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## Management Discussion and Analysis of the Consolidated Financial Statements of Ferreycorp S.A.A. and Subsidiaries

### First Quarter 2016

**Lima, April 27, 2016.** Ferreycorp S.A.A. (BVL: FERREYC1), a leading corporation which aims to carry out investment activities in the capital goods sector and complementary services, with presence in Peru and other 8 countries in Latin America, announces consolidated results for the first quarter 2016. The consolidated financial results have been prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in nuevos soles.

#### MAIN HIGHLIGHTS

#### FIRST QUARTER 2016 RESULTS VS FIRST QUARTER 2015 RESULTS

- Consolidated sales for the first quarter amounted to S/ 1,385 million, 3.5% higher if compared to the same period last year (S/ 1,339 million), mainly due to mining trucks deliveries and also due to the increase of spare parts and services sales.
- Gross profit during the first quarter raised 12% to S/ 341 million, higher than sales increase, explained by an improvement in the margin of mining trucks and Caterpillar machines sales, and also by the exchange loss recovery.
- EBITDA rose by 22.3% to S/ 186 million compared to S/ 152 million reached during first quarter 2015, as a result of higher sales with better gross margin and

expenses control. First quarter 2016 EBITDA margin reached to 13.5% from 11.4% in first quarter last year.

- Operating profit showed an important increase of 27.2%, explained by higher gross profit. Operating margin rose from 8.4% in 1Q 2015 to 10.4% in 1Q 2016. Operating expenses compared to total sales remained flat (14.8% during 1Q 2016, compared to 14.6% during 1Q 2015), showing that the slight increase in expenses is the result of some variable expense such as profit sharing for employees.
- Consolidated net profit reached S/ 84 million, showing an important growth if compared to first quarter 2015 net profit of S/ 31 million. This is the outcome of higher gross margin and operating profit described in the previous paragraph, and also the exchange gain of S/ 9 million registered in this first quarter compared to the exchange loss of – S/ 43 million during the first quarter last year.
- EPS amounted to S/ 0.084 compared to S/ 0.031 during the first quarter 2015.
- EBITDA per share went from S/ 0.153 in 1Q 2015 to S/ 0.187 in 1Q16.
- First quarter 2016 Free cash flow reached S/ 181.8 million, mainly affected by an improvement in asset management, less capex investment and higher EBITDA.

	First Quarter		
	2016	2015	%Var.
(in million soles except for the per share indexes)			
Net sales	\$401	\$437	-8.3%
Net sales	S/. 1,385	S/. 1,339	3.5%
Gross profit	S/. 341	S/. 305	12.0%
Operating profit	S/. 143	S/. 113	26.8%
Financial expenses	S/. -30	S/. -26	18.3%
Gain (loss) to exchange rate	S/. 9	S/. -43	
Net profit	S/. 84	S/. 31	169.4%
EBITDA	S/. 186	S/. 152	22.3%
EPS	0.084	0.031	173.4%
EBITDA per share	0.187	0.153	22.3%
Free cash flow	S/. 182	S/. -14	
Gross margin	24.6%	22.7%	
Operating margin	10.4%	8.4%	
Net margin	6.0%	2.3%	
EBITDA margin	13.5%	11.4%	
Indebtedness ratio	0.94	1.19	
Net debt / EBITDA	2.25	3.52	

## **MAIN HIGHLIGHTS**

### **Leadership Changes**

On January 1, 2016 the management changes that were announced back on June 2015 came into effect as part of the implementation of the new structure of the corporation that began in 2012 with the creation of Ferreycorp.

### **Shares repurchase and Market Maker**

During 2015, the Board approved two important policies regarding the company shares. These measures remain in effect:

- 1) First, the Board approved a share repurchase program of up to 50 million shares (5% of total shares), in a context in which the share price was below its fundamental value, considering it an attractive investment opportunity. Under this program, from April 2015 to date, the company has repurchased 29.7 million shares, that represents 2.9% of the total issued shares, at an average price of \$/ 1.294 (minimum price of \$/ 1.16 and maximum price of \$/ 1.37).
- 2) As second measure, the Company hired a market maker to increase the liquidity of the stock, either via higher trading frequency and by an increase in trading volumes, in order to keep participating in the emerging market indexes and also to boost the share price to its fundamental value. We hired Credicorp Capital that started operating at the beginning of 2016.

### **Mandatory Annual General Meeting**

The Annual General Meeting was held on March 30, 2016 with a quorum of 78.9375%, which made possible the approval of all items of the Agenda:

1. Review and approval of the 2015 Annual Report, which includes the analysis and discussion of the financial statements, and corporate management.
2. Approval of profits distribution for the year 2015
3. Proposal to amend the Bylaws
  - 3.1 Amendment of Art. 2nd referred to the social objective, to adequately reflect the current functions of the corporation.
  - 3.2 Incorporation of the new Title VII, referred to arbitration (Article 55).
4. Appointment of External Auditors for 2016
5. Empowerment to sign public and/or private documents with respect to the resolutions adopted by this shareholders' meeting

According to best corporate governance practices, during the previous days to the Shareholders meeting Ferreycorp distributed a governance statement to explain each of the items on the agenda and sent a proxy form for the shareholders to vote for each agenda item.

**Dividend distribution**

The General Shareholders Meeting approved the distribution of S/ 87,353,628.56 cash dividends, which equals to the maximum limit of the dividend policy. The payment date is May 18, 2016, the record date is April 22<sup>nd</sup> and the cut-off date is on April 19<sup>th</sup>.

After deducting the treasury shares from the total issued shares, the outstanding shares with the right to receive dividends are 985'224,370 shares. The dividend per share equals to S/ 0.08866 per share. The 985'224,370 outstanding shares are the result of deducting the treasury shares (29'101,954) as of the cut-off date from the issued shares (1,014'326,324).

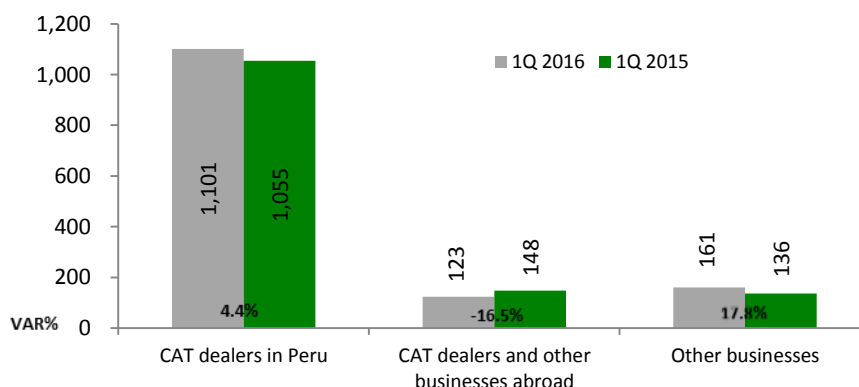
**I. COMMERCIAL MANAGEMENT**

**1. SALES BREAKDOWN ACCORDING TO CORPORATE ORGANIZATION DE EMPRESAS**

Consolidated sales of Ferreycorp S.A.A. and its subsidiaries in Peru, Chile, Guatemala, El Salvador, Nicaragua and Belize, amounted to S/ 1,385 million during the first quarter of 2016, showing an increase of 3.5% compared to the first quarter of 2015. In dollars, sales decreased by 8.3% from US\$ 437 million to US\$ 401 million, explained by a lower average exchange rate in 2015 (S/. 3.060) compared to 2016 (S/. 3.452).

It is worth recalling that Ferreycorp divide its companies in three main groups: Subsidiaries which are Caterpillar dealers and represent allied brands in Peru (Ferreyros, Unimaq, Orvisa and Ferrenergy); subsidiaries which are Caterpillar dealers and have other businesses in Central America (Gentrac, Cogesa, Transpesa and Mercalsa); and the ones aimed to offer capital goods and services other than Caterpillar to different economic sectors in Peru and abroad (Motored, Fiansa, Fargoline, Mega Representaciones, Cresko, Forbis Logistics, Sitech and Trex). Sales composition in the first quarter 2016 showed no substantial variation compared to the same period in 2015.

**Sales by corporate organization  
(S/ million)**



Sales	1Q 2016	%	1Q 2015	%	VAR %
(S/. million)					
Ferreyros	942	68.0%	895	66.8%	5.3%
Unimaq	117	8.4%	115	8.6%	1.5%
Orvisa	42	3.0%	45	3.4%	-6.5%
<b>CAT dealers in Peru</b>	<b>1,101</b>	<b>79.5%</b>	<b>1,055</b>	<b>78.8%</b>	<b>4.4%</b>
<b>CAT dealers and other businesses abroad</b>	<b>123</b>	<b>8.9%</b>	<b>148</b>	<b>11.0%</b>	<b>-16.5%</b>
Motored	43	3.1%	38	2.8%	13.8%
Mega Representaciones	57	4.1%	47	3.5%	21.2%
Trex	22	1.6%	22	1.6%	0.6%
Others (Fargoline, Cresko, Fiansa, etc )	39	2.8%	30	2.2%	30.2%
<b>Other subsidiaries</b>	<b>161</b>	<b>11.6%</b>	<b>136</b>	<b>10.2%</b>	<b>17.8%</b>
<b>TOTAL</b>	<b>1,385</b>	<b>100.0%</b>	<b>1,339</b>	<b>100.0%</b>	<b>3.5%</b>

In the following lines you can see the sales composition by group of companies according to the different product lines:

During the first quarter 2016, Ferreycorp sales composition according this distribution has maintained stable if compared to the same period 2015.

Sales (S/ million)	CAT dealers in Peru			CAT dealers and other businesses in Central America			Other subsidiaries in Peru and abroad		
	1Q 2016	1Q 2015	VAR%	1Q 2016	1Q 2015	VAR%	1Q 2016	1Q 2015	VAR%
Mining trucks and Caterpillar machines (GM)	315	233	35.0%	-	-		-	-	
Caterpillar machines and engines for other sectors (NGM)	169	222	-23.8%	23	56	-59.8%	-	-	
Allied equipment	65	75	-12.9%	8	4	116.9%	47	44	6.5%
Rental and used	71	73	-2.4%	14	18	-23.1%	4	2	76.2%
Spare parts and services	481	452	6.5%	46	39	18.4%	32	25	26.1%
Other lines	0	0		32	31	5.9%	78	65	20.4%
<b>TOTAL</b>	<b>1,101</b>	<b>1,055</b>	<b>4.4%</b>	<b>123</b>	<b>148</b>	<b>-16.5%</b>	<b>161</b>	<b>136</b>	<b>17.8%</b>
<b>% share in total sales</b>	<b>79.5%</b>	<b>78.8%</b>		<b>8.9%</b>	<b>11.0%</b>		<b>11.6%</b>	<b>10.2%</b>	

**Caterpillar dealers in Peru** increased their sales by 4.4% if compared with the same period 2015, which was primarily led by higher sales of mining trucks and by spare parts and services sales to mining and construction customers.

**Caterpillar dealers and other businesses in Central America** reported during this period sales that decreased by -16.5% if compared to 2015 due to lower sales of Caterpillar machinery. In general, sales of this group of companies have been affected by the political and economic situation in Guatemala, one of the countries that contribute with most sales from this region. It is important to recall that lower

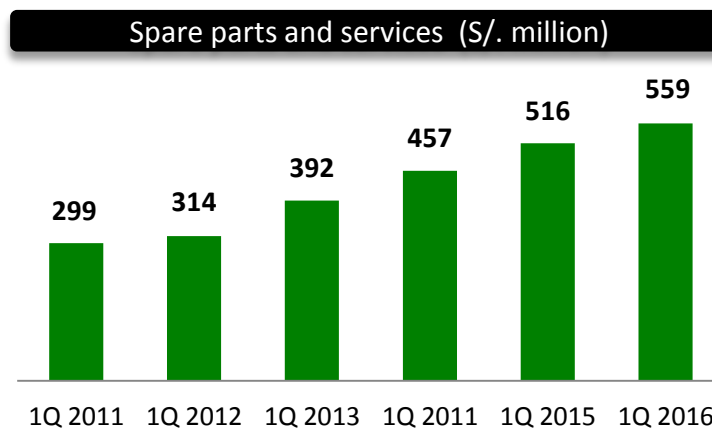
sales are in part offset by Exxon Mobil lubricants sales and by higher sales of automotive spare parts which are sell by the recently acquired company in El Salvador (Transportes Pesados S.A. de CV – Transpesa) which is part of Ferreycorp since July 2015.

Finally, sales of **other subsidiaries aimed to offer capital goods and services other than Caterpillar to different economic sectors in Peru and abroad**, increased by 17.8% as a result of higher sales of Mega Representaciones (subsidiary aimed to provide Goodyear tires, Exxon Mobil lubricants and personal safety equipment) and Motored.

**2. SALES BREAKDOWN BY BUSINESS LINE**

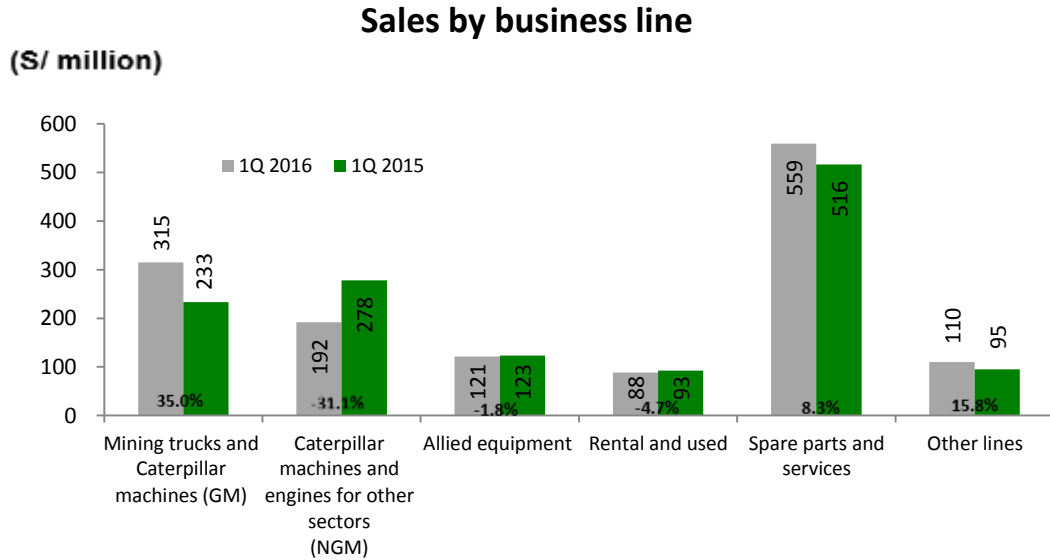
When analyzing the results by business line during the first quarter 2016, we should highlight that Caterpillar mining trucks and equipment rose by 35% due to sales to large mining customers, that include mining truck sales to companies in operating stage and belong to deals that were closed in 2015.

Regarding the aftermarket revenues, spare parts and services sales continued to show an increase of 8.3% over the same period in 2015, driven by machinery population sold in recent years in countries where Ferreycorp has presence, where its Caterpillar dealers keep a high market share. During the last years, the population of Caterpillar machinery has increased due to the delivery of equipment fleets to customers, which will require greater amounts of spare parts and services. This dynamic allows the sustainability of the business model.

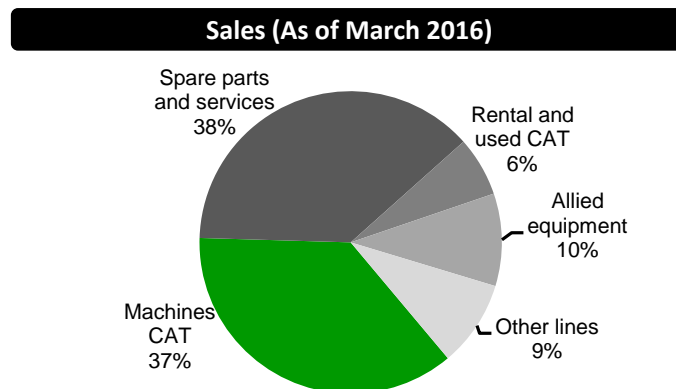


It is important to notice that sales of spare parts and services continue to increase their share in total sales and in the first quarter represented 40.4% of total revenues, being the business line that generates higher gross margins, to cover distribution costs, and generate more EBITDA to the corporation. The after-market provided by Ferreycorp to its customers is characterized by high quality standards. It is well known that one of the main characteristics of the corporation is its high-quality after-market service, for which it makes important investments in inventories of spare parts and components as well as in modernizing its workshops and selecting and training its technicians

Businesses grouped in “Other lines” increased by 15.8%, led by logistic services and safety equipment that rose by 100% and 64%, respectively.



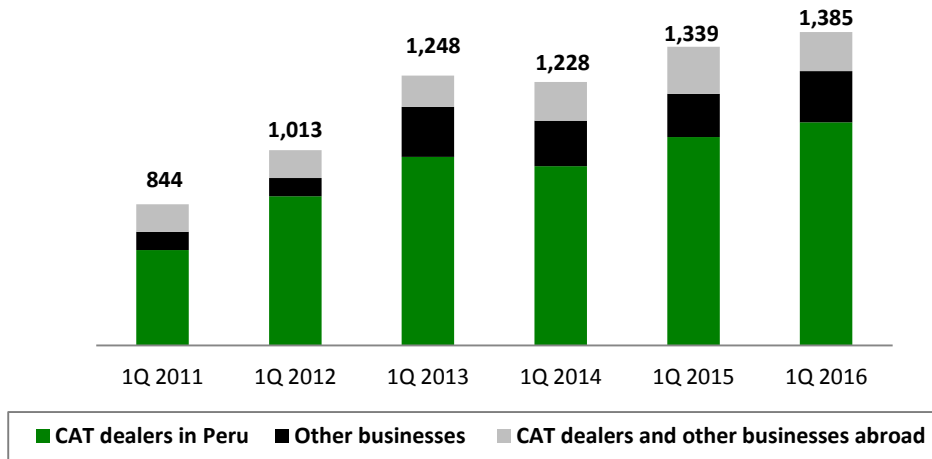
As of March 31, 2016 sales from the Caterpillar line carried by the Caterpillar dealers in Perú, Guatemala, El Salvador and Belize, accounted for 81% of total income, including machinery and equipment (new, used and rental units) as well as spare parts and services.



In the following chart we present the sales evolution of the last six years (first quarter of each year) where you may notice that sales keep stable, even in an environment of lower economic activity in the country as a result of the diversification strategy adopted by the corporation, in selling various product lines, with attention to different economic sectors and presence and coverage in different countries. Thus, in a given situation it is possible to compensate the less favorable results in a business line with positive results from other lines.

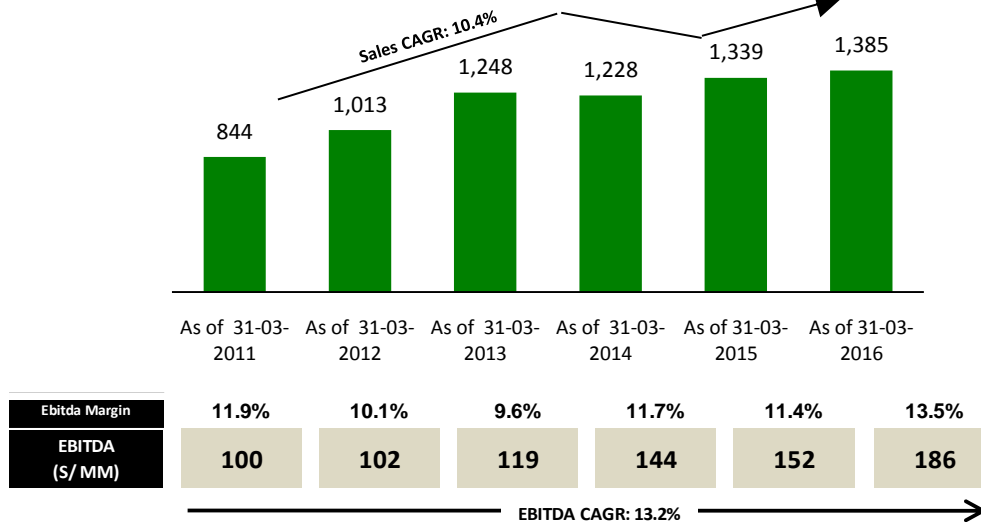


Sales (S/. million)



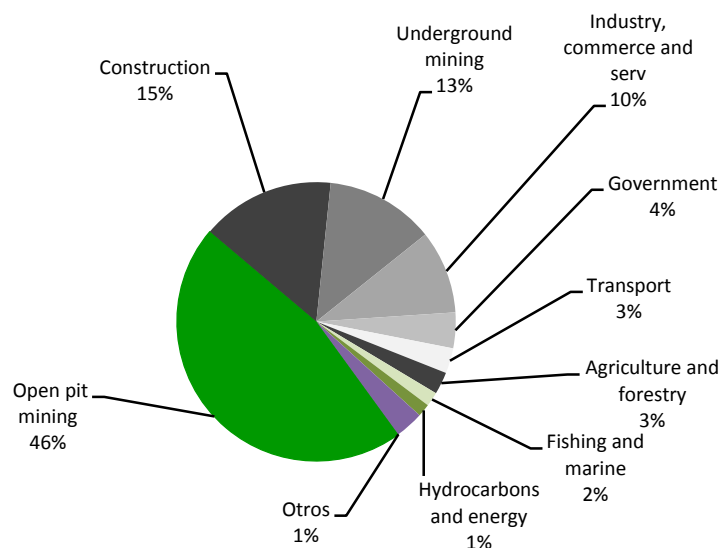
It is important to recall that EBITDA generation in these periods had a positive trend, reaching in this first quarter EBITDA margin of 13.5%, as a result of sales with good gross and operating margins and a positive cash generation

Sales and EBITDA (S/. million)



**3. SALES BREAKDOWN BY ECONOMIC SECTORS**

Regarding sales distribution by economic sectors, sales to the open pit mining and construction as of March 2016 continued to record the largest sales volume, with shares of 46% and 15% of total sales, respectively. As of March 2015 open pit mining sales represented 42% of total sales, an increase of 4 points as a result of higher sales to mining customers as explained before, that offset lower construction sales that decreased in 7 points.



## II. ANALYSIS OF FINANCIAL INFORMATION

### 1. Sales

Million of nuevos soles	1Q2016	1Q2015	%Var.
Sales	1,385.0	1,338.6	3.5

(See section "Commercial Management" for an explanation of this variation).

### 2. Gross profit

Million of nuevos soles	1Q2016	1Q2015	%Var.
Gross profit	341.1	304.5	12.0
Gross margin	24.6%	22.7%	

During the first quarter 2016 gross profit increased from the amount obtained in the same period 2015. In percentage terms, gross margin reached to 24.6% as a result of the increase of spare parts and services share in total sales, which have greater margin than other business lines, and higher margin in Caterpillar mining trucks and equipment sales. At the same time, gross margin was positively affected by the exchange loss recovery of S/.25 million during the 1Q16. In the first quarter the average exchange rate was S/. 3.452, while in 1Q 2015 the average exchange rate was S/. 3.060 which represents a variation of 12.8%.

### 3. Selling and Administrative Expenses

Million of nuevos soles	1Q2016	1Q2015	%Var.
Selling and admin expenses	204.5	194.8	5.0
As a % of total sales	-14.8%	-14.6%	

Selling and administrative expenses as a percentage of total sales remained flat (14.8%) compared to first quarter 2015, nevertheless increased by 5.0% if compared to same quarter last year, in a higher rate than sales increase of 3.5%. This result is explained by: i) expenses on employee participation led by higher profits recorded in 2016, ii) exchange rate effect in the result of the companies abroad when reporting their results in functional currency and, iii) higher IT expenses due to the implementation of new SAP tools.

<b>Operating expenses</b>	<b>S/ thousand</b>
<b>1Q 2015 Expenses</b>	<b>194,822</b>
Increase in profit participation	
Ferreyros	3,727
Unimaq	700
Orvisa	334
Increas in IT expenses (Ferreyros)	1,518
Exchange rate effect (Grupo Inti)	2,733
Others	648
<b>1Q 2016 Expenses</b>	<b>204,481</b>

#### 4. Financial Expenses

Million of nuevos soles	1Q2016	1Q2015	%Var.
Financial expenses	30.6	25.5	20.1
As a % of total sales	-2.2%	-1.9%	

Financial expenses for the first quarter of 2016 showed a variation of 20.1% compared to the first quarter of 2015. The increase in the financial expenses in functional currency is explained by higher exchange rate used for the accounting registration (the 1Q15 average liabilities was \$632 million compared to \$564 million in 1Q16, an 11% reduction). 75% of total debt belongs to dollar funding and the average cost of debt has remained around 4.6%, which has led to a decrease in interest expenses in dollars.

#### 5. Foreign Exchange Gain/ Loss

Million of nuevos soles	1Q2016	1Q2015	%Var.
Foreign exchange gain/ loss	8.9	-42.9	

The exchange gain in 1Q 2016 was produced by an appreciation of the sol against the dollar of 2.49% compared to 3.61% sol devaluation in the 1Q 2015.

It is important to recall that the company has a natural hedge, considering that sales –as well as machinery import, invoicing to clients and financing– are made in foreign currency (US dollars). The net

currency position is widely covered by inventories, which are recorded in US dollars but registered in the balance sheet using the exchange rate at the date of acquisition. As of March 2016 the inventory was registered at an average exchange rate of S/. 3.292 while liabilities were registered at an exchange rate of S/. 3.328. As of March 2016 the company recorded an exchange gain of S/. 8.9 million compared to an exchange loss of S/. – 97.5 million as of December 2015.

## 6. Net Profit

Million of nuevos soles	1Q2016	1Q2015	%Var.
Net profit	83.6	31.0	169.4

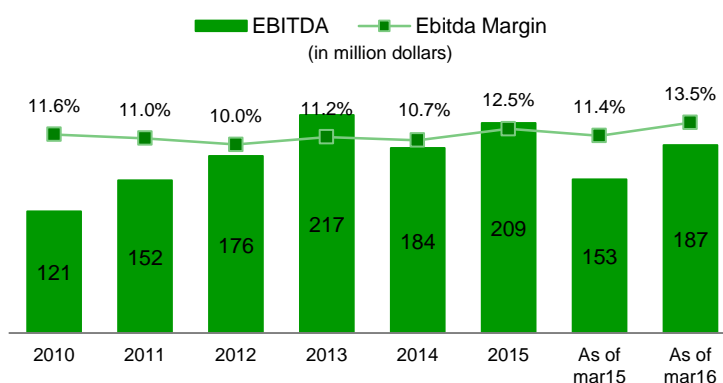
As explained above, net profit has been showing a positive trend during the last year and in the first quarter 2016 reached to S/. 83.6 million, compared to S/. 31 million in 1Q 2015. This is the result of an increase in gross profit and also due to the exchange gain effect as of march 2016. It is important to recall that first quarter 2015 net profit was below the quarterly average net profit of the corporation due to the important exchange loss during that period.

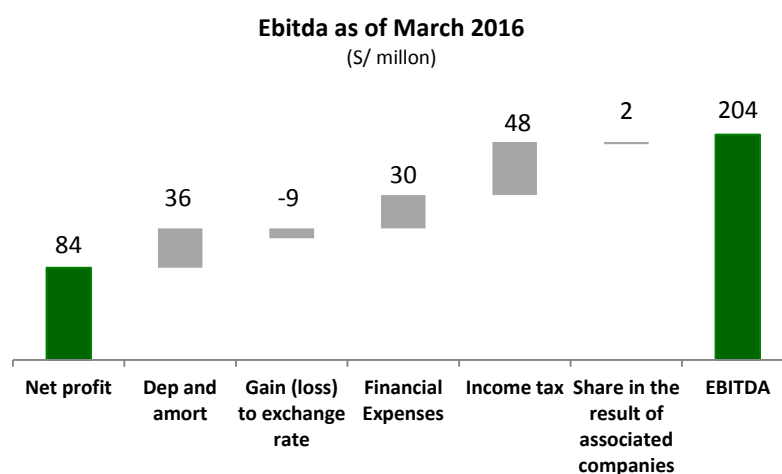
## 7. EBITDA

Million of nuevos soles	1Q2016	1Q2015	%Var.
EBITDA	186.5	152.5	22.3
EBITDA margin	13.5%	11.4%	

80.5% of the corporation's EBITDA is generated by Caterpillar dealers and allied brands in Peru (Ferreyros, Unimaq, Orvisa and Ferrenergy), which are the businesses contributing more to sales and profit in the corporation. On the other hand, 7.5% of EBITDA is generated by Caterpillar dealers and other businesses abroad, while 11.9% comes from local and foreign subsidiaries aimed to offer capital goods and services for the different economic sectors, in accordance with sales distribution.

The first quarter 2016 EBITDA reached to S/. 186.5 million compared to S/. 152.5 million reported in the first quarter of 2015, a 22.3% increase primarily due to the improvement of the operating profit. In foreign currency, the increase equals to 8.4%, from US\$ 50 million in the 1Q15 to US\$ 54 million in the 1Q16. EBITDA margin rose from 11.4% in 1Q15 to 13.5% in 1Q16.





## 8. ANALYSIS ACCORDING TO CORPORATE ORGANIZATION

(\$/ Thousand)

	Cat dealers in Peru		Cat dealers and other businesses in CA		Other subsidiaries and businesses abroad	
	1Q 2016	1Q 2015	1Q 2016	1Q 2015	1Q 2016	1Q 2015
<b>Sales</b>	1,101,127	1,054,617	123,273	147,687	160,564	136,301
<b>Gross profit</b>	271,815	241,527	32,379	31,733	36,868	31,255
<b>Gross margin</b>	<b>25%</b>	<b>23%</b>	<b>26%</b>	<b>21%</b>	<b>23%</b>	<b>23%</b>
<b>Operating expenses</b>	151,979	145,898	24,486	21,489	28,480	27,435
<b>Operating margin</b>	<b>11%</b>	<b>9%</b>	<b>6%</b>	<b>7%</b>	<b>5%</b>	<b>3%</b>
<b>Depreciation and amort</b>	21,013	23,478	5,738	5,644	8,766	5,329
<b>EBITDA</b>	150,184	124,238	14,076	15,737	22,213	12,493
<b>EBITDA margin</b>	<b>14%</b>	<b>12%</b>	<b>11%</b>	<b>11%</b>	<b>14%</b>	<b>9%</b>

**ANALYSIS OF CONSOLIDATED FINANCIAL INFORMATION**

As shown in Appendix 2, total assets as of March 31, 2016 amounted to S/. 4,675.4 million, compared to S/. 4,581.5 million as of March 31, 2015, representing an increase of S/. 93.9 million (2.1%). This variation was primarily due to i) an increase of S/. 245.6 million in trade accounts receivables as a result of invoicing to mining customers during the last days of march and that will be collect in the second quarter, and ii) a S/. 337.5 million inventory decrease as a result of sales to mining customers.

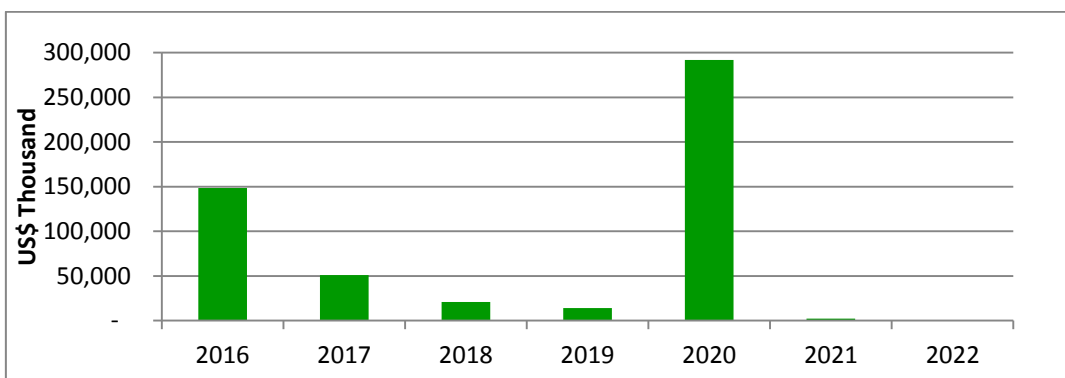
Financial liabilities as of March 31, 2016 amounted to S/. 1,753.8 million or US\$ 527 million, which represent an decrease of 12.4% in soles and a reduction of 18.4% in dollars if compared to the debt of S/. 2,001.1 million or US\$ 646 million as of March 31, 2015. Nevertheless, it is important to recall that the corporation has been able to reduce financial liabilities in US\$ 59 million since last results reported on December 2015 as a result of major cash generation. The company keeps the strategy to use the cash surpluses to reduce debt.

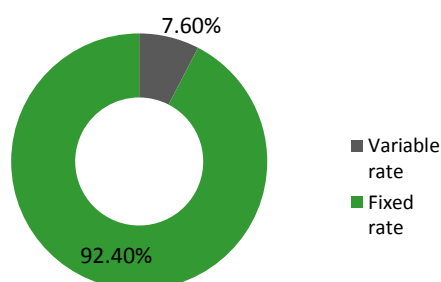
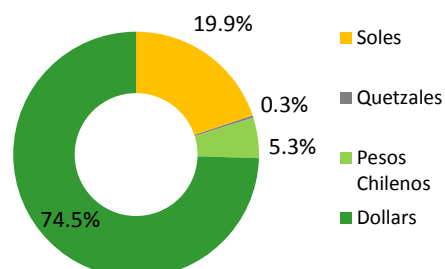
The percentage of financial liabilities corresponding to short-term debt is 29.1% (S/. 511.1 million), while (S/. 1,242.7 million) is long-term debt.

The debt that matures in 2016 is US\$ 148 million. The corporation has followed a short term financing strategy in order to make more flexible the debt. This strategy allows the corporation to improve the interest rates and reduce the effect in the financial expenses. These credits will be canceled with the corporation resources and with available credit lines in the capital market, local and foreign banks, Caterpillar Financial Services and the line for inventory financing from Caterpillar.

Below is the maturity structure of the consolidated liabilities, which is 75% in dollars. The nuevos soles and other currency debt belong to subsidiaries that have a percentage of their income in nuevos soles or other currencies beside the dollar. Likewise, 92% of total debt has been contracted at fixed rate, which cover us from possible increases in interest rates.

**Maturity Structure of Liabilities (US\$ thousand)**



**Gross debt by rate**

**Gross debt by currency**

**Investment in Fixed Assets (CAPEX)**

In million soles	As of march 2016	As of march 2015
Infrastructure (1)	15.9	62.0
Machinery and equipment	4.0	19.6
Rental fleet	22.3	-17.6
Other (2)	1.8	1.7
Total S/.	43.9	65.8
Total US\$	13.2	21.3

Note: In the Financial Statements reported to the Superintendencia del Mercado de Valores (Superintendency of Securities Market. SMV, in Spanish), the items above have the following nomenclature:

- (1) Buildings and other constructions
- (2) Transport units, furniture and appliances

Capital expenditures (CAPEX) as of March 31, 2016 amounted S/. 43.9 million (US\$ 13 million), 33% lower if compared to the same period in 2015 (S/. 65.8 million or US\$ 21 million). The amount is divided as follows: 36% on infrastructure, 9% on machinery and equipment, 4% on other items and 51% in rental fleet.

The reduction on capital expenditures shows the effort made by the corporation to increase free cash flow, showing flexibility in this type of investments in order to adapt to the slower growth of the country.

### III. FINANCIAL RATIOS

	As of Mar16	As of Dec15	As of Jun15	As of Mar15
Current Ratio	1.66	1.88	1.81	1.80
Financial debt ratio	0.94	1.05	1.22	1.19
Indebtedness ratio	1.78	1.79	1.88	1.92
Net debt/ EBITDA ratio	2.25	2.67	3.52	3.52
Adjusted debt/ EBITDA ratio	2.01	2.59	2.85	3.07
Financial expenses coverage ratio	6.18	6.27	5.91	5.98
Assets turnover	1.16	1.15	1.12	1.12
Inventory turnover	2.81	2.67	2.76	2.51
ROE	13.2%	9.8%	4.0%	4.7%
ROA	8.1%	7.4%	5.9%	5.5%
ROIC	16.0%	14.1%	10.6%	10.2%
Receivable days	56	56	58	51
Payable days	44	42	38	40
Cash cycle	140	149	152	154
Book value per share	1.68	1.72	1.59	1.55

It is important to notice the improvement in the profitability ratios (ROA, ROE and ROIC) since 2015, mainly as a result of higher net profit, even though there was an important exchange loss recorded during last year.

ROIC as of March 2016 increased if compared to the same period last year, mainly impacted by the rise in the operating profit during the last twelve months (Operating profit as of March 2016: S/. 143 million; operating profit as of March 2015: S/. 113 million)



## GLOSSARY OF TERMS

### **1) Current Ratio:**

Evaluates the liquidity of the company to face its short-term liabilities with its short-term assets. It is calculated as follows:  $\text{Current Assets} / \text{Current Liabilities}$ .

### **2) Indebtedness Ratio:**

Indicates which assets of the company have been financed with debt, either short or long term. It is calculated as follows:  $\text{Total Assets} / \text{Total Liabilities}$ .

### **3) Adjusted Financial Debt / EBITDA Ratio**

This ratio shows how many years Ferreycorp would take in order to pay its debt excluding its short term debt related to inventories. It is calculated as follows:  $(\text{Total Financial Debt} - \text{Short Term debt related to inventories acquisition}) / \text{EBITDA}$

### **4) Financial expenses coverage**

Indicates how many times the profit generated by the operations of the company are able to cover their financial expenses for the period. It is calculated as follows:  $\text{EBITDA} / \text{Financial expenses}$ .

### **5) Assets turnover**

Ratio used as a performance indicator to measure how the company is using its assets to generate income. It is calculated as follows:  $\text{Sales} / \text{Average Assets}$

### **6) Inventory turnover:**

Shows the efficiency of the company to manage its inventory. It measures the number of times inventory is sold and replaced within a period of time. It is calculated as follows:  $\text{Cost of Goods Sold} / \text{Average Inventory}$ .

### **7) Return On Equity - ROE**

This ratio measures the corporation's profitability in a period by revealing how much profit is generated with shareholders' investments. It is calculated as follows:  $\text{Net Income} / \text{Shareholder's Equity}$ .

### **8) Return On Assets - ROA**

Measures the profitability of the company in a period based on the total assets of the corporation. It is calculated as follows:  $(\text{Operating profit} \times (1 - T)) / \text{Average Assets}$ .

**9) Return On Invested Capital - ROIC**

This ratio is used by the company in order to make investment decisions and allocate resources. It is calculated as follows:  $\text{EBIT (last twelve months)} / \text{Average Invested Capital}$

**10) Receivable days**

Establish the approximate time (in days) it takes for a company to carry out the collection of accounts receivables. It is calculated as follows:  $360 * \text{Sales} / \text{Average Accounts Receivable}$ .

**11) Payable days**

Establish the approximate time (in days) it takes the business to pay its payable accounts. The ratio is calculated as follows:  $360 * \text{Cost of Sales} / \text{Average Accounts Payable}$ .

**12) Cash cycle:**

Is the difference between the operating cycle and payment cycle. It is a rough calculation that measures how long it takes the company to convert its cash resources. It is calculated as follows:  $\text{Days of inventory} + \text{Accounts receivable days} - \text{Accounts payable days}$ .

**13) Book value per share:**

It is the net value of equity divided by the number of shares issued by the company. The calculation is:  $\text{Equity} / \text{Number of shares}$ .

**FERREYCORP S.A.A. AND SUBSIDIARIES**
**APPENDIX 1**
**Income Statement** (NOTE)

(\$/ In thousand soles)

	<b>1Q 2016</b>	<b>%</b>	<b>1Q 2015</b>	<b>%</b>	<b>Var %</b>
Net sales	1,384,964	100.0	1,338,605	100.0	3.5
Cost of goods sold	-1,043,903	-75.4	-1,034,090	-77.3	0.9
<b>Gross profit</b>	<b>341,061</b>	<b>24.6</b>	<b>304,515</b>	<b>22.7</b>	<b>12.0</b>
Selling and administrative expenses	-204,481	-14.8	-194,822	-14.6	5.0
Other income (expenses), net	7,245	0.5	3,351	0.3	116.2
<b>Operating profit</b>	<b>143,826</b>	<b>10.4</b>	<b>113,044</b>	<b>8.4</b>	<b>27.2</b>
Financial income	7,595	0.5	4,973	0.4	52.7
Gain (loss) to exchange rate	8,885	0.6	-42,945	-3.2	-120.7
Financial expenses	-30,636	-2.2	-25,515	-1.9	20.1
Share in the net result of associated through the equity method	2,119	0.2	1,760	0.1	20.4
<b>Profit before income tax</b>	<b>131,788</b>	<b>9.5</b>	<b>51,317</b>	<b>3.8</b>	<b>156.8</b>
Income tax	-48,220	-3.5	-20,296	-1.5	137.6
<b>Net profit</b>	<b>83,568</b>	<b>6.0</b>	<b>31,021.0</b>	<b>2.3</b>	<b>169.4</b>
Earnings per share (EPS)	0.084		0.031		
<b>EBITDA</b>	<b>186,473</b>	<b>13.5</b>	<b>152,468</b>	<b>11.4</b>	<b>22.3</b>

NOTE: Some figures have been reclassified in this document to include the assignment in gross profit of purchase orders transferred by CAT to Ferreyros, as sales and cost of goods sold. This assignment was part of the purchase agreement of the former Bucyrus business acquired from Caterpillar. In the Income Statement presented to the SMV, the gross profit obtained from such operations is included in other operating profit

## FERREYCORP S.A.A AND SUBSIDIARIES

## APPENDIX 2

Estate of Financial Position

(\$/. In thousand of nuevos soles)

	As of 31-03-2016	As of 31-03-2015	Var %
Cash and Banks	179,348	132,029	35.8
Accounts receivables - trade	1,045,898	803,228	30.2
Inventories	1,230,636	1,568,149	-21.5
Accounts receivables - other	163,020	127,308	28.1
Prepaid expenses	25,032	23,429	6.8
<b>Current Assets</b>	<b>2,643,933</b>	<b>2,654,143</b>	<b>-0.4</b>
Long-term account receivables - trade	39,801	36,916	7.8
Long-term account receivables - other	2,297	6,316	-63.6
Rental Fleet	567,842	536,877	5.8
Other fixed assets	1,472,524	1,431,231	2.9
	2,040,367	1,968,108	3.7
Accrued depreciation	-587,421	-562,593	4.4
Property, plant and equipment, net	1,452,946	1,405,515	3.4
Investment	95,662	80,356	19.0
Intangible assets, net and goodwill	260,733	250,003	4.3
Deferred income tax	180,045	148,237	21.5
<b>Non Current Assets</b>	<b>2,031,484</b>	<b>1,927,343</b>	<b>5.4</b>
<b>Total Assets</b>	<b>4,675,417</b>	<b>4,581,486</b>	<b>2.1</b>
Short term debt	165,500	231,177	-28.4
Other current liabilities	1,428,161	1,241,935	15.0
<b>Current Liabilities</b>	<b>1,593,661</b>	<b>1,473,112</b>	<b>8.2</b>
Long term debt	1,243,787	1,397,580	-11.0
Other payables	386	968	-60.1
Deferred income taxes	154,533	139,748	10.6
<b>Total Liabilities</b>	<b>2,992,367</b>	<b>3,011,408</b>	<b>-0.6</b>
<b>Equity</b>	<b>1,683,050</b>	<b>1,570,078</b>	<b>7.2</b>
<b>Total Liabilities and Equity</b>	<b>4,675,417</b>	<b>4,581,486</b>	<b>2.1</b>
<b>Other financial information</b>			
Depreciation	31,704	30,736	
Amortization	3,812	3,715	

**FERREYCORP S.A.A AND SUBSIDIARIES**
**APPENDIX 3**
**NET SALES**
**Sales**

(\$/. In thousand soles)

	<b>1Q 2016</b>	<b>%</b>	<b>1Q 2015</b>	<b>%</b>	<b>Var %</b>
Mining trucks and Caterpillar machines (GM)	314,935	22.7	233,322	17.4	35.0
Caterpillar machines and engines for other sectors (NGM)	191,670	13.8	278,331	20.8	-31.1
Allied equipment	121,080	8.7	123,347	9.2	-1.8
Rental and used	88,206	6.4	92,529	6.9	-4.7
Spare parts and services	559,039	40.4	516,021	38.5	8.3
Other lines	110,033	7.9	95,055	7.1	15.8
<b>TOTAL</b>	<b>1,384,964</b>	<b>100.0</b>	<b>1,338,605</b>	<b>100.0</b>	<b>3.5</b>

**SALES DISTRIBUTION BY ECONOMIC SECTORS**

	<b>1Q 2016</b>	<b>1Q 2015</b>
Open pit mining	46.2%	41.5%
Construction	15.5%	23.0%
Underground mining	12.6%	14.0%
Government	4.1%	0.5%
Transport	2.9%	3.1%
Industry, commerce and serv	9.7%	10.6%
Agriculture and forestry	2.6%	2.5%
Fishing and marine	1.7%	0.8%
Hydrocarbons and energy	1.5%	3.4%
Others	3.3%	0.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

## FERREYCORP S.A.A AND SUBSIDIARIES

## APPENDIX 4

**Total Liabilities as of March 2016**

(In thousand of US\$ dollars)

	Total Liabilities	Current Liabilities	Long term liabilities		(A) Financial Liabilities
			Current	Long Term	
Local banks (short term)	84,233	84,233	-	-	84,233
Foreign banks (short term)	5,314	5,314	-	-	5,314
Local banks (long term)	58,159	-	29,959	28,199	58,159
Foreign banks (long term)	40,476	-	11,473	29,003	40,476
Local and foreign banks (long term) Leases	3,193	-	1,309	1,884	3,193
Suppliers:					
Accounts payable to Caterpillar (inventory)	31,447	31,447	-	-	-
Accounts payable to Caterpillar	14,112	14,112	-	-	14,112
Others	112,624	112,624	-	-	187
Corporate bonds	279,327	-	-	279,327	279,327
Caterpillar Financial	41,997	-	6,676	35,321	41,997
Other liabilities	228,268	181,405	312	46,550	-
<b>Total (US\$)</b>	<b>899,149</b>	<b>429,135</b>	<b>49,730</b>	<b>420,284</b>	<b>526,997</b>
<b>Total (S/.)</b>	<b>2,992,367</b>	<b>1,428,161</b>	<b>165,500</b>	<b>1,398,706</b>	<b>1,753,847</b>

**FERREYCORP S.A.A. AND SUBSIDIARIES**
**APPENDIX 5**
**Cashflow statement**

(In thousand of nuevos soles)

**As of March 31,  
2016**
**Cash flow from operating activities**

Trade accounts receivables	1,367,914
Payment to suppliers	-967,665
Payment to employees and others	-115,143
Payment of taxes and income tax	-29,415

<b>Net cash provided by operating activities</b>	<b>255,692</b>
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**Cash flow from investing activities**

Acquisition of property, plant and equipment	-46,852
Share repurchases	-3,237
Intangible acquisitions	-572
Sale of property, plant and equipment	1,781

<b>Net cash used in investing activities</b>	<b>-48,880</b>
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**Cash flow from financing activities**

Financial liabilities	551,339
Financial liabilities payed	-779,801
Interests payed	-28,822

<b>Net cash used in financing activities</b>	<b>-257,284</b>
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Net increase in cash	-50,473
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Cash at the begining of the year	233,322
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Result in traslation	-7,016
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Cash due to variation in exchange rate	3,515
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<b>Cash and cash equivalentents at the end of the year</b>	<b>179,348</b>
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