows:

Creditor	Maturity	Original currency	Annual effective interest rate %	2014 Current portion S/.(000)	2014 Non-current portion S/.(000)	2014 Total S/.(000)	2013 Current portion S/.(000)	2013 Non-current portion S/.(000)	2013 Total S/.(000)
Bonds									
Corporate Bonds – Rule 144A (b)	Up to April 2020	US$	4.875	-	882,522	882,522	-	821,845	821,845
Promissory notes with local and foreign institutions									
Banco de Crédito del Perú S.A.	Up to November 2015	US$	4.080	11,956	-	11,956	11,184	11,184	22,368
Banco de Crédito del Perú S.A.	Up to August 2016	US$	5.550	12,753	10,029	22,782	11,314	21,311	32,625
Banco Internacional del Perú - Interbank	Up to March 2019	US$	4.880	5,553	21,658	27,211	-	-	-
Banco Internacional del Perú - Interbank	Up to April 2019	US$	4.880	11,106	43,316	54,422	-	-	-
Leases (e)									
Banco de Crédito del Perú S.A.	Up to January 2015	US$	6.800	291	-	291	3,150	272	3,422
Banco de Crédito del Perú S.A.	Up to May 2014	US$	6.950	-	-	-	267	-	267
Loan from third party – no related	No specific maturity	US$	5.050	-	12,328	12,328	-	9,969	9,969
				41,659	969,853	1,011,512	25,915	864,581	890,496

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Notes to the separate financial statements (continued)

(b) On April 19, 2013, the first international issuance of corporate bands was listed. The New York Mellon Bank was named as a trustee. The issuance of the bonds was regulated under Rule 144A and Regulation S of the U.S. Securities Act of 1993 and a public offering for institutional investors in Peru. That bond issue was for a total of U.S. $ 300 million (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 with final maturity in April 24, 2020. The total redemption of the bonds will be take place at the maturity date. Funds have been used for repaying debt and for general corporate purposes.

The bonds are secured with general warranty over the Company's equity and comply with the following ratios:

- Maintain a Leverage Ratio (Consolidated Total Debt / EBITDA) no greater than 3.5.
- An interest coverage rate (EBITDA / interest) of a least 3.0

Compliance with the obligations described are overseen by the Company's management and validated by the representative of bondholders. In case of default of the above covenants, early termination will be incurred. In the opinion of management, the Company was in compliance with these obligations at December 31, 2014.

(c) Interest expense accrued for the years ended December 31, 2014 and 2013 , related to other financial liabilities , amounting to approximately S/.49,758,000 and S/.32,451,000, respectively, which are presented in the caption "Financial expenses" in the separate statement of income, note 18. The accrued interest outstanding as of December 31, 2014 amounts approximately to S/.8,658,000 (S/.7,650,000 as of December 31, 2013), see note 12.

(d) As of December 31, 2014, the Company had credit lines with most banks for working capital up to S/.979,895,000 in the financial system, which are intended for short-term financing.

(e) Correspond to the financial lease contracts signed by the Company with the Banco de Credito del Peru S.A., for properties located in the district of Santiago de Surco, These contracts expire in 2015, accrue interest at an average annual rate of 6.8 percent and are secured by the same assets related to these contracts. As of December 31, 2014, the net book value of assets amounted to S/.291,000 (S/.3,689,000 as of December 31, 2013).

Notes to the separate financial statements (continued)

(f) Minimum payments on finance leases are as follows:

	2014 S/.(000)	2013 S/.(000)
Financial leases - minimum lease payments		
Up to 1 year	292	3,554
Greater than 1 year up to 5 years	-	272
	292	3,826
Future finance charges on financial lease	(1)	(137)
Present value of financial lease obligations	291	3,689
The present value of financial lease liabilities is as follows:		
Up to 1 year	291	3,434
Greater than 1 year up to 5 years	-	255
	291	3,689

(g) As of December 31, 2014 and 2013, the repayment schedule of the non-current portion of long-term debt was as follows:

Year	2014 S/.(000)	2013 S/.(000)
2015	-	33,355
2016	39,828	9,381
2017	18,325	-
2018	20,869	-
2019	8,309	-
2020	882,522	821,845
	969,853	864,581

Financial obligations related to leases are secured since property rights over the assets could revert to the lessor in the event of default by the Company.

Notes to the separate financial statements (continued)

11. Trade accounts payable

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Invoices (b)	549	791
Related parties, note 19 (b)	-	84
	549	875

(b) Trade payables are denominated in local and foreign currency and arose mainly for acquisitions and other services for the Company. The trade payables have current maturities with no guarantees and do not accrue interest.

12. Other accounts payables

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Interest payable, note 10 (c)	8,658	7,650
Provision for contingencies (c) and note 20	8,097	8,097
Liability for various expenses (d)	6,267	4,461
Devolutions to a clients	4,023	3,834
Salaries payable	3,622	2,540
Other taxes	2,484	181
Worker's profit sharing	297	392
Employee Severance Benefits	101	-
Dividends payable	98	86
Customer advances	-	1,209
	33,647	28,450

Notes to the separate financial statements (continued)

(b) These balances have current maturities and have no specific no guarantees.

(c) Correspond mainly to claims related expenses from trust equity for the year 2004, which belonged to the Company.

(d) This balance comprises various liabilities estimated by the Company in the event to settle obligations at the date of the statement of financial position.

Notes to the separate financial statements (continued)

13. **Deferred Income tax liability, net**

(a) The deferred income tax asset and liability as of December 31, 2014 and 2013 are as follows:

	As of January 1, 2013 S/.(000)	Credit (debit) to the statement of income S/.(000)	Transfer to equity block S/.(000)	As of December 31, 2013 S/.(000)	Credit (debit) to the statement of income S/.(000)	Credit (debit) to the statement of changes in equity S/.(000)	As of December 31, 2014 S/.(000)
Deferred asset -							
Provisions	1,684	(654)	-	1,030	36	-	1,066
Difference in depreciation rates	(902)	(568)	-	(1,470)	(241)	-	(1,711)
Allowance for doubtful accounts receivable	7,447	803	-	8,250	(666)	-	7,584
Carryforward tax losses	-	8,642	-	8,642	4,560	-	13,202
Vacations	-	-	-	-	14	-	14
Estimation for impairment of inventories and fixed assets	351	(325)	-	26	(4)	-	22
Other	377	32	-	409	(54)	-	355
	8,957	7,930	-	16,887	3,645	-	20,532
Deferred liability							
Surplus revaluation of land	40,209	(14)	18,523	58,718	-	(7,829)	50,889
Revaluation of buildings and constructions	7,928	(336)	-	7,592	(1,381)	-	6,211
Financial leases	5,598	23	-	5,621	(955)	-	4,666
Gain on deferred sales, net	557	(348)	-	209	(177)	-	32
Other provisions	(1,046)	1,458	-	412	(146)	-	266
	53,246	783	18,523	72,552	(2,659)	(7,829)	62,064
Total deferred liability, net	(44,289)	7,147	(18,523)	(55,665)	6,304	7,829	(41,532)

Due to a decrease the income tax rate referred to in note 20 (a), there has been a decrease in S/. 2,441,000 and S/. 1,601,000 in assets and liabilities deferred tax earnings, respectively. The net effect is a decrease in liabilities of approximately S/.840.000 registered within income tax in the separate income statement.

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

	2014 S/.(000)	2013 S/.(000)
Income tax		
Deferred	(6,304)	(7,147)
Other	97	(1,276)
Total income tax from continued operations	(6,207)	(8,423)
Income tax from discontinued operations	622	2,536
Income tax	(5,585)	(5,887)

Notes to the separate financial statements (continued)

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

	2014		2013	
	S/.(000)	%	S/.(000)	%
Profit before income tax	89,686	100.00	101,499	100.00
Income tax according to tax rate	26,906	30.00	30,450	30.00
Effect on non-deductible (income) expenses				
Untaxed investment income	(35,000)	(39.03)	(38,532)	(37.96)
Non-deductible expenses	2,291	2.55	1,637	1.61
Effect of exchange rates, note 2.2 (k)	840	0.94	-	-
Discontinued Operations	(622)	(0.69)	558	0.55
Income tax earnings	(5,585)	(6.23)	(5,887)	(5.80)

14. Equity

(a) Issued capital -

As of December 31, 2014, the issued capital of the Company is represented by 1,014,326,324 common shares with a nominal value of each S/.1.00 (945,227,102 common shares subscribed and paid in December 31, 2013 with a nominal value of S/.1.00 each). Also, the partial capitalization of the share premium (additional capital) by S/.31,900,000 was approved.

As of December 31, 2014, the shareholding structure of the Company was as follows:

Percentage of individual share capital	Number of shareholders	Total participation %
Up to 1.00	2,717	31.50
From 1.01 to 5.00	17	39.21
From 5.01 to 10.00	4	29.29
	2,738	100.00

Notes to the separate financial statements (continued)

(b) Additional Capital -

Corresponds to the difference between the contribution received and the nominal value of the shares issued by the Company in 2012, which remains in equity as additional capital net of capitalizations. The partial capitalization of the share premium was approved by S/.31,900,000 in General Meeting of Shareholders of 26 May 2013 (in the Shareholders' Meeting of May 26, 2012 the partial capitalization of the share premium was approved by S/.31,900,000).

(c) Legal reserve -

Pursuant to in the Corporations Act, it's mandatory that at least 10 percent of the annual income, net of income taxes be transferred a legal reserve. The Company must reach a legal reserve of at least 20 percent of its paid-in capital. The legal reserve can absorb losses or be capitalized, in both cases there must be replenished. At December 31, 2014, the Shareholders 'Meeting of May 26, 2013 approved the transfer of S/.10,333,000 of retained earnings to the legal reserve (At December 31, 2013 the Shareholders' Meeting of March 29, 2013 approved the transfer of S/.17,587,000 of retained earnings to legal reserve).

(d) 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 hedging cash flow, where the change in value is initially disclosed in equity, subsequently affecting the income statement depending on how it is influenced by the underlying covered.

(e) Distribution of dividends -

In General Meeting of March 26, 2014, payment of cash dividends was approved for S/.55,797,000 and pending of subscription of 2013 profits by S/.37,199,000.

In General Meeting of March 29, 2013, payment of cash dividends was approved for S/.48,194,000 and pending of subscription of 2012 profits by S/.110,092,000.

(f) Foreign currency translation -

Corresponds to the exchange difference resulting from the financial statements translation for foreign operations to the presentation currency of the Company.

(g) Unrealized gains -

Corresponds to the equity adjustments of certain subsidiaries and associates under the equity method. It also includes the gains of available-for sale investments at their fair value net of tax deferred income.

Notes to the separate financial statements (continued)

15. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year by the weighted average number of shares outstanding during the year. Basic and diluted earnings per share are the same since no dilutive effects on earnings.

The calculation of earnings per share is a follows:

	2014 S/.(000)	2013 S/.(000)
Common shares	1,014,326	1,014,326
Basic and diluted earnings per common share		
Net income for the year used in the calculation (S/.)	91,981	99,818
Basic and diluted earnings per common share (S/.)	0.091	0.098
Basic and diluted earnings per common share for continuing operations:		
Net income from continuing operations	95,271	107,386
Basic and diluted earnings per common share for continuing operations Profit (S/.)	0.094	0.106
Basic and diluted earnings per common share for discontinued operations:		
Net loss from discontinued operations	(3,290)	(7,598)
Basic earnings per share for discontinued operations (S/.)	(0.003)	(0.008)

16. Cost of rental services

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Depreciation, note 9(a)	5,691	4,929
Property taxes	594	513
Insurance on properties	202	60
Building maintenance	2	10
	6,489	5,512

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Notes to the separate financial statements (continued)

17. Administrative expenses

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Personnel expenses	11,407	2,540
Business support provided by Ferreyros S.A.	2,382	4,816
Legal, notary and registration costs	2,228	749
Travel and mobility	368	64
Apartments rental	234	84
Consulting and advisory services	123	-
Subscriptions and quotations	104	136
Advertising and publications	55	18
Business information services	45	-
Energy	33	-
Stationery and office supplies	26	5
Donations	25	-
	17,030	8,412

18. Financial expenses

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Interest on corporate bonds, note 10 (c)	44,595	26,870
Interest on long-term loans, note 10 (c)	5,134	5,412
Tax on financial transactions	2,201	1,476
Interest on loans from subsidiaries	152	2,333
Interest on overdrafts and loans, note 10(c)	29	169
Other financial expenses	860	855
	52,971	37,115

Notes to the separate financial statements (continued)

19. Balances and transactions with related companies

(a) The principal related party transactions are as follows:

	2014 S/.(000)	2013 S/.(000)
Loans granted	185,501	900,046
Interest on loans granted	43,963	-
Buildings rentals	23,402	21,185
Business support	4,940	3,912
Management expenses	2,666	6,597
Capital contribution	863	4,555
Interest for borrowings	727	2,333
Transfer of assets	102	10,884
Purchases of services	7	6,072
Purchase of goods	1	54,512
Sale of goods	-	12,412
Equipment rental	-	2,088
Sales of services	-	622
Other incomes	11	116

Management believes that the Company conducts its operations with related 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 tax settlement base. Regarding the payment, they do not differ from policies granted to third parties.

(b) Accounts receivable and payable as of the December 31, 2014 and 2013 is as follows:

	2014 S/.(000)	2013 S/.(000)
Trade accounts receivables current portion (c), note 5(a)		
Ferreyros S.A.	2,545	1,372
Motored S.A.	11	29
Fiansa S.A	-	-
Unimaq S.A	-	11
	2,556	1,412
Other accounts receivables current portion (d)		
Ferreyros S.A.	110,327	107,650
Unimaq S.A.	45,008	7,906
Motored S.A.	24,830	11,257
Inti Inversiones Interamericanas Corp.	15,557	3,662
Inmobiliaria CDR S.A.C.	12,704	4,671

Notes to the separate financial statements (continued)

	2014 S/.(000)	2013 S/.(000)
Cresko S.A.	7,720	7,549
Mega Representaciones S.A.	7,158	7,346
Orvisa S.A.	6,163	9,478
Fargoline S.A.	3,160	10,293
Fiansa S.A.	2,419	4,789
Ferrenergy S.A.	-	36
Other	2,446	183
	237,492	174,820
Other accounts receivables-non-current portion (d)		
Ferreyros S.A.	254,457	267,832
Unimaq S.A.	113,402	130,433
Motored S.A.	50,079	55,880
Mega Representaciones S.A.	32,351	25,333
Inti Inversiones Interamericanas Corp.	27,035	31,994
Orvisa S.A.	22,470	27,154
Cresko S.A.	14,856	21,285
Fiansa S.A.	3,643	18,614
Inmobiliaria CDR S.A.C.	2,794	-
Fargoline S.A.	2,482	11,496
	523,569	590,021
Trade accounts payable-current portion (c), note 11(a)		
Unimaq S.A.	-	3
Ferreyros S.A.	-	65
Motored S.A.	-	15
Otros	-	1
	-	84
Other accounts payable-current portion (e)		
Ferreyros S.A.	983	20,422
Motored S.A.	-	12,730
Ferreynergy S.A.	-	4,555
Inti Inversiones Interamericanas Corp.	-	2,713
	983	40,420

Notes to the separate financial statements (continued)

(c) Accounts receivable and trade payables arising from sales and / or services provided and received by the Company are considered to be current, non-interest bearing and no specific guarantees, see Note 5 (a) and 11 (a).

(d) The accounts receivable for loans granted to its subsidiaries bears interest rates from 4.5 to 9.3 percent and have a maturity ranging between 2 and 7 years.

(e) Such payables associated with borrowings from its subsidiaries bear interest rates of 2-6 percent and have short-term maturities.

20. Commitments and Contingencies

Commitments -

As of December 31, 2014, the Company had the following commitments:

(a) Endorsements for US$ 96,000,000 and US$3,000,000, which guarantee credit operations of subsidiaries and affiliates, and third-party transactions of third, respectively, with various maturities.

Tax situation

(a) The Company is subject to Peruvian tax law. At December 31, 2013 and 2014, the income tax rate is 30 percent on taxable income after deducting workers' profit sharing which is calculated at a rate of 8 percent on taxable income.

Beginning fiscal 2015, pursuant to the Act 30296, at December 31, 2014 and effective from January 1, 2015, the tax rate on taxable income, after deducting the workers' profit sharing is as follows:

- Year 2015 and 2016: 28 percent.
- Year 2017 and 2018: 27 percent.
- Year 2019 onwards: 26 percent.

Legal individuals not domiciled in Peru and individuals are subject to retention of an additional tax on dividends received. In this regard, pursuant to Act 30296, at December 31, 2014 and effective from January 1, 2015, the additional tax on dividend income is as follows:

- 4.1 percent of the profits as of December 31, 2014.
- For profits for the year 2015, whose distribution is made after such date, shall be:
  - 2015 and 2016: 6.8 percent.
  - 2017 and 2018: 8 percent.
  - 2019 onwards: 9.3 percent.

Notes to the separate financial statements (continued)

(b) For purposes of determining income 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 current valuation methods and with criteria used for its calculation. Based on the Company's operations, Management, and its legal counselors, the application of these standards will not result in significant contingencies for the Company as of December 31, 2014 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 filing the affidavit. The affidavits of income tax and general sales tax the years 2011 to 2014 are pending audit by the Tax Authority. The sworn statements for the years 2000 to 2008 were reviewed by the Tax Authority. The Tax Administration is in the process of audit of 2009 and 2010.

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, 2014 and 2013.

Contingencies

(a) At December 31, 2014, the Company has tax processes of appeal or administrative litigation lawsuit amounting to approximately S/.116,000,000 (including fines for S/.16,323,000 and interest for S/.77,031,000). These processes are pending administrative or judicial decision, and relate to observations made by the Tax Administration affidavits of: (i) income tax (including prepayments) of the tax years 2001 to 2008 for S/.107,235,000; (ii) general sales tax for taxable years 2001 to 2006 by S/.3,254,000 ; and (iii) income tax non-domiciled for tax years 2002, 2003, 2005 and 2006 for S/.5,082,000 .

In all cases, as of December 31, 2014, the Company is advised by specialists on these issues, who had determined, together with Management, that approximately S/.8,097,000 (S/.8,097,000 as of 31 December 2013), could be considered as probable loss. The Company has recorded a provision for such amount as of December 31, 2014 and 2013, 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, 2014.

Notes to the separate financial statements (continued)

21. **Financial risk management**

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 ongoing identification, measurement and monitoring, subject to risk limits and other controls. This risk management process is critical to the Company's continued profitability and each individual is accountable the risk exposures relating to his/her 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 Company's strategic planning process.

(a) Risk management structure -

The Company's Risk management structure has the Board of Directors as a basis, which is ultimately responsible for identifying and controlling risks, in coordination with other areas as explained below:

(i) Board of Directors

The Board is responsible for the overall risk management approach. The Board provides principles for risk management and the policies covering 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 body whose mission is to provide assurance to Senior Management and the Board, through the Audit Committee in overseeing the Company's risk management, monitoring the internal control environment and providing guidance on the related action plans to mitigate risks that could adversely affect the achievement of the objectives of the Company.

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

(iii) Internal audit

The Company's risk management processes are monitored by the Internal Audit function, 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.

Notes to the separate financial statements (continued)

(iv) Department of finance

The Department of Finance is responsible for managing the Company's assets and liabilities and the overall financial structure. It is primarily responsible for managing the Company's funds and liquidity risks; assuming liquidity, interest rate and exchange rate risks, under the policies and limits currently effective.

(v) Corporate Risk division

The Corporate Risk division is responsible for providing comprehensive risk management based on methodology established, 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 approved 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 Company's strategic planning process, for which the Company set action plans to mitigate these risks, which comprises risks of competition, recruitment, retention equipment's availability, products failure, social conflict and global financial crisis.

(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 entering into hedging transactions, which are authorized by the appropriate level of seniority within the Company.

(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 Company's performance with features that affect a particular industry.

Identified concentrations of credit risks are controlled and continuously monitored.

21.1. Credit risk

The Company takes on positions subject to credit risk which is the risk that customer cause a financial loss by not complying with an obligation. Financial assets potentially exposed to concentrations of credit risk are primarily deposits with banks, trade accounts receivable and other receivables.

At December 31, 2014, Management has estimated the maximum amount of credit risk to which the Company is exposed is approximately S/.775,526,000 (S/.799,789,000 at December 31, 2013), which represents the carrying amount of financial assets. In the management's opinion, there are no significant concentrations of credit risk at December 31, 2014 and 2013.

Notes to the separate financial statements (continued)

21.2. Interest rate risk

At December 31, 2014 and 2013 the Company policy is to maintain financial instruments that accrue fixed interest rate. The Company's operating cash flows are substantially independent of changes in market interest rates; due to individual credit rating of the Company, allowing it to obtain competitive interest rates in local markets.

The Company's exposure to interest rate risk is summarized in the following table. Financial instruments of the Company are shown to their carrying amounts, categorized according to their contractual terms:

	As of December 31, 2014					
	Up to 3 months S/.(000)	From 3 to 12 months S/.(000)	From 1 to 5 years S/.(000)	Non-interest bearing S/.(000)	Total S/.(000)	Interest rate average at 2014 %
Asset						
Cash and cash equivalents	-	-	-	4,523	4,523	-
Trade accounts receivables, net	-	-	-	4,411	4,411	-
Other accounts receivables, net (*)	-	-	2,637	2,894	5,531	7.55
Accounts receivables from related entities	97,303	70,189	523,569	70,000	761,061	Between 1.67and 9.30
Total asset	97,303	70,189	526,206	81,828	775,526	
Liabilitiy						
Trade accounts payable	-	-	-	549	549	-
Other accounts payable	-	-	-	33,647	33,647	-
Accounts payable to related parties	-	-	-	983	983	-
Other financial obligations	-	41,659	969,853	-	1,011,512	Between 4.08 and 6.80
Total Liability	-	41,659	969,853	35,179	1,046,691	
Marginal gap	97,303	28,530	(443,647)	46,649	(271,165)	
Cumulative gap	97,303	125,833	(317,814)	(271,165)	-	

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	As of December 31, 2013					
	Up to 3 months S/.(000)	From 3 to 12 months S/.(000)	From 1 to 5 years S/.(000)	Non-interest bearing S/.(000)	Total S/.(000)	Interest rate average at 2013 %
Assets						
Cash and cash equivalent	11,485	-	-	4,970	16,455	3.50
Trade account receivables, net	-	-	-	12,929	12,929	-
Other accounts receivables, net (*)	-	-	3,178	2,386	5,564	7.55
Accounts receivables from related parties	31,793	23,134	590,021	119,893	764,841	Between 4.5 and 9.3
Total asset	43,278	23,134	593,199	140,178	799,789	
Liabilities						
Trade accounts payables	-	-	-	875	875	-
Other accounts payables	-	-	-	28,450	28,450	-
Accounts payables to related parties	40,420	-	-	-	40,420	Between 2.00 and 6.0
Other financial liability	-	25,915	864,581	-	890,496	Between 4.08 and 6.95
Total liabilities	40,420	25,915	864,581	29,325	960,241	
Marginal gap	2,858	(2,781)	(271,382)	110,853	(160,452)	
Cumulative gap	2,858	77	(271,305)	(160,452)	-	

(*) At December 31, 2014, other receivables included in this table do not consider a rising amount S/.6,293,000 (S/.5,723,000 at December 31, 2013) for the Credit for income tax, value added tax (VAT) credit and value added tax drawdowns, which according to IFRS, do not qualify as financial instruments.

Notes to the separate financial statements (continued)

The following chart shows the sensitivity to a possible change in interest rates, with all other variables held constant, in the separate income statement before income tax. The sensitivity in the separate income statement is the effect of the changes in interest rates on net interest income for one year before income tax, based on the financial assets and financial liabilities exposed to changes in interest rates as of December 31, 2014 and 2013:

	2014		2013	
Currency	Changes in basis points	Sensitivity in net profit S/.(000)	Changes in basis points	Sensitivity in net profit S/.(000)
Nuevos Soles	+/-50	208	+/-50	187
Nuevos Soles	+/-100	417	+/-100	374
Nuevos Soles	+/-200	833	+/-200	748
Nuevos Soles	+/-300	1,250	+/-300	1,122

The interest rate sensitivity shown in the chart above are illustrative only and is 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 interest rate risk profile. However, this effect does not include actions that would be taken by Management to mitigate the impact of these interest rates risks. Furthermore, the Company proactively seeks to change the interest rates risk profile 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 simplify calculations, including, that all positions are held to maturity or, if they mature within the year, are renewed for the same amount.

21.3. 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 liquidity through a proper management of maturities of its assets and liabilities so as to achieve the fit between the revenue stream and future payments, allowing the Company to develop its activities normally.

Notes to the separate financial statements (continued)

The main sources of the Company is income are cash collections from sales of imported merchandise. The average payment period to its suppliers was 60 days for the years 2014 and 2013. The Company believes that the management of collection and payment terms tends to improve due to improvements made in their collection management policies.

In the event that 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 due to its economic solvency it has given short and medium term loans at market rates.

Notes to the separate financial statements (continued)

The following chart presents the cash flows payable by the Company in accordance with the contractual maturities at dates the financial position statement. The amounts are the undiscounted cash flows based on contractual terms including their respective interest:

	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)
As of December 31, 2014					
Other financial liabilities:					
Amortization of capital	-	41,659	87,331	882,522	1,011,512
Amortization of interests	12,279	36,087	195,041	-	243,407
Trade accounts payables	549	-	-	-	549
Other accounts payables	33,647	-	-	-	33,647
Asscounts payables to related entities	983	-	-	-	983
Total	47,458	77,746	282,372	882,522	1,290,098
As of December 31, 2013					
Other financial liabilities:					
Amortization of capital	-	25,915	42,736	821,845	890,496
Amortization on interests	10,907	32,296	205,785	13,631	262,619
Trade accounts payables	875	-	-	-	875
Other accounts payables	28,450	-	-	-	28,450
Accounts payables to related entities	40,420	-	-	-	40,420
Total	80,652	58,211	248,521	835,476	1,222,860

Notes to the separate financial statements (continued)

21.4. Exchange rate risk

The Company is exposed to the effects of fluctuations in the exchange rates prevailing 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 conducted primarily in local currency. Transactions in foreign currency are carried at rates of supply and demand and are detailed in note 3.

The Company manages the risk of foreign exchange by 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 devaluation of the U.S. dollar would adversely affect the statement of financial position of the Company. The current position comprises transactions in foreign currency which 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 sets out the sensitivity analysis of the U.S. dollar, the currency to which the Company has significant exposure over its assets and liabilities and its forecast cash flows at 31 December 2014 and 2013. The analysis determines the effect of a reasonably possible change in the exchange rate of the U.S. dollar, with all other variables held constant in the separate income statement before income tax.

A negative amount discloses 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 %	2014 S/.(000)	2013 S/.(000)
Devaluation -			
Nuevo Soles	5	17,393	15,568
Nuevo Soles	10	34,787	31,136
Revaluation -			
Nuevo Soles	5	(17,393)	(15,568)
Nuevo Soles	10	(34,787)	(31,136)

Notes to the separate financial statements (continued)

21.5. Capital management

The Company actively manages a capital base to hedge inherent risks in its activities. The capital adequacy of the Company is monitored through 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.

At December 31, 2014 and 2013, there were no changes in the activities and capital management policies of the Company.

21.6. 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 willing 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 significant interest rate. Therefore, it has been assumed that their carrying amounts approximate their fair value.
- Accounts receivables because they are net of provision for loan losses and primarily have maturities of less than one year, 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.

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 at December 31, 2014 and 2013.

(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, 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 Company's Management 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 carrying amounts and the fair values of these financial instruments is disclosed in the chart below:

	2014		2013	
	Carrying value S/.(000)	Fair value S/.(000)	Carrying value S/.(000)	Fair value S/.(000)
Other current financial liabilities	41,659	41,659	25,915	25,915
Other non-current financial liabilities	969,853	715,928	864,581	640,423

Notes to the separate financial statements (continued)

22. **Discontinued operations**
On March 28, 2012, as part of a simple reorganization, the Company transferred the assets and liabilities of the Automotive Online Caterpillar to its related Ferreyros S.A. and Motored S.A., respectively, so that the profit or loss 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 the line are as follows:

Separate statement of income

	2014 S/.(000)	2013 S/.(000)
Net sales	3,664	60,410
Cost of sales	(2,921)	(60,760)
Gross (loss) income	743	(350)
Operating expenses	(5,905)	(11,156)
Operating loss	(5,162)	(11,506)
Other income	1,250	1,402
Loss before income taxes	(3,912)	(10,104)
Income taxes	622	2,536
Net loss	(3,290)	(7,568)

Statement of financial position

	2014 S/.(000)	2013 S/.(000)
Asset		
Cash and cash equivalents	4,523	16,455
Trade accounts receivables	4,411	12,929
Other accounts receivables	11,824	11,287
Prepaid expenses	1,073	397
Inventories	-	2,917
Total assets	21,831	43,985
Total liabilities	21,831	43,985

23. **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 2. 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.

Annual Report 2014 We aim higher —— Corporate Governance

Corporate Governance

Self-assessment of compliance with the Principles of Good Governance for Peruvian Companies, for fiscal year 2014

REPORT ON COMPLIANCE WITH THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES (10150)

Name:
FERREYCORP S.A.A.

Fiscal year:
2014

Website:
www.ferreycorp.com.pe

Name or trading name of the reviewing company:
B60001

1 Only applicable if the information contained in this report has been checked by a specialist company (for example: auditing company or consultant).

Letter of introduction [1]

Good corporate governance practiced by Ferreycorp reflects the company's conviction that excellent relationships with its investors and other stakeholders are paramount, therefore it continually updates and improves these relationships in line with global trends and, above all, in accordance with requirements or recommendations applicable to Peruvian companies.

In November 2013 the new Code of Corporate Governance for Peruvian Companies was issued.. This new code was drawn up by the SMV with input from the main participants in the capital market, such as regulatory authorities, the Banking, Insurance and Pension Fund Regulator and others. Ferreycorp was involved from the beginning of this process through the Procapitales Corporate Governance Committee.

At the same time, in June 2014 the SMV published the new format for reporting compliance with good corporate governance for Peruvian companies, which applies obligatorily to this annual report for companies with shares registered at the Stock Exchange Public Registry.
This new self-assessment form on compliance by the company's practices reveals the degree of compliance with 31 principles of the new code, rather than 26 and enables the company to explain why it failed to adopt a principle or failed to comply with it in full, and the action taken towards compliance or partial adoption, as appropriate, in the following sections.

In addition, in order to participate in the BVL good corporate governance competition and be included in the good corporate governance index, this report has to be reviewed by a specialist validating company, following the instructions and parameters defined by the BVL.

As in previous years, Ferreycorp will take part in the evaluation leading to inclusion in the BVL's good corporate governance index and is currently updating certain practices in line with the new code, which provides valuable guidelines for the general meeting of shareholders, equal treatment, the policies pursued by the board of directors, risk management and information transparency. Updating in line with the new code has caused changes in certain company documents and internal policies, including the by-laws, all of which are being submitted for approval to the appropriate bodies.

Fiscal year 2014 was another in which the corporation implemented certain new procedures and policies aimed at improving its governance. The main ones are described below:

a) With a view to establishing guidelines to ensure proper participation in general meetings of shareholders, whether directly or through proxies, Ferreycorp sought advice from a foreign specialist in this matter, not only regarding the powers of the general meeting, but also to guarantee the quality of votes within it. As a result, for the 2014 annual general Ferreycorp produced a governance report showing each item in the order of the day and incorporating the possibility of independent votes for each of the candidates for directorships, whose names and CVs were published before the meeting.

Thus the annual general meeting of shareholders was held on the 26th of March 2014, called duly in advance by notices of calling published in 'Expreso' and 'El Peruano' newspapers, on the company notice boards, by telephone and e-mail and letters detailing the agenda, so that shareholders could attend the meeting armed with as much information as possible on the items to be discussed. The result was the presence of 166 shareholders who, together with proxies, produced a quorum of 72.6664%. at the meeting. The agreements adopted by the meeting were revealed to the market the following day as "significant events" and published on the Ferreycorp web site.

2 Describes the main actions taken during the fiscal year regarding good corporate governance that the company considers relevant in line with the five pillars of the Code of Good Corporate Governance for Peruvian Companies : Shareholders' rights, general meeting, the board of directors and senior management, risk and compliance and information transparency.

Because of the improvement in these practices and their updating in line with international standards, the two main international consultants providing corporate governance solutions for voting purposes, Institutional Shareholder Services Inc. (ISS) and Glass, Lewis & Co.- recommended that during the meeting votes should be held on all the items in the order of the day. Furthermore, the ISS's Latin America Proxy Season Review 2014 recognized that Ferreycorp was one of the companies in the region that guaranteed transparency and improved business information during 2014.

b) In addition, in July 2014 when the new regulations concerning significant events and confidential information was approved by the SMV, the corporation changed its internal conduct rules for safeguarding confidentiality, transparency and the publication of information in the capital market concerning the treatment of material events, confidential and privileged information and the conduct of its Stock Exchange representative. At the same time, it developed an internal communications strategy aimed at informing all collaborators about the scope of the new internal rules on this matter applicable in the corporation. Since the above-mentioned regulation took effect, significant events have not been published on the day after the company became aware of them, but on the same day.

c) In accordance with the current dividend policy –updated in March 2013– the General meeting approved a cash dividend and the capitalization of profits. The board of directors recommended the distribution of S/. 0.059031 per share (5.9031%) as a cash dividend and the provision of shares equivalent to S/. 0.073103302 per share, which represents 7.3103302%.

d) Furthermore, through its Securities and Investor Relations Department, the corporation continued to answer queries and submit relevant information promptly to its shareholders, analysts and other stakeholders. Responding to the good practice of making different sources of information available to the market, Ferreycorp took part in a number of individual and group meetings and quarterly conference calls with institutional investors, investment banks and Peruvian and foreign analysts. These meetings generated greater interest on the part of foreign funds, which have increased their shareholding in the company. The company's results, together with an analysis and discussion, continue to be published quarterly.

e)Since 2006 Ferreycorp has taken part in the Latin American Corporate Governance Companies Circle, consisting of twelve Latin American companies who lead the implementation of good corporate governance in the region. In 2014 the corporation participated actively in the Circle's meetings, to which it sent its Finance and Corporate Affairs managers, who were part of the "Corporate Governance in Economic Groups" and "Compliance and Risks" working groups respectively. This space, promoted by the Organization for Economic Cooperation and Development (OECD) and the International Finance Corporation (IFC) is a forum for discussion of the challenges and achievements in improving the corporate governance of companies in the region.

f)This commitment to good corporate governance is what, in 2014 and after a rigorous evaluation carried out by a validation company accredited by BVL, enabled Ferreycorp's shares to be included for the seventh year running in the BVL's Good Corporate Governance Index, which has consisted of companies with the best corporate governance practices since 2008.

The corporation is completely convinced that adopting good corporate governance helps to increase its value, both when issuing shares and placing bonds in the capital markets. In line with this firm conviction, it makes every effort to create ever greater value for its shareholders, with a view to attracting new investors and differentiating itself in the capital market.

Thus Ferreycorp has adopted principles of good corporate governance that include, among other matters, protecting the rights of all shareholders equally: majority, minority and foreign, through fair treatment; ensuring that all matters considered relevant by the corporation are made known promptly and adequately, including its financial situation, performance, risks affecting it and shareholdings, strictly following the guidelines for Significant Events when such events occur.; guaranteeing the strategic direction of the company through effective monitoring by the board of directors, and defining the responsibilities of the board to the shareholders.

Equally, these principles consider that company administration should be based on values such as clear policies from the board of directors, equal treatment for shareholders and information transparency. In particular, the role of the board of directors is to add value to the company, to enable independent directors to contribute a plurality of opinion and experience through active participation in internal committees.

Ferreycorp's commitment is to continue to implement improvements in the field of good corporate governance, in order to serve its shareholders and investors daily, in a transparent, fair and serious manner.

Methodology

Companies with securities registered with the Stock Market public Registry ar obliged to tell the public about their good corporate governance and for that purpose the report their adherence to the principles contained in the Code of Good Corporate Governance for Peruvian Companies.

The information submitted concerns the fiscal year ending on the 31st of December of last calendar year, therefore all references to "the fiscal year" refer to that period, and the company's annual report has been sent in electronic format as required by the Stock Market Regulatory Authority (SMV) for the provision of information using the MVnet system.

Section A includes a letter from the company describing the progress in corporate governance achieved during the fiscal year.

Section B shows the degree of compliance with the principles making up the Code. Therefore the report is structured in accordance with the Code's five pillars:

I. Shareholders' rights;
II. General meeting of shareholders;
III. Board of directors and senior management ;
IV. Risk and Compliance; and,
V. Information transparency.

The evaluation of each principle is based on the following parameters

a) "Comply or explain" evaluation: use an (x) to indicate the level of compliance achieved by the company, taking the following criteria into consideration:

Yes: Full compliance with the principle.
No: The principle has not been complied with.

Explanation: if the company has marked "no" in this field, it should explain the reasons why it has not adopted the principle or taken action leading to compliance, or partial adoption, as the case may be. If necessary, if it has marked "yes" the company may provide information on compliance with the principle.

b) Supporting information: information giving greater details of how the company has implemented the principle.

Section C lists the company documents regulating its policies, procedures and other aspects relevant to the principles under evaluation.

Section D includes additional information not included in the earlier sections, or other relevant information that the company chooses to mention, so that investors and other stakeholders have a broader view of the good corporate governance practices implemented by it.

3 The Code of Good Corporate Governance for Peruvian Companies (2013) may be consulted in the section entitled Guidance – Corporate Governance of the stock exchange website www.smv.gob.pe.
4 The phrase "senior management" includes the general manager and other managers.

Section B: Evaluation of compliance with the principles of the Code of Good Corporate Governance for Peruvian Companies

PILLAR I: Shareholders' rights

Principle 1: Equal treatment

Question I.1

	Yes	No	Explanation:
Does the company give equal treatment to shareholders of the same class and maintain the equal conditions(*)?	X		The company has only one type of shares: ordinary shares, with the same rights and conditions

(*) The same conditions means those that distinguish the shareholders or give them a common characteristic in their relationship with the company (institutional investors, non-controlling investors, etc.) It should be remembered that under no circumstances does this imply that the use of privileged information is allowed.

Question I.2

	Yes	No	Explanation:
Does the company have only voting shares?	X		The company has only one type of shares and each share gives its holder the right to one vote.

a. With regard to the company's capital, specify:

Subscribed capital at the close of the fiscal year	Paid up capital at the close of the fiscal year	Total number of shares representing the capital	Number of shares carrying the right to vote
1,014,326,324.00	1,014,326,324.00	1,014,326,324	1,014,326,324

b. If the company has more than one class of shares, specify:

Class	Number of shares	Nominal Value	Fees(*)

(*) This field should indicate the particular rights of the class that distinguish it from the others.

Question I.3

	Yes	No	Explanation:
If the company has investment shares, does it encourage a policy of redemption or voluntary exchange of investment shares for ordinary shares?			Not applicable, the company has no investment shares

Principle 2: Shareholdings

Question I.4

	Yes	No	Explanation:
a. Do the company documents establish the form in which the shares are represented and the person responsible for recording them in the share registry?	X		The form in which the shares are represented is described in the company by-laws, which state that shares may be represented by certificates, account entries or any other form allowed by law. Furthermore, the Internal Conduct Regulations and the job description of the securities executive define the person responsible for the share registry.
b. Is the share register kept up to date?	X		The Securities Department records all share transfers on a daily basis as soon as this information is received from Cavali, including the number of shares, thus keeping the share registry up to date. This information is verified monthly with reports from Cavali.

Indicate how often the share registry is updated, after the company becomes aware of any change.

Frequency	Within forty eight hours	X
	Weekly	
	Others / Details (in days)	

Principle 3: No dilution of shareholdingsl

Question I.5

	Yes	No	Explanation:
a. Does the company have a policy by which proposals from the board of directors regarding corporate operations that may affect the right of shareholders not to have their shareholdings diluted (i.e., through mergers, splitting, capital increases, among others) should be explained in advance by the board in a detailed report, including the independent opinion of an external advisor of recognized professional probity appointed by the board?	X		This policy is included in the regulations applicable to the board of directors, in article 14, modifications to which were approved by the board's Appointments, Remuneration and Corporate Governance Committee in March. No such corporate operations took place during fiscal year 2014. In earlier cases of share issues, the company engaged external advisors, whose opinions were submitted to the board of directors
b. Does the company have a policy by which the said reports are made available to the shareholders?	X		The company has engaged external consultants whenever it has issued securities and the conclusions of these advisors have been submitted to the board of directors. Article 14 of the regulations applicable to the board of directors, to be approved in April, gives details of the corresponding policy.

If during the fiscal year corporate operations have taken place that are covered by paragraph a) of question I.5, and the company has independent directors(*), please say whether in all cases:

Not applicable

	Yes	No
Did all of the independent directors vote in favor of the appointment of the external advisor?		
Did all of the independent directors clearly express their acceptance of the said report and give reasons, if applicable, for their disagreement?		

(*) The independent directors are chosen for their professional trajectory, honesty, sufficiency and economic independence and because they have no links with the company, its shareholders or its directors.

Principle 4: Information and communications with shareholders

Question I.6

	Yes	No	Explanation:
Does the company determine those responsible or the media through which shareholders receive and request prompt, reliable and truthful information?	X		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 of Management Finance Elizabeth Tamayo Maertens, Finance Division Investor Relations 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.

a. Indicate the media by which the shareholders receive and/or request information from the company.

Means of communication	Receive information	Request information
E-mail	x	x
By telephone	x	x
Corporate website	x	x
By mail	x	x
Informative meetings	x	x
Others / Details	Website of the Securities Market Regulatory Authority	

b. Does the company have a maximum period for answering requests for information from shareholders? If so, what is this period?

Maximum period (days)	3

Question I.7

	Yes	No	Explanation:
Does the company have a mechanism by which the shareholders can express their opinions on its performance?	X		The mechanisms for shareholders and investors to express their opinions on the company's performance are defined in the Regulations Concerning Shareholders Meetings, modifications to which will be approved by the board's Appointments, Remuneration and Corporate Governance Committee.

If the answer is yes, describe the company's mechanisms for shareholders to express their opinions on its performance.

The company has different mechanisms for collecting the opinions of its shareholders regarding its performance: i) the corporate website contains a link for shareholders to give their opinions; ii) the company has a dedicated line for shareholders to the executive responsible for the Securities Department; iii) shareholders can express their opinions by e-mail to the Investor Relations Department or by telephone; iv) the management and staff of the Investor Relations Department attend meetings and conferences organized by investment banks and stock brokers, and listen to their opinions; v) the company encourages shareholders to attend the annual general meeting and to make comments and ask questions during it.

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Principle 5: Company dividends

Question I.8

	Yes	No	Explanation:
a. Is compliance with the dividends policy subject to evaluation from time to time?	X		Every year a table is published on the corporate website showing the distribution of profits approved by the AGM and the dividends to be paid out.
b. Are the shareholders informed of the dividend policy through the corporate website, among other means?	X		

a. Describe the dividend policy of the company applicable to the fiscal year.

Date of approval	March 26th, 2013
Dividend policy (profit distribution criteria)	The policy states that:"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. "

b. Indicate the dividends in cash and shares distributed by the company during the fiscal year and the previous fiscal year.

	Dividends per share			
	Fiscal year covered by this report		Fiscal year prior to the year covered by this report	
Per share	**In cash**	**In shares**	**In cash**	**In shares**
Ordinary shares	0.059031	7.3103300%	0.06000	17.6775478%

Principle 6: Change or taking control

Question I.9

	Yes	No	Explanation:
Does the company have policies or agreements not to adopt mechanisms to prevent takeovers?	X		The company has no policies or agreements to adopt mechanisms to prevent takeovers.

Indicate whether the company has established any of the following measures

	Yes	No
Minimum share requirements for directors		X
Minimum number of years as a director before being chosen as president of the board of directors		X
Agreements to indemnify executives / officers as a consequence of changes after a takeover.		X
Others of a similar nature / Details		

Principle 7: Arbitration for dispute settlement

Question I.10

	Yes	No	Explanation:
a.Do the company's by-laws include an arbitration agreement submitting to legal arbitration any dispute between shareholders, between shareholders and the board of directors and objections to the agreements of the AGM and board of directors by sharehol-ders in the company?		X	This is a recent addition to the new principles and the company is reviewing whether an arbitration clause should be included in its by-laws without the process resulting in a financial loss and without restricting the right to take action through the courts. Best practices in other public companies will be studied and a proposal made at the next general meeting of shareholders. Nevertheless, the company has a mechanism for solving disputes with other stakeholders, which may also be used by shareholders.
b. Does this clause enable an independent third party to resolve disputes, other than the right to resort to the normal courts?		X	We don't have this clause.

Give the number of objections to agreements made at the AGM by shareholders or other stakeholders in the company during the fiscal year.

Number of objections to AGM agreements	0
Number of objections to agreements by the board of directors	0

PILLAR II: General meeting of shareholders

Principle 8: Function and competence

Question II.1

	Yes	No	Explanation:
Is the AGM exclusively responsible for approving the board of directors' distribution policy?	X		The board of directors' distribution policy is established in the company's by-laws, which were approved by the AGM.

Indicate whether the following functions are the exclusive competence of the AGM, if not state which entity exercises this function.

	Yes	No	Entity
Order special investigations and audits	X		
Agree modifications to the by laws	X		
Agree increases in the capital	X		
Agree interim dividends	X		The AGM can delegate this function to the board of directors and has done on certain occasions
Appoint the external auditors	X		

Principle 9: Regulations concerning the general meeting of shareholders

Question II.2

	Yes	No	Explanation:
Does the company have a regulation applicable to the AGM that is binding and includes responsibility for non-compliance?	X		The regulations concerning the AGM include a clause indicating that it is binding and that there are penalties for non-compliance. Modifications to the regulations shall be approved by the Appointments, Remuneration and Corporate Governance Committee in March.

If there is a regulation concerning the AGM state whether it includes procedures for:

	Yes	No
Calling an AGM	X	
Incorporating shareholders' points on the agenda	X	
Provide additional information on the AGM to shareholders	X	
The development of the meeting	X	
Appointment of members of the board of directors	X	
Others / Details		

Principle 10: Mechanisms for calling meetings

Question II.3

	Yes	No	Explanation:
In addition to the mechanisms for calling meetings established in law, does the company have such mechanisms that enable it to contact shareholders, particularly those that do not take part in the control or management of the company?	X		The company sends a letter including the agenda and governance statement, and a draft power of attorney. These documents are distributed to shareholders, included in the website and sent to the SMV as important events. The company contacts the proxy voting team to resolve any doubt that may arise concerning the agenda and to ensure not only the quorum but also the vote. At meetings with investors we announce that the AGM will be held in the month of March, to ensure their participation. In addition, the head of the Securities Department calls the shareholders and tries to ensure that they attend the meeting.

a. Complete the following information for each one of the meetings held during the fiscal year

Date of notice of calling	Date of meeting	Location of the meeting	Type of meeting		Full meeting of shareholders		Quórum%	N° of shareholders Numbers present	Shares represented as a % of all voting shares		
			Special	General	Sí	No			Through powers of attorney	Directly (*)	Did not exercise right to vote
1st March 2014	26th March 2014	Jr. Cristobal de Peralta Norte 820, Monterrico, Santiago de Surco.		X		X	72.666400	166	34.01180	38.65450	27.33360

(*) Direct exercise of this right includes voting by any means or method other than using a proxy.

a. What means, other than those included in article 43 of the Companies Act and in the Regulations Concerning Significant Events and Reserved Information, did the company use to publish the calling of general meetings during the fiscal year?

E-mail	X	Mail	X
Telephone	X	Social networks	
Corporate website	X	Others / Details	X

Question II.4

	Yes	No	Explanation:
Did the company make available to shareholders all information on the points contained in the agenda for the AGM and the motions proposed?	X		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.

Did the notices of calling issued by the company during the fiscal year:

	Yes	No
State where the information on the agenda for the meetings could be found?	X	
Were the following included as points on the agenda: "other subjects", "general points" or similar?		X

Principle 11: Proposed points on the agenda

Question II.5

	Yes	No	Explanation:
Do the Regulations Concerning the AGM include mechanisms enabling shareholders to exercise there right to propose points on the agenda to be discussed at the AGM and procedures for accepting or rejecting such proposals?	X		The Regulations Concerning General Meetings establish that shareholders may communicate with the president of the board of directors by letter, e-mail or through the Ferreycorp S.A.A. website, preferably before the 15th of February and no later than the end of the period allowed for calling the meeting, asking for the inclusion of any matter of material importance that may affect the rights of shareholders. The president will submit these to the board of directors at the meeting that approves the calling of the AGM and establishes the matters included in 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.

a. Indicate the number of applications submitted by shareholders during the fiscal year points to be included in the agenda of the AGM, and how these were resolved:

Number of applications		
Received	**Accepted**	**Denied**
0	0	0

b. If applications to include matters in the agenda of the AGM have been denied during the fiscal year, indicate whether the company reported the reasons for the denial to the applicant shareholders.

Not applicable

Yes	No

Principle 12: Voting procedures

Question II.6

	Yes	No	Explanation:
Does the company have mechanisms allowing shareholders to vote when not present at the meeting by secure electronic or postal means that guarantee that the voter is indeed a shareholder	X		Shareholders that are not present at the AGM may vote through their custodian banks, who receive voting instructions and represent them at the meeting. We also receive postal votes from shareholders.

a. If applicable, indicate what means or mechanisms the company employs for distance voting.

Electronic votes	X	Postal votes	

b.If distance voting took place during the fiscal year give the following information:

	% distance votes				% distance votes / total
Date of meeting	E-mail	Corporate website	By mail	Others	
26th March 2014				100%	2.06%

Question II.7

	Yes	No	Explanation:
Does the company have documents that specify clearly that shareholders can vote separately on matters that are substantially independent, such that they may exercise their preferences separately?	X		The Regulations Concerning General Meetings, modifications to which will be approved by the Appointments, Remuneration and Corporate Governance Committee in March, specify that shareholders can vote separately on those matters that are substantially independent, such that they may exercise their preferences separately. In practice, at the AGM for fiscal year 2014 shareholders voted individually for the appointment of each one of the directors. Modifications to the by-laws are submitted individually.

Indicate whether the company has documents that specify clearly that shareholders can vote separately for:

	Yes	No
The appointment or ratification of the directors by an individual vote for each one.	X	
Modification of the by-laws by article or group of articles, that are substantially independent.	X	
Others / Details		

Question II.8

	Yes	No	Explanation:
Does the company allow proxies acting on behalf of several shareholders to cast different votes for each shareholder, thus complying with the instructions of each principal?	X		

Principle 13: Delegation of votes

Question II. 9

	Yes	No	Explanation:
Do the company by-laws enable its shareholders to vote by proxy?	X		

If the answer is no, indicate whether the by-laws restrict the right of representation to any of the following people:

	Yes	No
Another shareholder		
A director		
A manager		

Question II.10

	Yes	No	Explanation:
a. Does the company have procedures detailing the conditions, ways and means to be complied with when proxy voting is required?	X		
b. Does the company provide a model power of attorney to shareholders, including proxy's data, matters on which the shareholder delegates his vote and, if applicable, the vote to be cast on each proposal?		X	At the 2014 AGM shareholders received a Governance Statement, the agenda and a model power of attorney that included a space for the shareholder to include data on the person acting as his proxy at the meeting; each point on the agenda was also included for him to state how the vote was to be cast. This year the letter of representation will include the agenda and whether the vote should be affirmative or negative, in addition to data on the proxy appointed by the shareholder.

Give the requirements and formalities by which a shareholder can be represented at a meeting:

Formality (indicate whether parent requires a letter, notarized letter, public deed or other document).	Simple letter
Advance notice (number of days in advance of the meeting that the powers of attorney must be submitted).	1.
Cost (indicate whether parent demands payment and the amount payable).	None

Question II.11

	Yes	No	Explanation:
a. Does the company have a policy establishing limits on the percentage of members of the board of directors or senior management chosen as proxies?		X	The company has no policy establishing limitations on the percentage of members of the board of directors or senior management chosen as proxies as that would limit shareholders' freedom to choose their proxies. In addition, the company believes it would be difficult to implement such a policy because powers of attorney are delivered individually by each shareholder, who does not know how many powers have already been delivered by other shareholders. Shareholders deciding who to choose as their proxies would have no way of knowing whether the senior management of board of directors have received other powers of attorney up to any limit that may have been imposed.
c. With regard to members of the board of directors or senior management chosen as proxies, does the company have a policy by which shareholders voting by proxy can clearly establish how these votes are to be cast?		X	This policy has been included in the Regulations Concerning General Meetings, modifications to which will be approved by the Appointments, Remuneration and Corporate Governance Committee to be held in March. The policy is that all shareholders should define how their votes are to be cast and not just those giving powers of attorney to the board of directors and senior management. Letters and circulars sent to shareholders warn them of the need to define how their votes are to be cast.

Principle 14: Monitoring of agreements at the AGM

Question II.12

	Yes	No	Explanation:
a. Does the company monitor the agreements adopted by the AGM?	X		Through the board of directors, Finance Department and Corporate Affairs Department, the company does monitor these agreements. In fiscal year 2014 it monitored the reporting of significant events, approval of the financial statements and annual report, cash dividend payments, capitalization of profits and the issue of shares, among others.
b. Does the company issue periodic reports to the board of directors and are they made available to shareholders?		X	The management issues periodic reports to the board of directors on progress with the agreements, but these are not made available to shareholders.

if applicable, indicate the department and/or individual responsible for monitoring the agreements adopted at the AGM. If an individual is responsible, also give his position and the department in which he works.

Department responsible	General Manager

Person responsible		
Given names and surnames	**Position**	**Área**
Mariela García Figari de Fabbri	General Manager	General Management

PILLAR III: The board of directors and senior management

Principle 15: Board of directors

Question III.1

	Yes	No	Explanation:
Does the board of directors consist of people with different specialities and skills, with prestige, probity and economic independence, who are available to attend meetings and possess other qualities relevant to the company, such that there is a variety of opinions and viewpoints.	X		

a) Give the following information on the members of the company's board of directors during the fiscal year.

Full name	Professional training (*)	Date		Shareholding (****)	
		Start (**)	End (***)	N° of shares	(%)
Directors (not including independent directors)					
Óscar Espinosa Bedoya	Industrial engineer, National Engineering University 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 University of Piura. He also holds 5 further directorships, of which 1 is at a company belonging to the economic group.	01/07/1987			
Carlos Ferreyros Aspíllaga	Business Administration, University of Princeton, USA. He also holds 2 further directorships, of which 1 is at a company belonging to the economic group.	10/01/1971			
Manuel Bustamante Olivares	Studied at the Faculty of Law of the Catholic University of Peru; he also holds 12 further directorships, of which 1 is at a company belonging to the economic group.	31/03/2011			

Juan Manuel Peña Roca	Civil Engineer, National Engineering University; he also holds 6 further directorships, of which 1 is at a company belonging to the economic group.	28/12/1984			
Andreas von Wedemeyer Knigge	Master in Business Administration (Diplom Kaufmann), University of Hamburg, Germany Studied the Program for Management Development (PMD) and others at Harvard Business School, USA. and the University of Piura. He also holds 21 further directorships, of which 1 is at a company belonging to the economic group.	07/07/2003			
Full name	**Professional training (*)**	**Date**		**Shareholding (****)**	
		Start (**)	**End (***)**	**N° of shares**	**(%)**
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. He also holds 5 further directorships, of which 1 is at a company belonging to the economic group.	31/03/2011			
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. He also holds 11 further directorships, of which 1 is at a company belonging to the economic group.	22/03/2005			

Ricardo Briceño Villena	Graduated in industrial engineering from the National Engineering University Master's degree in economics and finance from the universities of Lovaine and Antwerp, Belgium. He also holds 5 further directorships, of which 1 is at a company belonging to the economic group.	31/03/2011
Eduardo Montero Aramburú	Bachelor in economics from Lehigh University, USA. Master in business administration, Wharton School of Finance and Commerce, University of Pennsylvania, USA. He also holds a further directorships at a company belonging to the economic group.	28/03/1980
Raúl Ortiz de Zevallos Ferrand	Lawyer. Law Graduate from Pontificia Universidad Católica del Peru. Participation in 7 Boards of Directors, out of which 1 belongs to a company that is part of the economic group.	31/03/2011

(*) Also state whether directors sit on other boards, give the number of such directorships and whether the companies in question are part of the economic group of the reporting company. Please use the definition of economic group contained in the Regulations Concerning Indirect Ownership, Association and Economic Groups.

(**) First appointment by the reporting company.

(***) To be completed only if the directorship became vacant during the fiscal year.

(****) Obligatory only for directors who hold 5% or more of the shares of the reporting company.

% of total shares held by the directors	1.23%

Indicate the number of directors of the company in each of the following age ranges:

Under 35	**35 to 55**	**55 to 65**	**Over 65**
0	0	4	6

a. Indicate whether there are specific requirements to be appointed president of the board of directors, other than those required to be appointed a director.

Yes		**No**	X

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If the answer is yes, please describe those requirements.

b. Does the president of the board of directors have a casting vote?

Yes	X	**No**	

Question III.2

	Yes	**No**	**Explanation:**
Does the company avoid appointing deputy directors, especially for reasons of the quorum?	X		

If it has deputy directors, please state:

Given names and surnames of deputy director	**Start (*)**	**End (**)**

(*) First appointment as deputy director of the reporting company.

(**) To be completed only if the deputy directorship became vacant during the fiscal year

Question III.3

	Yes	**No**	**Explanation:**
Does the company publish the names of the directors, whether they are independent and their curricula vitae?	X		

Indicate how the company divulges the following information about the directors:

	E-mail	**Corporate website**	**Mail**	**Does not divulge**	**Others / Details**
Directors' names		X			Annual report
Independent or not		X			Annual report
Curricula Vitae		X			Annual report

Principle 16: Functions the board of directors

Question III.4

	Yes	No	Explanation
Does the board of directors have the following functions? a. To approve and conduct the company's corporate strategy.	X		
b. To establish objectives, goals and action plan, including annual budgets and business plans.	X		
c. To control and supervise the management and to be responsible for the governance and administration of the company.	X		
d. To supervise good corporate governance and establish the policies and measurements necessary for its application.	X		

a. Give details of other relevant functions of the company's board of directors.

Convene the General Shareholder's Meeting. Regulate its own operation. Evaluate, approve and manage the corporate strategy, business plan, and annual budget of the corporation and subsidiaries. Establish Board of Directors' Committees and appoint its members, must promote inclusion of independent directors. Submit annual report, balance sheet and income statement annually to shareholders, making recommendations regarding the use of profits. Safeguard integrity of financial statements and accounting systems, and existence of risk control systems. Accept resignation of its members and provide vacancies in cases provided for by law and by-laws. Appoint and remove the general manager and, if it deems it convenient or necessary, other officers of the corporation, determining their duties and giving and revoking powers, among other faculties.

b. Does the board of directors delegate any of its functions?

Yes		No	X

if applicable, indicate the main functions that have been delegated and to which entity:

Functions	Entity / department to which functions have been delegated

Principle 17: Rights and duties of the directors

Question III.5

	Yes	No	Explanation
Do the directors have the right to: a. Request that the board seeks expert help or support.	X		
b. Take part in induction programs about their powers and responsibilities and to be informed of the company's organization structure in a timely manner.	X		
c. Receive payment for their work, which combines recognition of their professional experience and dedication to the company, using rationality as a criterion.	X		

If specialist advisors have been engaged during the fiscal year, indicate whether the board of directors' list of specialist advisors who have provided their services during the fiscal year has been made known to the shareholders.

Not applicable

Sí		No	

If applicable, state whether any of the specialist advisors have any links with a member of the board of directors and/or senior management (*).

Not applicable

Sí		No	

(*) In accordance with the criteria contained in the Regulation Concerning Indirect Ownership, Associates and Economic Groups.

a. If applicable, indicate whether the company holds induction programs for new members.

Sí	X	No	

b. Indicate the total amount of the directors' annual remuneration and bonuses as a percentage of gross earnings as shown in the company's financial statements.

Total	(%) gross earnings	Bonuses	(%) gross earnings
Directors (not including independent directors)	0.06	In shares	
Independent directors	0.06	In options	
		In cash	
		Others (give details)	

Principle 18: Regulations concerning the board of directors

Question III.6

	Yes	No	Explanation:
Does the company have regulations covering the board of directors that is binding and leads to repercussions in the event of non-compliance?	X		

Indicate whether these regulations contain:

	Yes	No
Policies and procedures its application	X	
Organizational structure of the board of directors	X	
Functions and responsibilities of the president of the board of directors	X	
Procedures for identifying, evaluating and appointing candidates for directorships, proposed to the AGM		X
Procedures for vacant directorships and for dismissing and replacing directors.	X	
Others / Details		

Principle 19: Independent directors

Question III.7

	Yes	No	Explanation:
Do independent directors make up at least one third of the board?	X		

Indicate which of the following conditions are taken into account by the company in classifying its directors as independent.

	Yes	No
Not being a director or employee of a company in the same business group, unless three (3) or five (5) years respectively have elapsed since they ceased to be such.	X	
Not being an employee of a shareholder who holds five percent (5%) or more of the company's shares. Included in the regulations concerning the AGM	X	
Not being an independent director of the company for more than eight (8) consecutive years.		X
Not having a significant (*)business or contractual relationship in the last three (3) years, either directly or indirectly, with the company or any other company in the same group. Included in the regulations concerning the AGM	X	
Not being the spouse or having a family relationship of the first or second degree of consanguinity with shareholders, directors or the senior management of the company. Included in the regulations concerning the AGM	X	
Not being a director or member of the senior management of any other company in which any director or member of the senior management of the company is a director		X
Not having been in the last eight (8) years a member of the senior management or an employee of the company, companies belonging to the same group or companies holding shares in the company. Included in the regulations concerning the AGM	X	
Not having been, during the last three (3) years a partner or employee of an external auditor or auditor of any company in the same groupe	X	
Others / Details		

(*) A business relationship shall be assumed to be significant when either of the parties has issued invoices or payments for an amount greater than 1% of it annual earnings.

Question III.8

	Yes	No	Explanation:
a. Does the board of directors declare that a candidate is independent based on it sown investigation and the candidate's declara-tion?		X	A form has been drafted for candidates to declare their independence using the criteria for independent directors and regulations will be proposed for independent directors.
b. Do candidates for independent directors-hips declare their independence to the company, its shareholders and directors?		X	No such declaration was included in the last election, but this will be done in the future using the form designed for the purpose and included in the board of directors regulations to be approved by the Appointments, Remuneration and Corporate Governance Committee in March.

Principle 20: Operability of the board of directors

Question III.9

	Yes	No	Explanation:
Does the board of directors have a working plan that helps to make its operation more efficient?	X		

Question III.10

	Yes	No	Explanation:
Does the company provide its directors with the channels and procedures necessary for them to take effective part in meetings of the board, including when they are not physically present?	X		

a. Give the following information on board meetings held during the fiscal year:

Number of meetings	14
Number of meetings held without a notice of calling(*)	2
Number of meetings at which the president of the board was not present	0
Number of meetings in which one or more directors were represented by deputy directors or proxies	0
Number of directors represented on at least one occasion	0

(*) In this field include information on the number of meetings held in accordance with the provisions of the final paragraph of article 167 of the Companies Act.

b. Indicate the percentage attendance of the directors at board meetings during the fiscal year.

Name	% attendance
Oscar Espinosa Bedoya	100%
Carlos Ferreyros Aspíllaga	86%
Ricardo Briceño Villena	93%
Manuel Bustamante Olivares	86%
Aldo Defilippi Traverso	86%
Carmen Rosa Graham Ayllón	93%
Eduardo Montero Aramburú	86%
Raúl Ortiz de Zevallos Ferrand	93%
Juan Manuel Peña Roca	100%
Andreas von Wedemeyer Knigge	78%

c. Indicate how long before a board meeting the information on the matters to be discussed is made available to the directors.

	Less than 3 days	From 3 to 5 days	More than 5 days
Non-confidential information			X
Confidential information			X

Question III.11

	Yes	No	Explanation:
a. Does the board objectively evaluate its own performance and that of its members at least once a year?	X		
b. Are self-assessments used alternately with evaluations by outside advisors?	X		An external advisor has been engaged to evaluate the performance of the board of directors in fiscal year 2014.

a. Indicate whether performance evaluations of the board of directors have been carried out during the fiscal year.

	Yes	No
As a collegiate body	X	
Individual members ...		

If either of the above answers is yes, give the following information for each evaluation:

Evaluation	Self-assessment		External evaluation		
	Date	Publication (*)	Date	Entity responsible	Publication (*)
	28th January 2014	No			

(*) Indicate whether or not the evaluation was made known to the shareholders.

Principle 21: Special committees

Question III.12

	Yes	No	Explanation:
a. Does the company's board of directors create special committees to analyze the most relevant aspects of the company's performance?	X		
b. Does the board of directors approve the regulations governing each of the special committees it creates?	X		
c. Are the special committees chaired by independent directors?		X	The company has four directors' committees, of which one is chaired by an independent director.
d. Do the special committees have a budget assigned to them?		X	No tienen asignados un presupuesto

Question III.13

	Yes	No	Explanation:
Does the company have an appointments and remuneration committee responsible for proposing candidates for directorships to the AGM and for approving the remuneration and incentives system for the senior management?		X	During fiscal year 2014 the functions of the Appointments, Remuneration and Corporate Governance Committee included receiving and processing nominations for directorships.

Question III.14

	Yes	No	Explanation:
Does the company have an audit committee to supervise the effectiveness and suitability of the company's internal and external controls, the work of the audit form or independent auditor and compliance with the regulations concerning legal and professional independence?	X		The Audit Committee meets with the internal and external auditors.

a. State whether the company also has the following special committees:

	Yes	No
Risks committee:	X	
Corporate governance committee	X	

b. If the company has special committees, give the following information about each committee:

Name of the committee:	General Management and Strategy Committee (formerly the General Management and Subsidiaries Committee - its name was changed on the 27th of August 2014)
Date created:	26th of January 2005
Main functions:	a) To help to draw up the strategic plans and annual business plans. b) To ensure the proper operation of associated companies. c) To draw up recommendations for the board of directors concerning investment policy, acquisitions and disposals of fixed assets. d). To evaluate the company's indebtedness and the structure of its liabilities monitoring borrowings and guarantees granted. e). To review the reports produced by the management on the condition of the main assets, such as inventories and the company's accounts receivable. f). To function as an advisory and consulting body to the management on matters submitted to it for consideration.

Members of the committee (*): Given names and surnames	**Date**		**Position within the committee**
	Start (**)	**End (***)**	
Óscar Espinosa Bedoya	26/01/2005		President
Carlos Ferreyros Aspíllaga	26/01/2005		
Eduardo Montero Aramburú	26/01/2005		
Juan Manuel Peña Roca	26/01/2005		
Ricardo Briceño Villena	27/04/2011		

Independent directors as a % of the total number of committee members	40%			
Number of meetings held during the fiscal year:	3			
The committee has powers delegated in accordance with article 174 of the Companies Act:	**Yes**	X	**No**	
Does the committee or its president take part in the AGM?	**Yes**	X	**No**	

Name of the committee:	Appointments, Remuneration and Corporate Governance Committee (formerly the Organizational Development and Corporate Governance Committee; its name was changed on on the 27th of August 2014)
Date created:	26th of January 2005
Main functions:	a). To supervise progress with the organizational development programs via reports on the administrative structure and human resources programs. b). To supervise reports submitted by the management on recruiting and selection programs, administration of performance, wages policy and training and development, among others and to make such recommendations as it sees fit, taking into consideration the information available about general business practice. 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 process for the principles of good corporate governance contained in the company's Annual Report. f). To approve information policy through the Internal Conduct Regulations and give an opinion when necessary on the classification of certain events as "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. h). To receive and process nominations for directorships. i). To suggest the remunerations policy and applicable procedures to the board of directors

Members of the committee (*): Given names and surnames	**Date**		**Position within the committee**
	Start (**)	**End (***)**	
Óscar Espinosa Bedoya	26/01/2005		
Carlos Ferreyros Aspíllaga	26/01/2005		President
Aldo Defilippi Traverso	26/01/2005		
Raúl Ortiz de Zevallos Ferrand	27/04/2011		
Carmen Rosa Graham	27/08/2014		

Independent directors as a % of the total number of committee members	60%		
Number of meetings held during the fiscal year:	3		
The committee has powers delegated in accordance with article 174 of the Companies Act:	**Yes**	X	**No**
Does the committee or its president take part in the AGM?	**Yes**	X	**No**

Name of the committee:	Audit and Risks Committee (formerly the Audit Committee; its name was changed on the 27th of August 2014)
Date created:	26th of January 2005
Main functions:	a) To propose the external auditors in coordination with the management. To understand the work plan of the external auditors and to arrange periodic meetings to discuss progress with their work and recommendations made at the end of its review, in order to safeguard the integrity of the accounting systems through an appropriate external audit. b). To review and analyze the company's financial statements from time to time. c). To understand the annual work plan of the internal auditor and to study the quarterly reports on progress and implementation of corrective action and improvements.

Members of the committee (*): Given names and surnames	**Date**		**Position within the committee**
	Start (**)	**End (***)**	
Óscar Espinosa Bedoya	26/01/2005		
Carlos Ferreyros Aspíllaga	26/01/2005		
Andreas von Wedemeyer K.	26/01/2005		President
Manuel Bustamante	27/04/2011		
Carmen Rosa Graham	27/04/2011		

Independent directors as a % of the total number of committee members	20%		
Number of meetings held during the fiscal year:	4		
The committee has powers delegated in accordance with article 174 of the Companies Act:	**Yes**	X	**No**
Does the committee or its president take part in the AGM?	**Yes**	X	**No**

The following committee has been created and will operate from 2015 onwards:

Name of the committee:	Innovation and Systems Committee
Date created:	27th August 2014
Main functions:	a). To help to draw up and strengthen the company's innovation strategy, in line with its long-term development. b). To provide help at board level for the drafting of the corporation's innovation processes and assignation of the necessary funds. c). To support action aimed at mitigating technological and information security risks. Its particular attributes are as follows: a). To review management reports on the company's innovation and information technology strategy and that of its subsidiaries, which should be aligned with the objectives of the business and to improvements in competitiveness. b). To receive management reports on the innovation plan as it affects the different areas of the business and its portfolio of technological projects. c). To recommend to the board of directors the assignment of funds and action required for successful implementation of the innovation plan and portfolio of technological projects. d). To advise the board of directors on compliance with its responsibilities in technological matters and to report analyses and reviews of technological risks and information security and the action required to mitigate them.

Members of the committee (*): Given names and surnames	**Date**		**Position within the committee**
	Start (**)	**End (***)**	
Carmen Rosa Graham	27/08/2014		President
Óscar Espinosa Bedoya	27/08/2014		
Andreas von Wedemeyer K.	27/08/2014		
Manuel Bustamante	27/08/2014		

Independent directors as a % of the total number of committee members	25%			
Number of meetings held during the fiscal year:	0			
The committee has powers delegated in accordance with article 174 of the Companies Act:	**Yes**	X	**No**	
Does the committee or its president take part in the AGM?	**Yes**	X	**No**	

(*) Provide information on the members of the committee during the fiscal year.
(**) First appointment as a committee member in the reporting company.
(***) To be completed only if the position became vacant during the fiscal year.

Principle 22: Code of ethics and conflicts of interest

Question III.15

	Yes	**No**	**Explanation:**
Does the company adopt measures to prevent, detect, manage and reveal conflicts of interest?	X		Detailed in the chapter of the Code of Ethics dealing with conflicts of interest.

if applicable, what department and/or individual is responsible for the monitoring and control of possible conflicts of interest. If an individual is responsible, also give his position and the department in which he works.

Department responsible	Corporate Affairs Department

Person responsible		
Given names and surnames	**Position**	**Department**
Eduardo Ramirez del Villar	Group Corporate Affairs Manager	Corporate Affairs

Question III.16 / compliance

	Yes	**No**	**Explanation:**
a. Does the company have a Code of Ethics (*)that is binding upon its directors, managers, officials and other collaborators (**) of the company, containing ethical and professional responsibility criteria, including the management of potential conflicts of interest?	X		The company has a code of ethics published and made available to all the company's employees on the intranet; it is part of the induction process of new employees. This code is being reviewed in order to bring it into line with best practice and to include the directors.
b. Do the board of directors or general management approve training programs for compliance with the Code of Ethics?	X		The general management approved publication of the Code of Ethics on the corporate intranet to make it available to all the corporation's employees. It is also included in the induction training for new collaborators.

(*) The Code of Ethics may be included in the Internal Conduct Regulations.
(**) The term collaborators covers all those with any labour relationship with the company, regardless of contract type.

If the company has a Code of Ethics, indicate the following:

	Yes	**No**
Shareholders	X	
Others to whom it is applicable	X	
The general public	X	

a. Indicate the department and/or individual responsible for monitoring and compliance with the Code of Ethics. If an individual is responsible, also give his position, the the department in which he works and his immediate superior.

Department responsible	Corporate Affairs Department

Person responsible

Given names and surnames	Position	Department	Immediate superior
Eduardo Ramirez del Villar	Group Corporate Affairs Manager	Corporate Affairs	General Manager

b. Are records kept of non-compliance with the Code?

Sí	X	**No**

c. Indicate the number of non-compliances with the provisions of the Code detected or reported during the fiscal year.

Number of non-compliances	0

Question III.17

	Yes	No	Explanation:
a. Does the company possess mechanisms for reporting any illegal or unethical conduct and guaranteeing the confidentiality of the person reporting?	X		The corporation has appointed an officer to ensure compliance with the code, known as the Ethics Officer, to whom employees should report any event, situation or conduct that is inappropriate or contrary to the Code as soon as possible.
b. Are non-compliances reported directly to the Audit Committee when they are related to accounting aspects or when the General Management or Financial Department are involved?		X	

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Question III.18

	Yes	No	Explanation:
a. Is the board of directors responsible for monitoring and controlling possible conflicts of interest that may arise within the board?	X		
b. If the company is not a financial institution, does it have a policy by which the directors are prohibited from receiving loans from the company or any company of its economic group without prior authorization from the board of directors?		X	There is no such policy, but in practice the directors do not receive loans from the company
c. If the company is not a financial institution, does it have a policy by which the senior managers are prohibited from receiving loans from the company or any company of its economic group without prior authorization from the board of directors?	X		The management has approved a procedure by which the board of directors delegates to the president of the board powers to approve loans to senior managers. The Appointments and Corporate Governance Committee shall give its approval.

a. Give the following information on senior managers who hold 5% or more of the company's shares.
NOT APPLICABLE

Given names and surnames	Position	Number of shares	% of total number of shares
No senior manager holds 5% or more			
of the total number of shares held by the senior management			

b. Indicate whether any director or senior manager of the company is the spouse, family member to the first or second degree of consanguinity or family member to the first degree of affinity of:

Given names and surnames	Connection with:			Given names and surnames of shareholder / director / manager	Type of relation (**)	Additional information (***)
	Shareholder (*)	Director	Senior management			
No director or senior manager is in this position						

(*) Shareholders holding 5% or more of the company's shares.
(**) In accordance with the criteria contained in the Regulation Concerning Indirect Ownership, Associates and Economic Groups.
(***) If there is a connection with any shareholder include his shareholding. If there is a connection with any manager, include his position.

c. If any member of the board of directors occupies or has occupied any management position in the company during the fiscal year covered by this report, give the following information:
NOT APPLICABLE

Given names and surnames	Management post occupied now or previously	Time in that post	
		Start (*)	End (**)
No director has occupied a management position			

(*) First management appointment in the reporting company.
(**) To be completed only if the management position became vacant during the fiscal year.

d. If, during the fiscal year, any member of the board of directors or senior management has had a commercial or contractual relationship with the company that was significant because of its value or for other reasons, please give the following information. NOT APPLICABLE

Given names and surnames	Type of relationship	Brief description
No director or senior manager is in this position		

Principle 23: Operations with non-arm's-length parties

Question III.19

	Yes	No	Explanation:
a. Does the board of directors have policies and procedures for valuing, approving and revealing certain transactions between the company and non-arm's-length parties, and for revealing commercial or personal relationships, either direct or indirect, between the directors, between directors and the company, suppliers or clients and other stakeholders?	X		Ferreycorp has policies and procedures at board level for valuing, approving and revealing certain transactions between the company and non-arm's-length parties, and for revealing commercial or personal relationships, either direct or indirect, between the directors, between directors and the company, suppliers or clients and other stakeholders. 1. There is a formal definition of non-arm's-length parties within the company. 2. Transactions between non-arm's-length parties in accordance with this definition have been identified and revealed during the fiscal year.
b. As far as transactions of particular relevance or complexity are concerned, would external advisors be used for valuation purposes?	X		

a. If the company complies with paragraph a) of Question III.19, indicate the company department(s) responsible for the following aspects of transactions with non-arm's-length parties:

Aspects	Department responsible
Valuation	Transfer prices report from external advisor in coordination with the Corporate Finance Department
Approval	General Manager of Ferreycorp
Revelation	

b. Indicate the pre-established procedures for approving transactions between related parties:
Market prices and a transfer pricing report for transactions between the company and its subsidiaries are available

c. Give details of transactions between the company and non-arm's-length parties during the fiscal year that were important because of their value or for other reasons.

Name or trading name of the non-arm's-length party	Nature of the relationship(*)	Type of transaction	Value (S/.)
Unimaq S.A.	Subsidiary, 99.9%	Loans granted	45,801,141.27
Ferreyros S.A.	Subsidiary, 99.9%	Loans granted	39,647,300.00
Mega Representaciones S.A.	Subsidiary, 99.9%	Loans granted	23,447,040.00
Ferreyros S.A.	Subsidiary, 99.9%	Property lease	23,387,085.77
Ferreyros S.A.	Subsidiary, 99.9%	Interest on loan	13,921,157.28
Inti Inversiones Interamericanas Corp.	Subsidiary, 99.9%	Interest on loan	11,579,242.40
Ferreyros S.A.	Subsidiary, 99.9%	Business support	2,851,606.25

(*) In accordance with the criteria contained in the Regulation Concerning Indirect Ownership, Associates and Economic Groups.

d. Say whether the company sets limits on transactions with non-arm's-length parties:

Yes	No	
		X

Principle 24: Functions of the senior management

Question III.20 / compliance

	Yes	No	Explanation:
a. Does the company have a clear policy separating the functions exercised by the board of directors, ordinary management exercised by the senior managers and the leadership of the General Manager?	X		
b. Are General Manager and president of the board of directors different people?	X		
c. Does the senior management have sufficient autonomy to perform the functions assigned to it within the policies and guidelines defined by the board of directors, and under its control	X		
d. Is the general management responsible for complying with and ensuring compliance with the policy for providing information to the board and to the directors?	X		
e. Does the board of directors carry out an annual evaluation of the performance of the general management as a function of well-defined standards?	X		
f. Does the remuneration of the senior management have a fixed component and a variable component that takes into account the company's results based on prudent forecasting, responsible risk-taking and compliance with the goals set forth in the respective plans?	X		

a. Give the following information on the remuneration paid to the General Manager and managers (including bonuses)

Position	Remuneration (*)	
	Fixed	Variable
General Manager and managers	0.47%	0.12%

(*) Indicate the total annual remuneration of the management as a percentage of gross earnings according to the company's financial statements.

b. If the company pais bonuses or indemnifications to senior managers other than those required by law, say how these are paid.

	General Manager	Managers
In shares	No	No
In options	No	No
In cash	Yes	Yes
Others / Details		

c. If there is a variable component to remuneration, what are the principal aspects used to determine it?

The variable component is determined firstly as a function of the company's results and then the manager's performance. The calculation takes into account aspects such as compliance with objectives, impact on added value, contributions to continual improvement and leadership, interpersonal relations and communication skills.

d. Indicate whether the board of directors evaluated the performance of the General Management during the fiscal year.

Yes	X	No	

PILLAR IV: Risk and compliance

Principle 25: Risk management environment

Question IV.1

	Yes	No	Explanation:
a. Does the board of directors approve an integrated management policy for risks according to their size and complexity and encourage a risk management culture within the company from the board of directors and senior management down to the employees?	X		
b. Does the integrated risk management policy cover all the companies belonging to the group and produce a global view of critical risks?	X		The risk policy is defined at corporate level and covers all the companies of the corporation.

Does the company have a policy of delegating risk management that establishes limits for the risk that can be handled at each level of the company?

Yes	X	**No**	

Question IV.2

	Yes	No	Explanation:
a. Does the General Management manage the risks to which the company is exposed and report them to the board of directors?	X		Yes, a through the board's Audit and Risks Committee.
b. Is the General Management responsible for the risk management system if there is no risks committee or risks department?	X		There is a Risk Manager and a Risks Committee that monitoring the main risks compared with the company's business goals. The Internal Audit Department has also established a system of control. Both systems are reported to the board of directors as such or through its Audit Committee

Does the company have a risks manager?

Yes	X	**No**	

If yes, indicate the following:

Given names and surnames	Date appointed		Department / entity to which he reports
	Start (*)	**End (**)**	
Bruno Botteri Otero	01/01/2012		Central Management Control Manager. Reporting to the Corporate Finance Manager from January 2015

(*) First appointment by the reporting company.
(**) To be completed only if the position became vacant during the fiscal year.

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Question IV.3

	Yes	No	Explanation:
Does the company have an internal and external control system, the suitability and efficiency of which are supervised by the company's board of directors?	X		

Principle 26: Internal audit

Question IV.4

	Yes	No	Explanation:
a. Does the internal auditor carry out audit work exclusively, does he have autonomy and experience and is he a specialist in the matters he evaluates, as well as the independence required for monitoring and evaluating the effectiveness of the risk management system?	X		
b. Is the internal auditor responsible for continually ensuring that all the financial information generated or recorded by the company is valid and reliable, as well as for verifying the effectiveness of regulatory compliance?		X	Ferreycorp Internal Audit Department: an independent department of the corporation that continually analyses, evaluates and controls the policies, procedures, practices and activities making up the corporation's internal control system
c. Does the internal auditor report directly to the Audit Committee on its plans, budget, activities, progress, results obtained and action taken?	X		

a. Indicate whether the company has an independent department responsible for internal auditing.

Yes	X	**No**	

If the answer to the above question is yes, indicate the person responsible for the audit within the organizational hierarchy of the company.

Responsible to:	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

a. Indicate whether the company has a corporate internal auditor.

Yes	X	**No**	

Give the main responsibilities of the person responsible for internal auditing and whether he has other functions apart from the internal audit.

. 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.

Question IV.5

	Yes	No	Explanation:
Is the internal auditor appointed and dismissed by the board of directors at the suggestion of the audit committee?		X	The president of the board of directors, to whom he reports, appoints and dismisses the internal auditor. The internal auditing regulations are being reviewed to bring them into line with best practice and they will be submitted to the Audit Committee for approval.

Principle 27: External auditors

Question IV.6

	Yes	No	Explanation:
Does the AGM act on the recommendation of the board of directors to appoint the audit firm or independent auditor, and do they remain clearly independent of the company?	X		The board of directors, aware of the recommendations of the new principles of good corporate governance for Peruvian companies, proposed that the AGM should appoint the audit firm for the fiscal year and delegate negotiation of the contract terms to the board of directors.

a. Does the company have a policy for appointing the external auditor?

Yes		No	

X under Yes.

The board of directors proposes the auditor to the AGM based on the policy, and it is the AGM that approves the appointment of the external auditors.

b. If the audit firm has provided services other than auditing the accounts, indicate whether the AGM was informed of this and include the value of these services as a percentage of the company's total turnover

Yes	X	No	

c. Do any of the audit firm's non-arm's-length entities or individuals provide services to the company other than auditing the accounts?

Yes		No	X

If the answer to the above question was yes, give the following information about the additional services provided by the audit firm's non-arm's-length entities or individuals during the fiscal year.

Name or trading name	Additional services	% of remuneration (*)

(*) Value of the additional services over the value of the audit services.

d. Indicate whether the audit firm used different people, if it provided services other than auditing the accounts.

Not applicable

Yes		No	

Question IV.7

	Yes	No	Explanation:
a. Does the company have a policy of renewing its independent auditor or audit firm?	X		Company policy is that the same audit firm may audit the company's financial statements for 5 consecutive years and may be appointed for an additional period if the services provided are satisfactory and the economic conditions adequate, but a more exhaustive evaluation is required by the board's Audit Committee and the full board. The partner, the auditor responsible for the work and the members of his team of auditors must be rotated periodically. The audit firm is appointed by the AGM. All additional services should also be revealed, including the fees for these services as a percentage of the fees for auditing the financial statements.
b. If the policy establishes a longer period for replacement of the audit firm, is the audit team rotated at least every five (5) years?	X		Audit firm E&Y was appointed in 2011 and the manager remains the same (for 4 years), the senior partner in charge was replaced in 2014.

Give the following information on the audit companies that have provided services to Parent over the last five (5) years.

Trading name of the audit firm	Service (*)	Period	Remuneration (**)	% de los ingresos sociedad de auditoría
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Audit of financial statements	2014	100	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, firma miembro de Price Waterhouse Coopers	Accounting advice Training in IFRS	2014		
Deloitte & Touche S.R.L.	Tax advice	2014		
KPMG Asesores Sociedad Civil de R.L.	PPA for the acquisition of TREX	2014		
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Audit of financial statements	2013	83.8	
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Audit of money laundering prevention Others	2013		
Deloitte & Touche S.R.L.	Simple reorganization Selection of personnel Risk management	2013		
KPMG Asesores Sociedad Civil de R.L.	PPA on acquisition of Tecseg and Mercalsa and the Mobil business	2013		
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Audit of financial statements	2012	83.8	
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Audit of money laundering prevention Procedures for net assets acquired from Bucyrus Others	2012		
Dongo-Soria Gaveglio y Asociados Sociedad Civil, firma miembro de Price Waterhouse Coopers	Audit of money laundering prevention Procedures for net assets acquired from Bucyrus Others	2012		
Deloitte & Touche S.R.L.	Simple reorganization Selection of personnel Risk management	2012		
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Audit of financial statements	2011	76.03	
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Audit of money laundering prevention Help with the process of selecting software Others	2011		
Deloitte & Touche S.R.L.	Simple reorganization Selection of personnel Risk management	2011		
Dongo-Soria Gaveglio y Asociados Sociedad Civil, firma miembro de Price Waterhouse Coopers	Audit of financial statements	2010	80.9	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, firma miembro de Price Waterhouse Coopers	Audit of money laundering prevention Other Services	2010		
DEloitte & Touche S.R.L	Simple reorganization Selection of personnel Risk management	2010		

(*) Include all types of services such as opinions on financial information, accounting investigations, operating audits, systems audits, tax audits or other services.
(**) Of the total amount paid to the audit company for all concepts, indicate the percentage paid for financial auditing services.

Question IV.8

	Yes	No	Explanation:
With regard to economic groups, is the external auditor the same for the whole group, including offshore associates?	X		

Indicate whether the audit company contracted to give an opinion on the company's financial statements for the fiscal year covered by this report also gave an opinion on the financial statements for the same fiscal of other companies in the economic group.

Yes	x	No	

If the answer to the above was yes, give the following information:

Name or trading name of company (companies) in the economic group
Ferreyros S.A.
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.
Soluciones SitechPeru S.A.
Equipos y Servicios TREX S.A.

PILLAR V: Information Transparency

Principle 28: Information policy

Question V.1

	Yes	No	Explanation:
Does the company have an information policy for shareholders, investors, other stakeholders and the market in general, which defines, in a formal, orderly and integral manner the guidelines, standards and criteria to be applied in managing, compiling, drawing up, classifying, organizing and/or distributing the information generated or received by the company?	X		

a. If applicable, indicate whether the company makes available the following in accordance with its information policy:

	Yes	No
Objectives of the company	X	
List of directors and senior managers	X	
Share structure	X	
Description of the economic group to which it belongs	X	
Financial statements and annual report	X	
Others / Details		

b. Does the company have a corporate website?

Yes	X	No	

Does the corporate website include:

	Yes	No
A special section on corporate governance or relationships with shareholders and investors, which includes corporate governance reports	X	
Significant events	X	
Financial information	X	
By-laws	X	
Regulations concerning the AGM and information on meetings (attendance, minutes, others)	X	
Composition of the board of directors and its regulations		
Code of Ethics	X	
Risks policy	X	
Corporate social responsibility (community, the environment, others)		

Question V.2

	Yes	No	Explanation:
Does the company have an investor relations office?	X		

If it has an investor relations office, indicate who is responsible for it.

Responsible for the investor relations office	Elizabeth Tamayo

If the company has no investor relations office, indicate the unit (department / branch) or person responsible for receiving and processing applications for information from the company's shareholders and the general public. If an individual, also indicate his position and the department in which he works.

Department responsible

Person responsible		
Given names and surnames	**Position**	**Department**

Principle 29: Financial statements and annual report

If the external auditor's report contains qualifications, have these qualifications been explained and/ or justified to the shareholders?

Not applicable, no qualifications

Yes	**No**

Principle 30: Information on shareholdings and agreements between the shareholders

Question V.3

	Yes	No	Explanation:
Does the company reveal its ownership structure, different share classes and, if applicable, joint ownership by a given economic group?	X		Ferreycorp has only one type of share: the ordinary share and reports its ownership structure in accordance with current regulations, identifying individual shareholders who hold 5% or more.

Indicate the composition of the company's shareholdings at the close of the fiscal year.

Voting shareholdings	Number of shareholders (at close of fiscal year)	% shareholding
Less than 1%	2,717	31.50%
Between 1% and 5%	17	39.21%
Between 5% and 10%	4	29.29%
More than 10%	0	0%
Total	**2,738**	**100%**

Non-voting shareholdings (if applicable)	Number of shareholders (at close of fiscal year)	% participation
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%		
Total		

Non-voting shareholdings (if applicable)	Number of shareholders (at close of fiscal year)	% participation
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%		
Total		

Shares as percentage of capital: 0

Question V.4

	Yes	No	Explanation:
Does the company report agreements between shareholders?		X	There have been no agreements between shareholders

a. Does the company record current agreements between shareholders?

Yes	**No**	X

b. If the company has been informed of any agreements between shareholders during the fiscal year, indicate the subject matter of each such agreement.

Election of directors
Use of voting rights at meetings
Restrictions on the free transfer of shares
Changes in the internal regulations of by-laws of the company
Others / Details

Principle 31: Corporate governance report

Question V.5

	Yes	No	Explanation:
Does the company divulge its corporate governance standards in an annual report whose content is the responsibility of the board of directors, after informing the Audit Committee and Corporate Governance Committee if applicable?	X		The company divulges its corporate governance standards in its annual report.

a. The company has mechanisms for divulging its corporate governance practices both internally and externally.

Yes	X	No	

If the answer to the above question is yes, specify the mechanisms employed.

The company divulges its corporate governance practices on its website, its intranet, in its regulations and procedures, in the annual report, at events and presentations to investors and through participation in conventions.

SECTION C: Content of company documents

In which of these documents does the company regulate the following matters:

	Principle	By-laws	Internal regulations (*)	Manual	Others	Not regulated	Not applicable	Name of document (**)
1. Policy for redeeming or exchanging non-voting shares	1						X	
2. Method of recording share ownership and person responsible for registration	2	X		X	X			
3. Procedures for choosing the external advisor to give an opinion on the board's proposals for corporate operations that could affect the shareholders' right not to have their shareholding diluted.	3		X					
4. Procedure for receiving and processing applications for information and opinions from shareholders	4	X	X					
5. Dividend policy	5							
6. Policies or agreements not to adopt anti-takeover mechanisms	6						X	
7. Arbitration agreement	7							
8. Policy for choosing the company's directors	8	X	X					
9. Policy for evaluating the directors' remuneration	8	X						
10. Mechanisms for providing shareholders with information on the agenda of the AGM and proposals	10	X						

	Principle	By-laws	Internal regulations (*)	Manual	Others	Not regulated	Not applicable	Name of document (**)
11. Methods other than those established in law used by the company to call the AGM	10							
12. Additional mechanisms by which shareholders can add items to the agenda of the AGM	11							
13. Procedures for accepting or rejecting shareholders' proposals for points to be included in the agenda or for discussion at the AGM	11	X	X					
14. Mechanisms to enable shareholders to take part from a distance	12		X					
15.Procedures for differential voting by shareholders	12		X					
16. Procedures to be used for proxy voting	13		X					
17. Requirements and formalities by which a shareholder may appoint a proxy at an AGM	13	X	X					
18. Procedures appointing directors or senior managers as proxies	13		X					
19.Procedure for monitoring the agreements reached at the AGM	14		X					
20. Minimum and maximum numbers of directors on the company's board of directors	15	X	X					

	Principle	By-laws	Internal regulations (*)	Manual	Others	Not regulated	Not applicable	Name of document (**)
21. The rights, duties and functions of the company's directors	17	X	X					
22. Indicate the type of bonuses paid to the board of directors for reaching the company's targets	17							
23. Policy for contracting advisors to the directors	17							
24. Induction policy for new directors	17	X	X					
25. Special requirements for independent directors of the company	19		X					
26. Criteria for evaluating the performance of the board of directors and its members	20							
27. Policy for determining, monitoring and controlling possible conflicts of interest	22							
28. Policy for the valuation, approval and revelation procedure for transactions with non-arm's-length entities	23				X			

	Principle	By-laws	Internal regulations (*)	Manual	Others	Not regulated	Not applicable	Name of document (**)
29.Responsibilities and functions of the president of the board of directors, executi-ve president, general manager and other senior managers	24	X	X					
30. Criteria for evaluating the performance of the senior managers	24		X					
31. Policy for setting and reviewing the remuneration of senior managers	24		X					
32. Integrated risk manage-ment policy	25			X				
33. Responsibilities of the internal auditor	26			X				
34. Policy for appointing the external auditor, duration of the contract and renewal criteria.	27							
35. Policy on the revelation and communication of information to investors	28		X	X				

(*) Includes the regulations governing the AGM, regulations concerning the board of directors or others issued by the company.
(**) Indicate the name of the document if not the company by-laws.

SECTION D: Other information of interest 5

5 Include other information of interest not covered in the above sections, which helps investors and other stakeholders to better understand the good corporate governance practices implemented by the company, as well as practices related to corporate social responsibility, relations with institutional investors, etc.
The company may also indicate whether it adheres voluntarily to other codes of ethical principles or good practice, whether international, sectorial or other; indicate the code and date of adhesion.

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Annexes

Annexes: Business

1.1 1.1 General Details

Name, address, telephone, fax and contact details

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,	511-626-4000
Lima, Peru	511-626-4504
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**

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.

Economic group

In accordance with the definition of economic group as used by SMV, Ferreycorp forms an economic group with the following subsidiaries:

FERREYCORP

- **Ferreyros** *(100.0%)
- **Unimaq** *(100.0%)
- **Orvisa** *(99.0%) (1)
  - **Servitec** *(99.0%) (5)
  - **Motomaq** *(99.0%) (6)
- **Inti Inversiones Interamericanas Corp. (Panamá)** *(100.0%)
  - **Gentrac Corp. (Panamá)** *(100.0%)
    - **Silver Finance Corp. (Panamá)** *(100.0%)
    - **Cía. General de Equipos (El Salvador)** *(100.0%)
    - **Corp. General de Tractores (Guatemala)** *(55.2%) (7)
    - **General Equipment Co. (Belize)** *(55.2%) (8)
  - **Forbis Logistics (USA)** *(100.0%)
  - **Mercadeo Centroamericano de Lubricantes (Nicaragua)** *(100.0%)
- **Mega Representaciones** *(100.0%)
- **Motored** *(98.0%) (2)
- **Fargoline** *(99.9%) (3)
- **Fiansa** *(99.5%) (4)
- **Cresko** *(100.0%)
- **Soluciones Sitech Perú** *(100.0%)
- **Forbis Logistics** *(99.8%) (9)
- **Trex Latinoamérica (Chile)** *(100.0%)
  - **Equipos y Servicios Trex (Chile)** *(100%)
    - **Trex Overseas Investment (Chile)** *(100.0%)
- **Inmobiliaria CDR** *(100.0%)

Notes:
Where no country is specified the company is incorporated in Peru.
* 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) Cía. General de Equipos holds 44.8%.
(8) Cía. General de Equipos holds 44.8%.
(9) Unimaq holds 0.2%.

Capital, shares and shareholdings
As at the 31st December 2014 Ferreycorp's capital was represented by ordinary shares having a nominal value of S/. 1.00 each, fully subscribed and paid up, of which 62.84% are held by Peruvian investors and 37.16% by foreign investors.

The share price at the beginning of the year was S/. 1.90 and at the close of the year S/. 1.62. The shares reached their highest price of S/. 1.95 in May and their lowest, S/. 1.45, in March. The average share price in 2014 was S/. 1.69.

The following shareholders held 5% or more of the company's capital as at the 31st December 2014:

Full name	Number of shares	Shareholding (%)	Origin
Equinox Partners LP	85'165,809	8.40%	United States
La Positiva Vida Seguros y Reaseguros	84'475,139	8.33%	Peruvian
AFP Prima Fondo 2 (RI - Fondo 2)	68'330,324	6.74%	Peruvian
Onyx Latin America Equity Fund LP	59'150,986	5.83%	United States

The distribution of voting shares is as follows:

Holding	N° of shareholders	N° of shares	% participation
Less than 1%	2,717	319'481,863	31.50
From 1% to less than 5%	17	397'722,203	39.21
From 5% to less than 10%	4	297'122,258	29.29
10% and over	0	0	0
Total	**2,738**	**1,014'326,324**	**100.00**

1.2 Description of operations and performance

Purpose
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. The company can also take part in all acts and enter into any contract permitted by law that enable it to conduct its business or that in some manner facilitate it or serve its interests, including the incorporation of companies and the acquisition of shares and/or.

Duration
The duration of the company is indefinite.

Changes in the operations
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-tern 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 around 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.

2003 saw the start of a strong period of growth for the corporation's subsidiaries, which by 2014 were 7 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 38% of the corporation's business, complementing the products and services that the larges 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 Soluciones Sitech Perú, a company providing technological solutions.

In 2014 Ferreycorp entered the Chilean market with the acquisition of Trex, which sells the entire range of Terex cranes and lifting platforms and a complete series of port equipment in that country.

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, the corporation's largest subsidiary, sells a wide range of products from other high-quality manufacturers, including Terex cranes, aggregate equipment by Metso for the construction industry, Astec asphalt plants –incorporated in 2014– as well as other equipment, trucks and low-profile loading shovels of 4 yd3 and under made by Paus. For the farm sector it represents Massey Ferguson and Landini tractors, Zaccaria rice mills, Kepler Weber grain silos and driers and farm implements, among other products.

Other Ferreycorp subsidiaries provide other first-class equipment to their respective markets, such as trucks by Kenworth and DAF, Iveco vehicles, Sullair compressors, Mitsubishi - CAT forklift trucks, Wacker compacting equipment, Lincoln Electric welding equipment, Olympian - CAT generating sets, Amida lighting towers, Enerpac hydraulic tools and concrete mixers by Carmix, as well as –in the Asian machinery sector– lines such as Shacman trucks and loading shovels, SEM motor graders and crawler tractors, among others. The corporation distributes Goodyear tires and Mobil lubricants, as well as personal protection equipment by 3M, Capital Safety, Microgard and Bullard, among other lines.

In Central America, its subsidiaries Gentrac (Guatemala and Belize) and Cogesa (El Salvador) represent Caterpillar and a complete portfolio of allied brands. Furthermore, Ferreycorp companies are distributors of Mobil lubricants in Guatemala, El Salvador and Nicaragua through Mercalsa. In Chile, Trex represents Terex cranes and lifting platforms as well as a complete line of port equipment.

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. In Chile, the rental fleet includes cranes under 100 tons capacity by Terex and the complete range of lifting equipment by Genie (Terex).

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 its clients' loyalty, the company's main brand Caterpillar, is the market leader; its range of allied brands also occupy leading positions in their markets.

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.

As far as earth moving equipment is concerned, Caterpillar's competitors include Komatsu, Volvo, Hyundai, Case, JCB, Daewoo and John Deere, among others. Furthermore, since 2008 Chinese earth moving machinery has been imported into Peru aimed at the heavy construction sector; in 2014 this equipment - more than twenty different makes imported by 15 importers - had a market share of approximately 3% by FoB value and 8% of all units imported into the country.
In 2014, Ferreyros began selling Astec asphalt plants, the main competitors of which are Ciber, Ticel, Bomag Marini and ADM.

Cresko, a subsidiary of Ferreycorp, distributes machinery from Asia to compete in the same segment. Light and heavy trucks by Shacman compete with FAW, DongFeng, Foton and Sinotruck, among others, and SEM loading shovels, motor graders and tractors compete with brands such as Liugong, Lonking, Shantui and SDLG, 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. 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.

In Central America, the main competitors in the machinery market are Hyundai, Case, John Deere, New Holland and Komatsu; in engines: Cummins, FG Wilson and Perkins, among others; and in lubricants: Castrol, Chevron and Shell. In Chile, Manitowoc (Grove) and Liebherr cranes, Kalmar port equipment, JLG lifting gear and Manitou handling equipment are among the competitors of Trex, which was incorporated into Ferreycorp in 2014.

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 Representaciones 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 .

Fargoline competes with other companies from different bussiness groups, both Peruvian and foreign, who operate bonded warehouses and cargo terminals, such as Tramarsa and Ransa (Romero group), Neptunia (Andino group), Imupesa (the Agunsa group from Chile), APM Terminals (Danish group A.P. Moller Maersk) and Dubai Ports World (a holding company belonging to 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.

Investment plans and policies
In order to improve the location of the Ferreycorp group's premises and provide a better service to our clients, on the 29th of September 2014 the company signed a commitment with confirmatory deposit to acquire a large parcel of land on the Southern Pan American Highway 45.6 kilometers from Lima in the district of Punta Negra province and department of Lima, having an area of 17.65 hectares.

Principal assets
The corporation's business requires heavy investment in assets, such as inventories that guarantee the availability of items and delivery times acceptable to its clients; adequate infrastructure in its branches; a rental fleet to meet the needs of its clients, among others.

Investments in assets are as follows:

1. Investment in fixed assets
Ferreycorp invests in its premises in the form of refurbishments and transfer of its points of sale from city centers to more easily accessible locations. It also provides its workshops with better technology and methods of protecting the environment.
2014 saw the completion of a corporate building containing: The training centre campus, the Ferreyros spare parts distribution center and tire retreading plant, warehouses and the offices of Mega Representaciones.
The corporation's operating fixed assets include the rental fleet –consisting of around 634 units in Ferreyros, 1,458 in Unimaq and 311 in Gentrac Guatemala– and components that enable it to offer a world-class repair service for mine trucks.

2. Investment in inventories
During 2014 inventory levels fell as a result of a drop in Ferreycorp's activity. Nevertheless, in the second half year the corporation's inventories increased by equipment destined for mining clients (Caterpillar trucks and face shovels) that will be delivered in January 2015.

3. Investment in accounts receivable
In order to reduce the risk to the company from lending operations that are not part of its main business, as well as to improve rotation of its assets, the corporation took the decision some years ago to limit the credit available to its
clients. Such requirements arise infrequently as there are other competitive options such as Caterpillar Financial or bank loans with better conditions and interest rates.

As with all companies in this field, Ferreycorp's payment terms give rise to a portfolio of accounts receivable from the sale of equipment or spare parts, valid for an average of 45 days.

Guarantees, contingencies and commitments
As at the 31st December 2014 the Group has the following commitments:

Ferreycorp S.A.A.:
(a) Guarantees amounting to US$ 96,000 and US$ 3,000,000 cover loans to affiliates and subsidiaries and purchases from third parties, respectively, and fall due at different dates.

Subsidiaries
Ferreyros S.A.:
(a) Guarantees valued at US$10,500,000, to guarantee credit purchases from third parties.

(b) Bank guarantees in favor of financial institutions worth US$ 27,000,000 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.

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$7,969,000 and S/.16,888,000, to cover purchases from third parties and financial leasing, maturing on different dates.

(b) Bank guarantees in favor of finance institutions valued at US$ 2,565,000 and S/.671,000, 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 customs duties on imported merchandise, respectively.

Motored S.A.:
(a) Guarantees valued at US$16,390,000, to guarantee credit purchases from third parties.

(b) Bank guarantees in favor of financial institutions valued at S/. 1,446,000, principally for use as bid bonds and compliance bonds by the subsidiary for delivery of products sold through public tenders.

(c) Cómex promissory note payment guarantees amounting to US$ 25,000,000.

Orvisa S.A.:
(a) Bank guarantees in favor of financial institutions valued at US$ 3,841,000 and S/. 3,028,000, 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 of December 2014 and 31st of December 2013, the tax rate on taxable earnings in the main countries in which the group operates is 30 % (Peru and Nicaragua), 31% (Guatemala), 25 % (El Salvador and Belize) and 21% (Chile).

In accordance with current legislation as at the 31st December 2014 and the 31st of December 2013, cash dividends to shareholders not domiciled in Peru are subject to income tax. The rate in Peru is 4.1%, while in El Salvador it is 5%; in Chile the rate is 35%, and in the remaining Central American countries dividends are exempt from this tax.

(b) Transfer pricing regulations are in force in Peru, Nicaragua, Guatemala, El Salvador, Belize, and Chile, 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 2014 and the 31st of December 2013.

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	
Corporación General de Tractores	2011 a 2014
Compañía General de Equipos S.A. de C.V.	2005 a 2014
General Equipment Company Ltd.	2008 a 2014
Mercadeo Centroamericano de Lubricantes S.A.	2009 a 2014
Forbis Logistics Corp.	2009 a 2014
Trex Latinoamérica SPA y Subsidiarias	2009 a 2014
Local subsidiaries	
Ferreyros S.A.	2012 a 2014
Unimaq S.A.	2011 a 2014
Cresko S.A.	2011 a 2014
Fiansa S.A.	2011 a 2014
Mega Representaciones S.A. and subsidiary	2013 a 2014
Fargoline S.A.	2011 a 2014
Orvisa S.A. and Subsidiaries	2011 a 2014
Motored S.A.	2012 a 2014
Inmobiliaria CDR S.A..	2013 a 2014
Forbis Logistics S.A.	2012 a 2014
Soluciones Sitech Peru S.A.	2013 a 2014

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 group, 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 2014 and 31st of December 2013.

Contingencies

As at the 31st of December 2014 and 2013, the company has appeals pending or being examined concerning a total of approximately S/. 116,000,000 (including fines of S/. 16,323,000 and interest of S/. 77,031,000). These processes are awaiting administrative or judicial decisions and concern observations made by the tax on the following tax returns: (i) Income tax (including payments on account) for fiscal years; (ii) Value added tax for fiscal years 2001 to 2006 of S/. 3,254,000; and (iii) income tax payable by non-domiciled taxpayers for fiscal years 2002, 2003, 2005 and 2006 of S/.5,082,000.

In all cases, as at the 31st of December 2014 the corporation had obtained advice from specialists in these subjects, who determined, together with the management, that some items valued at approximately S/. 8'097,000 (S/. 8'097,000 as at the 31st of December 2013) are probably lost. The corporation has recorded a provision for this amount as at 31st of December of 2014 and 2013,, which is included under "other accounts payable" in the statement of financial position. The management, together with its legal and tax advisors believe that the company has arguments in its favor and that the Tax Tribunal should rule in the company's favor. It is therefore thought that future rulings in these proceedings will not result in significant liabilities and, therefore, it is not necessary to record provisions to cover them as at the 31st of December 2014 and 2013.

1.3 Judicial And Administrative Procedures And Arbitration

Ferreycorp S.A.A. and its subsidiaries are parties to a number of court proceedings arising in the normal course of their business, most of which can be considered unimportant, both individually and collectively. We would point out, however, that at the close of the fiscal year group companies are involved in twelve claims for compensation for damages and loss and others, valued at S/. 7.0 million, one of these involving the sum of S/. 5.0 million Based on the opinion of its legal advisors, the general management believes that these claims are without foundation and will be resolved in the group's favor.

1.4 Management

1.4.1 List of directors

Professional careers of the directors of Ferreycorp

Óscar Espinosa Bedoya
(President)
Executive Chairman of Ferreycorp S.A.A. since March 2008 and president of the board of directors of Ferreyros S.A. and the other corporation subsidiaries. General manager since 1983, he joined the company in 1981. He has occupied senior positions in Corporación Financiera de Desarrollo (Cofide), the World Bank, Banco Internacional del Peru, Cosapi (from 2011 to August 2014) and other. He is currently a director of ProFuturo AFP, since March 2013; of La Positiva insurance companies since 1996; and of Sociedad de Comercio Exterior del Peru (Cómex Peru), since 2011. He is a member of the managing council , Vice-president of Asociación Pro Universidad del Pacífico and a member of the board of trustees of Ruiz Montoya University. He is also a director of the Instituto Peruano de Economía (IPE), the Fulbright Commission Peru and Asociación CARE Perú. He won the IPAE award in 1999. A graduate in civil engineering from the National Engineering University, 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 University of Piura's PAD.

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 National Engineering University 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. 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 (2010 to date); director of Mastercol (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); director of Corporación Financiera de Inversiones (2005); director of Transacciones Financieras (since 2000); director of Dispercol (1998); director of Sociedad Andina de Inversiones en Electricidad (1996); director of Futuro Invest and Futuro Inmobiliario Camacho (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 in New York (1962-1963); and president of the Manuel J. Bustamante de la Fuente (1960 to date). An attorney by profession, he is a graduate of the Faculty of Law at the Catholic University of Peru.

Aldo Defilippi Traverso

A director of Ferreycorp S.A.A. since 2005 and of Ferreyros S.A. since July 2012. He has also been executive director of the American Chamber of Commerce of Peru (Amcham Peru) since April 2002 and president of the Asociación de Cámaras de Comercio Binacionales (ACCB) since January 2009. During 2014 he was a director of a number of institutions, in cluding Aeropuertos del Peru until March 2014, BanBif since April 2014 and Amrop, Business Alliance for Secure Commerce (BASC), Centrum Católica, Fundación Peruana del Cáncer, Fondo Nest, Instituto Peruano de Acción Empresarial (IPAE) and United Way, in Peru; vice president of the Association of American Chambers of Commerce in Washington and director of Sistema Universitario Ana G. Mendez, in San Juan de Puerto Rico, throughout the year. 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 Pacific, Lima and Catholic universities. He is also a doctoral candidate in economics and holds master's degree in economic policy and economic development from the University of Boston. He has taken the Chief Executive Officers' Program at Northwestern University and has a bachelor's degree 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 member of the boards of directors of Banco Internacional del Peru (since April 2006), Entel Peru (since November 2013), Unión de Cervecerías Peruanas Backus y Johnston (since December 2014) and Camposol (since April 2014), ,as well as the Consejo Directivo de Empresarios por la Educación (since 2007), Asociación Pro Universidad del Pacífico (since 2002), Asociación para el Progreso de la Dirección (since 2014) and president of Women Corporate Directors WCD Peru (since 2009). She is an international corporate management and governance consultant. She has been rector of Universidad del Pacífico (2007 to 2009), general manager of IBM Colombia (1999 to 2001) and general manager of IBM Peru and IBM Bolivia (2001 to 2003). She has also held company and business association directorships in Peru and Colombia. 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 otros.

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. He is a member of the managing board of Asociación Cultural Peruano Británica, deputy director elected by the the pension funds of Enersur (Suez Group) and an advisor to the board of Sindicato Minero de 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 Catholic University of 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 the board of directors of Alianza Compañía de Seguros y Reaseguros and vice president of Alianza Vida, Seguros y Reaseguros (Bolivia). He is a former director of Seguros América (Nicaragua). He is president of the board of directors of Martinizing del Peru and director 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 National Engineering University.

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, 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 and MBA, graduated in Hamburg, Germany and attended the Program for Management Development, Harvard Business School and the University of Piura.

1.4.2 Management

Trayectoria profesional de principales funcionarios de Ferreycorp S.A.A.

Mariela García Figari de Fabbri
General manager
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 27 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 a director of the subsidiary companies of abroad in Central America. At present she is a director of Peru 2021 and of its Ethics Committee. Director of hte American Chamber of Commerce (Amcham Peru) since 2014, after being a member of its board of directors from 2007 to 2013. 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, 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. Graduated in economics from the Universidad del Pacífico and holds an MBA from Adolfo Ibañez University in Chile and Incae in Costa Rica.

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.Between 2012 and 2013 he was the Central Subsidiaries Manager. At present he is vice president of Lima Chamber of Commerce, of which he has been a director at different times, as well as a director of Asociación Automotriz. He is the director responsible for the Motored, Mega Representaciones, Cresko, Fargoline, Forbis Logistics, Fiansa and Soluciones Sitech Perú subsidiaries, as well as a director of Orvisa. He attended the University of Lima, obtained specialist diplomas from ESAN and the Senior Management Program (PAG) of Incae in Costa Rica. He has a master's degree in marketing and commercial management from EOI business school in Spain.

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 University of 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 also chairman of the organizing committee of CADE Universitaria 2010. 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 University of Lima. She has taken specialist courses at ESAN and possesses an MBA from Adolfo Ibañez University 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 he took part in the Global Economies Administration program taught by Harvard Extension School Faculty and, in 2012, the Yale School of Management Corporate Governance program.

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 Catholic University of Peru and holds a master in law from George Washington University (as a Fulbright scholar).

Raúl Vásquez Erquicio
Corporate Internal Audit Manager
Corporate Investment 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 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 San Marcos State University and Federico Villarreal University. He is a registered public Accountant, holds a bachelor's degree in economics and business and studied for his doctorate in economics at San Marcos State University. He also holds a Certificate in Risk Management Assurance from The Institute of Internal Auditors (United States).

Professional careers of the principal officers of Ferreyros

Mariela García Figari de Fabbri
General Manager
See her professional CV on page 312.

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 25 years of experience in the management implementation of construction, open pit mining and energy projects in both Peru and Chile. Before joining the company he held a number of posts with the Cosapi Group, including commercial manager of its Chilean associate and project manager in a joint venture with Bechtel Corporation, in the implementation of the then green field Antamina project. Since 2012 he has been the president of the Suppliers Committee of the Peruvian Mining, Oil and Energy Society, as well as a member of the board of directors the Canada-Peru 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). At present he is a director of Ferreycorp subsidiary companies in Peru, Chile, Guatemala, El Salvador, Nicaragua and Belize. He is the director responsible for the performance of Unimaq and Ferrenergy.

Qualified as a civil engineer from the Catholic University Peru, 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 University of Piura and Ernst &Young.

Hugo Sommerkamp Molinari
Central Management Control and Systems Manager
Central Management Control and Systems Manager since July 2001. Since April 2012 he is also responsible for the Comptroller's Division. His responsibilities include management control and supervision of the corporate financial statements and the quarterly financial information sent to the Stock Market Supervisory Authority (SMV), from Ferreycorp S.A.A. and Ferreyros S.A. He is also responsible for the corporate risks department and supervised the IT department until October 2014. He joined the company in 1985 and until 1990 was comptroller of the company's affiliated companies. He is a director of all the subsidiaries of Ferreycorp S.A.A., except for Ferreyros S.A. 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 Catholic University of Peru 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. He has been the stock market representative of Ferreycorp S.A.A. and Ferreyros S.A. since the 31st of March 2012.

Patricia Gastelumendi Lukis
Central Finance Manager
See his professional CV on page 312.

Andrés Gagliardi Wakeham
Central Human Resources Manager
See his professional CV on page 312.

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.

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 National Engineering University, he has also studied administration and management accounting at ESAN and the Senior Management Program of the University of Piura. In 2007 he took part in the Caterpillar Leading for Growth and Profitability program at Kenan-Flagler Business School of the University of North Carolina.

Luis Fernando Armas Tamayo
Large-scale Mining Division Manager
Manager of the Large-scale Mining Division since January 2012, he has 29 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 the general manager of Bucyrus South Africa based in Johannesburg, 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 National Engineering University, and obtained a postgraduate degree from the Senior Management Program course at the University of Piura as well as numerous specialist courses in mining equipment in Peru, Chile and the United States.

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 took over as services manager for Peru; and in 2001 became manager of the Component Repair Center (CRC) and Lima workshops. in 2005 he became large-scale mining operations manager; and in 2007 became manager of the Mining Division. He graduated from the Faculty of Mechanical Engineering of the Catholic University of Peru (PUCP) and in August 2009 obtained an MBA from Universidad Adolfo Ibáñez 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. With a 20 year career in Ferreyros, he is also a director of Motored, a Ferreycorp subsidiary, and is a member of Ferreyros' Central Safety Committee.

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 30 years of experience in sales and service of added value industrial products for mining, construction, transport and industry. He studied at the University of 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 courses and forums run by Caterpillar and other institutions related to the markets mentioned.

Professional careers of the principal officers of other Ferreycorp subsidiaries

Carlos Barrientos Gonzales
General Manager of Mega Representaciones
General Manager of Mega Representaciones S.A. since February 2010. With 18 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 Catholic University of Peru and an MBA from Centrum Católica. He has attended specialist courses on sales and strategy in Peru and abroad, including the Higher Business Management Program of the University of Piura; the Caterpillar Leading for Growth and Profitability program, taught by the Kenan-Flagler business school at the University of North Carolina; and the CEO Management Program at Kellogg School of Management (Northwestern University), in Evanston, Illinois.

Javier Barrón Ramos Plata

General Manager of Cresko

General Manager of Cresko S.A. since May 2012. His career with Ferreyros started in 1996 and he 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 18 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. He is an industrial engineer who graduated from the University of Piura, he holds a master's degree in business administration from ESAN where he also pursued postgraduate studies in finance. He has taken part in a number of Caterpillar marketing, leadership and sales courses. He holds and advanced sales certificate from Caterpillar University.

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 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. He graduated as an industrial engineer from the University of Lima and pursued postgraduate studies at University del Pacífico and the University of Piura.

José Luis Chocarro Amunárriz

General Manager of Fiansa

General Manager of Fiansa. Has had a long career in Corporación Mondragón, one of the ten largest business groups in Spain, including spells as the technical secretary of the corporate construction division; promotion and development director of URSSA, the group's light engineering company, which has completed projects on four continents; and promotion and development director and director of the environmental business unit of Biurrarena, the group company dedicated to the capital goods business. Furthermore, he has been manager and finance and administration director of Viviendas y Contratas (Vicon), a Spanish housing construction company. economics and business sciences from Universidad de Deusto in San Sebastián (Spain), with distinction, and holds a bachelor's degree and COU from Colegio del Sagrado Corazón de Donostia - San Sebastián.

Jorge Devoto Núñez del Arco

General Manager of Forbis Logistics

General Manager of Forbis Logistics Corp. since January 2013 and General Manager of Forbis Logistics S.A. since July 2013. Experience in the management of logistics projects dating from 2001. With more than eight 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 La Molina Agrarian University and graduated with honors in the Centrum Católica MBA course.

David E. Matuk Heresi

General Manager of Ferrenergy

The general manager of Ferrenergy S.A.C. since December 2013, he has management experience in local and multinational companies in consumer goods, mining and services. He qualified as an industrial engineer from the Catholic University of Peru and has attended a number of specialist courses in Peru and abroad.

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 Catholic University of Peru. 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.

Víctor Otero Pizarro

General Manager of Trex Latinoamérica

General Manager of Trex Latinoamérica since its formation in 2014. He is a former general manager of Equipos y Servicios Trex S.A., which he founded in 2000 with other partners. He has 25 hears of experience in the management and development of capital goods businesses in the mining and port industries, having held several positions in Minepro Chile, now Joy Global, including manager of the Material Handling division, which covers P&H cranes, PPM port equipment and Morris portal cranes. He graduated as an architect from the Catholic University of Chile and holds an MBA from Universidad Adolfo Ibañez.

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 is a director of Orvisa and of Cresko. 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 San Marcos State University and has taken other courses in Peru and abroad.. as well as the senior management Program at the University of Piura. He has diplomas from ESAN, IPAE and La Salle University in Argentina.

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.

César Vásquez Velásquez
General Manager of Orvisa
General Manager of Orvisa S.A. since February 2006. With 15 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 for Interbank and was the chief accountant of Compañía Embotelladora Lusitania. 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 San Marcos State University (studies completed) and an advanced sales certificate from Caterpillar University. He graduated as a public accountant from the Universidad Nacional de la Amazonía.

Marcos Wieland Conroy
General manager of Soluciones Sitech Peru
General manager from the start of operations by Soluciones Sitech Peru. 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 in Price WaterhouseCoopers Coopers 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 Catholic University of Peru 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.

Annex 2: Information On Securities Registered With The Stock Market Public Registry

2.1 Ordinary Shares

Ferreycorp S.A.A. - Share prices

ISIN Code	Nemonic	Year - Month				Quotes 2014	Price
			Opening	Closing	Máximum	Mínimum	Average Price
			S/.	S/.	S/.	S/.	S/.
PEP736001004	FERREYC1	2014-01	1.90	1.78	1.95	1.78	1.88
PEP736001004	FERREYC1	2014-02	1.77	1.68	1.77	1.62	1.66
PEP736001004	FERREYC1	2014-03	1.67	1.51	1.72	1.45	1.52
PEP736001004	FERREYC1	2014-04	1.51	1.68	1.68	1.50	1.57
PEP736001004	FERREYC1	2014-05	1.68	1.87	1.95	1.68	1.85
PEP736001004	FERREYC1	2014-06	1.87	1.90	1.90	1.81	1.86
PEP736001004	FERREYC1	2014-07	1.90	1.70	1.97	1.70	1.88
PEP736001004	FERREYC1	2014-08	1.72	1.72	1.72	1.65	1.70
PEP736001004	FERREYC1	2014-09	1.72	1.66	1.72	1.65	1.68
PEP736001004	FERREYC1	2014-10	1.66	1.55	1.66	1.50	1.58
PEP736001004	FERREYC1	2014-11	1.55	1.60	1.65	1.50	1.58
PEP736001004	FERREYC1	2014-12	1.59	1.62	1.62	1.45	1.56
PEP736001004	FERREYC1						

Annual Report 2014 **We aim higher —— Annexes**

2.2 Current Debt Instrument Issues

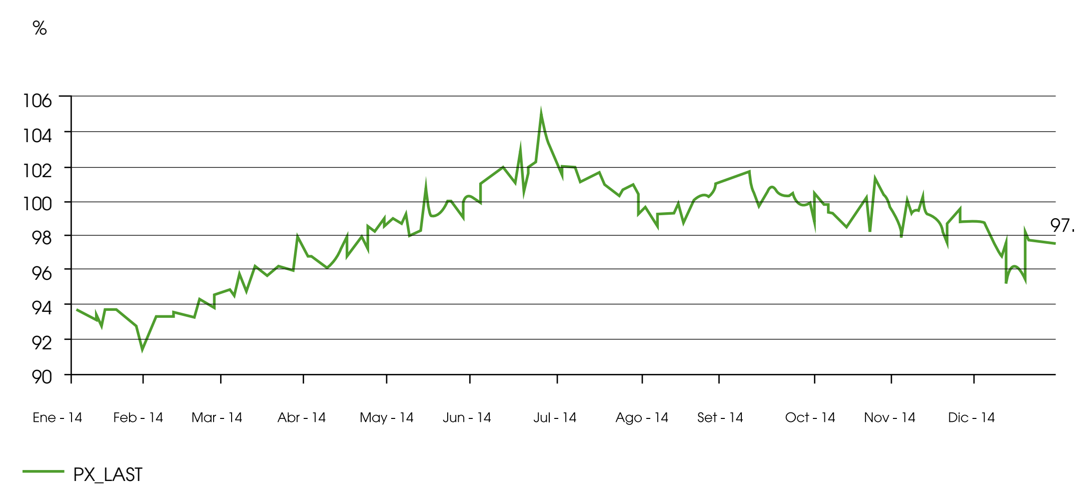
In April 2013 Ferreycorp placed corporate bonds worth US$ 300 million on the international market. The amount raised by this issue, at an annual rate of 4.875%, was used to re-profile debt with an average maturity of three years and amortization to a seven-year bullet capital payment. Thus, the corporation released short-term lines of credit and covered its medium-term requirements.

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

The bonds mature after seven years commencing on the date of issue. 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.

The performance of these bonds during fiscal year 2014 is shown below:

Price of International Bond Issue



Ferreycorp S.A.A. Subsidiaries

Perú

Ferreyros
Oficina principal: Jr. Cristóbal de Peralta Norte 820, Surco, Lima
Sede principal de talleres:
Av. Industrial 675, Lima
Sede Rentafer / Alquiler y venta de equipos seminuevos y usados:
Av. Argentina 1300, Lima
Central telefónica: 626-4000
Sucursales y oficinas: Abancay, Arequipa, Ayacucho, Cajamarca, Camaná, Challhuahuacho, Cerro de Pasco, Chimbote, Cusco,Espinar, Huancayo, Huaraz, Ica, Lambayeque, La Merced, Piura, Pucará, Puno, Tacna, Talara, Trujillo, Tumbes.
www.ferreyros.com.pe

Unimaq
Oficina principal: Av. Evitamiento 1936, Ate Vitarte, Lima
Teléfono: 202-1300
Sedes: Arequipa, Cajamarca, Cusco, Chiclayo, Huancayo, Ilo, Piura y Trujillo.
www.unimaq.com.pe

Orvisa
Oficina principal: Av. José Abelardo Quiñones Km. 2, San Juan Bautista, Maynas, Loreto
Teléfonos: 065-263710 / 065-265520 / 065-263976 / 065-264142
Sucursales y oficinas: Bagua, Huánuco, Iquitos, Pucallpa, Puerto Maldonado, Tarapoto, Yurimaguas.
www.orvisa.com.pe

Motored
Oficina principal: Av. Evitamiento 1980, Urb. Industrial Santa Rosa, Ate Vitarte, Lima
Sede principal de talleres:
Panamericana Sur km 30.7, Lurín, Lima
Sedes: Arequipa, Cajamarca y Trujillo.
Motored Parts: Arequipa, Cajamarca, Huancayo, Lima, Piura y Trujillo.
Teléfono: 518-6000
www.motored.com.pe

Cresko
Oficina y talleres: Av. Argentina 1315, Cercado, Lima
Teléfono: 424-9797 / 424-5488 / 424-1076 / 424-2958 / 424-0592
Puntos de venta: Huancayo y Trujillo
www.cresko.com.pe

Mega Representaciones
Oficina principal: Av. Industrial 675, Lima
Teléfono: 630-1700
Sucursales y oficinas: Arequipa, Iquitos, Huancayo, Huánuco, Pucallpa, Talara.
www.megarepresentaciones.com.pe

Fiansa
Oficina y planta: Av. Huachipa cruce con las Moreras, Mz "D" Lt. 1 - Urb. La Capitana, Fundo Huachipa, Lurigancho, Lima
Teléfono: 207-3400
www.fiansa.com.pe

Ferrenergy
Oficina: Av. La Encalada 1257, oficina 302, Surco, Lima
Teléfono: 437-2828
www.ferrenergy.com

Fargoline
Oficina y almacenes: Av. Néstor Gambetta Km 10, Callao
Teléfono: 311-4100
www.fargoline.com.pe

Forbis Logistics
Oficina Perú: Lima Cargo City. Av. Elmer Faucett 2823, Edificio A, Of. 502, Callao
Teléfonos: 575-5557 / 575-6808
Local en EE.UU.: 12200 NW 25 Street, Suite 105, Miami, Florida 33182
Teléfono: 305-592-3216
www.forbislogistics.com

Soluciones Sitech Perú
Oficina Perú: Av. Manuel Olguín 211, of. 601, Monterrico, Surco
Teléfonos: 626-4142
www.sitech.com.pe

Guatemala

Corporación General de Tractores, S.A. (Gentrac)
Oficina principal: Calzada Aguilar Batres 54-41 Zona 12, Guatemala, Guatemala
Teléfono: (502) 2328-9000 / (502) 2386-9000
Sucursales: Quetzaltenango, Ciudad Guatemala (Zona 9), Teculután (Zacapa) y Morales (Izabal)
División Lubricantes y Neumáticos:
Calzada Atanasio Tzul, Diagonal 3 20-74. Zona 12, Ciudad de Guatemala.
www.gentrac.com.gt

El Salvador

Compañía General de Equipos S.A. (Cogesa)
Oficina principal: Av. Las Mercedes 401, Col. Las Mercedes, San Salvador, El Salvador
Teléfono: (503) 2223-2323 / (503) 22508000
Sucursales: Sonsonate y San Miguel
www.generaldeequipos.com

Nicaragua

Mercalsa
Oficina: Paso a Desnivel Portezuelo, 1000 m al Norte, Bodega Nave 6, La Primavera, Managua, Nicaragua
Teléfonos: (505) 22512864. Fax: (505) 22512878

Belize

General Equipment Company Limited (Gentrac)
Gentrac Belize, International Airport Road, Ladyville, Belize District
Teléfono: (501) 225-2115
www.gentracbelize.com

Chile

Trex
Oficina principal: Av. Puerta Sur 03360, San Bernardo - Santiago
Sucursales: Antofagasta, Calama, Copiapó y Concepción
Teléfono: (56-2) 2498-5600
www.trex.cl