

INTEGRATED ANNUAL REPORT 2018



Passion for Our Customers,
Vision for Development

*Version approved by the Board of Directors
Held on February 27, 2019*

*For the approval of the Annual General Shareholders Meeting
Held on March 27, 2019*

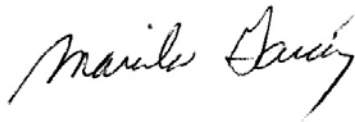
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Declaration of Responsibility

The present document contains truthful and complete information regarding the business development of Ferreycorp S.A.A. during the year 2018.

Without preconception of the responsibility held by the issuer, the signatories take responsibility for its content in accord with applicable legal mandates.



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General Management



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Lima, March 27, 2019

1. Letter from the President

(GRI 102-14)

CORPORATE STRATEGY

In 2018, the corporation continued with its objective of maintaining its solid leadership in the distribution of Caterpillar machinery and engines while guaranteeing its growth through the diversification of its portfolio of equipment and consumables of high quality and prestige, as well as of services around them. The expansion of the corporation has led it to be present in several countries in South and Central America, including Guatemala, El Salvador and Belize, where it also represents the Caterpillar brand, as well as Chile, Colombia and Ecuador where it is leading the representation of goods of capital and equipment, which in many cases are similar to those that are commercialized in Peru.

The distribution of products from Caterpillar's portfolio and the provision of services around them, including the Central American territory, continued to be the main business of the corporation with a participation of approximately 76% of total revenues, complemented by many brands of great international prestige. These include the Metso construction equipment, the Massey Ferguson and Valtra agricultural trucks and the Paus underground mining equipment. In Central America, the portfolio includes John Deere agricultural trucks. The other businesses that complement the Caterpillar distribution accounted for 24% of revenues, including those related to Kenworth and DAF trucks, Iveco dumpers, Terex cranes, Good Year tires, Chevron lubricants and equipment, personal protection of 3M and MSA brands, among others. In Central America, the portfolio includes Mobil lubricants. Along with these representations, the subsidiaries of the corporation dedicated to the logistics business had an important growth of 37%.

In terms of performance, operations in Peru accounted for 87% of the total, with 13% outside of Peru in the aforementioned countries.

ECONOMIC ENVIRONMENT AND COMMERCIAL RESULTS

The business of the corporation during the year was carried out in a relatively favorable economic environment but without the presence of large new investments that could have driven greater growth. The GDP grew by 4%, above the 2.5% of the previous year, with modest sectoral figures that contrasted with business expectations. Mining, a very important sector for the business of the corporation, did not show growth (-1.9%), while construction was characterized by its lack of dynamism, although it grew by 6.8%, partly explained by the aid of almost 10% between the years 2015 and 2016 and the low growth of 2% in 2017. Private and public investment had an increase of 4.2% and 11.6% respectively, compared to the low rate of 0.2% in which private investment grew in 2017 and with the decrease of public investment of the order of 2.3% in that same year. This slight improvement in investment growth rates is far from the levels that allowed the growth of the corporation or in years like 2013, when private and public investment grew by 7.1% and 11.1% respectively.

However, in this modest scenario, the corporation's commercial efforts generated revenues of PEN 5,211 million, representing an 8% growth over the previous year. It should be noted that the revenues in dollars were US \$ 1,585 million.

In the mining sector, despite the fact that the investment did not show significant growth (only US \$ 800 million), the execution of the Quellaveco project was announced with an investment of US \$ 5 billion, which will bring greater dynamism to the sector. On the other hand, during the year the Marcobre project investment that had started the previous year continued.

In both projects, Ferreyros shows its commercial leadership, has become an important supplier. In fact, in the last quarter of the year it was announced that it had achieved the good service to supply Quellaveco with a large fleet of Caterpillar mining production equipment, accompanied by specialized support, through contracts worth more than US \$500 million, which represents the most important commercial transaction of the company in its history. The fleet includes trucks and electric shovels of CAT cables that are the largest in Peru and the first CAT hydraulic shovel in the country, among other units. Such equipment will be delivered between 2019 and 2021, while the supply of spare parts and services will be carried out over five years. In the other new project, Marcobre, in which also obtained the good pro in the fiscal year 2017, Ferreyros delivered during the year, an important part of the fleet of more than 50 CAT equipment, acquired for a value higher than US\$ 100 millions. Within this fleet, the provision of 26 trucks with 250 tons load capacity, as well as giant loaders, stands out.

Faced with this development in mining, in the case of construction, no relevant projects of new generation of infrastructure were carried out during the year. Private investment in infrastructure concession was only US \$ 2,400 million, showing a decrease of 25% over the previous year. However, public investment showed a growth of US \$ 1,500 million, basically due to the impact of the facilities for the Pan American Games and the completion of the modernization of the Talara refinery, both with a limited impact on the corporation's business. The investment expected in the reconstruction work in the north of the country and the start of major infrastructure projects announced did not reach the expected levels.

Despite this reality and after four years of stagnation, it began to appreciate some reactivation of the demand for construction equipment in the activities associated with mining projects, as well as in the work of medium and small contractor companies nationwide. This was reflected in an increase in the heavy construction market of around 20% compared to the previous year. However, the light construction market was reduced by 10%.

Ferreyros and Unimaq managed to take a high percentage of the market opportunities, reaching a 52% share with the different Caterpillar machinery and equipment lines.

It should be noted that in this scenario of mining and construction activities, the main economic sectors served by the corporation, there was a record sale of spare parts and services, over US \$ 826 million (or PEN 2.8 billion), 15 % higher than 2017 and 63% above the annual sale of 2009. This line of business is driven largely by the attention to the fleet of around 600 mining trucks in the country and a fleet of earthmoving equipment of more than 12,000 units. The sale of spare parts and services represented 52% of the total income of the corporation.

As part of a global strategy promoted by Caterpillar, the corporation and especially Ferreyros, have been actively developing the electronic trade of spare parts in two modalities: the sale through an open platform in which quadrupled the one carried out

the previous year and the It is done through a dedicated line between the company and the customers with the highest volume of purchases and frequency. Clients from different productive sectors such as construction, mining, fishing, industry and commerce, have been using these channels. It should be noted that Ferreyros is the only distributor of heavy machinery that offers this commercial modality in the Peruvian market. In the year 2019 will be added other companies of the corporation such as Unimaq and Orvisa.

For all the above, we must highlight the performance in the year of the subsidiary Ferreyros, a company that represents an important contribution to the income and profits of the corporation. Its high market shares and its advanced practices, following the guidelines of the corporation, have been recognized internally and externally.

With regard to the other subsidiary companies, we can point out that they had a varied behavior, affected, in some cases, by the limitations of their respective markets. The company Trex reached a significant expansion in the Terex crane business, both in the sale of new units, as well as in the rental and used units in all the countries in which it operates. Sales for 2018 reached US \$ 100 million and were 54% higher than the previous year with important growth rates in Chile, Peru, Colombia and Ecuador.

Motored maintained its volume of operations in the order of US \$ 60 million commercializing trucks of the brands Kenworth, DAF and Iveco. It should be noted that the Kenworth brand achieved a participation of approximately 10% in the P5 segment in which it competes. At the same time, the focus was on the strategy of increasing the sale of spare parts and services.

The Soltrak business that reached US \$ 70 million was affected in the year by the introduction of a new brand of lubricants in the corporation. Soltrak, with many years of experience in the lubricants distribution business, assumed the representation of the prestigious global lubricants brand Chevron, with the category "master distributor" in charge of the exclusive business. This designation will open new business opportunities for Soltrak by covering the entire Peruvian territory, which will increase the market share of that brand. It should be remembered that Soltrak also sells Good Year brand tires and personal protection equipment from prestigious brands such as 3M, MSA, Kimberly Clark.

Logistics companies, Fargoline and Forbis performed well, increasing their operations by 17.5% and 45% respectively. In the year, Forbis started its operations in Chile, becoming the third country in which this subsidiary operates.

In the case of companies operating in Central America, sales reached US \$ 129 million, 9% below the previous year, due to the economic and political situation of some countries in that region, especially Guatemala, which is where concentrates the greatest commercial activity of these companies.

CAPACITY DEVELOPMENT

During the year, the companies of the corporation continued developing new capabilities in the hands of their different represented, highlighting the impulse given by Caterpillar to a set of certification programs at a global level. The companies of the corporation dedicated to the commercialization of these equipment, obtained very good results in these programs, among which can be mentioned those that evaluate diverse capacities in operations of maintenance and repair, those related to the sale of spare parts and those oriented to the digital business development

The corporation, aware of the changes in the market due to the growing use of technology, and the consequent emergence of new value propositions and business models, is actively promoting innovation as an accelerator in the execution of its strategy by 2021. A These effects, organized the first Innovation Summit of Ferreycorp, in which more than 100 leaders of the corporation participated, placing emphasis on the areas in which the corporation seeks to innovate: business models and processes and the internal and external customer experience. Likewise, in the year the innovation committees held regular meetings both at board and managerial level. Finally, an internal contest of innovation initiatives was developed, to which more than 400 employees applied with cases of improvements and innovations made in different areas of the corporation in the last three years.

It is also worth noting the continuation of the development of the SAP Business Excellence Project, which began at the end of 2017 and with an estimated investment of US \$ 44 million. In the first semester of the year 2019, the implementation for Ferreycorp and a first group of four companies of the corporation will be concluded, and should be followed later with the other companies.

On the other hand, investments were continued in the infrastructure required to efficiently perform the repair and maintenance tasks of the machines and equipment delivered to the market. During the year, the Capex in infrastructure and equipment was US \$ 33 million.

In 2018, the Complejo de Operaciones La Joya - Arequipa began operations, which includes the second Component Repair Center (CRC) of Ferreyros, which was built in 2017 with an accumulated investment of US \$ 32 million. It is aimed at providing repair service to large mining machines and trucks in the south and achieved in its first year to reach the high standards of operation of the complex that operates in Lima several decades ago. CRC La Joya has been designed with an annual production capacity of up to 3,000 components.

Within this objective of increasing the value proposition to its customers, Ferreyros began construction in late 2018 of a modern premises of more than 3,000 m2 in Ica, with an investment of US \$ 1.5 million, which will serve to meet the needs of customers of the region, both in the construction sector and in the agricultural sector.

It is also worth noting the investments made by the corporation in the 170,000 m2 area that was acquired in the district of Punta Negra, at km 45 of the Panamericana Sur to house different business units of the corporation's companies. Thus, in 2018, the new Ferreyros Demonstration Center was inaugurated, with an area of 8,000 m2, being the only one among the Caterpillar distributors in Latin America to have this facility. This new center will allow Ferreyros to share with its customers the innovations and improvements of its portfolio with demonstrations of equipment and operator training. Within the same Punta Negra complex, Fargoline completed its second year of operations, using this

alternative location to continue growing in its offer as a logistics cluster. Unimaq will join these companies, soon building in this area, a warehouse of 18,000 m² for machinery.

FINANCIAL RESULTS AND PARTICIPATION IN CAPITAL MARKETS

As a result of the aforementioned operations and in spite of some adverse factors, the corporation obtained a very positive result. The net profit for the year was PEN 225 million, somewhat below the figure reached the previous year mainly due to the negative impact of the difference in exchange of PEN 59 million soles, produced by the depreciation of the sun that occurred in the year (of 4.13%) against a profit in exchange of PEN 25 million in the year 2017.

Although the business of the corporation shows a natural fit because the inventories are bought, financed and sold in dollars, the fact that they are recorded in local currency generates a temporary distortion of the results. Against the loss in exchange for PEN 59 million recorded in the year, it is estimated that there has already been a recovery of a significant part of it, through a higher gross margin in the months after the occurrence of this, still remaining a reserve in inventories of the order of PEN 30 million. Reserve that would be made if there is no revaluative trend of the sun. Further detail of this coverage is explained in the discussion section of financial statements in this report.

In the above-mentioned results, it is worth highlighting the strength of the gross margin due to the higher share of the spare parts and services line in total revenues, the stability of operating expenses and the reduction of financial expenses derived from a clear financial strategy.

The increase in the income of the corporation was accompanied by greater assets, especially inventories and accounts receivable. Inventories grew by PEN 379 million (27%) and accounts receivable by PEN 107 million (15%). The increase in inventories was partly due to discrepancies between the factory's delivery deadlines and delivery times to the customer, differences that can not always be eliminated. It is represented mainly by large-scale mining units for an approximate amount of PEN 170 million, which will be delivered in the first months of this year, as well as by a greater volume of spare parts to meet the growing demand and the increase in terms of Caterpillar delivery. In turn, the inventories of the other companies of the corporation grew by only PEN 15 million.

The assets of the corporation were reduced by the sale of all the shares that Ferreycorp held in the company La Positiva Seguros y Reaseguros, a sale agreed by the board in January 2017 and ratified in March 2018. The agreement established the participation in the Public Offer of Acquisition - OPA when it was announced, which was produced and successfully concluded at the end of 2018. The sale of this investment has released resources for the corporation of the order of PEN 93 million after the payment of taxes for the profit that this sale generated. On the other hand, the profit generated by this transaction was PEN 31 million. To date, the corporation still maintains its investment in La Positiva Vida, which was not the subject of the takeover bid and is expected to be sold in 2019.

To finance the assets required by the business, the corporation maintained its strategy of diversifying financing sources. At the end of the year, 74% came from banks, 16% from the capital market, and the remaining 10% from Caterpillar Financial Services financing. During the year, the debt rescheduling plan was implemented, transferring a large part of the short-term loans held with the banking system to the medium term. Thus, at the end of 2017, 45% of the debt matured after 12 months, while at the end of 2018, the maturities to that term represent 59% of the debt. The average interest rate went from 3.67% in December 2017 to 3.43% in December 2018.

It is worth noting the obtaining of a "green" loan thanks to the good performance of Ferreycorp in certain indicators of good corporate governance and environmental and social sustainability that were certified by the independent rating agency. The loan is for US \$ 70 million granted under formal conditions, constituting the first corporate loan of this type granted in Peru and South America.

Likewise, and in order to maintain its active participation in the capital market, Ferreycorp entered a bond program of US \$ 100 million in the local market in December, with a term of six years. This program responds to this debt re-profiling strategy with longer terms and represents an alternative source of financing that can be used when market conditions are most convenient.

Human Resources

In 2018, the corporation continued to be an important source of work for a large number of employees. At the end of the year, there were 6,500 people working for the corporation and its different subsidiary companies, with a very high level of commitment as reflected in the results of the biannual organizational climate survey conducted in 2017. To maintain commitment and generation of value for its employees, the corporation has solid human resources practices that include training programs, communication programs, the establishment of cascading objectives, performance evaluation, talent development and succession plans, among others.

In order to keep up with the best labor practices, the corporation, Ferreyros and seven others of its subsidiary companies participate in the Association of Good Employers - ABE and in other forums.

In this area we must highlight the publication in 2018 of the Gender Equity Policy and the creation of the Committee of the same name to promote activities that allow the incorporation and development of more female talent. The objective of these policies is to ensure equal opportunities for employees, without distinction of gender, and the empowerment of women in the corporation. As part of this policy, the gender equality program, Pares, was created, which ranked first in the subcategory of "Promotion of Equality between men and women", in the Good Labor Practices Competition 2018, organized by the Ministry of Labor. Work.

SUSTAINABILITY, SOCIAL RESPONSIBILITY AND GOOD CORPORATE GOVERNANCE

As the shareholders know, Ferreycorp is committed to responsible business management, seeking positive relationships with all its stakeholders and living up to the values of integrity and fairness that it advocates. It guides its actions and that of its companies with that sense of responsibility, monitoring the preservation of the environment and reaffirming its commitment to the Ten Principles of the United Nations Global Compact and to sustainability.

This has earned him, for the second year in a row, part of the Dow Jones Sustainability Index (DJSI) for the MILA-Pacific Alliance region comprised of 42 companies registered on the stock exchanges of the Pacific Alliance countries that are distinguished in Sustainability

In the same way, Ferreycorp is part of the Good Corporate Governance Index (IBGC) of the Lima Stock Exchange, since its launch and for 11 consecutive years, entity that distinguished for the sixth time Ferreycorp with the "Key of the BVL" , in merit to its high standards of corporate governance.

Obtaining this distinction is thanks to a very high compliance with the Corporate Governance Principles, duly validated by an independent entity, as well as being one of the top five companies in the "La Voz del Mercado" ranking, organized by EY and the Stock Exchange, gathers the perception of the main agents of the capital market and shows a high liquidity of the stock.

It is also worth highlighting some important Social Responsibility initiatives in 2018. Ferreycorp, through its subsidiaries, delivered four Works for Taxes for the benefit of more than 10,000 Peruvians, with an investment of PEN 39 million. These are two modern schools in La Libertad and two water and sewerage projects in the department of Cusco, in addition to six other works executed in previous years in small towns in the interior, individually or in consortium, for a total of PEN 87 million. At the moment it has in portfolio, projects for PEN. 50 million additional.

On the other hand, the corporation continued to promote activities for the benefit of technicians and machinery operators in the country. The Technical Teams and Heavy Equipment Operators' Clubs created and sponsored by Ferreycorp and which have more than 20,000 registered members and more than 66,000 followers in social networks, organized free decentralized courses and seminars in 2018, as well as the fifth contest national to highlight his talent.

In turn, the Ferreycorp Association continued with its free workshops at national level, in 60 universities and technical schools in 30 cities of the country to strengthen the ethical training, citizen commitment and soft skills of future professionals in the country. Attended 2,700 in the year which is the number of 34,800 university students who have already participated in the workshops in the eleven years of activities of the association.

These actions were recognized by specialized institutions such as Peru 2021, which awarded the Socially Responsible Company Distinction to Ferreyros, and to five other companies of the Corporation.

COMPLIANCE AND MANAGEMENT WITH VALUES

The corporation is firmly committed to achieving high compliance standards and contributing to curbing corruption in the country. In this sense, the Ethics and Compliance Officer presents the Audit and Risk Committee of the Board of Directors with the annual compliance report, showing control activities around more sensitive management aspects, giving special attention to training on the code of ethics, the control activities to launder assets, the transparency of the information, the timely declaration of taxes and the observance of labor rights, among others. Currently, the corporation has been working on implementing a corporate anti-corruption system and can subsequently certify in ISO 37001.

In this line, we should highlight the proposal presented in the last CADE, with our active participation, to carry out a Zero Bribery campaign within the framework of the recently created *Empresarios por la Integridad* association, made up of individual entrepreneurs, convinced and committed to strengthening the integrity as value within their companies. It seeks to start from the commitment to do the right thing and, as a result, to improve the reputation of the private company. The leaders of Ferreycorp, as partners, actively promote the fight against corruption in our companies, and seek to mobilize and engage other entrepreneurs. To date, Ferreycorp is requesting its accreditation in the Zero Bribery initiative promoted by *Entrepreneurs for Integrity*.

TOWARDS 2019

At the beginning of a new year, we reiterate to the shareholders, the commitment of all the staff of the Corporation to increase the effort to consolidate the leadership position that it holds today in the middle. With the optimism that is usual in our projections, we see ahead a year of challenges, but at the same time of possibilities, increased by the existence of a better economic and business scenario in the country.

We hope that throughout the year the deployment of infrastructure works that are vital to increase the country's competitiveness in the world and that the existing gap will be shortened. It is expected that in this way the performance of the construction sector will be superior to that of 2018.

On the other hand, the announcement of the projected investment of more than five billion dollars in this year makes us foresee a more dynamic mining sector than in 2018. Therefore, we believe that 2019 will be a better year for business in the country. In the other countries where the corporation operates, the growth projections of the economies are quite moderate, which should not prevent the positive behavior of our companies.

In view of such business prospects, the companies of the corporation will continue to maximize their coverage of the markets to take advantage of all the opportunities that arise, placing great emphasis on innovation in operations and processes and the greater use of technology to increase the value proposition to his clients. In this way Ferreycorp and its companies should consolidate their image, as modern, efficient, highly technological companies, with high levels of profitability and operating with the values of integrity and equity.

To conclude, I must reiterate our recognition to the shareholders for the trust placed in the Board of Directors, reaffirming our willingness to have a fluid and transparent relationship; to our clients, for their loyalty and continuous preference; Caterpillar and the other prestigious brands represented, for their constant support and those who have given us their financial support.

Next, I am pleased to present to the shareholders the management report of 2018, prepared by the Management and approved by the Board of Directors, in session of February 27, 2019, as well as the financial statements, in accordance with Resolution Conasev No. 141.98 EF / 94.10, which establishes the presentation of the annual reports of companies, including the declaration of responsibility required by said norm.

Óscar Espinosa Bedoya
Executive President

2. We Are Ferreycorp

2.1 About Ferreycorp



Ferreycorp is a Peruvian corporation that has existed for 96 years and is specialized in the provision of capital goods and related services. It is mainly active in Peru, its country of origin, where it concentrates nearly 90% of its revenue; in many countries from Central America as well as in Chile, Ecuador, Colombia and Bolivia through its subsidiaries focused in their business and with a high level of specialization with a staff of more than 6,500 employees.

Since 1942, Ferreycorp has maintained a solid relationship with Caterpillar, a global leader in machinery, and has also acted as distributor of other world-class brands. Simultaneously, Ferreycorp offers services related to the capital goods sector; in this way, our subsidiaries articulate a comprehensive portfolio with solutions for customers that enhance the corporation's market coverage.

Ferreycorp has more than half a century in the stock market, having registered its share in the Lima Stock Exchange (BVL) in 1962. Today, this shareholder society has local investors, such as AFPs, mutual funds and companies. of insurance, as well as various funds from abroad.

The corporation is recognized for this trajectory in the capital market and is a benchmark for its good corporate governance practices and for its responsible management, for the sake of sustainability.

It is also distinguished as one of the leading companies in the Peruvian market and is present in a series of business groups and initiatives, promoting the development of the country through such participation.

2.1.1 Mission and vision

(GRI 102-16)

MISSION

- Operate, through its subsidiaries with focus and high degree of specialization, distribution businesses of capital goods and supplies and of services and support, for prestigious global brands with high standards, efficiency and profitability, in turn achieving the development of its collaborators and being referents of modern and responsible companies.

VISSION

- To be recognized as a leading economic group in Peru, with a presence in Latin America, and an excellent supplier of capital goods, supplies and related services, which contributes to increasing productivity and profitability in the economic sectors in which it participates, which promotes development of the countries and their different interest groups and that in turn is recognized by the global brands as the preferred corporation to adopt new businesses and representations, in the fields of their performance, by their operational and financial capacity.

2.1.2 Values of Ferreycorp

(GRI 205-2)

Ferreycorp's values remain solid over time: they are the pillars that guide the daily actions of the employees of the corporation and contribute to maintaining the good reputation and ethical conduct of the organization.

1. **Integrity:** Acting with transparency, seriousness and honesty; coherence and responsibility with actions.
2. **Equity:** fair and equal treatment for all employees and interest groups.
3. **Commitment:** With society and with the generation of positive impacts.
4. **Respect for the person:** Focus on the welfare of employees and their personal and professional development; respectful treatment to all interest groups.
5. **Vocation of service:** Determination to offer a quality service.
6. **Excellence and innovation:** Continuous improvement and compliance with high standards in all processes.
7. **Teamwork:** Encouragement and enhancement of collaboration

Valores corporativos



For Ferreycorp, integrity and transparency are central axes in the governance and sustainability of the business. The ethical behavior of Ferreycorp is governed by a Code of Ethics, by the Principles of Good Corporate Governance and by its values and culture, which are lived transversally throughout the corporation.

These elements constitute a permanent guide for the leaders in the definition of policies, rules and procedures, as well as for all employees in their daily behavior and their optimal relationship with all stakeholders. This style of managing the corporation brings with it a good reputation and image, intangibles that sustain a solid brand.

Positive impacts: Integrity and transparency

Siendo íntegra y transparente, Ferreycorp logra:

Dimensión Económica

Ser foco de interés para inversionistas, al igual que ser considerada como un socio sostenible y de buena reputación, que establece relaciones de confianza y de largo plazo.

Dimensión Social

Al ser socialmente responsable, incrementa sus relaciones de confianza y prestigio empresarial.

Dimensión Ambiental

Demuestra ser confiable, segura y amigable con su entorno al cumplir con la normativa y mejorar su desempeño ambiental.

Anticorruption Prevention System and Code of Ethics

(GRI 102-5)

As part of the emphasis that the corporation has been giving to Compliance issues, since 2016 it has been working on systematizing, organizing and giving functionality to various initiatives through an Anticorruption Prevention System. With its next implementation, the control of the potential risks presented by the commercial activity of the corporation will be optimized.

To design and implement this system, a specialized consulting company was hired at the end of 2017. During the year 2018, the diagnostic phase was carried out, with the surveying and analysis of the existing documentation and processes and conducting interviews with key areas of the organization. In this stage, Ferreycorp's compliance with the current anti-corruption regulations was determined. Also, towards the end of the year, an important advance was shown in the implementation phase of the system.

In the first semester of 2019, the implementation of the Anticorruption Prevention System will be completed; it will be put into operation; and the audit and certification will be carried out to adopt the ISO 37001.

In Ferreycorp, anti-corruption procedures are included in the internal system of norms and, at the same time, aligned with the Code of Ethics. To strengthen a culture based on values, and in compliance with the current regulations on anti-corruption matters, Ferreycorp conducts periodic training for all personnel in this field.

The annual training of the corporate Code of Ethics and its complementary directives, which regulate areas such as conducting business with the State; relationships with clients in joint ventures; and the action taken to avoid conflicts of interest, among other relevant aspects, reaffirming a policy of zero tolerance against bribes.

In addition, the human team of Ferreyros, Motored, Motriza, Orvisa and Unimaq received on-line training in the system of prevention of money laundering and financing of terrorism, in accordance with current regulations.

Compliance in the corporation with the Code of Ethics - a topic considered critical for Ferreycorp's operations - is one of the aspects analyzed and reported to the Board Committee through the Compliance Report. In 2018, this report was presented to the Board of Directors, as specified in Chapter 5 - Corporate Governance.

Likewise, the corporation has a Whistleblowing Channel, accessible through the corporate intranet, email, dedicated Appendix, the physical mailbox and personally with the Ethics Officer. In the exercise, eight cases of complaints were received, all of them investigated and dealt with by the corresponding sanction or resolution.

Entrepreneurs for Integrity and Zero Bribery

Percentage of employees who completed the Online Course on Code of Ethics (*)

Empresa	Porcentaje
Holding Ferreycorp	80
Ferreyros	74
Unimaq	90
Orvisa	100
Fargoline	83
Soltrak	100
Motored Perú	100
Otras(*)	90
TOTAL	94

(*)Asociación Ferreycorp, Cogesa El Salvador, Forbis Peru y Miami, Maquicentro, Motored El Salvador, Honduras y Nicaragua, Soltrak Nicaragua y Bolivia, TREX, Gentrac Guatemala, Sitech, Cresko, Motriza y TREX Peru, Ferrenergy Peru y Guatemala.

It is important to highlight the anti-corruption initiative presented in 2018 by IPAE at the Annual Conference of Executives (CADE), and disseminated in various media, which had Ferreycorp's CEO, Oscar Espinosa, as promoter and manager, for the creation of Entrepreneurs for Integrity.

It is an association of entrepreneurs committed to strengthening integrity as a value within their companies, interested in mobilizing other entrepreneurs in the same ethical direction.

In turn, the first campaign of the association was presented: Zero Bribery, by which Peruvian companies are invited to adopt a commitment against bribery and corruption that goes beyond the declaration and that is verifiable - for being submitted to third-party certification, valued and visible. This campaign seeks to create a multiplier effect by mobilizing those who are not yet active in a structured and planned manner against bribery.

2.1.3 Strategy for 2021

To realize the vision of the corporation and taking into account the opportunities and trends in the markets where it operates, as well as the new behaviors and needs of customers, Ferreycorp has defined a strategy to 2021 that seeks to consolidate the business units, promote the growth and ensure the value of the corporation over time.

The strategy incorporates ambitious growth targets and diversification guidelines in services and ratifies the actions of the corporation in the field of heavy equipment, vehicles and spare parts, consumables, logistics and other related services. It also establishes five strategic pillars:

- **Profitable and diversified growth**, which highlights the interest to grow in those businesses and markets that ensure profitability and the value of the **corporation** over time.
- **Transformation focused on the client**, which highlights the need to adapt and transform business and value proposition for the client, placing greater **emphasis** on knowledge management, the adoption of new technologies and the development of solutions and services that Anticipate your needs.
- **Best practices and synergies**, which incorporates the search for world-class processes and, given the complementarity of Ferreycorp's businesses, reinforces the need to generate synergies in the corporation to achieve efficiency and operational excellence.
- **Talent empowered and in constant development**, which reflects the importance of talent in the execution of the strategy.
- **Positive impacts and sustainability**, which includes the commitment to continue operating as an ethical and responsible corporation that contributes to the welfare of society and the development of the countries in which it operates.

ESTRATEGIA FERREYCORP 2021



2.2 The Companies of the Corporation

(GRI 102-2)

Ferreycorp is formed by the following subsidiaries and/or businesses:

Representation of Caterpillar and allied brands in Peru



CAT Heavy machinery and partner brands



CAT Light machinery and partner brands



CAT Machinery and partner brands in the Amazon region

Representation of Caterpillar and allied brands in Central America



CAT Machinery (Guatemala and Belize)



CAT Machinery (El Salvador)



Consumables (Nicaragua)



Spare parts for heavy transport (El Salvador and Honduras)

Supplementary businesses in Peru and Central America



Heavy transport vehicles



Consumables



Asian machinery



Cranes, platforms and port equipment (Chile, Ecuador, Colombia and Peru)



Light machinery (Ecuador)



Standard, temporary and customs warehousing



Freight forwarders



Technological solutions

These subsidiaries contribute to national development in the countries where they operate by targeting their products and services at sectors such as mining, construction, industry, energy, oil, agriculture, fisheries, trade and transport.





The Business Areas section 3 includes a comprehensive description of these subsidiaries, their business activities and operations.

For further information about the Economic Group according to the Stock Market Superintendency (*Superintendencia del Mercado de Valores* or SMV in Spanish), please refer to Appendix 1, section 1.1.3.





2.3 Presentación de las empresas

(GRI 102-6; 102-7)

Representatives of Caterpillar and allied brands in Peru








Name	Year of Incorporation	Sectors	Product / Service	PaíPEN Region
Ferreyros  <small>una empresa Ferreycorp</small>	1922	Construction, mining, hydrocarbons, energy, marine and fishing, government, agriculture, commerce, industry and services.	Marketing of heavy machine and equipment. Rental and provision of spare parts and services.	Peru North: Piura, Tumbes, Lambayeque, Cajamarca, Trujillo, Chimbote Center: Cerro de Pasco, Huancayo, Ica, Ayacucho, Huaraz, Lima. South: Arequipa, Cusco y Puno
Ferrenergy  <small>UNA EMPRESA FERREYCORP</small>	2006	Mining, hydrocarbons, government, energy and industry.	Energy solutions from 1MW up to the unlimited amount required, with gas, diesel and residual oil (HFO) generating equipment.	Peru Lima Guatemala Guatemala City
Unimaq  <small>una empresa Ferreycorp</small>	1999	Construction, mining, hydrocarbons, agriculture, government, commerce, industry and services.	Marketing and rental of light equipment.	Peru North: Cajamarca, Chiclayo, Piura, Trujillo Center: Cerro de Pasco, Huancayo, Lima, Huaraz South: Arequipa, Ayacucho, Cusco, Ilo, Puno
Orvisa  <small>una empresa Ferreycorp</small>	1973	Hydrocarbons, energy, river transport, construction, government, forestry, agriculture and agro-industry.	Marketing of heavy machine, equipment and consumables. Rental and provision of spare parts and services.	Peru North: Bagua, Iquitos, Tarapoto Center: Pucallpa, Huánuco South: Puerto Maldonado

Representatives of Caterpillar and allied brands in Central America

Name	Year of Incorporation	Sectors	Product / Service	PaíPEN Region
Gentrac  <small>UNA EMPRESA FERREYCORP</small>	2010	Construction, mining, aggregates, agriculture, oil extraction, government, energy, industry and commerce.	Marketing of heavy machinery and equipment. Rental and provision of spare parts and services.	Guatemala Guatemala City, Izabal, Zacapa, Quetzaltenango, Escuintla Belize Ladyville
General de Equipos  <small>una empresa Ferreycorp</small>	2010	Construction, housing, power generation, industry, government, agriculture and automotive.	Marketing of heavy machine and equipment. Rental and provision of spare parts and services.	El Salvador San Salvador, Sonsonate, San Miguel
Soltrak  <small>UNA EMPRESA FERREYCORP</small>	2013	Construction, industry and transport.	Marketing of lubricants.	Nicaragua Managua
Motored  <small>UNA EMPRESA FERREYCORP</small>	2015	Construction, mining, transportation of merchandise and passengers, government,	Provision of spare parts for trucks and buses; consumables; trucks and buses.	El Salvador San Salvador, Santa Ana, Sonsonate, San Miguel, Metapán, Lourdes, Santa Rosa de Lima, Soyapango,

		commerce and services.		Zacatecoluca, Aguilares y Usulután Honduras Tegucigalpa, Cortés
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Complementary businesses in Peru and other South American countries

Name	Year of Incorporation	Sector	Product / Service	PaíPEN Region
Motored 	1995	Construction, mining, transportation of merchandise, passenger transportation, government, commerce and services, and government.	Marketing of automotive vehicles: trucks, tractors and buses. After-sales service and spare parts.	Peru North: Cajamarca, Chiclayo, Piura, Trujillo Center: Huancayo, Lima South: Arequipa, Cusco
Soltrak 	2005	Mining, construction, transport, industry, energy and hydrocarbons, agriculture, fishing and forestry.	Comprehensive solution for tire management, lubricants, filtration, predictive maintenance and personal protection equipment.	Peru North: Piura, Talara, La Libertad, Cajamarca Center: Lima, Junín South: Arequipa Bolivia Santa Cruz
Cresko 	2007	Construction, mining, agriculture and industry in general.	Marketing of products of Asian origin: loaders, trucks, agricultural tractors, engines, forklifts, among others.	Peru Lima
Trex 	2014	Mining, port industry, commerce, services and construction.	Cranes and lifting platforms, as well as a series of port equipment.	Peru Lima Chile Santiago, Antofagasta, Calama Colombia Barranquilla Ecuador Quito, Guayaquil
Fargoline 	1983	Capital goods, consumer goods, energy, mining, construction, fishing, agriculture, commerce and services.	Temporary storage of containers, loose and rolling cargo, customs warehouse; simple storage; transportation and distribution.	Peru Lima, Callao y Arequipa
Forbis Logistics 	2010	Automotive, mass consumption, mining, energy, retail, industry.	International transportation of air and sea freight for import and export, and consolidation, inspection and cargo processing services.	Peru Lima EE.UU. Miami Chile Santiago
Sitech 	2013	Mining, construction, hydrocarbons and agriculture.	Integration of technologies to create solutions that increase the productivity of customers.	Peru Lima
Maquicentro 	2015	Construction, mining, oil, industrial and agricultural.	Marketing and rental of light equipment.	Ecuador Guayaquil y Quito

2.4 Representations

The commercialization of consumer products was the engine of the first years of Ferreycorp's existence, founded in 1922. However, it was in 1942 when a key milestone in the history of the corporation was established: it began its relationship with Caterpillar in Peru, strengthened over the years, achieving broad recognition of this distinguished global brand. Subsequently, in 2010, the corporation assumed the representation of Caterpillar in Central American territory.

At the same time, throughout its history Ferreycorp has incorporated the distribution of a number of brands for representation both in Peru and in other Latin American countries.

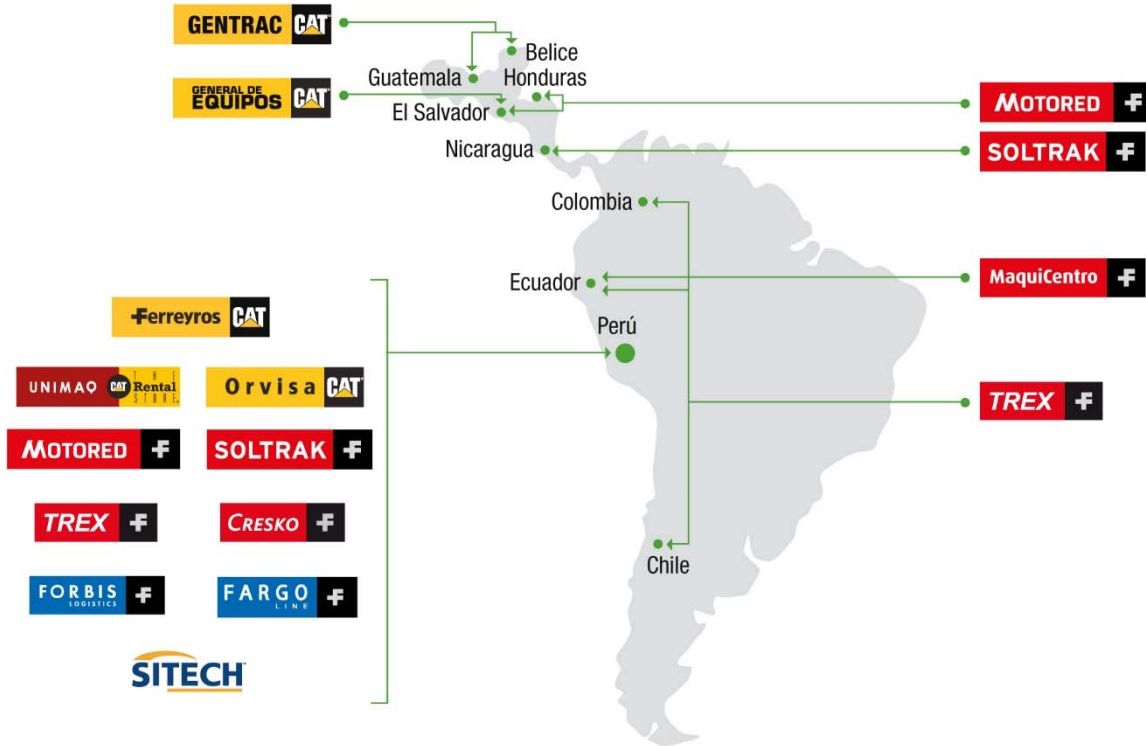
Thanks to the experience and knowledge acquired with Caterpillar, the corporation and its subsidiaries have established strong long-term relationships with a number of global brands. Ferreycorp has consolidated a prestigious portfolio of represented brands, becoming the undisputed leader in its field. The corporation capitalizes on the knowledge it has gained over the years and its optimized capabilities to serve the brands it represents in different territories with growth potential.



2.5 Our Operations Sites

(GRI 102-4)

The presence of Ferreycorp corporation today covers the following countries in Latin America:



Perú			
Ferreyros	Motored	Cresko	Sitech
Unimaq	Soltrak	Forbis	Ferrenergy
Orvisa	Trex	Fargo	

Guatemala
Gentrac

El Salvador
General de Equipos
Motored

Belice
Gentrac

Nicaragua
Soltrak

Honduras
Motored

EE.UU.
Forbis

Chile
Trex
Forbis

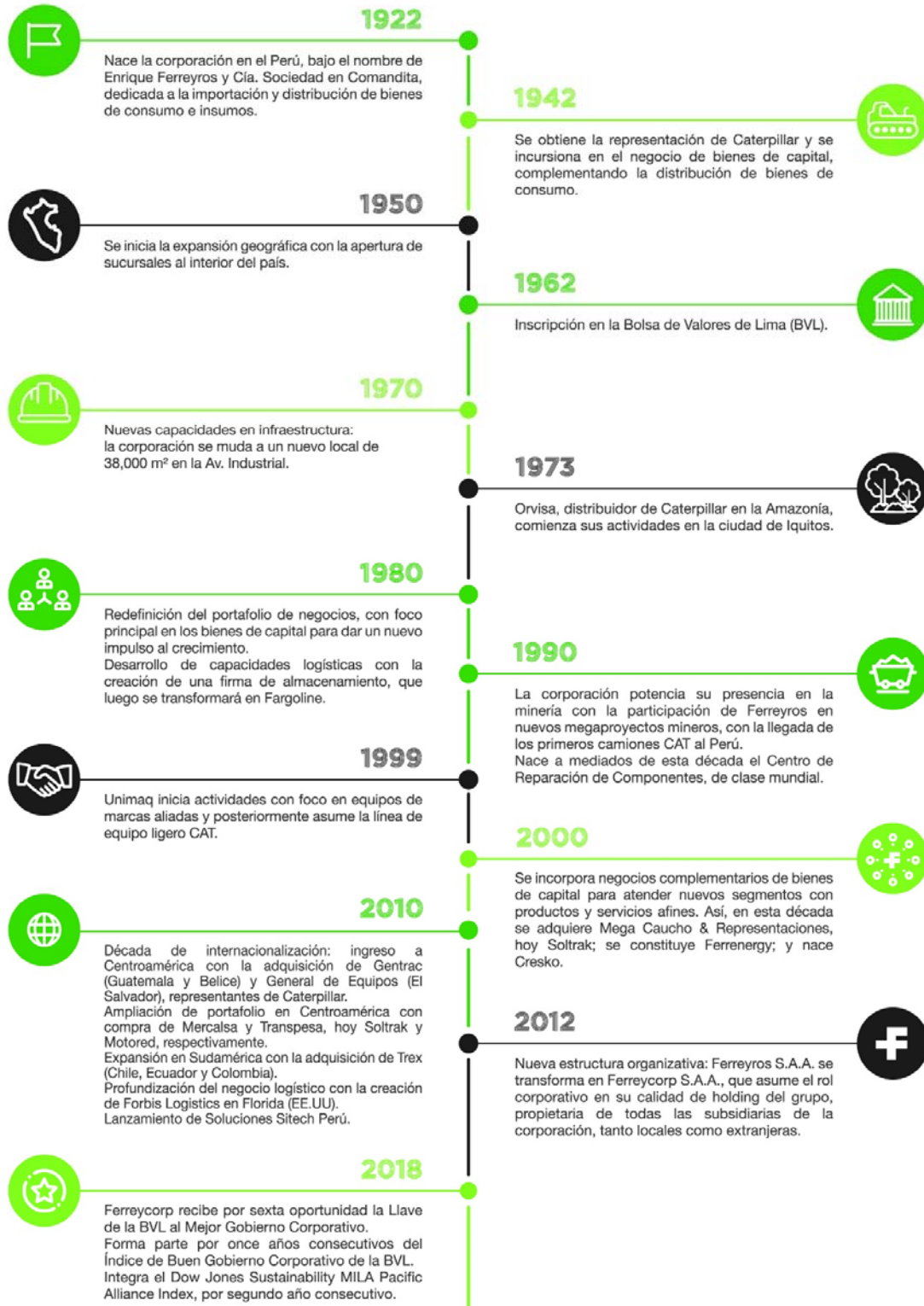
Ecuador
Trex
Maquicentro

Colombia
Trex

Bolivia
Soltrak

2.6 History

Below is a summary of the principal milestones of our 96 years of operation. For further information, please refer to the Historical Review in Appendix 1, section 1.2.3.1



2.7 Main Awards

Ferreycorp is constantly looking for continuous improvement in its operational performance and corporate management. This has led the corporation to be distinguished with a series of recognitions in the different areas in which it operates.



Programs of Excellence Caterpillar 2018

Gold: Ferreyros (Service, Rental, Used).
Silver: Ferreyros (Spare Parts, Digital), Unimaq, Orvisa, Gentrac y Cogesa (Service).
Bronze: Unimaq (Rental) y Gentrac (spare parts, Rental).



Five Stars in Caterpillar Pollution Control

Ten workshops of Ferreyros and one from Orvisa, in the national scope, have this distinction at the end of 2018.



Caterpillar Certification: Workshops World Class

Certification granted to the Components Repair Centers (CRC) in Lima and La Joya (Arequipa).



Key from BVL

Granted by the Lima Stock Exchange to Ferreycorp, on six occasions, as the issuing company with the best corporate governance practices in Peru.



Good Corporate Governance Index (IBGC) of the BVL

Ferreycorp integrates this index of the Lima Stock Exchange since its launch eleven years ago.



Dow Jones Sustainability Index for MILA- Pacific Alliance

Ferreycorp included for the second consecutive year in this index, which recognizes the leading companies in sustainability in the region of the Pacific Alliance.



Ranking La Voz del Mercado (EY and BVL)

The main agents of the capital market distinguish Ferreycorp in second place in the ranking of firms with the best corporate governance.



Distinctive Socially Responsible Company (ESR)

Awarded by Peru 2021 to Ferreyros, Unimaq, Orvisa, Fargoline, Soltrak and Motored.



Good Labor Practices Competition 2018 (Ministry of Labor)

First position to Ferreycorp for its Parity Gender Equality Program.



Merco Companies

Ferreyros among the five companies with the best corporate reputation in Peru and as the most outstanding in the Industrial sector.



Merco Talent

Ferreyros among the ten best companies to attract and retain talent in Peru.



Merco Social Responsibility and Corporate Governance

Ferreycorp distinguished among the five companies with the best social responsibility and corporate governance.

3. Business Areas

(GRI 102-7)

In 2018, Ferreycorp and its subsidiaries managed consolidated sales of PEN 5,211 million, that is an expansion of 8% regarding the previous year (PEN 4,843 million), the double of the growth of the GDP from Peru during its service. In American Dollars, sales reached US\$ 1,585 million, 7% higher than those in 2017 (US\$ 1,484 million).

In this set, the contribution of sales of spare parts and services stands out, in historical records, which represented 52% of total revenues; of the provision of Caterpillar equipment to various economic sectors; of the delivery of allied brands; of the line of rents and used equipment; and of the businesses that complement the portfolio of capital goods.

Below is a panorama of the commercial management operations of Ferreycorp's subsidiaries in 2018, in accordance with the three groups of companies described in Chapter 2 (We Are Ferreycorp).

3.1 Representative Companies of Caterpillar and Allied Brands in Peru

(GRI 102-6)

Ferreyros, the main subsidiary of the Ferreycorp corporation, Unimaq and Orvisa obtained sales of PEN 3,952 million in 2018, 10% higher than the previous year. In soles, the Caterpillar subsidiaries and allied brands in Peru generated revenues of US \$ 1,213 million, 10% higher than in 2017. These levels represented 76% of the corporation's total revenues during the year.

The main represented Caterpillar reaffirmed its strong leadership in Peru, hand in hand with these subsidiaries, obtaining a 52% market share during 2018, according to official information of imports in FOB values.

Ferreyros, leader in heavy machinery and services in Peru, provides the machinery and equipment of greater scope of the portfolio. Unimaq is the subsidiary specialized in the line of light equipment, while Orvisa serves the Amazon with the product portfolio of Ferreyros and Unimaq, as well as other lines focused on the needs of that region. The proportion of sales by sectors of this group of companies is then shared.

Conjunto de empresas	Minería de tajo abierto		Construcción		Minería subterránea		Industria, comercio y servicios		Agricultura y forestal		Pesca y Marino		Otros		Total	
	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%
Ferreyros	1,996,298	58.9%	539,702	15.9%	585,069	17.3%	75,971	2.2%	61,471	1.8%	54,951	1.6%	74,726	2.2%	3,388,188	100%
Unimaq	71,016	15.7%	155,135	34.2%	30,532	6.7%	102,640	22.6%	11,825	2.6%	2,803	0.6%	79,598	17.6%	453,549	100%
Orvisa	0	0.0%	43,114	29.3%	0	0.0%	14,876	10.1%	21,418	14.6%	34,214	23.3%	33,294	22.7%	146,916	100%
Representantes de Caterpillar y marcas aliadas en Perú	2,067,314	52.3%	737,950	18.7%	615,601	15.6%	193,486	4.9%	94,715	2.4%	91,967	2.3%	150,939	3.8%	3,951,973	100%

3.1.1 Ferreyros

Ferreyros, main corporation of the corporation and leader in the marketing of heavy machinery and services in Peru, managed to generate in 2018 sales of more than PEN 3,388 million (US \$ 1,030 million), higher than the previous year.

Ferreyros' support capabilities -including a national network of around 20 workshops and presence in the locations where customers operate- and the productivity of the Caterpillar portfolio allowed the company to maintain its leadership in the national territory and finish the 2018 fiscal year. with the announcement of the realization of important future businesses.

Reflecting the quality of its offer, Ferreyros showed a high performance in the programs of excellence that Caterpillar promotes among its distributors. Thus, he achieved the Gold level in Service Excellence (Excellence in Service), by attributes such as the quality of support, customer satisfaction and the preparation of its technicians; in Rental Operation Certification (Excellence in Rental) and in Used Operation Certification (Excellence in the Provision of Used Machinery), after evaluating relevant aspects of management, strategy and processes, among others.

It also obtained the Silver distinction in the Parts Excellence programs, for aspects such as orders serviced, inventory control, security and customer satisfaction, and Digital Excellence, considering attributes such as the promotion of digital platforms, digitalization of service processes and transformation to digital sales.

Likewise, the new Component Repair Center (CRC) in La Joya, Arequipa, was certified by Caterpillar as a World Class Workshop, as was the CRC in Lima, which has been awarded this distinction since 2009, several Ferreyros workshops nationwide reached the Five Stars in Pollution Control during the year.

In another area, the growth and dynamism of the digital solutions portfolio stands out. In 2018, the sales of spare parts through the electronic commerce platform Parts.Cat.Com amounted to US \$ 17 million, more than four times the result of 2017, year in which it started its operations. Clients from different sectors, such as construction, mining, fishing, industry and commerce, have been using this channel; 45% of its sales are already generated within the country.

In addition, in order to improve the experience of its customers, Ferreyros continues to develop digital initiatives and explore technologies such as augmented reality and the use of artificial intelligence to offer online support. The active presence of Ferreyros in social networks can be mentioned: it is the Caterpillar distributor with the most followers worldwide (more than 260,000).

It is also important to mention that, thanks to the good management during the year, the net loyalty indicators of the clients grew compared to 2017, showing improvements in their satisfaction regarding the provision of machinery, spare parts and services.

Open-pit mining

As detailed in the President's Letter, in 2018 it was announced that Ferreyros will provide machinery and equipment to two expected greenfield projects that will have a significant impact on the national economy.

Thus, a large fleet of CAT mining production equipment will be delivered to a copper project in the Moquegua region, as well as a highly specialized technical service - the latter for five years - for a total of more than US \$ 500 million. The fleet includes CAT trucks with 320 tons load capacity, as well as CAT electric cables and hydraulic shovels of maximum scope in the country, among other units for mining activity.

At the same time, Ferreyros will supply a new copper mining project in the Ica region with an extensive fleet of more than 50 CAT equipment, including 26 haul trucks with a 250-ton load capacity, for a value exceeding US \$ 100 million in the provision of machinery. Towards the end of the year, the partial delivery of equipment to this project began.

With the announcement of the completion of these businesses, a year of support for the operations of the clients was completed. It is necessary to highlight the significant increase of 24% in the sale of spare parts and services to the large mining industry, in comparison with the previous year, evidencing the expansion of the productive capacity of existing mines during 2018 and the valuation of the support offered by Ferreyros.

On the other hand, the main represented Caterpillar reaffirmed its leading position in the sector. Approximately seven out of ten mining trucks that arrived in the country during the year were of this brand, and more than 60% of the large mining equipment that entered the territory, according to official information on the import of units. Among the launches of the year, the entry into operation of the 994K loaders, the largest in the portfolio, can be mentioned.

In 2018 the needs of the clients were accompanied by the world-class support offered by Ferreyros. Thus, the consolidation of the new La Joya-Arequipa Operations Complex continued, which allowed the successful servicing of mining clients operating in the south of the country. This new complex includes the second Component Repair Center (CRC) of Ferreyros, with an annual production capacity of up to 3,000 components.

It should be remembered that Ferreyros' support includes permanent mine service, with technicians and engineers, and a wide infrastructure of workshops and warehouses, monitoring and planning centers, provision of technological solutions and training, among other appreciated aspects.

As part of these capacities, in the year the general repair of more than 25 CAT mining trucks for two contractor companies that serve mining began, which allows to extend the useful life of these equipment successfully. Likewise, contractor firms operating in surface mining were given machines of different sizes, such as trucks, hydraulic shovels and large excavators, among others.

Underground mining

On the other hand, underground mining companies showed high levels of production during the year, despite a slight drop in the price of metals such as lead, zinc and silver.

In this context, Ferreyros and its represented Caterpillar reaffirmed its leadership, achieving an 88% market share in low profile loaders greater than 4yd3, according to information on imports in FOB values. The year 2018 ended with a growth in sales of equipment for this sector exceeding 45% over the previous year.

Hand in hand with these encouraging figures, he highlighted the signing of a contract for the supply of equipment for five years for an important mining client, which has underground operations in various parts of the country.

In addition, the introduction of new low-profile Caterpillar equipment continued, such as the AD22 truck and the R1700K loader, which successfully began operations in the country for the first time as part of a pilot project.

Also, during the year, the demand for rock pavers of the German brand Paus was observed, in line with the alignment of underground mining companies with high safety standards.

As a complement to the provision of new equipment, the reconstruction of Caterpillar equipment, under the CAT Certified Rebuild (CCR) certification, maintained its dynamism during the year; In this way, it established itself as a valuable option in the product portfolio and contributed to the positioning of the brand in the market. The experience of Ferreyros was highlighted by Caterpillar, in its mining convention of distributors, as an outstanding practice.

In the field of support, Ferreyros, through equipment maintenance agreements, is responsible for the management of a large number of underground mining machines for its customers, with a focus on providing high availability and lower operating costs.

Construction

After four years of contraction, the heavy construction machinery industry showed significant growth during 2018, given the low volumes of previous years. In the year, the Peruvian market exceeded 700 heavy construction units of various brands, according to the sales reports of its distributors. This recovery was promoted by the work of construction and earth movement linked to mining, as well as by the demand of medium and small contractor firms that increased their presence in the national scope. However, the construction of roads and the activities of Reconstruction with Changes showed a low dynamism.

The efforts deployed by Ferreyros, through assistance structures with national and regional scope, allowed to increase in more than 30% the sales of machines to the sector during the year. Likewise, a solid leadership was obtained in the country: in a market in which more than 25 brands compete, the main represented Caterpillar registered a participation close to 50%, according to import data in FOB values.

In 2018, the launch of the Next Gen series of Caterpillar excavators was highlighted, the most important transformation of this family of machines in the last 25 years, presented by Ferreyros, Unimaq and Orvisa to its construction customers. These units raise operator efficiency by up to 45%, generate up to 20% fuel savings and reduce maintenance costs by up to 15% compared to previous models.

As part of Ferreyros' portfolio of solutions, the alternative construction of heavy machinery was extended to the construction sector through the CAT Certified Rebuild (CCR) program, after the successful experience gained in underground mining. At the same time, the provision of used equipment was an option of special interest for regional clients.

Likewise, Ferreyros offered the rental service of heavy machinery, in charge of its business unit Rentafer - national leader in this field -, which allowed to accompany the start-up of works of different sizes, although at levels lower than those of the year previous. Rentafer has the most complete heavy equipment rental fleet in the country, with around 200 CAT machines, including engines with more than 200 kW of power.

The national coverage of Ferreyros, with the support of unique support capabilities, allowed maintaining the leadership in services. During the year, customer service strategies were deployed, such as the Repair Options Program, with flexible rates and personalized service schemes, which was well received nationwide and boosted repairs in workshops.

In addition, the company raised the number of Equipment Maintenance Contracts (CSA). In that sense, it was possible to overcome the figure of 1,600 contracts, after the development of a project to optimize the attention and execution of the services they comprise, aimed at both construction clients and other economic sectors.

During the year, we worked on the consolidation of a loyalty program, in the purchase of spare parts and services, for customers who usually purchase used equipment.

Government

In 2018, the Government sector continued its tendency to contraction in the level of spending on goods, which decreased by 9% compared to the previous year. In this context, the acquisition of heavy machinery decreased again in relation to previous years: 20 machines were auctioned nationally, compared to 40 units in 2017. 56% of the construction machines tendered were awarded to Ferreyros.

During the year the work related to the Reconstruction with Changes program continued, with works such as river decolonization and road reconstruction, which began at the end of 2017 in areas of the country affected by El Niño Costero. These activities, although they did not develop at the expected pace, materialized in the provision of some equipment, new and used, and in the rental of machines to regional and national customers to whom these services were awarded.

Agribusiness

The demand for agricultural tractors in Peru showed, in 2018, a contraction of approximately 20% with respect to the previous year, which reflected the impact in traditional agriculture of the overproduction of some crops, the decrease of credit for small farmers and the income of foreign products at very low prices. However, the agro-export market maintained its growth, driven by the export of avocados and blueberries.

In line with this lower dynamism, Ferreyros placed more than 230 new Massey Ferguson agricultural tractors at the end of the year, which represented a market share of more than 20% in FOB values. The agro export was, precisely, one of the main drivers of sales, through the demand of compact tractors of 75 and 85 hp.

During the year, the Global series of Massey Ferguson tractors was introduced, which presented improvements in performance and in the price-to-power ratio, replacing the traditional series MF 4200. On the other hand, with a focus on agro-export crops, the promotion of the new series of compact tractors MF3700 GE, specialized in the cultivation of grapes. It is expected that both product lines will increase their presence in the traditional Andean market and in the agro-export segment, respectively.

In order to respond to the specific needs of its customers, Ferreyros adopted the representation of some new brands, such as Topcon (tools for precision agriculture),

Curtec (avocado harvesters) and Watanabe (specialized equipment for potatoes). In addition, it promoted the adoption of Valley, Doble TT and Kuhn teams, which were added to the portfolio in 2017.

Energy and Fossil Fuels

In 2018, Ferreyros sales to customers in the energy and hydrocarbon markets showed a significant growth of 34% compared to the previous year.

In the energy sector, there was again an oversupply of electricity in the country. However, the activity of mining and industrial projects materialized in the demand for temporary energy solutions, which allowed Ferreyros to increase its sales in this area.

The company met the requirements for the sale and rental of generator sets for the construction works of two important mining projects in the south, while at the same time placing a stand-by plant in the Paracas port terminal. In addition, it renewed generators and expanded emergency plants in some mining operations.

Thanks to this, Ferreyros positioned itself as a leader in the supply of generators with its represented Caterpillar, which reached 61% market share in FOB values. In the segment of higher power units, from 600 KW to 2,600 KW, oriented to sectors such as mining, it reached a 70% share according to FOB import information. For its part, in the segment of groups from 220KW to 600KW, focused on the retail sector, it obtained a 50% share in FOB values.

During the year, CAT gas generator sets were introduced to reduce the costs derived from peak energy consumption, even with a conservative demand in the market.

Ferrenergy, a subsidiary of Ferreyros dedicated to the implementation of power generation plants from 1MW up to the unlimited amount required, finalized its internationalization in 2018. For the first time, it established a branch abroad, after the awarding of an important service of sale of energy for the main cement company of Guatemala, Cempro, with a capacity of 25 MW.

In turn, in Peru, the company -consolidated in 2006 through a partnership with Energy International Corporation, SoEnergy- remained a leader in the temporary and permanent energy market for the private sector, increasing its sales in both segments during the year.

It highlighted the renewal of an energy sales contract with a prominent mining client in the south of the country; the greatest synergy with the Ferreyros power line, which makes it possible to complement products and services for joint projects; and the development in solar energy in which Ferrenergy has been working, in order to expand its service portfolio.

In turn, in 2018, aspects of various kinds influenced the hydrocarbons sector. On the one hand, the rupture of the Norperuano Pipeline and the uncertainty about the development of the new Talara refinery reduced the sector's speed. On the other hand, there was a slight increase of 2% in capital investment in hydrocarbon lots, and an increase of 10% in oil production compared to 2017.

In this context, the company increased sales of spare parts and services to the hydrocarbon sector, in response to customer support needs.

Fishing and Marine

After some years with headwinds, fishing recovered in 2018. Anchovy catches for the production of marine ingredients grew by more than 40% compared to 2017, reaching approximately six million metric tons. The higher prices of fishmeal and fish oil also contributed to the growth of fish customer sales.

In this scenario, Ferreyros generated sales of equipment, spare parts and services to marine customers (fishermen, maritime and port operators, as well as the Navy of Peru) higher by 11% compared to the previous year.

In the industrial fishing sector, the company confirmed its leadership with CAT engines, with a 59% share in FOB values. The customers of this segment demanded in the year general repairs and repowering of equipment. In addition, in semi-industrial and artisanal fishing, the market share of low-powered marine engines (C18 from 450 to 650 HP) went from 21% to 37%, according to imports in FOB values.

On the other hand, business opportunities were presented in the marine sector with the delivery of a marine propulsion engine and marine boxes for two Maritime Patrol Classes of the Pativilca River, of the Navy of Peru. It should be noted that the delivery of additional engines is planned for the year 2019.

The world-class after-sales service offered by Ferreyros to its CAT teams allowed for the renewal of the customer support contract (CSA) with the Peruvian Navy for the eighth consecutive year, for the maintenance of the engines of its vessels.

About Ferreyros

- Leader in the provision of heavy machinery and specialized services in Peru, Ferreyros distributes the large-scale equipment of the Caterpillar portfolio required by various economic sectors within the country.
- Along with the products of its main brand, Caterpillar, Ferreyros represents other prestigious brands such as Metso equipment to produce aggregates for construction, Astec asphalt plants, Paus underground mining equipment and Massey Ferguson farming tractors, among others.
- With the most complete after-sales support in the market, it has around 60 points of service throughout the country, including branches, offices and headquarters, as well as a permanent presence at customers' operation sites.

3.1.2 Unimaq- The Cat Rental Store

Unimaq, specialist in the supply of light equipment Caterpillar and allied brands, obtained in 2018 sales of PEN 454 million (US \$ 138 million), lower than those reached the previous year. This result reflects to a large extent the impact, in the Peruvian market of light machinery, of the mixed situation presented in the construction sector.

In this scenario, Unimaq captured the majority of opportunities in its field, maintaining the leadership with its represented Caterpillar, with a market share close to 50%, according to imports in FOB values; with allied brands such as Carmix concrete mixers, with more than 70% participation; and with other outstanding lines, such as Wacker Neuson compaction equipment and Caterpillar hoists.

During the year, there was a trend of individual purchases of equipment, unlike the placement of packages of machines, distinctive of previous years. Construction again represented more than 50% of total sales, while mining and industry continued to show high relevance.

The decentralized presence of Unimaq was key during the year: six out of ten sales of equipment, services and spare parts were generated by its branches and offices in the interior of the country. In the year, the company moved its Huancayo branch to a new and more extensive location; remodeled its headquarters in Trujillo; opened an office in Huaraz; and announced the expansion of its facility in Arequipa, with which it will strengthen its capacity to serve the mining industry in the region.

In the area of support, Unimaq maintained contracts with large mining companies, to which it provided maintenance services for light equipment fleets of various brands, with prominent personnel in the operations themselves. In this way, Unimaq and Ferreyros - the latter with the largest teams - complement each other's coverage of the sector.

Likewise, the company launched new service packages to continue adding value to its customers. In 2018, it favorably promoted the modality of the Advance Service Agreement, for all products of the CAT portfolio and some allied brands; the program of Options of Repair to the Measure, for the line of engines CAT; and the new Caterpillar Machinery Connectivity Programs, which include monitoring the equipment of its customers remotely.

The light equipment rental fleet formed an important part of the Unimaq proposal. Although, in line with the lower dynamism of the sectors served by the company, the size of this fleet continued its adjustment, represented at the end of 2018 an important fleet of more than 500 units, both CAT and allied lines, to service of the clients. He also contributed the modality of rental of forklifts for long periods, accompanied by maintenance and renewal of the fleet every two years.

For the fifth year in a row, Unimaq received the Best Caterpillar Compact Equipment Distributor Award worldwide in 2018, in recognition of its previous year's commercial performance. At the same time, he earned the Silver level in the Caterpillar Service Excellence Program and the Bronze level in the Rental Excellence Program. Likewise, for the second year, it was recognized by Wacker Neuson as Distributor Number 1 in Sales in Latin America.

About Unimaq

- Established in 1999, Unimaq is the company of the corporation in charge of sales and rental of light capital goods from Caterpillar and allied brands. It serves the light urban construction sector as well as other sectors like industry, agriculture, trade, services and mining.
- In addition to the CAT General Construction line (compact equipment), it distributes allied brands such as CAT forklifts, Wacker compaction equipment, Lincoln Electric welding equipment, Olympian Cat gensets, Amida lighting towers, Enerpac hydraulic equipment, Rival and Benxi Beitai piping, Compair stationary compressors, Sullair portable compressors, Lincoln Industrial lubrication system, Valtra farming tractors and Carmix self-loading concrete mixers, among others.
- It has branches in Piura, Cajamarca, Lambayeque, Trujillo, Huancayo, Arequipa, Cusco and Ilo. The headquarters is located in Lima, along with a subsidiary focused on rental units, located in the south of the city. It also has offices in Cerro de Pasco, Andahuaylas and Ayacucho.

3.1.3 Orvisa

In a context of lower public investment for the maintenance and development of roads in the Amazon, as well as a contraction in agricultural activity, the subsidiary Orvisa, focused on this region of the country, registered in 2018 sales for PEN 147 million (US \$ 45 million), below the levels generated in the previous year.

During the year Orvisa assisted, through the provision of Caterpillar machinery and equipment of allied brands, to local companies dedicated to providing continuity to infrastructure works. In particular, the Department of Huánuco generated special demand for equipment for road development.

In addition to the construction sector, river transport contributed significantly to sales. The consumables and materials business line distributed by Motomaq, a subsidiary of Orvisa, grew by 15% in 2018 compared to the previous year. It highlighted the supply of naval plates, structures and other materials for the construction of fluvial infrastructure in Iquitos.

For its part, the hydrocarbons sector continued to show low levels of activity in recent years. During the year, Orvisa requested services and spare parts, also demanded in river transport.

Meanwhile, in the agribusiness sector, Orvisa sold Kepler Weber grain drying components to new customers and introduced Caterpillar mini excavators among contractors that provide services to palm plantations, which require equipment for various tasks. In addition, the forestry sector demanded specialized Caterpillar equipment.

The agricultural sector was impacted by the decrease in prices on their crops, which was reflected in the demand for equipment and services. In response to this situation, the company introduced Massey Ferguson agricultural tractors with lower costs and dimensions. These are the MF1552 models of 52HP and MF4275 of 72HP, which adapt to the needs of this segment, without reducing the quality of the machinery and the support.

Likewise, Orvisa - like Ferreyros and Unimaq - shared with its customers the launch of the new generation of Caterpillar excavators, the Next Gen series, with a positive impact on operator efficiency, fuel savings and reduced support costs.

With 45 years of operations, Orvisa received important recognitions such as the Silver distinction in the Caterpillar Service Excellence Program and the recognition of La Positiva Vida for its good practices in occupational health and safety.

Acerca de Orvisa

- A specialist in capital goods, services and consumables in the Peruvian Amazon, Orvisa's primary represented brand is Caterpillar.
- Its portfolio is integrated by the same lines of products and services of Ferreyros and Unimaq, as well as by products of specific application in the jungle area. Includes CAT machines, Massey Ferguson agricultural equipment, Iveco trucks, Terex cranes and Carmix concrete mixers, among other products specifically for the area.
- Serves sectors such as construction, fluvial transport, hydrocarbons, forestry and added value to wood, as well as agriculture and agroindustry
- With its main office in Iquitos, it has branches in Pucallpa, Tarapoto, Bagua, Huánuco and Puerto Maldonado.

3.2 Companies Representing Caterpillar and Other Business in Central America

The companies representing Caterpillar and other businesses in Central America generated sales of PEN 423 million in 2018, 8% lower than the previous year, mainly reflecting the complicated political-economic situation that Guatemala is going through, where the subsidiary Gentrac operates. In dollars, revenues reached US \$ 129 million, with a variation of -8% with respect to 2017. As a whole, these companies contributed to 8% of the corporation's annual sales.

The corporation entered Central America in 2010, with the acquisition of companies representing Caterpillar in Guatemala and Belize (Gentrac) and in El Salvador (General of Equipment). Subsequently, it acquired Soltrak (previously Mercalsa), wholesale distributor of lubricants Mobil in Nicaragua, and Motored (previously Transpesa), dedicated in particular to the provision of spare parts for heavy transport in El Salvador.

The proportion of sales by sectors of this group of companies is then shared.

Conjunto de empresas	Construcción		Minería subterránea		Industria, comercio y servicios		Agricultura y forestal		Pesca y Marino		Otros		Total	
	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%
Gentrac (Guatemala, Belice)	40,918	17.8%	41,985	18.2%	55,121	23.9%	19,993	8.7%	883	0.4%	71,340	31.0%	230,239	100%
General de Equipos (El Salvador)	37,158	31.9%	4,571	3.9%	51,052	43.9%	7,931	6.8%	418	0.4%	15,267	13.1%	116,399	100%
Otros	2,657	3.2%	4,879	5.8%	19,372	23.0%	286	0.3%	109	0.1%	56,953	67.6%	84,256	100%
Representantes de Caterpillar y marcas aliadas en Centroamérica	80,733	19.0%	51,435	12.1%	125,546	29.6%	28,210	6.7%	1,410	0.3%	136,553	32.2%	423,886	100%

3.2.1 Gentrac (Guatemala and Belize) and Soltrak (Nicaragua)

In 2018, Gentrac, representative of Caterpillar in Guatemala, reached sales of PEN 215 million (US \$ 65 million), at lower levels than those reached the previous year. A complex political-economic situation resulted in the deceleration of sectors such as construction, commerce and industry, as well as in the closure of mining operations; At the same time, agriculture faced the lowest international price for its products.

In this challenging environment, Gentrac captured most of the market opportunities with the Caterpillar portfolio - which reached a leading share of over 42%, according to import information. It is important to note that the company commemorated its 20th anniversary as distributor of the Caterpillar brand in the country, a milestone that was recognized by the main company represented.

The agricultural, government, construction, industry, commerce and mining sectors boosted sales during the year. He highlighted the rental of equipment, in medium and long terms, to sugar companies; the diverse sales of machines to companies that serve the construction sector; and the provision of mining equipment to the main nickel producer in Guatemala and its contractors, who renewed part of their fleet. In addition, structural bridges of the Mabey brand were delivered to the Government sector.

During the year, Gentrac - like its peers in Peru, El Salvador and Belize - launched the new generation of Caterpillar excavators, of the Next Gen series, highly relevant to customers in the construction sector. On the other hand, it specified the introduction of new brands allied to the portfolio to serve the construction, agricultural, industrial and mining sectors. It also launched commercial and financing programs aimed at the private and public sectors.

To enhance its service capabilities in the territory, Gentrac opened a modern branch in the department of Escuintla, in southern Guatemala, with an area of more than 2,000 m². The branch allows customers to offer all their business lines, including after-sales support to their represented brands, as well as machinery rental.

In the field of service, Gentrac obtained the Silver level in Caterpillar's Service Excellence program (Excellence in Service), as well as the Bronze level in the Parts Excellence (Excellence in Spare Parts) and Rental Operation Certification programs (Excellence in Rental). In addition, Caterpillar received the award of Excellence in Sales of heavy and general construction equipment, as the distributor with the highest growth in Latin America and the Caribbean in 2017.

For its part, in Belize, Gentrac reached sales levels of PEN 15 million (US \$ 4.5 million), higher than in 2017, mainly due to the demand for new equipment and spare parts for the Government segments and local contractors.

Although the company maintained its leadership in the market with a share of over 87% in imports, similar to the previous year, the demand for after-sales services was affected by the lower use of the existing fleet, due to the fact that important projects of public infrastructure reached its final phase.

In another area, Gentrac managed to increase its sales of the Mobil lubricants line, in its second year as a wholesale distributor of this brand in Belize. The sub-distributors of the company in various parts of the country were strategic to continue consolidating this line of business.

In Nicaragua, in the context of a political situation that impacted the economy and reduced the activity of the main economic sectors, the subsidiary Soltrak, representative of Mobil lubricants in that country, obtained sales of PEN 20 million (US \$ 6.1 million), similar to those obtained in 2017.

To boost its operations, the company continued to promote direct transactions to the consumer through the placement of products aimed at light vehicles; In addition, it met the needs of some mining clients that were less affected by the difficult national context. In this way, Soltrak managed to maintain itself as the second largest shareholder in the lubricant market in Nicaragua, with its represented Mobil.

About Gentrac (Guatemala and Belize) and Soltrak (Nicaragua)

- In Guatemala, Gentrac is the exclusive representative of Caterpillar machinery and equipment as well as a national distributor of Mobil lubricants and representative of other renowned brands, such as Mitsubishi (forklifts), Genie, Sullair, Wacker Neuson (light-duty and compact), Lincoln Electric, Cifa and Carmix, among others.
- Gentrac's headquarters along with a spare parts store are located in Guatemala City. It has a shop dedicated to Mobil lubricants, branches in Quetzaltenango and Teculután, one spare parts store in Morales and 14 mobile warehouses.
- Gentrac was created in 1938 under a different name and stakeholders as the exclusive Caterpillar distributor in Guatemala; it was then purchased by the distributor in El Salvador in 1998, and afterwards by Ferreycorp in 2010.
- In Belize, Gentrac is the exclusive representative of Caterpillar machinery and equipment as well as a national distributor of Mobil lubricants and representative of the brands Wacker, Sullair, Twin Disc, Mitsubishi forklifts and Olympian generators.
 - Its head office is in Ladyville, where the country's international airport also located.
 - It was established in 1998, the year in which it purchased Belize Cemcol Limited, the country's Caterpillar distributor at the time.
- Soltrak (previously Mercalsa) has its headquarters in Managua, where it serves all of Nicaragua.
 - It was incorporated to Ferreycorp in 2013. Its foundation dates to 2009, after Nicaragua Mobil transferred operations to a group of executives, assuming the development of a national distribution network.

3.2.2 General de Equipos- Cogesa (El Salvador)

General de Equipos, exclusive representative of Caterpillar and Mobil lubricants in El Salvador, among other prestigious allied brands, recorded sales for PEN 116 million (US \$ 35 million), higher than those reached during the previous year. The growth was the result of good performance in sales of new equipment, the marketing of lubricants and services in workshops.

The company once again led the market for earth moving machinery, reaching a 60% stake in Caterpillar equipment. The business with contractors of national and local scope maintained the dynamism of sales, demanding CAT equipment such as backhoes, motor graders, loaders and excavators for housing construction projects and road infrastructure.

In addition, General de Equipos reaffirmed its leadership in the agricultural and agribusiness sectors, with a 65% market share in imports with its represented John Deere. At the same time, he presented his new offer of rental services for cane harvesters for sugar mills, the most relevant segment in the agroindustry of El Salvador.

For its part, Mobil lubricants maintained a prominent position in the national market. They highlighted the operations of direct transaction to the consumer (B2C), through alternative channels such as the segment of automotive distributors and sub-distributors of lubricants and consumables.

In the area of services, the repairs of propulsion engines and power plants carried out by General de Equipos for the state company of ports and airports in El Salvador stood out.

It is worth mentioning that in 2018, Cogesa was distinguished with the Silver level in the Caterpillar Service Excellence Program, for the quality of the after-sales support, the high level of preparation of its technicians and customer satisfaction.

About General de Equipos - Cogesa (El Salvador)

- Established in 1926, it has been the Caterpillar distributor in El Salvador since 1930. It is the sole distributor of Mobil lubricants in the country, as well as distributor of other top-quality lines.
- It also represents lines such as Mitsubishi-CAT forklifts, Wacker lighting and compaction equipment, Lincoln Electric welding equipment, Olympian-CAT generators, Sullair compressors, Mack trucks, John Deere farming equipment and Michelin tires for construction, agriculture and trucks.
- It provides nationwide after-sales coverage through its three branches located in San Salvador in the central region, Sonsonate in the western region and San Miguel in the eastern region of the country.

3.2.3 Motored (El Salvador)

In El Salvador, Motored achieved sales of PEN 58 million (US \$ 18 million) in 2018, slightly higher than the previous year. Sales were mainly driven by the demand for spare parts and consumables in the cargo transport and passenger transport segments.

The company reaffirmed its leadership in the spare parts market by maintaining a share of over 50%. For its part, it continued with the provision of Kenworth compaction trucks for some municipal mayorships, although the demand for this equipment showed less dynamism throughout the year. In the same way, it maintained its activity in the Higer bus line, to meet the demand of the transport sector.

In addition, in order to achieve greater coverage in El Salvador, the company opened a new spare parts distribution store in the city of Aguilares, bringing eleven Motored service points in this Central American country.

In Honduras, Motored has a small operation, which allows it to offer local clients the same portfolio as that of El Salvador. It has two branches, located in the capital, Tegucigalpa, and in the city of San Pedro Sula. In 2018, it recorded a slight increase in sales compared to the previous year.

About Motored (El Salvador y Honduras)

- Having joined Ferreycorp in 2015, Motored (previously named Transportes Pesados S.A. de C.V.—Transpesa) is the provision of spare parts for trucks and buses in El Salvador.
- It also has additional consumable lines such as lubricants and tires, and the representation of Kenworth trucks, also distributed in Peru by the corporation, as well as Higer passenger busses.
- It has eleven branches in El Salvador, located in San Salvador, Santa Ana, Sonsonate, Metapán, Lourdes, San Miguel, Soyapango, Santa Rosa de Lima, Zacatecoluca and Usulután. Additionally, it has operations in Honduras.

3.3 Supplementary Businesses in Peru and other South American countries

The businesses that complement the supply of goods and services, in Peru and other South American countries, reached sales of PEN 836 million in 2018, showing a growth of 7% with respect to the previous year. In dollars, they were US \$ 255 million, 6% higher than in 2017. In total, these businesses represented 16% of the total sales of the corporation.

This group is integrated, in the field of capital goods, by Motored, specialist in transport solutions in Peru; by Trex, supplier of cranes and lifting equipment, present in Chile, Colombia, Ecuador and Peru; by Cresko, focused on the Asian machinery segment; and by Maquicentro, dedicated to the provision of light equipment in Ecuador.

With the goal of attending diverse customer needs, this group of companies includes Soltrak, a provider of industrial consumables; the subsidiaries Fargoline and Forbis Logistics in logistics; and Soluciones Sitech Peru, a technological solutions company.

The proportion of sales by sectors of this group of companies is then shared.

Conjunto de empresas	Minería de tajo abierto		Construcción		Minería subterránea		Industria, comercio y servicios		Agricultura y forestal		Pesca y Marino		Otros		Total	
	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%	S/ miles	%
Soltrak	17,502	7.5%	14,345	6.1%	68,878	29.4%	87,185	37.3%	2,785	1.2%	1,843	0.8%	41,381	17.7%	233,920	100%
Motored	7,956	4.2%	37,969	19.8%	2,759	1.4%	27,685	14.5%	1,695	0.9%	891	0.5%	112,494	58.8%	191,449	100%
Trex (Chile, Perú, Ecuador, Colombia)	3,318	1.0%	86,437	26.2%	11,244	3.4%	205,378	62.3%	224	0.1%	3,558	1.1%	19,528	5.9%	329,687	100%
Otros	54,035	24.2%	15,916	7.1%	17,180	7.7%	59,809	26.8%	3,367	1.5%	1,603	0.7%	70,977	31.8%	222,888	100%
Negocios complementarios en Perú u otros países de Sudamérica	82,811	9.9%	154,668	18.5%	100,061	12.0%	380,057	45.5%	8,070	1.0%	7,895	0.9%	102,030	12.2%	835,594	100%

3.3.1 Motored (Peru)

In 2018 the sales of Motored, specialist in transport solutions for the different economic sectors of the country, amounted to PEN 191 million (US \$ 58 million), close to the year 2017. During the year, Motored competed in an aggressive market in prices and met the demand of sectors such as mining, construction and transport.

Motored delivered more than 350 vehicles during the year, including tractors, trucks and buses of the brands Kenworth, DAF and Iveco. In this regard, the Kenworth brand achieved a share of more than 6% in the truck segment of more than 16 gross vehicle weight.

In the bus segment, Motored increased its share to 3.1% in 2018, three times that reached in the previous year. The sectors of urban transport and personnel in the sector of the agroindustry, promoted this demand. He highlighted the introduction to the market of the Iveco Daily line, especially the 18-passenger version.

In the workshop service business, Motored generated a slight increase in sales. As part of its strategy, in 2018 it launched the Motored Xpress service, which offers rapid attention in preventive maintenance; for this purpose, it implemented a workshop in its headquarters in Ate, with capacity to handle 200 trucks per month. It complements the traditional services in the main workshop in Lurin and in those located in its branches in the provinces.

For its part, the Motored Parts division launched its own brand of spare parts, of the same name, which includes batteries, filters, air bags, brake drums and hoops. Likewise, it incorporated new spare parts lines of brands such as Federal Mogul (brakes and spark plugs), Diesel Technic (for the Iveco line service), Paccar batteries (starter and dual purpose), TRP coolant, among others.

During the year, the company deployed the Lean Six Sigma improvement project, with the objective of reducing costs, adding efficiencies, improving profitability, standardizing processes and continuing to increase the satisfaction of its customers in the workshop and field services. It also launched strategies to optimize the customer experience. As a result, a significant improvement was obtained in the loyalty indicators, especially in the field of service.

Similarly, Motored continued throughout the year with its training initiatives and open days at several of its branches.

It should be noted that, after the audit performed by its represented Cummins to the processes and branches of the spare parts and services business nationwide, Motored became the only distributor in Peru to receive the Gold Dealer certification. The company received this distinction by criteria such as the suitability of its infrastructure, the performance of its operations and its capacities related to the management of spare parts.

About Motored (Peru)

- The company started operations in the mid-90s as the automotive division of Ferreyros and since 2012 it has functioned as a subsidiary.
- It represents the Kenworth, Iveco and DAF brands, handling a comprehensive portfolio that includes tractors, trailers, trucks with different settings, diesel and natural gas buses, as well as the equipment of allied brands for the automotive market.

- It has two branch offices in Lima: one of 30,000 sq.m along the Panamericana Sur highway where the main service workshop operates, along with the replacement part retail outlet and local storage; and another of 4,000 sq.m in Ate, on the Via de Evitamiento where the central warehouse for spare parts is located, along with a retail office for spare parts and vehicles and the administrative offices.
- It has three integral offices in Arequipa, Trujillo and Cajamarca. Additionally, Motored Parts has three sales outlets in Lima and operates in the cities of Huancayo, Piura, Chiclayo and Cusco.

3.3.2 Soltrak (Peru)

Soltrak, specialist in industrial consumables, in 2018 obtained sales of PEN 234 million (US \$ 71 million), below those reached the previous year, within the framework of the effect of the new conformation of the lubricants portfolio of the company and of an adjustment in the demand for tires for the construction sector.

During the year, Soltrak was appointed representative of the prestigious global lubricant brand Chevron. In its position as Master Distributor for Peru, Soltrak maximizes its lubricants distribution capabilities: today it can offer coverage of this line throughout the national territory. This opportunity will also allow you to capitalize on a trajectory of more than 25 years in the lubricant business in the country.

The consolidation process of this new representation by Soltrak showed progress during the year. Soltrak initiated the distribution of lubricants in cities such as Arequipa, Cajamarca, Cusco, Piura and Trujillo, with significant growth potential. Likewise, it deployed various marketing and communication initiatives to position the brand in the Peruvian market. At the end of the year, sales of Chevron lubricants reached 2,000 barrels per month.

Soltrak accompanies the lubricants with a highly specialized after-sales service, which includes lubrication services for mobile equipment and industrial plants; vibrational analysis, videoscopy, oil analysis and operation of laboratories, studies and lubrication guides; design, manufacture and operation of lubrication equipment and bays; and customer training.

It should be noted that Soltrak signed a representation agreement with Noria, world leader in knowledge management in machinery lubrication, which began to materialize in 2018 through specialized courses for the company's customers. With this expert knowledge, Soltrak contributes to reduce the operating costs of its customers and prolong the useful life of its equipment and components with a high standard of operation.

In another area, Soltrak was the leader in the Peruvian market for industrial safety, with a broad portfolio that includes top-tier brands such as 3M, MSA, Kimberly-Clark and Ansell. This line of business, highly relevant to the company, maintained the dynamism shown in the previous year.

He highlighted the performance in the segment of personal protection products -with respiratory, skin and anti-fall protection solutions- and in the creation of safe work spaces -which includes safety signage and emergency response equipment. among others-. Likewise, during the year, 3M and MSA brands granted Soltrak the highest category as distributor of its products.

The company implemented multiple engineering solutions in fall protection systems, with which it has positively contributed to the safety of customer operations in the north, center and south of the country. He also re-certified his Scott breathing equipment workshop (today 3M) and implemented one for MSA breathing equipment.

In the year, the provision of the Soltrak tire portfolio, which has Goodyear as the main shareholder, registered a decrease due mainly to lower demand from the construction sector. In particular, attention to the underground mining segment reached similar levels with respect to those generated in 2017.

In the set, the mining sector continued to be the main destination of the company's sales. On the other hand, construction -including the contractor segment- and industry were positioned as relevant sectors in revenues, followed by demand from sub-distributors and customers from the transport and agricultural sectors, among others.

It is important to mention that in 2018 Soltrak received the ISO 9001: 2015 certification, which reflects its high-quality standards in the commercialization processes of industrial safety products, lubricants and tires.

About Soltrak (Peru)

- It is the subsidiary of the Ferreycorp corporation specialized in the supply of industrial consumables, with a focus on industrial safety lines, lubricants and tires, accompanied by specialized services.
- Its product portfolio includes first-class brands such as Chevron lubricants, 3M industrial safety equipment, MSA, Kimberly Clark, Ansell, Microgard and Tecseg, as well as Goodyear tires.
- The service portfolio includes training and coaching, predictive maintenance, lubrication services, support for industrial safety products and comprehensive tire management; operation, design and implementation of lubricating trucks, lubrication bays and oil analysis laboratories used in operations; management in fluid pollution control (ISO 4406), among others.
- It has branches in Talara, Trujillo, Arequipa, Huancayo, Huánuco and Pucallpa, with head offices in Lima, and it also has a presence in Loreto through its subsidiary Soltrak del Oriente. Additionally, it has a branch in Santa Cruz, Bolivia.
- Soltrak was incorporated into Ferreycorp in 2007, with the acquisition of the tire company Mega Caucho S.A. In 2009, this company merged with Inlusa (Industria y Comercio S.A.), thus adding the lubricants line. In 2013, Tecseg was acquired, adding an industrial safety products portfolio.

3.3.3 Cresko (Peru)

Cresko, specialist in the provision of products of Asian origin, registered during 2018 sales for PEN 22 million (US \$ 6.7 million), lower than those reached the previous year, due to a lower demand for its products destined to the sectors heavy construction and real estate.

Sales in the year were mainly driven by contractors and subcontractors that required front loaders, motor graders, tractors, compaction rollers and dump trucks, both for the construction of small sections of roads and for quarry work.

With its main represented SEM, Caterpillar brand, Cresko once again ranked as leader in Asian machinery of earthmoving, with 28% share in imports in units, in a market with a wide variety of competitors.

Likewise, it reached a high participation with the Shacman brand, with the provision of tippers of Asian origin, positioning itself as the second most important supplier in this segment of the market.

During the year, Cresko was able to complete its first sales of Shaorui crushing plants and crushing plants, the most recent addition to its portfolio. Clients from the quarries and aggregates segment acquired this equipment for their operations in the center and south of the country.

In addition, as part of its strategy, the company launched with Caterpillar the CAT Leasing machinery financing program, through which its customers acquired SEM, Shacman, Mitsubishi and Shaorui equipment, with better financing conditions compared to other market options.

It should be noted that, during this period, Cresko managed to materialize business opportunities with new clients thanks to the synergies that it has been generating along with other companies of the corporation through the cross-selling modality. During the year, it completed business thanks to the commercial support of the Unimaq and Orvisa subsidiaries, as well as opportunities identified with the Fargoline company.

About Cresko

- Established in 2007, Cresko commercializes products manufactured in Asia at competitive prices, with an after-sales proposal different to that offered by Caterpillar distributors. It mainly serves emerging customers in the construction, mining, agriculture and industrial sectors.
- Among its main represented brands is SEM, manufactured by Caterpillar as part of its strategy to provide products with a differentiated proposal. Cresko carries SEM loaders, tractors, graders and rollers.
- Likewise, its portfolio includes Shacman trucks, Lovol (previously Foton) farming tractors, Wacker Neuson rollers and lighting towers, Super gensets, Mitsubishi forklifts and Shaorui crushers, among others.
- Cresko's main offices are in Lima while it expands its national coverage through several of the corporation's subsidiaries.

3.3.4 Trex (Chile, Colombia, Ecuador and Peru)

In 2018, sales of the Trex business in Chile, Peru, Ecuador and Colombia reached PEN 330 million, exceeding for the first time the fence of US \$ 100 million. These revenue

volumes -upper in more than 50% compared to 2017- reflected the growth achieved, in each of the aforementioned territories, in the provision and support of Terex cranes and other lifting solutions.

The Chilean operation achieved sales of PEN 223 million (US \$ 68 million), in an environment boosted by the price of copper and the greater investments of mining suppliers. The new Terex line of cranes generated the highest proportion of sales during the year. Highlighted the demand for all-terrain heavy-duty units, over 220 tons of capacity, for large-scale mining projects in the territory.

Despite aggressive competition in prices and financing conditions, Trex maintained its leadership position for the fifth consecutive year in the segments of high-tonnage cranes for difficult terrain and all-terrain (44% of the Chilean market), as well as in port equipment (35%), according to import information. Similarly, it met the support needs in the place of operation and through a network of workshops and warehouses.

In turn, the business in Peru promoted revenues of PEN 74 million (US \$ 22 million) for the delivery of Terex mobile cranes to mining and rental companies, reaching 67% of the market, and of Konecranes container cranes to companies of the port sector and foreign trade, obtaining a 50% share. In the face of a low activity market, Trex also offered the alternative of used cranes, in particular to rental companies.

It should be noted that in 2018 Trex was appointed representative of the Demag and Donati cranes in Peru. In addition, the introduction of Hyva brand cranes and Mitsubishi forklifts continued. For its part, the line of spare parts and services showed greater dynamism due to the demand for repairs in two important mining operations, and for the provision of spare parts to the port sector.

The regional structure of Trex contributes to respond efficiently to the needs of the sectors it serves in the countries where it operates. For example, the management of a common inventory allows having equipment in stock at the right time; expand the possibilities of providing used units from the rental fleets; and facilitate the rental of units to meet temporary needs. In addition, the organization capitalizes on the high level of specialization around its represented brands, generating shared knowledge in favor of its customers.

In this context, he highlighted the dynamism of the rental, used and light crane lines of Trex during the year, in Chile, Peru, Colombia and Ecuador, reaching for the first time consolidated levels of US \$ 25 million. The regional character of the business was especially a strength for the commercialization of units used in those countries.

It is worth mentioning that Trex is a distributor of the prestigious brand Konecranes, after integrating products that were previously under the umbrella of the Terex Port Solutions division. Thus, Konecranes expands the range of port equipment and material handling that distributes Trex, which allows it to serve not only the foreign trade market, but also relevant sectors such as mining.

For business valuation purposes, Trex sales are included in the revenue generated by the commercialization of Terex cranes in Ecuador, although the latter correspond to the Maquicentro subsidiary for providing the business support in that country.

About Trex

- Represents the Terex brands in cranes and Genie in lifting platforms; to the Konecranes brand in the lines of port equipment and materials

handling, as well as Donati and Demag in overhead cranes; and to Hyva and Mitsubishi in other lifting and loading solutions.

- Trex's business operates in Chile, Peru, Ecuador and Colombia. It was founded in the year 2000, but its origins in the industry of cranes and port equipment in Chile go back to the 80's. It joined Ferreycorp in 2014.
- The Peruvian operation of Trex started its activity in 2015. Previously, the distribution and support of Terex cranes in Peru was in charge of the subsidiary Ferreyros.

3.3.5 Fargoline (Peru)

The logistics operator Fargoline reported sales of PEN 89 million (US \$ 27 million) in 2018, higher than the previous year, driven by the activity of economic sectors such as agriculture, fisheries, industry and commerce.

The company completed 35 years of experience in Peru, reaffirming the consolidation of its business lines and its growth trend. An extensive client portfolio configured 80% of its sales, while the remaining 20% was linked to the service to other subsidiaries of Ferreycorp.

In 2018, more than 70% of Fargoline's revenues were generated again by the temporary container storage business. The lines of customs and simple deposit, as well as the temporary deposit of loose and rolling cargo, followed in importance. He highlighted the growth of the new transport and distribution line, in what was its second year of operation, and the movement of cargo for projects.

During the year, Fargoline was placed among the four main Peruvian companies in handling of import containers, according to the ranking issued by the Peruvian Customs. He also highlighted his greater participation as an export service provider, linked to agro-industry, fishing and non-metallic mining products, such as cocoa, flour, barite and paper.

The company continued betting on the differentiation of its service, characterized by its customization and high response speed. It made investments in new transport units, renewal of container equipment and maintenance of infrastructure. It should be remembered that Fargoline is located in central logistics clusters in the country, with locations in Callao, south of Lima and the city of Arequipa.

Also, the company invested in technology to streamline operations processes; implemented an application that contributes to security in the removal of containers and their registration; and strengthened its digital platforms to facilitate customers self-management of services, among other initiatives.

During the year, Fargoline completed a series of rigorous audits before the consultancy SGS to access a triple international certification in quality, safety and environment, in force since 2019. Thus, it received for the first time the ISO 14001 certificate (environmental management), the time it was recertified in ISO 9001 (quality management) and in OHSAS 18001 (health and safety at work). These are added to the BASC certification - an international business partnership that promotes safe trade in cooperation with governments and global organizations - which Fargoline has maintained since 2011.

About Fargoline

- With 35 years in the national market, Fargoline offers temporary containers, loose and rolling load storage, customs storage, simple warehousing, transport and distribution and cargo movements for projects.
- It has locations in Callao (along Gambetta Avenue), as well as in Punta Negra and Lurín (at the south of Lima). It also has a branch in the city of Arequipa.
- Its Security and Control Management System is certified by the Business Alliance for Secure Commerce (BASC). Additionally, it has ISO 9001 and OHSAS 18001 certifications.

3.3.6 Forbis Logistics (Peru and Chile)

The international freight forwarder Forbis Logistics registered sales for PEN 92 million (US \$ 28 million), significantly higher than the previous fiscal year. The acquisition of new clients in Peru and Chile, the greater dynamism of the existing clients and the better coverage of services in other origins, such as Europe, Asia, North America, promoted the demand for freight services by air and sea.

In 2018, Forbis Logistics led the market of air cargo agents of all types from the world to Peru, moving from the third to the first place in kilograms moved according to the Infoescomar source. In addition, it was once again in the first place in the ranking of the United States-Peru route. In the area of the sea freight agent market, it climbed 14 positions in the cargo movement of the world to Peru.

During the year, the company launched a new line of business dedicated to the freight chartering for export, mainly serving customers linked to the mining, construction and agro-industry sectors. In parallel, it provided integral logistics services in Peru, covering the advice and cargo management for both imports and exports, until its final delivery at the customer's destination.

It should be noted that Forbis Logistics continued its activity in Chile, in what constituted its first full year of operations. The company has been carrying out loading agency work between Chile and main destinations in the United States, Latin America, Europe and Asia, in import and export, working with the main shipping companies and airlines in the southern country.

Both in Chile and Peru, Forbis invested in technology and innovation for the efficiency of its processes. In 2018, it implemented a load scanning system at the destination using Smart Glasses, which streamlines the process of checking the packages at the air terminal. During the visual inspection, this technology allows to record in real time the information of the load in the systems of the company and to give instant notice to the client of the state of the movement of his load.

Through a thorough audit process, Forbis Logistics certified its Control and Safety Management System in accordance with the BASC certification during 2018, which corroborates that the company carries out a secure international trade.

About Forbis Logistics:

- Forbis Logistics is a specialist in international air and sea freight transportation through a network of agents in the world and with its own offices in Peru, the United States and Chile.
- Forbis was created in 2010 in Miami, Florida where it has a strategically located warehouse nine kilometers from the Miami International Airport

and 26 kilometers from the seaport. Forbis Logistics was established in Lima in 2012.

- It has the Indirect Air Carrier (IAC) and NVOCC certifications, given by the United States government, and it is currently completing the process to obtain the ISO and BASC certifications. Likewise, it works with Caterpillar quality standards.

3.3.7 Soluciones Sitech Peru

Soluciones Sitech Peru, a specialist in technology integration, reported sales of PEN 8.9 million (US \$ 2.7 million), double the previous year. In this way, the company maintains its growth trend since the beginning of its operations, expanding its client base and offering new services to its existing clients.

Mining was the largest sales sector for Sitech, mainly through the demand for safety and productivity solutions for operations; The latter were also demanded by companies in the construction sector.

In the field of security, the company attended to open pit mining with its Fatigue Monitoring service, with the support of Caterpillar, through the recognized CAT DSS system. Thus, in 2018, it expanded to more than 200 trucks that it monitors in the country, after the implementation of this system in the fleet of an important open pit mining operation in the south of the territory.

Similarly, mainly in underground mining, Sitech provided productivity solutions based on the Trimble Loadrite system, for the remote control and analysis of weighing in material movement operations, thanks to the alliance it has with Ferreyros to incorporate said system into all low profile CAT loaders that this company markets in the country. In addition, during the year, Sitech continued with the provision of communication infrastructure for tunnels, through the Australian MST line.

The company also served the construction sector with productivity solutions. It is worth highlighting the acquisition of machine control solutions from the Trimble Machine Control line by a major transnational construction company. Through high precision GPS, these solutions allow to optimize earth moving work with equipment such as tractors, motor graders or excavators. Based on the design of the project, the positioning of the equipment and the initial topography, the machinery performs a more efficient and productive work.

It should be noted that Solutions Sitech Peru continues to invest in the construction of capabilities to offer customized services for the development of solutions and information management.

Soluciones Sitech Peru

- Since 2013, Sitech has integrated technologies to provide solutions that increase customer productivity in mining, construction, hydrocarbon and agriculture activities.
- Sitech has a complete portfolio, representing brands such as Trimble, Loadrite, AMT, MST and DSS, among others.

3.3.8 Maquicentro (Ecuador)

Maquicentro, a subsidiary of Ferreycorp specialist in light equipment in Ecuador, recorded sales of PEN 23 million (US \$ 6.9 million), higher than those reached in 2017. The agricultural, construction, mining and metalworking sectors boosted the company's revenues during year.

In the agricultural sector, the company increased sales of Valtra tractors, despite a contraction of the market during the year. Maquicentro initiated a strategy of market penetration in the highlands of the country, expanding its coverage to that region.

Likewise, with its represented Carmix, it positioned itself as a leader in the market of concrete mixers in Ecuador. During the year it reached a 60% stake in this segment, which is still under development in the territory. Maquicentro also supplied Lincoln Electric welding equipment to the construction and metal-mechanic sectors, increasing its sales in this line of products.

In another area, we can highlight the increase of more than 50% in the sales of cranes of the Terex brand during the year. Among the units delivered, a fleet of cranes for difficult terrain is counted to the largest rental company in the country, as well as a container ship for an important mining company.

It should be noted that the sales of the Terex equipment lines are reported in Maquicentro, although they are also mentioned as part of the Trex business for business valuation purposes.

The company, established in 2015, was born to serve the Ecuadorian market with a portfolio of light equipment, made up of allied brands that the corporation also represents in Peru.

About Maquicentro

- Maquicentro specializes in Ferreycorp's light-duty equipment in Ecuador, satisfying the needs of different productive sectors.
- Its portfolio includes farming trucks, construction equipment, self-loading concrete mixers, forklifts and welding equipment, among others, with brands such as Valtra, Wacker Neuson, Carmix and Lincoln Electric.
- It has locations in Quito and Guayaquil and concessionaires in Loja, Pichincha, Imbabura and los Ríos.

3.4 Economic value generated and distributed to the interest groups

(GRI 201-1)

The analysis of economic value generated and distributed allows Ferreycorp and its subsidiaries to measure the direct and indirect economic impact of their operations on the interest groups that are part of their value chain. Through this indicator, the corporation reflects, beyond the reporting of financial information, how its operations generate and distribute wealth, thus participating in the development of the sector and the countries in which it operates.

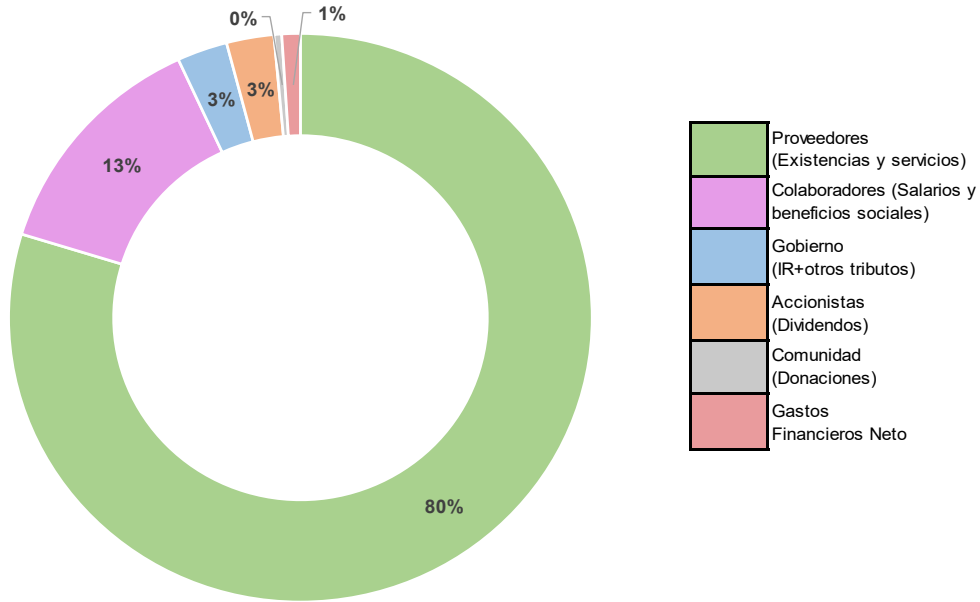
Next, we can appreciate the wide scope of the economic value generated and distributed by Ferreycorp and its subsidiaries to its stakeholders.

Value generated and distributed to the stakeholders: Ferreycorp Corporation

Corporación Ferreycorp (S/ miles)	Año 2017	Año 2018
Valor Económico Directo Creado (VEC)		
Ventas (Ventas netas + participación de subsidiarias)	4,851,156	5,212,463
Otros Ingresos (Venta de activo fijo + otras inversiones)	47,309	39,740
Valor Económico Distribuido (VED)		
Proveedores (Existencias y servicios)	-3,675,586	-4,024,266
Colaboradores (Salarios y beneficios sociales)	-623,841	-674,642
Gobierno (Impuesto a la renta + otros tributos)	-132,382	-141,184
Accionistas (Dividendos)	-124,434	-132,171
Comunidad (Donaciones y Obras por Impuestos)	-20,726	-21,910
Gastos financieros neto	-66,985	-51,600
Valor Económico Retenido (VER)	254,511	206,430

In 2018, 96% of the economic value of the Ferreycorp corporation was distributed (95% in 2017). Of the total economic value distributed, 79.76% corresponded in 2018 to payments to suppliers, mainly stocks and services (79.15% in 2017). The rest, 20.24%, was distributed in 2018 among government, community, employees and shareholders interest groups (20.85% in 2017).

Percentage distribution of value in 2018



4. Financial Management | Analysis and Discussion of Management on Audited Financial Statements

4.1 Financial Management

In 2018, Ferreycorp and its subsidiaries generated significant results in the financial area, which accompanied the highest sales volumes: among them, a gross profit of PEN 1,254 million, with an increase of 7% compared to 2017; an operating income of PEN 466 million, higher by 11%; an EBITDA of PEN 621 million, which was increased by 10%; and financial expenses (PEN 73 million) with a reduction of 14%.

EBITDA at the end of 2018 represented PEN 621 million, with a growth of 10% compared to that obtained in the same period of the previous year (PEN 567 million). The EBITDA margin for said period of 2018 was 11.9%, compared to 11.7% registered in 2017, due to the higher sales and operating profit for the year.

The consolidated net profit of the corporation amounted to PEN 225 million in 2018, 16% lower compared to fiscal year 2017, mainly due to a variation of PEN -84 million due to exchange difference (exchange loss of PEN -59 million in 2018, profit in exchange for PEN 25 million in 2017). Part of this loss will instead be recovered from the year 2019, when inventories are invoiced at a higher exchange rate than the one with which they were recorded at the time.

Regarding the management of margins, it should be noted that the gross margin remained at 24% due to the composition of the sale and the greater participation of spare parts and services in the total revenue. In a consolidated manner, this last line of business represented the highest percentage of the corporation's sales in 2018, of the order of 52%, reaching historical revenue volumes.

The operating margin, on the other hand, was 8.9%, slightly higher than the 8.7% of the same period of 2017. The level of operating expenses on the sale remained at 16%, similar to that presented in the previous period. Spending increased slightly in 2018 -but below the increase in sales-, due to the high levels of after-sales support to mining customers, which had their correlate in a greater sale of equipment to that sector.

In turn, the financial expense (PEN 73 million) showed a significant reduction of 14% in the year, despite a significant increase in debt of 20%, for several reasons:

- i) In 2017, Ferreycorp had a balance of US \$ 162 million of the international bond, with a rate of 4.875%. In 2018, the balance of this bond amounts to US \$ 100 million.
- ii) In 2017, the financial expense was impacted by penalties generated by the prepayment of the bond, which contributed to the reduction of its balance.
- iii) In 2018, a short-term financing strategy was maintained in the first half of the year, which contributed to obtaining a lower average interest rate (3.43%) compared to 2017 (3.67%).

It is worth mentioning that, in order to mitigate the liquidity risk and increase the interest rate, the corporation re-structured part of its debt and took medium-term financing with competitive interest rates, although above those obtained in the first part of the year.

Income before taxes was impacted due to the significant exchange loss presented in the year (PEN 59 million), compared to the gain in exchange for 2017 (PEN 25 million), which was indicated in previous lines. This scenario was due to the fact that the exchange rate at the close of 2018 was 3,379, compared to the exchange rate of 3,245 presented in 2017.

It is important to highlight that Ferreycorp and its companies have a natural fit of coins. The vast majority of companies in the corporation carry out their operations in dollars; purchases from its representatives abroad in such currency; it finances its imports, working capital and investments in dollars; and specifies in the same currency the invoicing and collection in most of the countries where it operates.

However, by accounting standards that include the soles as the functional currency of the corporation, there are some temporary differences in the results, because the liabilities are adjusted to the corresponding exchange rate, while the inventory is maintained at the exchange rate of acquisition. These differences become more important in periods of high inventories, such as the one that characterized the year 2018: spare parts stocks and components were raised to serve the large mining sector, achieving record figures in sales of spare parts and services, and remained stocks of mining machinery in the books of the main subsidiary Ferreyros, pending the completion of the relevant businesses committed in 2018.

The corporation's ROE, which went from 13% in 2017 to 11% in 2018, reflected the impact of the significant increase in assets, as the expected turnover was not obtained (6.2% in 2017, 6.4% in 2018), and of the lower net profit in the year.

The effective tax rate in 2018 (40%), above the target rate (30%), was affected by expenses that are not accepted tax, the main ones being: differences in inventories, indirect expenses of exonerated rents (GIRE), and others that do not meet and / or exceed the requirements of law.

The following is an explanation of the main variations in the current situation of Ferreycorp and its subsidiaries.

4.1.1 Assets Management

At the end of 2018, total assets amounted to PEN 5,409 million, 12% higher than in 2017 (PEN 4,848 million). Asset turnover remained at 1.00 during 2018.

The variation in total assets, compared to December 2017, is explained by:

- i. The increase in inventory, from PEN 1,393 million in 2017 to PEN 1,772 million in 2018, mainly as a result of the larger inventory of spare parts and larger components to serve the Large Mining and inventory of machinery and equipment that will be delivered and invoiced in the first half of 2019.
- ii. The commercial account receivable, which registered an increase of 10% in short-term commercial loans. The variation in the total investment in accounts receivable of the companies of the corporation, mainly as a result of the delay in the payment of some important accounts of the construction sector and of the

greater credits granted by the companies to be able to close operations with clients that demanded financing.

- iii. The increase in fixed and intangible assets, which is explained below.
- iv. The reduction of the cash position, due to the strategy of maintaining low cash levels or profitable surpluses. The cash objective during the year for the companies of the corporation was seven days of sales.

4.1.2 Investment in fixed and intangible assets

As distributors of capital goods and related services, and for their storage needs, workshops, replacement of rental fleet, exhibition and business support capabilities, Ferreycorp's subsidiaries require investments in fixed and intangible assets to comply with the proposal of value to their clients and maintain the competitive advantage that has allowed them to maintain leadership in the markets where they act.

During the year 2018, the corporation added to its assets PEN 109 million, which included, among other aspects, investments for PEN 27 million in the improvement of premises and workshops, including the final phase of construction of the La Joya Repair Center and the start of the construction of the Ica branch. Likewise, an 8,500 m² machinery exhibition center was built on the land located in the district of Punta Negra, south of Lima.

Similarly, Ferreycorp made an investment of PEN 25.5 million in vehicles, equipment for workshops, components, appliances and furniture, which correspond to maintenance Capex.

In 2018, the main subsidiary Ferreyros replaced units of the fleet with an investment of PEN 56 million. However, the number of equipment decreased, as equipment was removed and transferred to inventory for sale.

Likewise, Ferreycorp made a significant investment in intangible assets of PEN 76 million during the year, which corresponded mainly to the implementation of the ERP SAP PEN 4 HANA. Said system will be installed in the first semester of 2019 in the main companies of the corporation to improve their processes, reports and reports.

4.1.3 Increase in liabilities

As explained, the financial liabilities of the company increased by PEN 445 million in 2018, to finance the aforementioned assets.

As he referred, the company reimbursed medium-term debt mid-year. It is important to mention the achievement of having obtained a loan with the BBVA Continental bank for US \$ 70 million, considered as "green promissory note", after obtaining an international certification from the independent rating agency Vigeo Eiris regarding the good practices of Ferreycorp in the fields of corporate governance, social responsibility and the environment (ESG).

The total indebtedness of the company went from a debt / equity ratio of 1.33 to 1.53, remaining within the acceptable range of debt. On the other hand, the leverage ratio (financial debt / EBITDA), of 3.18, also showed an increase.

4.1.4 Capital market

Ferreycorp is an active participant in the capital market since the entry of its stock to the Stock Exchange of Lima in 1962, with subsequent incursion into the debt market, both locally and internationally. In 2018, the corporation developed an intense activity focused on its shareholders and investors, to which it has been delivering interesting levels of profitability and dedicated attention.

During 2018, Ferreycorp registered a new program of local bonds: the Third Program of Debt Instruments Ferreycorp, up to a maximum outstanding amount of US \$ 100 million dollars or its equivalent in soles. Ferreycorp may carry out one or more issues within the program, depending on its financial needs and current market conditions. In this way, the corporation again has this type of funding as an additional resource to finance its activities, if necessary.

A relevant issue during the year was the process of selling the shares of La Positiva Seguros, which began in 2017 with a reserved event in which Ferreycorp expressed its desire to participate in the Public Offer of Shares (OPA) launched by Fidelidade . In December 2018, Ferreycorp completed its participation in this OPA, selling its shares in La Positiva Seguros (16.48% of said company), equivalent to PEN 102 million.

In 2018, Ferreycorp shareholders received a return of 5%, considering the opening price of the year, of PEN 2.55, and the closing price, PEN 2.54, added to a dividend per share of PEN 0.1354654234. For more information, see Appendix 2, section 2.1: Share capital and behavior of the share price, and the chapter on Good Corporate Governance, section of the Shareholders' Meeting.

4.1.5 Transactions between related companies

Ferreycorp was born as a parent company in 2012, within the framework of the simple reorganization carried out in that year. It operates through subsidiary companies that enjoy operational autonomy, within a strategic coherence and corporate guidelines for the standardization of certain processes that the matrix provides. In turn, the latter deploys processes of control and supervision as part of its functions.

To promote the best possible return on capital invested in each business, the parent company contributes, through financial planning and management control, to ensure that subsidiaries achieve their objectives of reducing operating expenses, improving asset turnover, reducing investments in working capital and carry out an adequate management of financing sources that generate the lowest expenditure in this area.

Ferreycorp provides shared services to its subsidiaries, such as the payment of payroll to personnel of the entire corporation and treasury for banking transactions (centralized in 2018), internal audit, legal advice, risk management, communications, mergers and acquisitions, security programs and environment, development of common programs for talent management, information technology and processes, as well as sustainability management, which are duly financed and contracted, in order to gain efficiencies and build synergies, reduce costs and optimize tasks, in addition to allowing Companies focus on their business activities.

It should be noted that Ferreycorp has a transfer pricing standard between related companies in the economic group and with an area in charge of reviewing the transactions between them. A rigorous analysis of inter-company sales, of the support functions provided by the corporation to its subsidiaries, of the assets or resources used

for the development of those functions, as well as of the risks and costs assumed is carried out. Likewise, an auditing company annually validates the establishment of such prices and issues a transfer pricing report that is presented to the tax administration.

4.2 Analysis and discussion of the Management on the audited financial statements

Ferreycorp S.A.A., as a holding company, makes investments in its subsidiaries, both domestic and foreign, and establishes the strategic and political guidelines that all the companies of the corporation must follow. The income of the corporation, at the individual level, is generated mainly by the participation in the results of its investments in subsidiaries both in Peru and abroad, as well as in joint ventures.

By maintaining ownership of the properties used by its main subsidiary, Ferreyros S.A., the Ferreycorp corporation receives the rents as operating income that covers the operating expenses of managing said properties. These rentals have contracts signed with fixed terms and rates at market prices.

Likewise, the corporation has the role of financing its subsidiaries to concentrate loans in higher volume operations and, therefore, obtain better conditions, as has been the case with the placement of corporate bonds in the international market. In that sense, it also has as income the interest corresponding to the loans granted.

For a full understanding of the turnover and results of the entire business group of the corporation, it is recommended to read this chapter taking into consideration the consolidated financial statements.

FINANCIAL STATEMENTS SEPARATED FROM FERREYCORP S.A.A.

Analysis of the statement of financial position

Estado de Situación Financiera (en millones de nuevos soles)

	31-12-18	31-12-17	Variación	
			Importe	%
Activo				
Activo corriente				
Efectivo y equivalentes de efectivo	5.3	11.8	-6.5	-55.1
Cuentas por cobrar comerciales, neto	6.6	2.1	4.5	214.3
Cuentas por cobrar a entidades relacionadas	154.8	140.6	14.2	10.1
Otras cuentas por cobrar, neto	117.5	20.6	96.9	470.4
Inversiones en acciones	10.5	80.1	-69.6	-86.9
Activos disponibles para la venta	0.0	14.6	-14.6	-100.0
Inversiones en valores	2.5			
Gastos contratados por anticipado	0.6	1.1	-0.5	-45.5
Total activo corriente	297.8	270.9	26.9	9.9
Cuentas por cobrar comerciales, neto	0.0	1.0	-1.0	
Cuentas por cobrar a entidades relacionadas a largo plazo	242.0	221.2	20.8	9.4
Inversiones en subsidiarias, asociadas y negocio conjunto	1,683.1	1,580.6	102.5	6.5
Propiedades de inversión, neto	353.5	367.7	-14.2	-3.9
Inmuebles, maquinaria y equipo	0.9	0.9	0.0	
Otros activos, neto	0.5	0.5	0.0	0.0
Total activo	2,577.8	2,442.8	135.0	5.5

	Estado de Situación Financiera (en millones de nuevos soles)		continuación	
	31-12-18	31-12-17	Variación	
			Importe	%
Pasivo y patrimonio neto				
Pasivo corriente				
Otros pasivos financieros	42.1	40.0	2.1	5.3
Cuentas por pagar comerciales	3.5	2.4	1.1	45.8
Otras cuentas por pagar	28.3	25.3	3.0	11.9
Cuentas por pagar a entidades relacionadas	0.2	3.0	-2.8	-93.3
Total pasivo corriente	74.1	70.7	3.4	4.8
Otros pasivos financieros a largo plazo	419.1	369.1	50.0	13.5
Pasivos por impuestos a las ganancias diferidos, neto	49.9	43.8	6.1	13.9
Total pasivo no corriente	469.0	412.9	56.1	13.6
Total Pasivo	543.1	483.6	59.5	12.3
Patrimonio				
Capital emitido	975.7	975.7	0.0	0.0
Capital adicional	73.5	73.5	0.0	0.0
Reserva legal	189.1	162.4	26.7	16.4
Otras reservas de patrimonio	254.2	264.7	-10.5	-4.0
Resultados acumulados	542.2	482.9	59.3	12.3
Total Patrimonio	2,034.7	1,959.2	75.5	3.9
Total	2,577.8	2,442.8	135.0	5.5

As of December 31, 2018, the total assets reached PEN 2,577.8 million with respect to PEN 2,442.8 million as of December 31, 2017, which means an increase of PEN 135.0 million (5.5%). The main changes in assets are explained by the increases in: a) other accounts receivable from the sale of investments; b) accounts receivable from subsidiaries for larger loans granted; and c) investments for the results obtained by the subsidiaries. These increases were partially offset by the sale of one of the investment properties.

On December 31, 2018, total liabilities amounted to PEN 543.1 million compared to PEN 483.6 million as of December 31, 2017, equivalent to an increase of PEN 59.5 million.

Financial Ratios

The current ratio as of December 31, 2018 is 4.02, higher than the current ratio of 3.83 as of December 31, 2017. The financial indebtedness ratio as of December 31, 2018 is 0.22, compared to 0.20 as of December 31, 2017. For the calculation of this ratio, the cash and bank balance has been excluded, as well as the liabilities with suppliers that do not generate financial expense.

The total debt ratio as of December 31, 2018 is 0.28, compared to 0.27 as of December 31, 2017.

Análisis de los resultados de las operaciones

Estado de resultados (en millones de nuevos soles)

	2018	2017	Variación
	Importe	Importe	%
Ingresos			
Participación en resultados de las subsidiarias, asociadas y negocios en conjunto	213.8	286.8	-25.5
Venta de inversiones	119.7	17.5	
Ingresos financieros	14.2	27.5	-48.4
Servicios de alquiler	32.6	29.2	11.6
Servicio de apoyo gerencial	10.0	9.8	2.0
Ingresos diversos	1.9	2.6	-26.9
	392.2	373.4	5.0
Costos y gastos de operación			
Costo de ventas de inversiones	-70.4	-10.0	
Gastos financieros	-21.2	-43.9	-51.7
Gastos administrativos	-44.3	-38.3	15.7
Costo de servicios de alquiler	-6.1	-5.0	22.0
Egresos diversos	-3.0	-7.7	-61.0
Diferencia en cambio, neta	-2.7	5.8	
	-147.7	-99.1	49.0
Utilidad antes del impuesto a las ganancias	244.5	274.3	-10.9
Beneficio por impuesto a las ganancias	-19.5	-7.3	167.1
Utilidad neta	225.0	267.0	-15.7

The higher revenues in 2018 are due to the increase in income obtained from the sale of investments that offset the lower income from the lower participation in results of subsidiaries and associates, explained by the lower net result of its subsidiaries.

The largest expenditures in 2018 correspond essentially to the cost of investments. Likewise, in 2018 there was a loss in comparison with the profit recorded in 2017. In 2018 there was a depreciation of the sun against the dollar of 2.33%, and in 2017 there was an appreciation of the sun against the dollar of 3.42%.

Changes in those responsible for preparing and reviewing financial information

During 2018 and 2017 there have been no changes in those responsible for preparing and reviewing the company's financial information.

CONSOLIDATED FINANCIAL STATEMENTS OF FERREYCORP S.A.A.

(GRI 102-45)

The consolidated financial statements as of December 31, 2018 and December 31, 2017, as well as the explanation of the main accounts and their variations, are presented below. For this purpose, some figures have been reclassified in the income statement shown below, to include the gross profit of purchase orders transferred by Caterpillar to Ferreyros, such as sales and cost of sales.

Analysis of the consolidated statement of financial position of Ferreycorp and subsidiaries

Estado consolidado de situación Financiera (en millones de nuevos soles)

	31-12-18	31-12-17	Variación	
			Importe	%
Activo				
Activo corriente				
Efectivo y equivalentes de efectivo	73.7	80.7	-7.0	-8.7
Cuentas por cobrar comerciales, neto	1,195.0	1,031.2	163.8	15.9
Otras cuentas por cobrar, neto	292.4	196.1	96.3	49.1
Existencias, neto	1,772.7	1,393.3	379.4	27.2
Inversión en acciones	10.4	80.1	-69.7	
Activos disponibles para la venta	0.0	14.6	-14.6	
Inversiones en valores	2.5		2.5	
Gastos pagados por anticipado	31.6	22.5	9.1	40.4
Total activo corriente	3,378.3	2,818.5	559.8	19.9
Cuentas por cobrar comerciales a largo plazo, neto	25.5	79.8	-54.3	-68.0
Otras cuentas por cobrar a largo plazo, neto	0.3	0.5	-0.2	-40.0
Inversiones en asociadas y negocios en conjunto	13.3	13.1	0.2	1.5
Inmuebles, maquinaria y equipo, neto	1,455.1	1,464.5	-9.4	-0.6
Intangibles, neto	161.5	105.8	55.7	52.6
Crédito mercantil	176.3	175.8	0.5	0.3
Activo por impuesto a las ganancias diferido	198.5	190.1	8.4	4.4
Total activo no corriente	2,030.5	2,029.6	0.9	0.0
Total activo	5,408.8	4,848.1	560.7	11.6

Estado consolidado de situación Financiera (en millones de nuevos soles) continuación

	31-12-18	31-12-17	Variación	
			Importe	%
Pasivo y patrimonio neto				
Pasivo corriente				
Obligaciones financieras	788.7	816.8	-28.1	-3.4
Cuentas por pagar comerciales	560.4	601.9	-41.5	-6.9
Otras cuentas por pagar	511.6	396.7	114.9	29.0
Pasivos por impuestos a las ganancias	13.6	17.5	-3.9	-22.3
Total pasivo corriente	1,874.3	1,832.9	41.4	2.3
Otros pasivos financieros	1,210.5	737.8	472.7	64.1
Otras cuentas por pagar	0.0	0.4	-0.4	-100.0
Pasivos por impuestos a las ganancias diferidos	190.0	196.9	-6.9	-3.5
Ingresos diferidos	0.1	0.0	0.1	
Total Pasivo	3,274.9	2,768.0	506.8	18.3
Patrimonio				
Capital emitido	975.7	975.7	0.0	0.0
Capital adicional	73.5	73.5	0.0	0.0
Reserva legal	189.1	162.4	26.7	16.4
Otras reservas del patrimonio	353.5	385.6	-32.1	-8.3
Resultados acumulados	542.1	482.9	59.2	12.3
Total Patrimonio	2,133.9	2,080.1	53.8	2.6
Total	5,408.8	4,848.1	560.6	11.6

As of December 31, 2018, total assets reached PEN 5,408.8 million, compared to PEN 4,848.1 million as of December 31, 2017, which represents an increase of PEN 560.6 million (11.6%). The main variations of the asset accounts that explain it are the following:

- a) Increase in stocks of PEN 379.4 million in inventories due to purchases of protection components to maintain the mining truck fleet, delays in the supply of factory parts, as well as new machines with scheduled deliveries for the first half of the year 2019.
- b) Increase in commercial accounts receivable of PEN 109.5 million, which corresponds to the billing of mining customers in the last month of the year.

As of December 31, 2018, total liabilities amounted to PEN 3,274.9 million, compared to PEN 2,768.0 million as of December 31, 2017, that is, an increase of PEN 506.8 million (18.3%), explained by the increase in the mentioned assets.

Financial Ratios

The current ratio as of December 31, 2018 is 1.80, higher than the current ratio of 1.54 as of December 31, 2017.

The financial debt ratio as of December 31, 2018 is 0.93, higher than the ratio of 0.75 as of December 31, 2017. For the calculation of this ratio, the cash and bank balance has been excluded, as well as the liabilities with suppliers that do not, they generate financial expense.

The debt ratio as of December 31, 2018 is 1.53, higher than the 1.33 obtained as of December 31, 2017.

The net financial debt (cash) / EBITDA ratio as of December 31, 2018 was 3.18, higher than the 2.73 reached as of December 31, 2017, and the adjusted ratio of 2.86, if inventory financing is deducted. With this, the corporation continues to demonstrate its ability to generate the necessary cash to meet its obligations without inconvenience and is within the covenants established in the contract for the issuance of international corporate bonds.

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

Estado consolidado de resultados (en millones de nuevos soles)

	2018		2017		Variación	
	Importe	%	Importe	%		
Ventas Netas	5,211.5	100.0	4,843.4	100.0	7.6	
Costo de Ventas	-3,957.6	-75.9	-3,676.4	-75.9	7.6	
Utilidad bruta	1,253.9 [▲]	24.1	1,167.0	24.1	7.4	
Gastos de venta y administración	-856.3	-16.4	-808.0	-16.7	6.0	
Ingresos (egresos) diversos, neto	68.4	1.3	62.4	1.3	9.6	
Utilidad en operaciones	466.0 [▲]	8.9	421.4	8.7	10.6	
Otros ingresos (egresos):						
Ingresos financieros	21.6	0.4	18.1	0.4	19.3	
Gastos financieros	-73.2	-1.4	-85.1	-1.8	-14.0	
Diferencia en cambio, neta	-59.4	-1.1	25.1	0.5	-336.7	
Participación en los resultados en asociadas y negocios en conjunto	1.1	0.0	7.7	0.2	-85.7	
	-109.9 [▲]	-2.1	-34.2	-0.7	221.3	
Utilidad antes del impuesto a la renta	356.1 [▲]	6.8	387.2	8.0	-8.0	
Impuesto a las ganancias	-131.1	-2.5	-120.2	-2.5	9.1	
Utilidad neta	225.0 [▲]	4.3	267.0	5.5	-15.7	

Ventas netas

(en millones de nuevos soles)

	2018		2017		Variación	
	Importe	%	Importe		%	
Ventas nacionales	4,522.8	86.8%	4,213.5	87.0	7.3%	
Ventas exterior	688.7	13.2%	629.9	13.0	9.3%	
Total	5,211.5	100.0%	4,843.4	100.0%	7.6%	

En millones de nuevos soles

	Variación		
	2018	2017	%
Mauqinaria y equipo:			
Camiones mineros y máquinas Cat (GM)	293.4	353.1	-16.9
Máquinas y motores Caterpillar a otros sectores (NGM)	754.9	641.5	17.7
Alquileres y Usados	467.5	438.0	6.7
Equipos aliados	585.6	614.0	-4.6
	2,101.4	2,046.6	2.7
Repuestos y servicios	2,716.5	2,371.8	14.5
Otras líneas	393.6	425.0	-7.4
Total	5,211.5	4,843.4	7.6

Net sales in 2018 amounted to PEN 5,211.5 million, compared to PEN 4,843.4 million from the previous year, which represents an increase of 7.6%.

The sale of Caterpillar equipment and allied brands reached PEN 2,101.4 million, which represents an increase of 2.7%.

The sale of spare parts and services increased by 14.5%, in line with the growth and renewal of the machinery park, which is a consequence of the equipment sold over the last few years.

Other business lines show a decrease of -7.4%, mainly explained by lower sales of the lubricants line.

When analyzing the results of each group of companies, as of December 31, 2018, it can be seen that sales of Caterpillar distributors in Peru are 9.8% higher. Caterpillar distributors and other businesses abroad show a decrease of -8.1%. The third group of companies, which complements the supply of goods and services through the sale of equipment and vehicles, consumables and logistics solutions, among other lines, showed an increase of 6.6% in sales, mainly explained by the higher revenues achieved by the Terex line.

Gross profit

Gross profit in 2018 showed an increase of 7.4% compared to 2017. As a percentage, the gross margin was 24.1%, similar to the margin obtained in 2017.

Sales and Administration Expenses

Sales and administration expenses in 2018 amounted to PEN 856.3 million, in comparison with PEN 808.0 million in the previous year, which represents an increase of 6.0%.

Other Income (Expenses), net

In 2018, a net gain of PEN 68.4 million was recorded in this sector, which represents an increase of 9.6%.

Financial Income

Financial income in 2018 amounted to PEN 21.6 million, higher than the PEN 19.6 million of the previous year.

Financial Expenses

Financial expenses reached PEN 73.2 million in 2018 and reached PEN 85.1 the previous year, which reflects a reduction of 14.0%, this decrease in financial expenses can be explained by the smaller interest rates, as well as the fact that in 2017 the expenses were affected by prepaid expenses from the international bond.

Gain (lost) in Exchange Rates

In 2018, net liabilities in foreign currency yielded a loss of PEN 59.4 million, as a consequence of the appreciation of the US dollar of 4.13% (The Exchange rate amounted to PEN 3.245 by December 31, 2017, and increased to PEN 3.379 by December 31, 2018). In 2017, net liabilities in foreign currency yielded a gain of PEN 25.1 million, as a consequence of appreciation of the Peruvian sol against the US dollar of 3.42% in 2017 (The Exchange rate amounted to PEN 3.360 by December 31, 2016 and declined to PEN 3.245 by December 31, 2017).

Income Tax

The Income Tax in 2018 and 2017 has been calculated in accordance with current tax and accounting standards.

Net Profit

Annual net profit amounted to PEN 225.0 million, in comparison with PEN 267.0 million in the previous year, having a reduction of 15.7%, as a consequence of the Exchange rate loss registered in 2018.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

La UAIDA (EBITDA, por sus siglas en inglés) del 2018 ascendió a S/ 620.8 millones, que representa un aumento de 9.5% frente a los S/ 567.2 millones del año anterior, which is directly related to the higher gross profit.

5. Corporate Governance

(GRI 102-18)

As can be seen in the Report on Compliance with the Code of Good Corporate Governance for Peruvian Companies, which can be consulted in full in Appendix A of this Report, corporate governance has been, in 2018, again, a field of the highest importance for the Ferreycorp Corporation.

With nearly 2,400 shareholders from Peru and abroad, Ferreycorp had the opportunity to receive, for the sixth time, the Key to the Lima Stock Exchange (BVL), which distinguishes its good practices in this field. This distinction considers compliance with the Principles of Good Corporate Governance, the liquidity of the stock and being among the top five companies in the La Voz del Mercado ranking, presented by EY and the BVL.

Likewise, the Ferreycorp share integrated the Good Corporate Governance Index for eleven consecutive years, since its creation by the BVL. He was also part of the Circle of Companies of the Latin American Round Table of Corporate Governance (Companies Circle), an initiative of the Organization for Economic Cooperation and Development (OECD) and the International Finance Corporation (IFC) that seeks to generate positive impacts in other organizations by sharing the best corporate governance practices. The Companies Circle is integrated by nine leading companies in this field in the region.

Among other aspects deployed in the 2018 financial year, the following may be mentioned:

Shareholder's meeting

At the Shareholders' Meeting held on March 28, 2018, the Audited Financial Statements, the Annual Report and the following agenda items were approved:

- Dividend delivery in cash, in accordance with the Dividend Policy that the company has had since 1997, which establishes the criteria for distribution of profits. On the recommendation of the Board of Directors, the distribution of cash dividends of S / 132,171,314.60 was agreed, equivalent to S / 0.1354654234 per share (13.54654234%). The dividend was paid to shareholders in the month of May 2018.
- Modification of the Dividend Policy to allow the delivery of dividends on account.
- The proposal of the Board of Directors to hire the firm Gaveglio, Aparicio y Asociados Civil Society of Limited Liability, a member firm of PricewaterhouseCoopers (PWC), was approved for the financial audit of the 2018 fiscal year, delegating to the Board the negotiation of the terms of their contracting.

The Board of Nominations, Remuneration, Corporate Governance and Sustainability Committee meeting held on August 20, 2018, reported to the Board the implementation of these agreements, which will also be reported to the Board in March 2019.

Structure and functioning of the Board of Directors

- During 2018, the directors not only participated in monthly sessions, but also in three special committees (Audit and Risks, Nominations, Remuneration, Corporate Governance and Sustainability, and Innovation and Systems), chaired by independent directors.
- In 2017, an ad-hoc committee of the Board of Directors was created to follow up the process of selling the investment in La Positiva, as well as accompanying the Presidency and the General Management in said sale operation.
- In addition, the Board conducted an annual self-assessment of its performance. It should be noted that its management is evaluated by an external consultant on an inter-annual basis.
- During 2018, a decentralized Board of Directors session was held in Arequipa and the new Component Repair Center in La Joya was visited.
- In addition, the members of the Board of Directors received training on the scope and implications for the corporation of the new tax and accounting standards promulgated by the Executive Power with regard to: transfer prices and transactions with non-domiciled, Fibra / Firbis and invoices negotiable, final beneficiary and amendments to the Law on Income Tax.
- Likewise, in the Board session of December 2018, a training was held on rules and procedures of the Board of Directors.

Risk and compliance

- Ferreycorp has developed a Comprehensive Risk Management Policy, approved by the Board of Directors, through which the risks of all the companies of the corporation are mapped. The latter, as well as the process for their control or mitigation, are reported to the Audit and Risk Committee.
- The internal auditor presented the Audit and Risk Committee of the Board of Directors with the annual work plan for the year 2018 and subsequently reported periodic reports on the results of the audit in each company of the corporation.
- During 2018, as in the previous year, the Compliance Report was presented to the Board of Directors, through the Audit and Risk Committee, by means of two deliveries that gathered the semiannual advances in compliance. This report includes an assessment of the degree of compliance in the ten topics identified as critical to the business.
- Likewise, progress was made during the year with the diagnosis and implementation of an Anticorruption Prevention System, which has been developed with the external advice of a company specialized in this field. For more information on the subject and on topics related to the Code of Ethics, consult section 2.1.2, Ferreycorp Values / Anticorruption Prevention System and Code of Ethics.

Transparency and disclosure of information

- In response to the good practice of making different contact points available to the market to gather information, Ferreycorp has an Investor Relations area, which in 2018 participated in several individual and group meetings with investors, many of them in the Foreign. In addition, its general manager and financial manager participate in some of these meetings and non-deal roadshows, which in 2018 took place locally. These meetings with the main institutional investors allowed Ferreycorp to present the results and strategy in detail.
- In turn, it continued with the quarterly publication of results, with the analysis and discussion of the results -both in English and in Spanish-, and with the making of quarterly conference calls, accompanied by a webcast, where institutional investors participated, risk rating agencies, investment banks and national and foreign analysts.

For more information on the subject and to consult other important aspects in these areas, consult the Report on Compliance with the Code of Good Corporate Governance for Peruvian Companies, in Appendix A of this Report.

6. Organization

(GRI 102-18)

Ferreycorp's governance matters are handled by the General Shareholders' Meeting, the Board of Directors and by Management, while issues related to the Board of Directors are regulated firstly by the company's articles of incorporation and in further detail by the Rules of Procedure of the Board of Directors and its respective committees.

This chapter contains information on the two decision-making and control structures of the Organization: the Board of Directors and Management.

6.1 The Board of Directors

6.1.1 Composition of the Board of Directors

The number of members who compose the Board of Directors should ensure that plural opinions coexist in the Board in such a way that all decisions made in the Board of Directors' meetings will have been appropriately discussed, always bearing in mind the best interests of the company and its shareholders.

The Board of Directors of Ferreycorp S.A.A. is made up of eight to twelve directors elected for three-year periods, in compliance with the Law of Business Associations and with article 32 of the company's articles of incorporation.

In the General Shareholders Meeting held on March 29, 2017, it was agreed that the Board of Directors would be composed by nine members, and the following candidates were determined following the review of their resumes, which had been published in advance. The directors of Ferreycorp for the 2017-2020 period are:

Non-independent Directors

Óscar Espinosa Bedoya
Carlos Ferreyros Aspíllaga
Manuel Bustamante Olivares
Juan Manuel Peña Roca
Andreas Von Wedemeyer Knigge

Independent Directors

Jorge Ganoza Durant
Humberto Nadal del Carpio
Gustavo Noriega Bentín
Javier Otero Nosiglia

The directors of the Board chose Óscar Espinosa Bedoya as their Executive President and Carlos Ferreyros Aspíllaga as their Vice President for the said period.

The directors' professional backgrounds are available in Appendix 1, section 1.3.1. The Report on the Compliance of Good Corporate Governance deals with the practices of the Board of Directors. These include the plural makeup of its members, the participation of independent members, the operations done by the specialized committees and the performance of direction, supervision and risk control functions.

6.1.2 Special Bodies Formed and Established within the Board of Directors

The Board of Directors of Ferreycorp S.A.A. has three committees, each of which is presided over by independent directors:

- **Committee of Appointments:** Compensations, Corporate Governance and Sustainability. Presided over by Humberto Nadal del Carpio.
- **Committee of Auditing and Risks:** Presided over by Javier Otero Nosiglia.
- **Committee of Innovation and Systems:** Presided over by Jorge Ganoza Durant.

For further information on the functions and powers bestowed on each of the Board Committees, please refer to the Good Corporate Governance Compliance Report. It should be noted that in 2017 an ad hoc committee was formed to accompany the Presidency and the General Management in the decisions regarding the sale of the investment in an insurance company.

6.1.3 Board of Directors of the Subsidiary Companies

The governance system of the corporation also includes the Shareholders' Meeting and the boards of the subsidiary companies.

The Board of the main subsidiary, Ferreyros, is composed of 11 directors elected for a period of three years, in accordance with the provisions of the General Corporation Law and in compliance with the provisions of Article 32 of the Issuer's Statute.

The directors of Ferreyros elected for the corresponding period between June 1, 2017 and May 31, 2020, elected at the Annual Compulsory General Shareholders' Meeting held on June 1 and July 24, 2017, are the following:

Ferreyros' Directors

Oscar Espinosa Bedoya (Presidente)
Carlos Ferreyros Aspíllaga (Vicepresidente)
Juan Manuel Peña Roca
Andreas von Wedemeyer Knigge
Manuel Bustamante Olivares
Mariela García Figari de Fabbri (Directora Ejecutiva)
Raúl Ortiz de Zevallos Ferrand
Jorge Ganoza Durant
Gustavo Noriega Bentín
Humberto Nadal Del Carpio
Javier Otero Nosiglia

The boards of the different subsidiaries of Ferreyros in Peru, as well as that of Trex in Chile, are chaired by Mariela García Figari de Fabbri, general manager of Ferreycorp, and have the corporate business managers of Ferreycorp or the general managers of other subsidiaries as their vice-presidents, according to the activity developed by each subsidiary. In Central America, the subsidiaries' boards are chaired by Oscar Espinosa Bedoya, Ferreycorp's executive president and the vice president is the general manager of the corporation.

Consequently, these boards are composed of the following managers of Ferreycorp and / or some of its subsidiaries:

Name	Position	Corresponding Subsidiary
Oscar Guillermo Espinosa Bedoya	CEO of the Board of Ferreycorp S.A.A.	President of Ferreyros S.A. and the companies of the Gentrac group ⁽¹⁾ .
Mariela García Figari de Fabbri	General Manager of Ferreycorp S.A.A.	President of all the subsidiaries of the corporation (also considered as such Ferrenergy S.A.C) ⁽²⁾ , except Ferreyros S.A. and the companies of the Gentrac group.
Luis Alonso Bracamonte Loayza	Corporate Business Manager of Ferreycorp S.A.A.	Soltrak S.A., Fargoline S.A., Forbis Logistics S.A., Motored S.A. and Soluciones Sitech Peru S.A.
Emma Patricia Gastelumendi Lukis	Corporate Finance Manager of Ferreycorp S.A.A.	Director of all the subsidiaries of the corporation (also considered Ferrenergy S.A.C.), except Ferreyros S.A.
Rodolfo Wenceslao Paredes León	General Manager of Soltrak S.A.	Motored S.A., Fargoline S.A. and Forbis Logistics S.A.
Oscar Enrique Rubio Rodríguez	Corporate Business Manager of Ferreycorp S.A.A.	Unimaq S.A., Orvisa S.A., Motored S.A., Cresko S.A., Motriza S.A., Soltrak S.A., Trex en Chile ⁽³⁾ and Maquicentro.
Gonzalo Díaz Pró	General Manager of Ferreyros S.A.	Unimaq S.A., Orvisa S.A., Soluciones Sitech Peru S.A., Ferrenergy S.A.C., Motored in El Salvador, companies of the Gentrac and Trex group in Chile.
Enrique Luis Salas Rizo-Patrón	Manager of the National Accounts Division of Ferreyros S.A.	Unimaq S.A., Cresko S.A., Motriza S.A., Motored S.A. and Soluciones Sitech Peru S.A.
Andrea Sandoval Saberbein	Business Excellence Project Manager of Ferreyros S.A.	Fargoline S.A. and Forbis Logistics S.A.
Hugo Ernesto Sommerkamp Molinari	Central Finance Manager of Ferreyros S.A. up to June 2018	Fargoline S.A., Forbis Logistics S.A., Motored El Salvador, Mercalsa and companies of the Gentrac Group.
Juan Alberto Fernando García Orams	Corporate Manager IT Processes and Innovation of Ferreycorp S.A.A.	Soluciones Sitech Peru S.A.
Luis Fernando Armas Tamayo	Manager of the Division of Large Mining of Ferreyros S.A.	Soltrak S.A.
Alberto Renato Parodi de la Cuadra	General Manager of Unimaq S.A.	Orvisa S.A., Cresko S.A. and Motriza S.A.

(1) Grupo Gentrac includes the General Tractor Corporation (Gentrac), General Equipment Company (Cogesa), General Equipment Company (Belize), INTI (Panamá), Mercalsa (Nicaragua), Transpesa (Honduras), among other Central American subsidiaries.

(2) Ferreyros S.A. owns 50% of the shareholders of Ferrenergy S.A.C.

(3) Trex in Chile includes Equipos y Servicios Trex S.p.A., Trex Latin America S.p.A. Trex Ecuador and Trex Colombia.

6.2 Management

In 2012, the company went through a reorganization process in which corporate functions were assigned to the parent company, Ferreycorp. Since then, Ferreycorp has been involved in the process of setting up its full managerial structure.

The corporate functions include choosing what businesses to explore and with which subsidiary companies, supervising and monitoring the subsidiary companies' management, establishing standardized processes and providing shared services. To carry out these functions, Ferreycorp has a General Management and Corporate Managements. The subsidiary companies have, in turn, structures that match the complexity and size of their respective operations.

Below is a list of the senior management of Ferreycorp and of its subsidiary companies in 2018. The professional background of each of these managers is available in Appendix 1, section 1.3.2.

6.2.1 Managers of Ferreycorp S.A.A.

Mariela García Figari de Fabbri
General Manager

Luis Bracamonte Loayza
Corporate Business Manager

Oscar Rubio Rodríguez
Corporate Business Manager

María Teresa Merino Caballero
Human Resources Manager

Alberto García Orams
Corporate Manager of Information Technologies, Processes and Innovation

Patricia Gastelumendi Lukis
Corporate Finance Manager

Tito Otero Linares
Corporate Internal Audit Manager

Eduardo Ramírez del Villar López de Romaña
Corporate Affairs Manager

José Miguel Salazar Romero
Corporate Manager of Communication and Image

6.2.2 Senior Managers of Ferreyros S.A.

Gonzalo Díaz Pró
General Manager

José López Rey Sanchez
Central Human Resources Manager

Hugo Sommerkamp Molinari

Central Finance Manager (up to June 2018)

Angélica María Paiva Zegarra

Division Manager Administration and Finance (since July 2018)

Luis Fernando Armas Tamayo

Manager of the Large Mining Division

Jorge Durán Cheneaux

Product Support Division Manager

Ronald Orrego Carrillo

Division Manager Regional Accounts

Paul Ruiz Lecaros

Energy and Retail Manager

Alan Sablich Nairn

Division Manager Marketing and Digital Business

Enrique Salas Rizo-Patrón

Division Manager National Accounts

José Gutiérrez Jave

Division Manager Supply Chain

6.2.3 Senior Managers of other subsidiaries and businesses of Ferreycorp

Alberto Parodi de la Cuadra

General Manager of Unimaq

César Vásquez Velásquez

General Manager of Orvisa

Ricardo Ruiz Munguía

General Manager of Gentrac (Guatemala y Belice) and Cogesa (El Salvador)

Rodolfo Paredes León

General Manager of Soltrak

Henri Borit Salinas

General Manager of Motored

Víctor Otero Pizarro
General Manager of Trex Latinoamérica

Carlos Ojeda Iglesias
General Manager of Trex in Peru

Javier Barrón Ramos Plata
Manager of Cresko

Jorge Devoto Núñez del Arco
General Manager of Forbis Logistics

Raúl Neyra Ugarte
General Manager of Fargoline

Marcos Wieland Conroy
General Manager of Soluciones Sitech Peru

Ernesto Velit Suarez
General Manager of Ferrenergy

7. Sustainable management

(GRI 102-16)

Ferreycorp believes that the success of its operations is based on the ability to provide value to all its stakeholders. Focusing on its different actors allows the corporation to acquire a competitive advantage in critical areas such as reputation; Comprehensive risk management; attraction, motivation and retention of human talent; improvement of investor relations; as well as access to capital and positioning in the market.

In this chapter, Ferreycorp's sustainable management model can be explored with its various stakeholders, as well as the main results obtained during 2018.

7.1 A sustainable approach

7.1.1 Our inspiration

Sustainability is a key concept for business management, as it allows organizations to focus their efforts on ensuring that their activities endure over time.

Ferreycorp is aware of the fundamental role of being a leader in its activity, so it actively assumes the role of agent of change and driver of the country's progress. Through a socially responsible management model, it focuses all its efforts on building an inclusive and sustainable future: it seeks to create economic, social and environmental value (ESG), generating positive impacts on all its stakeholders.

In this context, the corporation aligns the purpose of providing profitability to its shareholders and investors with the commitment to generate value to its various stakeholders, promoting the progress of the country. Sustainability and social responsibility are part of Ferreycorp's corporate strategy and business model.

The business management of Ferreycorp is aligned to:



- **The Ten Principles of the United Nations Global Compact**, which enjoy universal consensus and which encourage companies to adopt, support and promulgate, within their sphere of influence, a set of fundamental values. As every year, in 2018 the corporation -added since 2004 to these principles- issued its Progress Report of the Global Compact, in order to communicate about the actions implemented in relation to respect for human rights, responsible work, the preservation of the environment and the fight against corruption.
Since 2004, the corporation reports to the United Nations how its actions reflect its commitment to the 10 Principles of the Global Compact. This report is published on the website of the Covenant.
- **The 17 Sustainable Development Goals (SDGs) of the United Nations**, organization of whose patronage Ferreycorp is part since 2005, which incorporates a long-term sustainable management scheme and incorporates the aforementioned SDGs.
- **Model of Sustainable Development of Peru 2021**, organization of whose patronage Ferreycorp is part since 2005, which incorporates a long-term sustainable management scheme and incorporates the aforementioned SDGs.

The most sustainable companies have clearly defined indicators and apply these principles and objectives as a basis to define, align and report their efforts, through their sustainable development initiatives, as part of their business management.

7.1.2 Indicators

- **More than US \$ 1,580 million in sales** in 2018
- **6,544 employees** throughout the Ferreycorp Corporation
- **S / 132 million in dividends** paid in 2018
- **More than 50%** market share with the main represented Caterpillar
- Member of the **Dow Jones Sustainability MILA Pacific Alliance Index** for the second consecutive year
- **Six times** winner of the **Key of the BVL** for being the company with the **best Corporate Governance** in Peru
- **Eleven consecutive years** in the **Good Corporate Governance Index** of the Lima Stock Exchange
- **Distinctive Socially Responsible Company 2018** granted to Ferreyros, Unimaq, Orvisa, Motored, Soltrak and Fargoline
- **Ferreyros, Unimaq, Orvisa, Motored, Soltrak, Cresko, Trex and Fargoline** are members of the **Association of Good Employers (ABE)**
- **More than 30,000 Peruvians benefited** under the Works for Tax Deduction mechanism, with an investment of more than **S / 80 million**
- **18%** of management positions of the corporation **occupied by women**
- **98% participation in** the Biennial Labor Climate Survey: 91% of employees feel **proud** to belong to the corporation
- **94% of the employees** of the corporation completed the online course of the Code of Ethics
- **More than S / 3,400 million** in purchases from suppliers in 2018 made by the six largest companies in Peru and the parent company
- **100%** of water reused in the new La Joya Operations Complex, in Arequipa, for the irrigation of green areas
- **420,278 kWh** of electricity (1,513 GJ) saved in 2018

7.1.3 w

(GRI 102-40; 102-42; 102-44)

The interest groups of Ferreycorp are constituted by the persons or entities influenced by the activities of the corporation. They are fundamental to achieve an adequate management of the organization.

Ferreycorp has identified seven interest groups, whom the corporation respects, recognizes and values, incorporating them in its management model, when formulating commitments aimed at generating value; establish strategies and actions for each group; and incorporate their opinions and expectations in the development of social projects and programs.



<p>Shareholders and Investors</p>	<p>Ferreycorp seeks to satisfy and maximize the value of the investment made by its more than 2,500 shareholders, through the value of the stock in the BVL; of good dividends - whose delivery is part of a strict compliance policy - that reflect positive results; and a healthy financial structure. In addition, it deploys good corporate governance practices that have allowed it to align the interests of its shareholders with those of the different management bodies. The corporation is widely recognized in Peru and abroad for these practices, which are supported by a continuous improvement approach that leads to permanent progress in its field of action.</p> <p>More information: Pgs. 82-84 Chapter 4: Financial Management Chapter 5: Corporate Governance Chapter 6: Organization Appendices 1, 2 and 3</p>
<p>Contributors</p>	<p>Human capital is the most important asset of the corporation. Thanks to the work of its more than 6,500 employees, Ferreycorp achieves great achievements and overcomes significant challenges. For this reason, the corporation recognizes the efforts of its employees and makes sure to provide them with optimal working conditions, as well as the necessary incentives for their proper integral development. In addition, it highlights the high sense of pride and belonging of this human group, and its identification with the ethical standards of the organization.</p> <p>More information: Pgs. 85-100</p>
<p>Customers</p>	<p>As part of its values, corporate principles and strategic pillars, Ferreycorp establishes a passion for customers as a guide to provide them with ever more value through each of the subsidiaries. With a focus on the continuous improvement of the services offered and seeking to anticipate future needs, the organization performs constant monitoring of customer satisfaction and claims management. In this way, it promotes commercial relationships of mutual benefit and long-term.</p> <p>More information: Pgs. 101- 105 Chapter 3: Business Management</p>
<p>Community</p>	<p>Ferreycorp focuses its support efforts on the community through two key issues for the development of the country: infrastructure and education. Through the Works for Tax Deduction modality, it has been financing and executing water and sanitation works, as well as building educational infrastructure. In parallel, it deploys training initiatives such as the Think Big program, the Operators Clubs and Heavy Equipment Technicians and the workshops of the Ferreycorp Association. For their part, the employees of the corporation contribute to the community through volunteering.</p> <p>More information: Pgs. 106- 110</p>
<p>Suppliers</p>	<p>For Ferreycorp, its suppliers are strategic long-term partners. With them, it seeks to establish relationships of trust, fairness and mutual benefit, under principles such as transparency and fair treatment. To achieve this, it promotes the application of good labor practices and training in topics such as health and safety, privacy and quality. Likewise, it promotes the formalization and development of local suppliers, contributing to the growth of the economies of their places of origin.</p> <p>More information: Pgs. 111- 116</p>

Environment	<p>Ferreycorp assumes the responsibility of adopting a preventive approach to protect the environment. In accordance with its Corporate Environmental Management Standard and the policies of its subsidiaries in this field, Ferreycorp seeks to prevent negative impacts and achieve good results in its environmental performance. Thus, there are environmental management systems and programs are deployed around them for their execution. In addition, to optimize the management of operations, the carbon footprint, water footprint, water and energy consumption, as well as the amount of waste generated, are being measured, seeking the segregation of these and their recycling.</p> <p>More information: Pgs. 117- 129</p>
Governance and society	<p>Through its Code of Ethics, Ferreycorp takes care that its interests are never favored by the fraudulent or illegal behavior of its collaborators, expressly prohibiting the use of unethical practices in commercial relationships with State entities. Likewise, it requires all its employees, without exception, to comply with the laws and regulations applicable to their activities. Likewise, the corporation encourages responsible citizenship and a culture based on values.</p>

7.1.4 Relations with our stakeholders

(GRI 102-43)

Interest group	Type of relationship	Fequency
Shareholders	Communication with shareholders is constant and is carried out through the directors, email, telephone, website and communications to the market regulator.	Regular basis
Collaborators	Communication with the employees of the different subsidiaries is given through press releases, opinion and satisfaction surveys that measure the work climate, reporting channels, safety committees, gender committee, management committees, performance evaluation, group work sessions, innovation sessions, fellowship meetings, among others.	Daily
Clients	Personalized service to contribute to the success of your business through products, services and solutions. The contact is frequent in person, email, telephone, online digital platforms, among others.	Daily
Community	The interaction with the community occurs through various institutions such as universities, social support organizations, regional and local authorities, among others.	Regular basis
Suppliers	The communication is through email, face-to-face meetings, web page, among others. In addition, approval processes are periodically carried out for the different suppliers and safety talks are given to those who perform work within the companies' facilities.	Daily
Environment	The effort is focused on preventing environmental impacts and continuously improving its environmental performance, in accordance with the Integrated Health, Safety and Environment Policy. Therefore, a Standard Management System based on the ISO 14001 standard is maintained, which includes a planning process to identify environmental impacts; training and awareness on the care of the environment; operational control; and verification of indicators.	Daily
Governance and Society	The contact with this interest group is established through the web platforms of the regulatory and inspection bodies, as required. In emergencies, work meetings are held to draw up action plans.	Regular basis / If needed

7.2 Value for shareholders

Ferreycorp, with 76 years in the Lima Stock Exchange (BVL), looks for the satisfaction and the maximization of the value of the investment of its near 2,400 shareholders. Therefore, the strategy of its management is clearly aligned with this purpose.

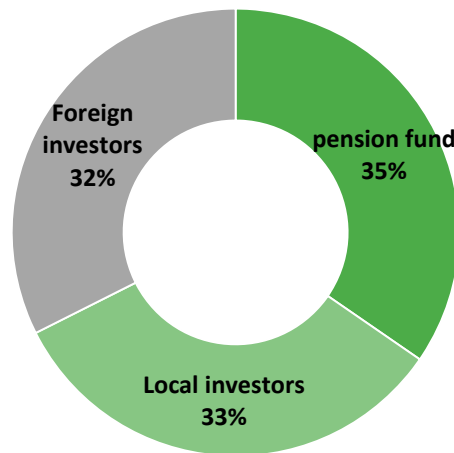
The corporation makes important efforts to maintain its leadership in the market, generate the expected return and maintain a healthy financial structure, all attributes valued by its shareholders and investors. It is also characterized by its high standards of compliance and leadership: for this reason, it is recognized both in Peru and abroad for its good corporate governance practices.

7.2.1 Profitability for its shareholders

The Ferreycorp corporation is a 100% shareholder company spread, with a free float of 84.12%. It promotes the permanent improvement of the value of its action through good financial results and transparent practices. In addition, it has a market maker to improve the liquidity of its stock in the BVL.

It should be noted that, for more than 20 years, Ferreycorp has complied with a dividend policy for its shareholders. In 2018, S / 132,171,314.60 was distributed to shareholders as dividends corresponding to fiscal year 2017, which represented 13.55% per share.

Next, we can see Ferreycorp's shareholder composition:



Composition of Ferreycorp shareholders as of December 31, 2018

The shareholders with 4% or more participation in the capital of the company are the following:

Name	Number of shares	SHares (%)	Source
Prima - Fund 2	68,253,171	7.00%	Peru
Onyx Latin America Equity Fund LP	55,870,766	5.73%	United States of America
Integra – Fund 2	55,590,450	5.70%	Peru
Integra - Fund 3	49,657,788	5.09%	Peru
Profuturo – Fund 2	47,199,794	4.84%	Peru
Prima - Fund 3	42,363,537	4.34%	Peru
Prima - Fund 3	39,621,030	4.06%	Peru

Major shareholders of Ferreycorp as of December 31, 2018

Likewise, the participation of Ferreycorp in the subsidiary companies that make up its economic group is presented:

	Names	2018
Ferreycorp	Ferreycorp	99.99
	Fargoline	0.00002
	Unimaq	0.00002
Unimaq	Ferreycorp	99.99
	Ferreycorp	0.0015
	Fargoline	0.0015
Orvisa	Ferreycorp	99.37
	Ferreycorp	0.6310
Fargoline	Ferreycorp	99.91
	Orvisa	0.867
Soltrak	Ferreycorp	99.99
	Unimaq	0.0002
Motored	Ferreycorp	99.99
	Unimaq	0.0002

Share composition of the subsidiaries

For more information, it is suggested to consult the following sections:

- Chapter 4: Financial Management
- Appendix 1 / Section 1.1.3: Economic Group
- Appendix 2: Equity Capital y ownership structure
- Appendix 3: Information related to the Stock Market
Registered in the Public Registry of the Stock Market

7.2.2 Good Corporate Governance

The corporate governance of Ferreycorp is based on a continuous improvement approach, which leads to permanent progress in its field of action. For many years, the company has adopted practices that seek to respect the rights of shareholders, through their equitable treatment, the clear stipulation of the functions of the Board, and the transparent and timely presentation of information relevant to the market.

These actions are deployed within a scope of control of their management and the risks that may affect their results. In this way, its well-known good corporate governance practices have allowed it to align the interests of its shareholders with those of the different management bodies.

The Board of Ferreycorp S.A.A. It is made up of nine directors, four of them independent, elected for a period of three years, ensuring the plurality of opinions within it, so that the decisions made in it are the result of appropriate deliberation, always observing the best interests of the company and shareholders.

Likewise, the president and vice president are elected by the members of the Board. It should be noted that the Ferreycorp Board has three committees (Nominations, Remuneration, Corporate Governance and Sustainability, Audit and Risks, and Innovation and Systems), all chaired by independent directors.

In 2018, Ferreycorp received the Key to the BVL for the sixth time, a distinction awarded by the Lima Stock Exchange in recognition of its good corporate governance practices. Likewise, it was once again integrated into the Good Corporate Governance Index (IBGC) of the Lima Stock Exchange, as it has been doing for eleven years, since the creation of this distinction. Likewise, the corporation has active participation in the Circle of Companies of the Latin American Round Table of Corporate Governance (Companies Circle), which it has been incorporating since 2006.

For more information, it is suggested to consult the following sections:

- Chapter 5: Corporate Governance
- Chapter 6 / Section 6.1: Organization / The Board
- Appendix A: Report on Compliance with the Code of Good Corporate Governance for Peruvian Companies

7.3 Value for collaborators

(GRI 102-8; 401-1)

7.3.1 Impact on collaborators

The Ferreycorp corporation attaches utmost importance to the management of human capital in all its companies. The more than 6,500 employees of Ferreycorp are the most important and valuable resource of the corporation, to whom the success and transcendence of Ferreycorp is due, during its 96 years of trajectory.

Aligned with the values and cultural principles, as well as with the business strategy, Human Resources management is based on three strategic focuses:

1. Build the solid and transcendent Ferreycorp Culture that can drive the performance of the corporation.
2. Promote talent to achieve the best results and contribute to the sustainability of the business.
3. Manage costs and optimize processes to mitigate risks.

The Corporate Management of Human Resources ensures the optimal management of human capital within Ferreycorp. All the subsidiaries have, in turn, their own specialized areas of human management, and with the support of the leaders as the main promoters of the management model.

The following describes key aspects of human management in the corporation.

7.3.1.1 Employment

a) Generation of employment

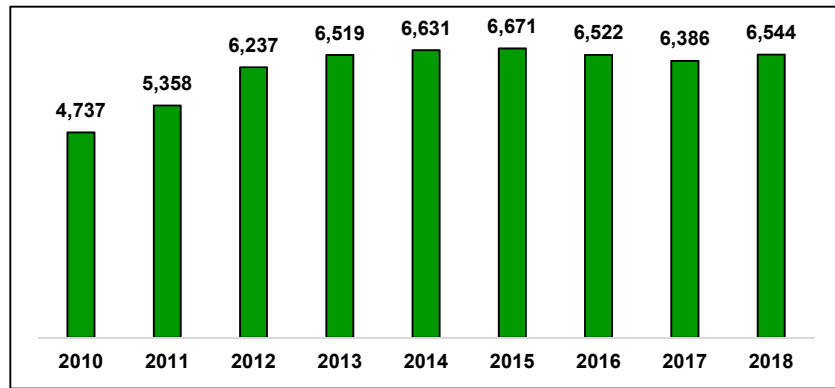
Committed to the development of Peru, the corporation had at the end of 2018 with a team of 6,544 employees, compared to 6,386 workers in the year 2017, which represents a growth of 2.5%.

Ferreycorp has developed a value proposal for its employees and subsidiary companies, based on generating pride and purpose, providing quality of life and excellent work environment, personal and professional development, including a system of compensation and competitive benefits.

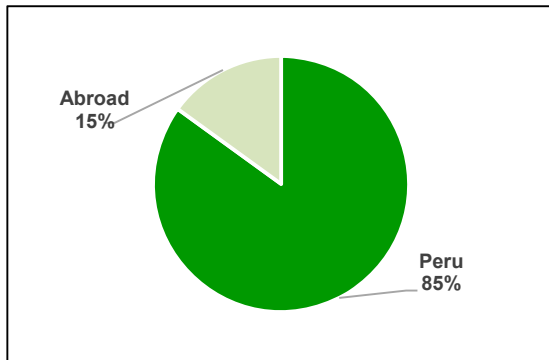
The corporation is committed to continue adding to its workforce those talents that, together with a good attitude and commitment, can perform and grow within any of their companies.

Next, we can see the evolution of the entire corporation's workforce - at similar levels in recent years - as well as the distribution according to geographical location, type of collaborator and gender.

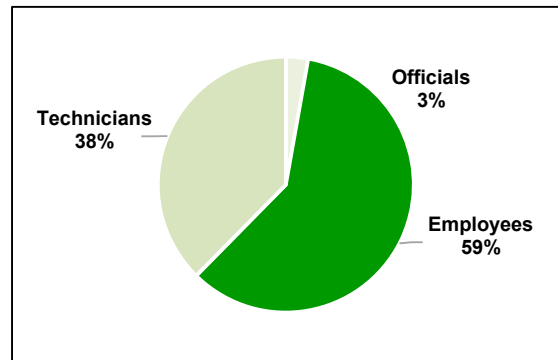
Evolution of the labor force



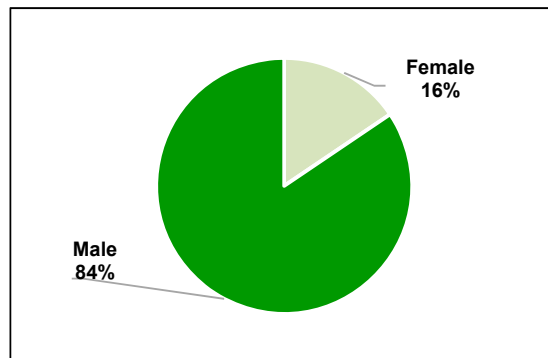
Distribution by geographic location



Distribution according to type of collaborator



Distribution according to gender



If an analysis is made between the companies with the highest operating volumes in Peru (Ferreyros, Unimaq, Orvisa, Fargoline, Soltrak and Motored), as well as in the Ferreycorp SAA holding company, it can be seen that a total of 1,040 new hiring during 2018, equivalent to a growth of 8% compared to 2017.

New contracting during 2018*:

		Ferreyros	Unimaq	Orvisa	Fargoline	Soltrak	Motored	Holding Ferreycorp	Total
Contracting per region	Lima	212	26	1			40	17	296
	Provinces	378	64	7	111	165	19		744
Contracting per age	Up to 30 years	428	58	3	47	85	31	13	665
	Between 31 and 50 years	160	32	5	60	73	27	4	361
	Over 50 years	2			4	7	1		14
Contracting per gender	Female	85	21	1	18	35	12	9	181
	Male	505	69	7	93	130	47	8	859
Total		590	90	8	111	165	59	17	1,040

*Considering: Ferreyros, Unimaq, Orvisa, Fargoline, Soltrak, Motored and Holding Ferreycorp

b) Staff turnover

As part of human management, constant monitoring of the rotation indicators is carried out to analyze each case and take corrective actions if necessary. In addition, compliance with the law regarding the type of contract is ensured.

In the following table, which includes the six companies with the largest operating volumes in Peru and the Ferreycorp SA S.A.A holding, the total and voluntary personnel turnover is shown. It should be noted that the total turnover of this group of companies is 17%, and the voluntary turnover is 9%, both below the market average.

Percentage of staff turnover during 2018*:

		Ferreyros		Unimaq		Orvisa		Fargoline		Soltrak		Motored		Holding Ferreycorp	
		Total	Volunt.	Total	Volunt.	Total	Volunt.	Total	Volunt.	Total	Volunt.	Total	Volunt.	Total	Volunt.
Region	Lima	8%	4%	21%	7%	33%	33%					34%	21%	10%	5%
	Province	12%	7%	27%	10%	10%	6%	40%	19%	43%	23%	50%	32%		
Age range	Up to 30 years	15%	8%	24%	11%	7%	5%	50%	23%	50%	28%	53%	37%	22%	22%
	Between 31 and 50 years	8%	5%	23%	7%	12%	8%	34%	15%	39%	21%	32%	19%	8%	2%
	Over 50 years	9%	1%	33%	2%	13%	7%	44%	31%	43%	19%	29%	6%	6%	0%
Gender	Female	10%	6%	27%	12%	9%	9%	33%	18%	31%	11%	42%	32%	8%	6%
	Male	10%	6%	23%	8%	11%	6%	41%	19%	46%	27%	37%	21%	13%	5%
Type of employee	Officials	5%	2%	18%	0%	0%	0%	25%	0%	17%	0%	22%	11%	10%	0%
	Employees	11%	6%	26%	11%	10%	7%	40%	19%	43%	24%	39%	23%	10%	7%
	Technicians	10%	6%	21%	4%	15%	6%					37%	26%		
Total		10%	6%	24%	8%	11%	7%	40%	19%	43%	23%	38%	23%	10%	5%

*Considera: Ferreyros, Unimaq, Orvisa, Fargoline, Soltrak, Motored and Holding Ferreycorp

c) Labor relations

(GRI 407-1)

The corporation respects the free grouping of its collaborators, so it does not have policies that affect their decisions regarding becoming members of unions or signing collective agreements.

Since 1946 - and without interruption - the staff of Ferreyros, the main subsidiary of the corporation, is represented by a Unitary Union of Workers, which at the end of 2018 had 432 members. This group of collaborators maintains good relations with the company and contributes to improving the policies that favor working conditions. In November 2018 collective bargaining with the Unitary Union was closed for two years, which materialized in a general increase and in the increase of some benefits.

Likewise, the subsidiary Trex, in Chile, has a Unitary Union integrated by 58 employees, which also maintains a good relationship with the company.

During the year 2018, the corporation has reinforced labor relations advice to ensure compliance with labor laws, standardize processes and manage labor relations among employees, respecting the principles of gender equity and equality and non-discrimination in employment. The labor harassment complaint process has been reinforced through the Ethics Channel and training.

It should be noted that the corporation has been implementing a series of labor standards promoted by the Government, including the Wage Equity Law, which will come into force in the second half of 2019.

d) Compensations and benefits

(GRI 202-1; GRI 405-2)

The compensation system of Ferreycorp and its subsidiaries seeks to maintain internal equity and external competitiveness. The valuation of the charges is the basis of the system, accompanied by the evaluation of salary surveys in the labor market.

To ensure that all of its companies comply with these guidelines, a Corporate Compensation and Benefits Rule was published, focused on safeguarding internal equity, maintaining competitiveness based on the reference market, promoting meritocracy and ensuring that compensation is linked to performance of the collaborator and the financial results of the different subsidiaries.

The average salary of Ferreycorp exceeds the minimum vital remuneration.

There is equality in the average annual income between women and men, according to an analysis carried out in the Peruvian subsidiaries in 2018.

In addition, short-term variable bonds are available as performance bonuses for officials and incentives for sales force and commercial heads. The performance bonus for officials takes into account the evaluation of performance and the achievement of its objectives of the previous year. On the other hand, the variable incentive applies to commercial positions (sales force and commercial heads) based on compliance with certain objectives and goals established by each subsidiary.

During the last quarter of 2018, the corporation has been preparing for the process of inspections of the Sunafil regarding the Wage Equity Law that will begin in the second semester of 2019.

7.3.1.2 Diversity and human rights

a) Gender Equality

Aligned with the Sustainable Development Goals of the United Nations, the Ferreycorp corporation promotes gender equity among its companies. It is a long-term issue that is not only embodied in tangible policies, but is lived on a day-to-day basis.

While the number of women is still low due to the item, at the end of 2018, 765 women were working in the six subsidiaries of the corporation with the largest operating volumes in Peru (Ferreyros, Unimaq, Orvisa, Fargoline, Soltrak and Motored), as well as in the Ferreycorp SAA holding, which represents 14% of this group of companies. There is no inequality with women on salary issues, job opportunities or positions.

Ferreycorp has been promoting the development of women in the workplace, even in technical careers, in which the market still does not have the necessary offer. As can be seen in the following tables, in the groups of officials and employees, the percentage of women is higher (0.4% and 13.5%, respectively) than that shown in technical positions.

Distribution of collaborators by type of employment, gender and age *:

Tipo de empleo	Sexo	Edad	Año 2018
Funcionarios	Hombres	Hasta 30 años	-
		Entre 31 y 50 años	61
		Mayores de 50	45
		Total funcionarios	106
		Porcentaje	1.97%
	Mujeres	Hasta 30 años	-
		Entre 31 y 50 años	16
		Mayores de 50	7
		Total funcionarias	23
		Porcentaje	0.43%

* Considering: Ferreyros, Unimaq, Orvisa, Fargoline, Soltrak, Motored and holding Ferreycorp

Empleados	Hombres	Hasta 30 años	618
		Entre 31 y 50 años	1,512
		Mayores de 50	208
		Total empleados	2338
		Porcentaje	43.37%
	Mujeres	Hasta 30 años	302
		Entre 31 y 50 años	375
		Mayores de 50	53
		Total empleadas	730
		Porcentaje	13.54%

Técnicos	Hombres	Hasta 30 años	903
		Entre 31 y 50 años	1,173
		Mayores de 50	106
		Total técnicos	2182
		Porcentaje	40.47%
	Mujeres	Hasta 30 años	9
		Entre 31 y 50 años	3
		Mayores de 50	-
		Total técnicas	12
		Porcentaje	0.22%

Total	Hombres	Hasta 30 años	1521
		Entre 31 y 50 años	2,746
		Mayores de 50	359
		Total colaboradores	4626
		Porcentaje	85.81%
	Mujeres	Hasta 30 años	311
		Entre 31 y 50 años	394
		Mayores de 50	60
		Total colaboradoras	765
		Porcentaje	14.19%
Total colaboradores		5391	
Total de porcentaje		100%	

* Considering: Ferreyros, Unimaq, Orvisa, Fargoline, Soltrak, Motored and holding Ferreycorp

In 2018, the corporation published a Corporate Policy on Gender Equity and implemented the Pares program, which seeks to ensure equal opportunities for employees without distinction by gender; promote the inclusion of more women in the organization; and establish human resource practices that enable their participation and development.

It is important to note that Ferreycorp obtained, with the Pares program, the first place in the Good Labor Practices Competition, organized by the Ministry of Labor and Employment Promotion, in the category "Promotion of equal opportunities for men and women".

In addition, in 2018 Ferreycorp established a Gender Equity Committee, composed of the Corporate General Management and representatives of the main subsidiaries, in order to:

- Seek greater participation of women in the labor force and in leadership positions.
- Put in the agenda and incorporate the gender perspective in all the programs and policies of the organization.
- Allow life balance, giving flexibility and better conditions to the collaborators who give birth.
- Sensitize and establish guidelines to prevent and punish any type of behavior of sexual harassment in the workplace and, in general, towards any form of discrimination or violence against women.

The participation of female staff is monitored within the training programs and promotions in relation to the total staff, to achieve growth in different indicators such as:

- Training hours
- Number of promotions / promotions
- Number of women in key positions
- Salary by category and gender (Average salary men versus women).

Additionally, the empowerment of women is sought through initiatives such as the Ferreycorp Women's Circle, which since 2017 provides an annual networking and reflection space, as well as commemoration of the Day of Nonviolence against Women and the Day of the woman. As part of the induction that is offered to all entrants, labor harassment issues, gender equity and the dissemination of line 100 of the Ministry of Women are dealt with.

Various management positions in the General Management of the corporation, in the Directories of the subsidiaries, in the Corporate Management of Human Resources and in the Corporate Finance Management, among other spaces, are held by women.

b) Equality of opportunities and inclusion

Ferreycorp is committed to promote and maintain a work environment free of discrimination, favoring equal opportunities based on the merits of each employee, without distinction of sex, ethnicity, origin, creed or social status. It should be noted that the employees of the corporation come from different geographical areas and from different socioeconomic strata.

Ferreycorp and its subsidiaries respect the procedure for publishing job opportunities, established by law, in reference to labor inclusion. During 2018, a total of 12 employees with a disability have been maintained, seeking to strengthen their safety and self-esteem, and integrating them into the world of work and no cases of employment discrimination have been reported.

c) Parental leave

(GRI 401-3)

During 2018, in the six companies mentioned above, as well as in the Ferreycorp holding company, 100% of the employees who were parents enjoyed parental leave. More than 280 collaborators, between parents and mothers, could be together with their children and enjoy those wonderful first months.

At the end of the parental leave, 100% of said employees rejoined the work during 2018. Regarding the retention index, understood as the percentage of workers who after returning to the company decided to remain working in the same, 96% of collaborators remained in the organization during 2018.

Contributors and Parental Reincorporation Index (*)

Reincorporation	Ferreyros	Unimaq	Orvisa	Fargoline	Soltrak	Motored	Holding Ferreycorp	Total	%
Yes	201	29	16	14	16	3	3	282	100%
No									
Total	201	29	16	14	16	3	3	282	100%

Contributors and Parental Retention Index (*)

Retention	Ferreyros	Unimaq	Orvisa	Fargoline	Soltrak	Motored	Holding Ferreycorp	Total	%
Yes	199	25	15	12	14	2	3	270	96%
No	2	4	1	2	2	1		12	4%
Total	201	29	16	14	16	3	3	282	100%

*Considering: Ferreyros, Unimaq, Orvisa, Fargoline, Soltrak, Motored and Holding Ferreycorp

d) Respect for human rights

(GRI 406-1; 408-1; 409-1)

As signatories of the Global Compact, Ferreycorp and all its companies are committed to its 10 guiding principles, which means maintaining and incorporating best practices in relation to respect for human rights, responsible work, preservation of the environment and fight against the corruption. In addition, the corporation maintains a vision of demand and care for these principles throughout its entire value chain and with all its stakeholders.

Ferreycorp does not endorse or contemplate the work of minors, inside or outside the workplace. Likewise, it does not use or sponsor practices that induce forced or compulsory work that attempts against their will or freedom of hiring.

During the 2018 period there were no incidents, complaints or denunciations in reference to child labor, forced, compulsory or non-consented, or any other form of discrimination in any of the subsidiaries of Ferreycorp.

In another area, it is important to emphasize that the Ferreycorp corporation respects the free association of employees. For more information on the subject, consult the Labor Relations section.

7.3.1.3 Training

a) Performance management

In 2016, the Performance Management Program was reformulated, strengthening its systematization and measurement parameters. The set of 13 corporate competencies was also updated, aligned with the culture and strategy, and grouped into strategic, operational, people and personnel. The performance management system has a direct impact on the achievement of strategic objectives and goals, and also contributes to the development and motivation of employees.

In 2017, the Performance Management process was strengthened, strengthening the government to comply with the different stages: setting objectives with specific metrics and weights, mid-year performance review, and annual performance evaluation. Thus, the level reached in the competencies required for each position is evaluated, together with the level of compliance with the objectives defined for the year.

In 2018, the feedback process was reinforced as a core part of the process of sustaining performance management. A participation of 95% was achieved in the 2017 performance evaluation process, with ten companies of the corporation.

In addition, 92% of the total companies of the corporation participated in the process of defining objectives. It is worth highlighting the greater dynamism of the subsidiaries outside of Peru, which achieved significant participation (Trex Chile 100%, Central America 74%).

Level of compliance – Performance evaluation 2017, done in January 2018 (*)

Company	% Evaluated
Ferreycorp	90%
Ferreyros	94%
Unimaq	97%
Orvisa	100%
Ferrenergy	20%
Soltrak	91%
Fargoline	97%
Forbis Peru	100%
Forbis Miami	85%
Motored	99%
Motriza	100%
Total	95%

(*) Considering: Ferreycorp, Ferreyros, Unimaq, Orvisa, Ferrenergy, Soltrak, Fargoline, Forbis Logistics, Motored and Motriza

Level of compliance – Definition of objectives 2018 (**)

Company	% definition
Ferreycorp	95%
Ferreyros	99%
Unimaq	96%
Orvisa	98%
Ferrenergy	100%
Soltrak	80%
Fargoline	47%
Forbis Peru	76%
Sitech	0%
Motored	92%

Company	% definition
Motriza	89%
Forbis Miami	77%
Trex Chile and Colombia	100%
Maquicentro	71%
Motored El Salvador, Honduras and Nicaragua	100%
Soltrak Nicaragua	100%
Cogesa El Salvador	100%
Gentrac Guatemala	47%
Gentrac Belice	0%
Total	92%

(**) Considering all the companies in the corporation

b) Succession and development of leaders

(GRI 404-2)

In 2016, the Corporate Talent Management Committee was created, chaired by the General Management of Ferreycorp, to manage the corporate talent process through development plans that guide professional development; of the agreement of retention measures; of rotation proposals and promotions; and of salary management and benefits. In addition, the Leader Ferreycorp profile was defined, which served as a guide to assess the level of leadership in the corporation.

During the years 2017 and 2018, the succession map was consolidated for 223 positions of the corporation, identifying 96 highly critical positions, with a successor coverage level defined at 94%.

Finally, during 2018 the first stage of the Management Skills Development Program was completed for 185 leaders of the corporation, who were trained in effective leadership behaviors, change leadership, feedback and crucial conversations. This involved an effort to deploy 36 workshops, 124 group coaching sessions and 155 individual coaching sessions.

c) Training and job opportunities

Ferreycorp promotes the development of its employees through training, internal and external, and job opportunities, through movements between subsidiaries to fill a new or vacant position. As an example of this, in the companies in Peru, 509 employees had a change of position during 2018, be it promotion, promotion or horizontal movement. Likewise, 18 employees were able to assume new responsibilities when changing their subsidiary.

The training policy is focused on developing the performance conducts necessary to achieve the business objectives. In this context, the educational proposal was expanded with new agreements that offer collaborators and their families scholarships and discounts in undergraduate, masters, diploma and specialization programs, among others. In 2018, a total of 25 agreements were reached.

It also highlights the training of technical personnel, which takes place in the modern Technical Development Center (CDT) of Ferreyros. This enclosure is also used in technical courses; of safety, health and environment; and regulations of the corporation.

To facilitate access to training for employees from the most diverse points of the country, Ferreycorp has developed the Virtual Campus, through which the mandatory corporate courses are taught: Information Security, Personal Data Protection Law, Intelligence Unit Financial of Peru and Code of Ethics.

Below is the distribution by worker type and gender of the 4,934 employees trained in the six companies with the largest operating volumes in Peru and the holding Ferreycorp S.A.A.

Trained collaborators 2018

		Ferreyros	Unimaq	Orvisa	Fargoline	Soltrak	Motored	Holding Ferreycorp	Total
Funcionarios	Femenino	6	1					11	18
	Masculino	37	8	5	2	6	5	13	76
Empleados	Femenino	332	92	23	2	114	26	42	631
	Masculino	1,255	243	133	25	314	59	38	2,067
Técnicos	Femenino	12							12
	Masculino	1,964	179	47			19		2,209
Total		3,606	523	208	29	434	109	104	5,013

* Considering: Ferreyros, Unimaq, Orvisa, Fargoline, Soltrak, Motored and holding Ferreycorp

On the other hand, the distribution by worker type and gender of the 205,728 man-hours carried out in the six companies with the largest operating volumes in Peru and the Ferreycorp SA S.A.A holding company is also shown.

Man hours of training 2018

		Ferreyros	Unimaq	Orvisa	Fargoline	Soltrak	Motored	Holding Ferreycorp	Total
Officials	Female	127	15					184	326
	Male	2,734	71	82	22	42	115	133	3,199
Employees	Female	7,362	1,974	381	8	1,498	291	139	11,652
	Male	62,684	5,610	3,245	222	4,935	935	146	77,776
Technicians	Female	212							212
	Male	103,495	6,000	664			2,404		112,563
Total		176,614	13,669	4,372	252	6,475	3,745	602	205,728

* Considering: Ferreyros, Unimaq, Orvisa, Fargoline, Soltrak, Motored and Holding Ferreycorp

7.3.1.4 Health, safety and social welfare

(GRI 403-1; 403-2; 403-3)

a) Occupational health care, safety and working conditions

Ferreycorp has developed a Safety, Occupational Health and Environmental Management System of high standards, which reflects the commitment to protect employees, society and the environment, in line with corporate values such as equity, integrity and respect for person. This system includes regulatory aspects, mechanisms for dissemination, control and monitoring, as well as the active role of leaders.

The companies with the highest operating volumes in Peru and abroad adopt this system, while they also have a Health and Safety Committee at work, of equal composition (50% employer and 50% workers). The objective is to monitor the compliance, by the organization and the workers, with the preventive measures provided to ensure the safety, integrity and health of the personnel, as well as to protect the environment. Other companies of the corporation are in the process of aligning their practices to these standards.

The identification of hazards and risk assessment, embodied in a matrix, is the basis for the development of preventive plans and programs, as well as to define the guidelines to safeguard the integrity of all employees.

In the event of an incident or accident at work, it is established:

- If there are injured personnel, arrange for immediate medical assistance.
- Initiate an investigation immediately in order to determine the causes.
- Define the corrective measures to avoid a possible repetition of the event.
- Issue an alert to companies about the event and its causes to take preventive measures and avoid recurrence.

The companies of the Ferreycorp Corporation have an Occupational Health Program, aimed at preventing the onset of occupational diseases or as a result of work, as well as carrying out a medical surveillance to all employees who are included in the risk groups.

The main health problems identified in 2018, for the different jobs, were:

- Endocrine, nutritional and metabolic diseases
- Diseases of the musculoskeletal system
- Diseases of the digestive system
- Diseases of the respiratory system
- Diseases of the circulatory system
- Diseases of the skin and subcutaneous tissue

b) Security management indicators

The following is the detail of the three main indicators of the management of security in the corporation: injury frequency rate, rate of lost days (severity) and accident rate, for the six companies with the highest operating volumes in the Peru (Ferreyros, Unimaq, Orvisa, Fargoline and Motored), as well as in the Ferreycorp holding.

Injury frequency rate

The injury frequency rate is a calculated indicator between the number of accidents with lost time and hours worked. In the case of Soltrak, the high rate in the category of third-party collaborators is explained by the occurrence of an accident that caused the injury of a supplier, in a context of low number of hours worked by third parties for the company.

Formula:

$$\text{Frequency rate} = \frac{\text{Number of accidents with lost time} * 1000000}{\text{Working hours}}$$

Año 2018		Ferreyros	Unimaq	Orvisa	Fargoline	Soltrak	Motored	Holding Ferreycorp
Región	Lima	4.92	3,10	0	3.22	12.02	7.21	0
	Provincias	3.02	4,50	0	14.8	8.72	0	0
Tipo de Personal	Propio	3.61	4	0	2.2	9.7	4.9	0
	Terceros	8.36	6.8	0	3.7	1543.2	8	0
Género	Mujeres	3.75	0	0	0	2.2	0	0
	Hombres	3.74	4.7	0	3.5	19.4	7.4	0

* Considering: Ferreyros, Unimaq, Orvisa, Fargoline, Soltrak, Motored and holding Ferreycorp

Lost days rate (severity)

The rate of days lost (severity) is a calculated indicator between the number of days of medical rest due to work accidents and the hours worked. Highlights the result obtained by Orvisa during 2018.

Formula:

$$\text{Lost days rate (severity)} = \frac{\text{Number of days of medical rest due to work accidents} * 1000000}{\text{Working hours}}$$

Año 2018		Ferreyros	Unimaq	Orvisa	Fargoline	Soltrak	Motored	Holding Ferreycorp
Región	Lima	49.9	15,60	0	75.26	238.74	34.26	0
	Provincias	75.28	71,70	0	33.52	69.77	0	0
Tipo de Personal	Propio	63.62	47.9	0	69.6	173.8	19.4	0
	Terceros	96.89	60.9	0	12.9	3086.4	44.2	0
Género	Mujeres	27.48	0	0	0	2.2	0	0
	Hombres	70.2	50.9	0	60.36	349.8	35.2	0

* Considering: Ferreyros, Unimaq, Orvisa, Fargoline, Soltrak, Motored and holding Ferreycorp

Accident rate

The accident rate is an indicator calculated by the frequency index and the severity index, shown above.

It should be noted that in the six companies with the highest operating volumes in Peru, as well as in the Ferreycorp holding company, there has been a progressive improvement over the last six years in the safety indexes, obtaining in 2018 an accident rate of 0.31. , the best figure generated since the adoption of the Safety, Health and Environment Management System.

It also highlights the good management carried out by the subsidiary Orvisa to minimize the accident rate over the years, achieving zero accidents during 2018.

$$\text{Formula:} \\ \text{Accident rate} = \frac{\text{Frequency index} * \text{severity index}}{1,000}$$

Año 2018		Ferreycorp	Unimaq	Orvisa	Fargoline	Soltrak	Motored	Holding Ferreycorp
Región	Lima	0.25	0.05	0	0.24	2.87	0.2	0
	Provincias	0.23	0.32	0	0.5	0.61	0	0
Tipo de Personal	Propio	0.23	0.2	0	0.15	1.7	0.1	0
	Terceros	0.81	0.4	0	0.05	4763	0.4	0
Género	Mujeres	0.1	0	0	0	0.01	0	0
	Hombres	0.26	0.24	0	0.13	6.8	0.3	0

*Considering: Ferreycorp, Unimaq, Orvisa, Fargoline, Soltrak, Motored and Holding Ferreycorp

c) Social welfare

The corporation seeks to promote the welfare of its employees in the various countries where it operates, offering conditions that favor an adequate work-life balance, that contribute to the care of their health and that generate positive impacts on the family environment.

In Peru, Ferreycorp continued to develop various initiatives in 2018 to contribute to the well-being of its human team. Among other aspects, it built the foundations of the Balance of Life program, which seeks to promote the balance of personal and work life through three axes: integral health, time flexibility and time management, as well as activities with the collaborator and the family. Also, the Good Life program, to promote the care of physical and mental health.

Likewise, Ferreycorp developed health campaigns in the different subsidiaries, with outreach to employees and their children; screening for diseases such as breast cancer; nutritional plans; medical services offered by the EPS Rímac; activities for future mothers, among other initiatives. It should be remembered that the Social Welfare Area of each subsidiary provided personalized and permanent attention in areas such as health, education, housing and family problems.

At the same time, multiple family integration initiatives were carried out, such as sports championships, Christmas parties and celebrations of other important family parties; artistic activities and recreational vacations for the children; in addition to training programs in productive activities for family members, provision of school vouchers and Christmas bonuses, among other actions. There were also corporate agreements with various institutions to offer discounts to employees. During the year, about 3,500 employees in Peru participated in these initiatives.

7.3.1.5 Climate and culture

a) Organizational climate

The corporation has developed adequate policies to attract and retain the best talent. Like any organization with modern and robust practices in terms of human resources and talent, Ferreycorp actively seeks to listen to the opinions of employees about the value proposition of the corporation and its subsidiary companies, through a periodic survey. Among other aspects, we seek to know your opinion about the different factors that influence your work environment, and your perception of the impact of the organization's initiatives.

In 2018, with a high level of participation (98%), the Labor Climate Survey was applied, in which opinion was asked about elements such as the role of leaders, degree of commitment of employees, recognition systems, opportunities of development, benefits and remunerations, suitability of the organizational structure and its processes, customer orientation, innovation and respect, as well as promotion of safety at work, among others.

Likewise, a high level of favorability was obtained in the evaluated factors, above the average in Peru and the region, according to the statistics of the consultant that facilitated the process. The results of 91% of favorability in the consultation on the pride of belonging to the corporation and of 86% of favorability in the commitment factor, which covers other related questions stand out.

Based on these results, action plans were established in all the managements and subsidiaries of the corporation that have been deployed since mid-2018 and will continue during 2019. In 2020 the Labor Climate Survey will be applied again, with the objective of Validate the effectiveness of these plans and collect the updated perception of the collaborators.

b) Culture and internal communication

In recent years, Ferreycorp has been actively working to establish a culture that contributes to achieving the vision outlined as an organization. Added to this is the great objective of aligning the employees in the corporate strategy to 2021, which will consolidate the business units and ensure the value of the corporation over time.

This work has contributed to the fact that many principles of the Ferreycorp culture are already lived by the collaborators. In this context, at the end of 2018 the Mode Innovation campaign was developed, which achieved that more than 400 innovative initiatives, carried out during the last years, have visibility in the corporation.

The campaign sought to reinforce the cultural principle "We always innovate" to remind employees that everyone can be innovative with their activities, from process optimization to business transformation. The winners of the six best initiatives agreed to a certification program in innovation and technology at the University of Engineering and Technology (UTEC).

Promoting gender equality is also an important issue for Ferreycorp. For this reason, the Second Summit of Women Leaders was held, in which around 200 women participated in leadership positions within the corporation, who shared experiences with other Peruvian women leaders in their field. Following this line, the Pares program was launched, which articulates various actions to promote greater participation of women in the organization.

It should be noted that Ferreycorp emphasizes that information on the projects and news of the corporation and subsidiaries reaches its more than 6,300 employees, for which it has efficient internal communication channels and correspondents of each of the companies.

c) Ferreycorp cultural principles

(GRI 102-16)

In addition to its seven corporate values -released in Chapter 2, Somos Ferreycorp, of this Report-, Ferreycorp has incorporated a series of cultural principles. These are attitudes and behaviors aimed at reinforcing the Ferreycorp strategy, which is transformed over time according to market requirements and the reality of the countries where the organization operates.

The cultural principles of Ferreycorp are:

1. Passion for the client: Genuine interest in the success of the client; effort to understand their needs and exceed their expectations.
2. Initiative and decision making: Trust and autonomy to decide and act in a timely manner, generating greater value to the organization.
3. Focus on results: Constant challenge to achieve exceptional results with world class processes.
4. Direct communication: Focus on maintaining a fluent, personalized and transparent conversation at all levels of the organization.
5. We always innovate: Anticipating new trends, creating better solutions with a long-term vision.
7. We work as a team: Collaborative work to achieve the proposed objectives.

7.4. Value for customers

7.4.1 Introduction

The corporation, through its operating companies in Peru and abroad, is mainly engaged in importing and marketing products of prestigious and recognized quality brands. The company develops capabilities that allow it to have the preference of customers, maintaining a high market share in the lines it distributes.

Ferreycorp, through its subsidiaries, focuses on the commercialization of capital goods and related services in several Latin American countries. Within the framework of this mission, it fulfills the attributes of excellence in the quality of products and services, as well as in the safety of its customers, with the purpose of satisfying their expectations, establishing solid long-term relationships and generating business recommendations. Ferreycorp, achieving increasing levels of loyalty.

In that sense, it offers nationwide coverage in the territories where it operates; It has a wide infrastructure of workshops and a high level of inventory to meet the needs of customers in an efficient and timely manner; and delivery, through trained technicians, after-sales service with the best quality standards.

Additionally, the corporation provides its customers with an efficient supply chain. It has an important stock of spare parts in Lima and branches; with a network of approved carriers to guarantee the best service; and with the important logistics capacity deployed through the subsidiaries Fargoline and Forbis Logistics. The latter contribute significantly to the efficiency of the supply chain, offering customers the shortest time possible for the arrival of the products required and the dispatch of the products to the country.

Finally, in order to achieve customer loyalty, the company offers medium-term credit for the purchase of machinery, equipment and spare parts and, through the financial arm of Caterpillar, financing with excellent financial conditions.

The corporation, in its role of guiding the management of subsidiary companies to focus on customers, has indicators to measure customer satisfaction and internal policies such as:

- Corporate Customer Experience Management Policy, which contains tools to fulfill the promise of brand products and services to the market, as well as customer complaint mechanisms.
- Integrated Corporate Safety, Health and Environment Policy, which includes guidelines for the safety program, use of indicators and management tools, as well as control and compliance audit.
- Corporate Policy on Information Security, in compliance with the Personal Data Protection Law in Peru.

For information on the commercial performance of Ferreycorp and its subsidiaries in 2018, consult the section on Business Management.

7.4.2 Product quality and customer satisfaction

(GRI 417-1)

The corporate area of customer experience management is aimed at guiding the development of the capabilities of the subsidiary companies to build customer loyalty. In particular for 2019, the main objectives are to expand the "Voice of the Customer" survey via social networks, standardize claims management, implement prime customer experience standards and services, as well as support the development of experience protocols for channels of attention established by the Business Excellence project.

According to this model, Ferreycorp companies carry out the following good practices:

- Design of experiences consistent with the brand promise of products and services
- Periodic mechanisms for lifting "Voice of the Client"
- Specification of loyalty indicators (satisfaction, repurchase, recommendation)
- Realization of confidence recovery actions (service recovery)
- Analysis of client pain points or insights
- Specification of initiatives to improve customer experience and / or improve the value proposition of products and services

Ferreycorp, being more demanding in its own processes, not only uses the customer satisfaction index, but also adds the NLS (Net Loyalty Score). The NLS considers three rigorous indicators: satisfaction, intention to repurchase and recommendation, based on three ratings: good, fair and bad. To calculate the NLS index, the surveys "Voice of the Client" and "Voice of the Collaborator" are used. The latter is used when some incidents reported in the "Voice of the Customer" survey must be investigated, and subsequently a meeting is held in which corrective measures and improvements to the reported issues are established.

Next, we can appreciate the level of customer satisfaction with the products or services offered by the six companies with the highest operating volumes in Peru: Ferreyros, Unimaq, Orvisa, Motored, Soltrak and Fargo. The improvement in the result in most of these companies stands out.

Consolidated results of customer satisfaction level with the products or services offered by the company*

Type of survey	Ferreyros		Unimaq	
	Satisfaction 2017 (%)	Satisfaction 2018 (%)	Satisfaction 2017 (%)	Satisfaction 2018 (%)
New machinery	54	49	39	43
Services	55	63	40	57
Spare parts	53	62	43	48
Sale of used equipment	-	-	47	50
After-sales service allied brands	-	-	41	46
Rental	62	48	43	51
% Total	54	61	42	48

Type of survey	Orvisa		Fargoline	
	Satisfaction 2017 (%)	Satisfaction 2018 (%)	Satisfaction 2017 (%)	Satisfaction 2018 (%)
New machinery	58	71	-	-
Services	47	56	91	84
Spare parts	52	52	-	-
% Total	52	60	91	84

Type of survey	Soltrak		Motored	
	Satisfaction 2017 (%)	Satisfaction 2018 (%)	Satisfaction 2017 (%)	Satisfaction 2018 (%)
New machinery	-	-	45	53
Services	32	33	23	32
Spare parts	-	-	43	45
% Total	32	33	37	42

(*) Considering: Ferreyros, Unimaq, Orvisa, Motored, Soltrak and Fargo

Likewise, Ferreycorp's six largest operating volumes in Peru show a consistent improvement in the level of customer loyalty with the products and services offered.

Consolidated results of NLS loyalty level of customers with the products or services offered by the Company

Type of Survey	Ferreyros		Unimaq	
	NLS 2017 (%)	NLS 2018 (%)	NLS 2017 (%)	NLS 2018 (%)
New machinery	44	42	28	33
Services	49	56	28	52
Spare parts	46	57	34	38
Sale of used equipment	-	-	37	33
After-sales service allied brands	-	-	27	33
Rental	57	36	33	44
% Total	47	55	32	39

Type of Survey	Orvisa		Fargoline	
	NLS 2017 (%)	NLS 2018 (%)	NLS 2017 (%)	NLS 2018 (%)
New machinery	47	66	-	-
Services	35	46	68	89
Spare parts	40	42	-	-
% Total	41	51	68	89

Type of Survey	Soltrak		Motored	
	NLS 2017 (%)	NLS 2018 (%)	NLS 2017 (%)	NLS 2018 (%)
New machinery	-	-	23	38
Services	21	21	5	14
Spare parts	-	-	30	35
% Total	21	21	22	29

(*) Considering: Ferreyros, Unimaq, Orvisa, Motored, Soltrak and Fargo

All Ferreycorp companies have permanent customer service channels and receive suggestions and complaints regarding products and services through various means of communication. Specifically in Peru, in accordance with Law No. 29571, there is a book of claims available to customers.

Currently, each subsidiary company, based on its operational independence, has generated processes for the reception and management of complaints and claims.

In Peru, the six subsidiaries with the highest operating volumes have reached various levels of complaints and claims registration. Ferreyros, Orvisa and Unimaq have a claims and indicators attention process; the registration and monitoring is done through the SAP CRM system. On the other hand, Motored, Soltrak and Fargoline also have a claims attention and indicator measurement process, which are recorded and managed through a spreadsheet.

7.4.3 Health and safety of customers

(GRI 416-1)

In all the countries in which it operates, Ferreycorp is committed to providing a safe environment, in order to guarantee the physical integrity of its employees, customers, suppliers and third parties.

In Peru, the subsidiaries have integrated quality and safety management policies that mention the commitment to be responsible for the integrity of their employees, customers, suppliers and the environment. Also, in the offices, workshops or operations there is an internal security regulation that seeks to guarantee the integrity of all those who are inside said space. In the same way, they have established procedures for the handling, segregation, storage of solid waste and hazardous liquids. Currently, subsidiaries abroad are in the process of adapting their management systems in this area.

Below is information on the six largest Ferreycorp companies in Peru. These have hundreds of products and families of products, equipment, accessories and spare parts of their different brands represented. 100% of the products show the data required by current regulations, such as the origin, safety instructions and product disposal instructions. In the case of equipment, these have safety manuals that include specific information for each model.

Labeling information for products and services (*)

Labeling	Ferreyros				Unimaq				Orvisa				Soltrak				Motored			
	Equipments	Accessories	Spare parts	Services	Equipments	Accessories	Spare parts	Services	Equipments	Accessories	Spare parts	Services	Equipments	Accessories	Spare parts	Services	Equipments	Accessories	Spare parts	Services
Source	Yes	Yes	Yes	-	Yes	Yes	Yes		Yes	Yes	Yes	-	-	Yes	Yes	-	Yes	Yes	Yes	-
Content: Presence of substances that may affect the environment	-	-	Si	Si	-	-	Si	Si	-	-	Si	Si	-	Si	Si	-	-	-	-	-
Security instructions	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	-	Yes	Yes	Yes	Yes	-	Yes	Yes
Elimination of the product	-	-	Yes	Yes	-	-	Yes	Yes	-	-	Yes	Yes	-	Yes	Yes	Yes	-	-		-

(*) Considering: Ferreyros, Unimaq, Orvisa, Motored and Soltrak

Policies, standards and good practices in health and safety of clients by company (*)

Company	Policy	Standards and good practices
Ferreyros	Integrated Security, Health and Environment Policy and Internal Security Regulation	ISO 9001-2008, ISO 17025-2006
Unimaq	Integrated Policy on Quality, Safety, Health, Environment and Social Responsibility.	ISO 9001, ISO 14001, OHSAS 18001
Orvisa	Integrated Safety, Health and Environment Policy	ISO 14001, OHSAS 18001, 33/5000 Good Labor Practices MINTRA (Ministry of Labor)
Fargoline	Integrated Safety, Health and Environment Policy	ISO 9001 2008
Soltrak	Integrated Safety, Health and Environment Policy	ISO 9001-2008
Motored	Integrated Quality Policy and SSOMA	ISO 9001, ISO 14001, OHSAS 18001, Law 2983

(*) Considering: Ferreyros, Unimaq, Orvisa, Motored, Soltrak and Fargo

7.4.4 Customer privacy

(GRI 418-1)

In compliance with the Peruvian Law on Protection of Personal Data, Ferreycorp and its subsidiaries in the country request prior, informed, express and unequivocal consent to carry out the processing of data or information of a natural person. In case of sensitive data processing, written consent is also required. Likewise, the corporation considers that the client has adequately provided its consent when it has a positive way in virtual media of the "click", "tap" or similar option when requesting acceptance of the present terms applicable to the treatment. of your personal data.

The techniques have been developed to avoid any undue manipulation, accidental loss, destruction or unauthorized access by third parties to this information, using the appropriate means to counteract them.

7.5 Value for the community

(GRI 413-1; 413-2; 203-1)

Contributing to the social and cultural development of local communities is one of the objectives of the corporation. Each of the companies seeks to promote social, solidarity and collaborative values to achieve a fairer society in which principles of social responsibility and sustainability prevail.

Ferreycorp works closely with various sectors of the community, mainly on two issues that it considers key to the country's progress: education and sanitation. To do this, it finances public investment projects through the Works for Tax Deduction mechanism, and deploys technical training and soft skills development programs for young people.

7.5.1 Projects of Public Works for Tax Deduction

Ferreycorp seeks to contribute directly to the decentralized development of the country through the financing and execution of public investment projects, under the form of Works for Tax Deduction. Thanks to this modality it is possible to take the capacities of the private sector to reduce the infrastructure gap in the country more expeditiously.

The final result is a direct increase in the quality of life and the possibilities of developing remote populations with low resources, without access to the most basic services. The corporation focuses on water and sanitation works, as well as improving educational infrastructure.

In 2018, Ferreyros completed the execution of two water and sanitation works in Cusco (Zurite and Sangarará), the first Works for Tax Deduction convened by the Regional Government of Cusco. In this same city, province of Urubamba, Ferreyros continued with a water and sanitation project in consortium with the company Backus.

Also, Ferreyros, individually, opened two schools in La Libertad and began, in consortium with Unimaq, the construction of another educational center in that region. In addition, the construction of a school in Ica continued, which Ferreyros has been executing in a consortium with the Fargoline company.

To date, Ferreycorp Corporation and its subsidiaries, individually or in a consortium, have already committed S / 87 million in 10 Works for Tax projects, in Acomayo, Anta, Urubamba and Paucartambo (Cusco); Chepén and Laredo (La Libertad); New Town (Ica); Huayllay (Cerro de Pasco); and Yauli (Junín).

The execution of Works for Tax Deduction allows private companies to finance and implement public projects and then recover the investment made through a certificate for the payment of their income tax. It is worth mentioning the important management effort that the corporation demands for this modality in the different stages of the works, from the identification of the projects to their delivery to the beneficiaries.

7.5.2 Education programs

For Ferreycorp, investing in education is to promote economic development in the country: it is one of the most powerful instruments to reduce poverty and inequality, and lays the foundations for sustained economic growth. Below, some of the most relevant initiatives deployed in this field during the year.

7.5.2.1 Ferreycorp Association

Through the contribution of its members: Ferreycorp, Ferreyros, Unimaq, Orvisa, Cresko, Fargoline, Motored and Soltrak, the Ferreycorp Association deploys the Ferreycorp Program for Professional Development, which aims to stimulate future professionals to raise their awareness of the important role they play within society and highlight the importance of ethical values as an irreplaceable basis for the development of the individual and society.

With more than 34,000 students in more than 20 years, 80% belonging to provincial universities, and with a presence in more than 38 universities nationwide, the Ferreycorp Association offers a three-module program whose contents are completely independent of the content developed in the universities.

The modules are carried out through an interactive and playful methodology, which promotes the analysis and solution of practical cases through dialogue, using group dynamics and exercises in which the maximum participation of students is sought through doing, feel and think.

To carry out its objective, the Ferreycorp Association is made up of a professional and talented team of facilitators, which each year develops the workshops throughout the country, with resources of the association itself. It also has a steering committee made up of managers of the corporation.

7.5.2.2 Think Big Program

Since 2002, Ferreycorp has been preparing technicians specialized in Caterpillar products for two years. The training is carried out in Tecsup and the students' practices are carried out in the Ferreyros workshops.

The technicians have, through this program, access to a Ferreyros educational credit fund that allows them to finance up to 100% of their studies, an amount that is returned when the participants join the workforce. Upon completion, graduates have as a first option to enter a defined career line within the workforce of Ferreyros and Unimaq.

7.5.2.3 Senati Dual Learning Program and Sembrando Tu Futuro Program

The Senati Dual Learning Program, sponsored by Ferreyros, Motored, Orvisa and Unimaq, takes place in Lima and Cajamarca. The young maintenance students of heavy machinery complement their technical training with a practical apprenticeship in the facilities of the companies.

In turn, with the Sembrando Tu Futuro Program, Unimaq is responsible for covering the cost of studies of low-income schoolchildren in the community of Huaycán (Lima), with outstanding performance and a high degree of interest in pursuing higher education in Senati.

7.5.2.4 Pre-professional Practices Program, support for academic research and vocational guidance

In Peru, Ferreyros, Unimaq, Soltrak, Motored, Orvisa and Cresko have pre-professional internship programs through which a mentor is assigned to university students in recent years to guide them through a learning program and is responsible for feedback their performance for the development of professional skills.

We also support different students who elaborated academic research works in relation to Ferreyros.

7.5.2.5 Heavy Equipment Operators Club

Through this program, founded in 2013, the Ferreyros, Unimaq and Orvisa companies seek to contribute to the development and recognition of machinery operators. To date, it has more than 14,000 members.

The Heavy Equipment Operators Club offers its members the possibility to access knowledge and experiences through free seminars through the web www.cluboperadoresferreyros.com and its Facebook page.

Promotes the recognition of Heavy Machinery Operator's Day. Conducts the "The Best Heavy Equipment Operator of Peru" contest, which in its three editions has attracted more than 5,000 operators from all over the country.

7.5.2.6 Heavy Equipment Technicians Club

Through this program, the companies Ferreyros, Unimaq and Orvisa seek to generate positive impacts in the professional group of heavy equipment technicians. The club organizes the Contest "The Best Heavy Equipment Technician of Peru", which in its two editions had more than 3,000 registered.

In addition, this community discloses valuable information and promotes interaction among its members through digital platforms: www.clubdetecnicos.com.pe and social networks. To date, it has more than 4,200 members.

7.5.3 Volunteering of collaborators

With the purpose of generating positive impacts on society, promoting the participation of employees in activities related to the community, and strengthening their commitment to vulnerable populations, Ferreycorp develops Corporate Volunteering every year at a national level.

During 2018, volunteer activities were carried out in different parts of the country and the initiatives were focused on improving infrastructure and transferring knowledge in various educational centers, as well as subsidizing assets and strengthening the capacities of vulnerable groups. More than 1,000 volunteers participated in all campaigns conducted during this period, benefiting more than 3,500 people including children, youth, adults and the elderly.

In the year 2018, the following activities were carried out:

Company	Volunteer program	City	Participating volunteers	Allied institutions	People benefited
Ferreiros	Initiatives related to the improvement, maintenance and expansion of educational infrastructure in areas most in need, which are complemented by activities to transfer knowledge and / or skills.	Chimbote, Huaraz, Puno, Piura, Lambayeque, Huancayo, Cajamarca, Arequipa, Cerro de Pasco, Trujillo and Ayacucho	200+	Schools of each city	200+
Unimaq	Christmas Volunteer	Lima, Cusco, Trujillo and Cajamarca	105	Qoluyo Paucartambo, Choquecca Challhuahuacho, San Vicente de Paul Geriatric Home and Poor Neighbourhood	265
	Cold campaign	Lima, Cusco and Trujillo	50	Juguete Pendiente NGO	-
	Recycling campaign	Lima and Cusco	470	Collaborators and Kallpa NGO	-
	Pusaysi Kallpa Program	Lima	2	Kallpa NGO	3
	Computer classes: Conga Project / Yanacocha Project	Cajamarca	4	Population of Agua Blanca, San Nicolás, Cushurobamba, Apalín and Río Grande	26
	Donation of school furniture	Cajamarca	2	Population of Cushurobamba, Apalín and Río Grande	-
Orvisa	Improvement of three Pronoei premises: Casco Manco Capac, Caserío San José and Quebrada Seca Alta	Pucallpa, Tarapoto and Bagua	38	-	155
	Mothers of San Juan Bautista Savings Group: Organized women promote a culture of peace, affection and good treatment through the recognition of their rights and the increase of their income	Iquitos	30	Arbol de la Vida Foundation, Dignidad Peru Association.	2,000
	Children promote responsible schools: sensitive to the environment and free of violence	Iquitos	20	Arbol de la Vida Foundation	300

Company	Volunteer Program	City	Participating volunteers	Allied institutions	People benefited
Fargoline	Donation of sunscreens to children in a children's shelter	Bellavista, Ventanilla	5	SOS Children's Villages Callao	48
	Renewal of the nutritional and educational program "Take care of Me" for Children's Villages		50	SOS Children's Villages Callao	55
	Donation of non-perishable clothing and food to people affected by frost	Huancavelica, Puno	50	Sol Sonrisa NGO	100
Motored	Kallpa Program	Lima	10	Kallpa	100
	Collection of school supplies	Lima	70	Kantaya	300
	Annual collection of the Peruvian Cancer Foundation	Lima	2	Peruvian Cancer Foundation	-
	Annual collection of the Peruvian League for the Fight against Cancer	Lima	2	Peruvian League for the Fight against Cancer	-
	Christmas with children	Lima	20	Lurín human settlement	200

7.5.4 Ferreycorp 4K

For eight years, the corporation has been running the "Ferreycorp 4K" race, a fundraising activity for corporate volunteering, which is being developed simultaneously in all branches nationwide and has the participation of more than 3,200 employees of eleven subsidiaries, their relatives, friends and pets.

Thanks to this activity, in 2018 it was possible to collect an approximate of PEN 70,000, an amount that will be used in the volunteer activities of the following year.

7.6 Value for the suppliers

(GRI 102-9)

Ferreycorp is committed to developing long-term, reliable and fair relationships with all its suppliers, whom it considers its strategic partners. Therefore, the corporation has a hiring policy under clearly established principles, such as transparency and fair treatment. Ferreycorp links with its suppliers from a perspective of mutual growth.

7.6.1 Type of suppliers

Suppliers are considered strategic partners of the corporation and a fundamental element in their supply chain. Ferreycorp presents two types of suppliers: commercial and non-commercial, both local and foreign.

The importation of capital goods is the activity par excellence of the majority of companies in the corporation, to which specialized support is added. The main commercial suppliers of the corporation, mainly foreigners, are therefore the manufacturers of the brands represented, whose goods are imported from different parts of the world by the subsidiaries of Ferreycorp. It highlights the relationship that has been maintained since 1942 with Caterpillar, the organization's flagship brand.

It should be noted that both Caterpillar and other leading brands represented, such as Chevron, Terex, Iveco, Kenworth and Massey Ferguson, are leading companies with a recognized track record in international markets, with world class sustainability practices. Its commitments in this field range from a high environmental and social responsibility to the principle of promoting lasting relationships with its stakeholders, such as customers, shareholders, distributors and collaborators. According to its own expressions, this includes providing products that contemplate the regulations on safety and environment; have inclusive work environments; and support the diversity of people, among other aspects.

At the same time, international transport service companies (airlines, shipping companies), customs and freight agencies are involved in the supply chain of the Ferreycorp corporation.

In relation to its non-commercial activities, Ferreycorp also manages a portfolio of local and foreign suppliers that provide goods and services. Among those of local operation are insurance and telephony companies; transporters and suppliers of truck fleets; travel agencies, customs and logistics; general service and cleaning companies; of infrastructure, environmental and technology services; of provision of stationery, uniforms and merchandising; among many others. At the same time, there are suppliers that supply goods such as computers, supplies and fixed assets.

The system to hire suppliers includes a competitive process, which takes into account variables such as prices, quality, good corporate governance practices and the environment, as well as the review of financial aspects and commercial references of the candidates.

During 2018, the main Ferreycorp companies in Peru and the parent company have contracted with suppliers for an amount exceeding PEN 3,400 million. For more details, consult section 7.6.6- Expenditure on suppliers.

7.6.2 Supplier sustainability practices

(GRI 408-1; 409-1)

Given that the provider is an important stakeholder group for the organization, it seeks to work with companies rated as sustainable. During the supplier selection process, the corporation does not limit itself to verifying the economic, financial and commercial situation of the candidates, but also the adoption of basic sustainability standards such as:

- Human rights and respect for labor standards (elimination of all forms of forced labor, child labor, and employment discrimination practices).
- Free association and timely payment to their workers.
- Environment and a preventive approach that favors the environment and that promotes environmental responsibility.
- Anti-corruption commitment.
- Security rules.

In 2018, the Ferreycorp parent company began a process of homologation of suppliers, through a specialized company hired for this purpose (Hodelpe), in order to verify compliance with these principles. Those suppliers that do not have this external approval may submit similar approvals or declare their practices of social responsibility, government and environment, as well as security and finances, through a particular format. It is committed to extend these practices in the future to the subsidiaries of the corporation.

Likewise, the parent company has begun the practice of granting, in the corporate competitions of suppliers, an additional score in favor of those suppliers that demonstrate high sustainability standards.

In another area, the homologation processes carried out every year, in terms of safety, by the carriers of the Ferreyros and Unimaq subsidiaries, with the company SGS, stand out. It should be noted that, since 2007, Ferreyros has integrated them into a Transport Committee to share experiences and good practices.

By 2018, the following numbers of approved suppliers are available:

- Ferreycorp: 7 suppliers approved externally and 4 in process.
- Unimaq: 62 suppliers approved with an external company and 234 suppliers approved internally.
- Motored: 6 suppliers approved with an external company.
- Ferreyros: 24 approved suppliers in safety and 38 approved suppliers in transport with an external third company.

It should be noted that, since 2010, the contracts of individual Ferreycorp suppliers have clauses regarding the requirement to comply with the Principles of Corporate Social Responsibility established by the organization.

7.6.3 Health and safety of suppliers

The corporation and its subsidiaries seek to promote a safe work culture at all levels of the organization, preventing injuries and occupational diseases to minimize risks to health and safety.

To ensure adequate management of the health and safety of suppliers, Ferreycorp has rigorous policies and regulations:

- Integrated Safety, Health and Environment Policy.
- Suspension Policy and Right not to Perform Unsafe Work.
- Fatigue and Drowsiness Policy.
- Corporate Standard for the Works and Services of Contractors and Suppliers.
- Standard for the Selection of Permanent Services of Third Parties.
- Procedure for the Entry of Carriers as a Service Provider.
- Code of Ethics.

On the other hand, it manages the safety and health of its suppliers in different lines of work:

- Products and services: A risk assessment is carried out in order to eliminate or minimize the identified hazards, as well as to determine the preventive measures.
- Equipment: The units have operating manuals that include safety issues.
- Plant visits: There are safety guidelines to ensure the integrity of the visiting staff, such as: Contractor Induction, Complementary Risk Work Insurance (SCTR), Safe Work Analysis (ATS), safety signage, security, use of personal protection equipment, risk map, evacuation map, etc.

It is important to highlight that the suppliers, as well as the direct collaborators, are part of the scope of the Safety, Health and Environment Management System (SSMA) of Ferreycorp.

7.6.4 Training

From the different companies of Ferreycorp, it seeks to promote the formalization and development of local suppliers, in order to improve the quality of the goods and services they offer, thus contributing to the growth of local economies.

In this context, local providers are trained in various relevant topics, such as health and safety. The following shows the activities carried out by the Ferreycorp parent company and by the six largest subsidiaries in Peru.

Training of suppliers in 2018

Temas de capacitación	Ferreyros y Ferreycorp	Unimaq	Orvisa	Motored	Soltrak	Fargoline
Total de proveedores capacitados	4,359	326	78	171	120	324
Horas hombre de formación a proveedores	14,382	1,630	272	684	360	648
% de proveedores capacitados en salud y seguridad	No aplica	100%	11%	100%	100%	92%
% de proveedores capacitados en calidad del servicio	No aplica	No aplica	No aplica	No aplica	No aplica	92%
% de proveedores capacitados en calidad del producto	No aplica	No aplica	No aplica	No aplica	No aplica	92%
% de proveedores capacitados en privacidad de clientes	No aplica	No aplica	No aplica	No aplica	No aplica	92%
% de proveedores capacitados en otros temas	No aplica	No aplica	No aplica	No aplica	No aplica	92%

7.6.5 Key initiatives

The corporation ensures the safety and health of its suppliers through policies, procedures and standards, as well as preventive practices, maintaining high performance standards, prioritizing the safe development of work and complying with the provisions of applicable legal regulations.

In addition, it is considered essential to promote professional and equitable relationships with the entire service chain, which favors the fulfillment of customer requirements, prevents accidents and improves the efficiency of the service.

Some of the most relevant initiatives that Ferreycorp develops with its suppliers are:

- Health and safety: Alignment of the safety management system to the OHSAS 18001 standards.
 - Within the Security Management System of each company, corporate norms and procedures are established that encourage compliance and, therefore, ensure that interest groups work in a safe environment.
- Relationship: Creation of reliable and permanent relationships over time with suppliers, under the perspective of mutual growth.

- Regulations: Adoption of standards, within Ferreycorp, that operate as a framework for the management of suppliers.
 - o Corporate Standard for Non-Commercial Procurement of Goods and Services (FIN-ADMIN-NC-004).
 - o General Standard for Non-Commercial Purchases in Branches (FIN-ACR-NG-007).
 - o General Regulation for the Control of Payments to General Service Providers at the national level (FIN-ACR-NG-010).

7.6.6 Expenditure on suppliers

(GRI 102-9; 204-1)

The volumes of purchases that the six largest volume subsidiaries in Peru and the Ferreycorp parent made to 2018 are shown below.

Expenditure on suppliers in 2018

	Ferreycorp	Unimaq	Orvisa	Motored	Soltrak	Fargoline	Matriz Ferreycorp
Número de proveedores totales	5,798	1,251	130	2,833	504	52	604
Monto total de compras realizadas en bienes y servicios (S/ miles)	2,497,038	388,397	124,213	178,549	222,519	71,673	7,797

7.6.7 Supplier performance evaluation

Ferreycorp and its subsidiaries have the following assessment mechanisms to ensure the good performance of their suppliers:

- **Evaluation in quantitative aspects:**
 - o Compliance with the required technical and functionality specifications.
 - o Delivery times in the times agreed in the contract or the purchase order.
 - o Amounts attended.
- **Evaluation in qualitative aspects:**
 - o Compliance with security standards.
 - o Timely response to requirements or complaints made (after-sales service).
 - o Quality of service / product versus price.

7.6.8 Method of payment

Regarding the form of payment to your local suppliers, a 60-day payment method has been established. However, there is a payment procedure through factoring contracts, which allows suppliers to charge practically against invoice presentation, as long as they assume the financial cost of said modality.

The corporation seeks to transfer to suppliers competitive interest rates for this advance payment, taking into account the credit risk of the companies of the corporation.

7.7 Value for the environment

The Ferreycorp corporation is committed to sustainable business management, responsible for its environmental impacts. Therefore, it has internal regulations that ensure proper environmental management; who demand from their collaborators the experience of these parameters in their day to day; who demand compliance with standards from their suppliers; and that they promote among their clients the incorporation of a culture that respects the environment.

Ferreycorp, as a parent company, has published guidelines on environmental management through the Corporate Environmental Management Standard and its Corporate Policy for Sustainable Development, documents that guide its performance and that lay the foundations on which to implement actions that reduce and mitigate impacts on the environment.

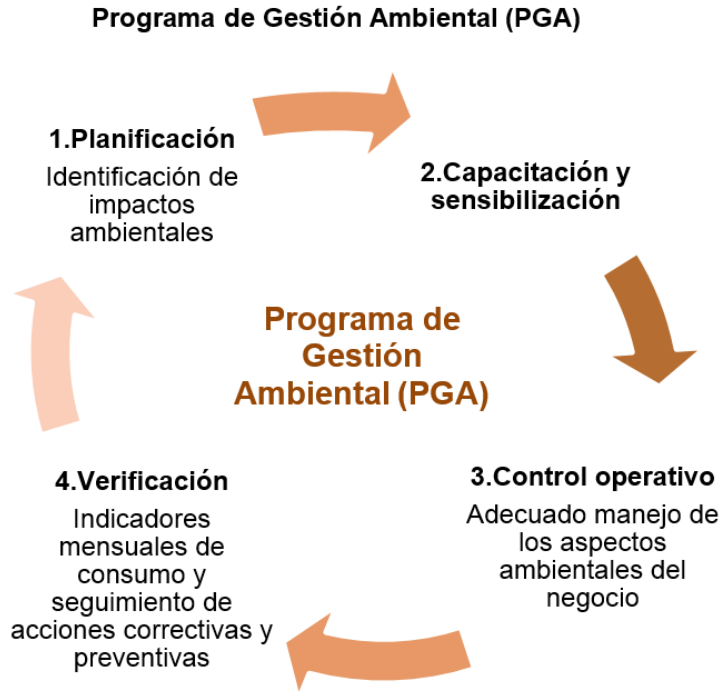
Hand in hand with these guidelines, Ferreycorp's subsidiaries in Peru and abroad incorporate in their management policies and procedures according to each business, which are in turn implemented through Environmental Management Systems, expressing commitment and responsibility in all levels of the corporation.

Currently, companies are aligned to the ISO 14001 standard, and work to become certified in this standard. Fargoline is the first subsidiary to have an environmental management system certified with this standard (scope of the Gambetta location in Callao).

The companies of the corporation have an Environmental Management Program (PGA) that includes four stages:

- 1) Planning and identification of impacts;
- 2) Training and sensitization to the groups of interest;
- 3) Operational control; Y
- 4) Monitoring of main indicators.

In this sense, each company has areas specialized in the matter that operate under the corporate guidelines.



7.7.1 Conserving resources: water, energy and waste

The corporation is committed to the proper management of resources, especially those that have a significant use in the operations of their companies.

7.7.1.1 Water

(GRI 303-1)

Water is a resource of paramount value, both in production processes and in human consumption; therefore, its adequate and efficient management is highly relevant. During the year 2018, the consumption of more than 200 m³ of water was reduced compared to 2017.

Table 1. Water consumption (m³)

Companies	2017	2018	Difference
Ferreyros + holding Ferreycorp	117,044.00	118,748.90	1,704.90
Unimaq	22,194.00	19,488.38	-2,705.62
Soltrak	7,031.00	6,843.66	-187.34
Motored	7,644.00	5,299.00	-2,345.00
Fargoline	3,588.00	5,789.65	2,201.65
Orvisa	3,887.00	4,982.06	1,095.06
Motriza	-	1,890.92	-
Total	161,388.00	163,042.57	-236.35

The companies Fargoline, Motored and Orvisa in 2018 registered the consumption of new locations previously not considered.

Regarding the discharge of water, Ferreyros, Orvisa, Fargoline, Unimaq and Motored monitor the discharge of domestic and / or industrial wastewater.

(GRI 306-1)

Table 2. Water discharge

	Ferreyros		Orvisa	Fargoline	Unimaq	Motored
Locations	Cajamarca	Industrial, Rentafer, Gambetta, Piura, Lambayeque, Trujillo, Chimbote, Huaraz, Huancayo, Ica, Arequipa, CDR, Juliaca and Pasco	Iquitos	Gambetta, Arequipa	Ate, Villa El Salvador, Arequipa, Cusco	Lurin
a. Total volume (m³) of scheduled and unscheduled water discharges	1. Domestic wastewater: 840.06m ³ 2. Non-domestic wastewater: 8462.90m ³	1. Domestic wastewater: 74,261.4m ³ 2. Non-domestic wastewater: 1209.4m ³	Non-domestic wastewater: 1,671.56m ³	Domestic wastewater: 4,528.70m ³	Non-domestic wastewater: 1,389.4 m ³	Non-domestic wastewater: 1,440.00 m ³
b. Destination of the water spill	River	1. Public sewage network 2. Arranged in landfill	Public sewage network	Public sewage network	Public sewage network	Arranged in landfill
c. Water quality poured	According to the VMA of D.S. 001-2015-Housing	1. Does not require monitoring 2. Treatment through EPS	According to the VMA of D.S. 001-2015-Housing	1. Does not require monitoring	According to the VMA of D.S. 001-2015-Housing	Treatment through EPS
d. Water treatment method	1. Plant UMV-30 2. Collection pit and grease trap: Settler and a holding chamber for suspended solids and greases	1. Domestic wastewater: No treatment 2. In landfill	Treatment: Grease traps and carbon, sand and gravel filters.	1. Domestic wastewater: No treatment	Primary treatment: Grease and sludge traps	In landfill

*VMA: Maximum admissible values

Committed to reducing water consumption, in 2018 the company Ferreycorp received the results of the water footprint measurement for the 2017 period from the headquarters of its Spare Parts Distribution Center (CDR), in Callao. These results constitute a tool for monitoring the quantity, quality and impact of direct and indirect water consumption throughout the production process over a period of one year.

Table 3. Water footprint 2017 (m³)

	Direct use of water	Indirect use - Supply chain	Indirect use - Energy and transport	Total
Water footprint CDR – 2017 (m ³)	3,487.50	1,912.54	19,413.58	24,813.62

In this context, the Ferreycorp company participates in the Huella Hídrica program, promoted by the National Water Authority (ANA), through which organizations seek to reduce water consumption and implement a shared value program in support of the community, carrying out projects focused on improving water quality and service.

During 2018, the Shared Value Plan "Expansion and improvement of the potable water system, sewerage and treatment plant of the capital of the district of Colquepata, province of Paucartambo- Cusco" was designed, presented and implemented, which will benefit more than 2,000 inhabitants of the area and which is estimated to culminate in June 2019.

These actions will allow the corporation to obtain the Blue Certificate in the short term, a distinction that demonstrates the commitment and results of the proper management of the water resource.

7.7.1.2 Energy

(GRI 302-1; 302-4)

The corporation is committed to the reduction and efficient use of energy within its operations, which is why the company Ferreycorp has implemented LED luminaires in all new works and made gradual changes in the lighting system of the different locations. In addition, daily surveillance rounds are carried out by the staff to verify the shutdown of all the equipment that is on or connected. These measures have contributed to the total decrease of 1,513 GJ in 2018.

Table 4. Electric power consumption (Gj)

Company	2017	2018	Difference
Ferreyros + Holding Ferreycorp	32,422.60	29,628.51	-2794.09
Unimaq	3,717.20	3,448.16	-269.04
Soltrak	1,974.17	1,718.14	-256.03
Motored	1,565.49	1,738.17	172.68
Fargoline	2,919.23	2,932.13	12.90
Orvisa	761.32	2,381.90	1620.58
Motriza	-	254.13	-
Total	43,360.01	42,101.14	-1513.00

The companies Fargoline, Motored and Orvisa, in the year 2018 registered the consumption of new headquarters before not considered.

Table 5. Reduction of electric power and GHG emissions

Companies	Locations	2018	
		Reduction - Electric power (kwh)	Reduction - GHG emissions [t CO _{2e}]
Ferreycorp	Surco	271,956	-57
Ferreyros	Industrial	121,175	-25
Total		393,131	-82

a) Consumption of non-renewable fuels

Regarding the consumption of non-renewable fuels, there are still challenges to achieve the reduction of their consumption:

Table 1. Consumption of non-renewable fuels

	Ferreyros + Holding Ferreyrcorp		Unimaq		Orvisa		Fargoline		Motored		Soltrak		Motriza	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
GLP	4,714.50	5,106.37	117.67	36.04	-	-	-	-	283.13	211.49	140.15	168.5	-	17.73
GASOLINA	2,189.40	445.68	304.9	530.01	-	-	-	106.46	650.24	194.24	452.33	336.19	-	-
PETRÓLEO	51,438.70	46,488.14	7,399.10	5,153.40	182.71	1,951.25	35,061.36	42,870.05	339.19	897.31	692.16	1,009.62	-	390
TOTAL	58,342.60	52,040.18	7,821.67	5,719.45	182.71	1,951.25	35,061.36	42,976.51	1,272.56	1,303.04	1,284.64	1,514.31	-	407.74

b) Energy intensity

(GRI 302-3)

Regarding the energy intensity, the corporation has managed to reduce the total consumption per employee in some of its subsidiaries.

Table 7. Energy Intensity (Gj)

	Ferreyros + Holding Ferreyrcorp		Unimaq		Orvisa		Fargoline		Motored		Soltrak		Motriza	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Consumo energético total	90,765.20	81,668.69	11,538.87	9,167.61	944.03	4,333.15	37,980.59	45,908.64	2,838.05	3,041.22	3,258.81	3,232.45	-	661.9
Cantidad de colaboradores	3,335.00	3,715.00	701.00	638.00	196.00	195.00	195.00	219.00	122.00	186.00	447.00	437.00	-	93.00
Total en el año (GJ por colaborador)	27.22	21.98	16.46	14.37	4.82	22.22	194.77	209.63	23.26	16.35	7.29	7.40	-	7.12

7.7.1.3 Materials

(GRI 301-1)

Ferreyros, Unimaq, Orvisa, Fargoline, Motored and Soltrak seek to achieve levels of productive and energy efficiency that contribute to reducing the direct and indirect carbon footprint of their operations, which is also reflected in the materials they use. Among such materials are paper, cardboard, plastics, glass, metals, wood, packaging tapes, oils and lubricants, boxes, among others.

Table 8. Type of materials (Tn)

	Ferreyros + Holding Ferreycorp	Unimaq	Orvisa	Fargoline	Motored	Soltrak
Paperboard (Boxes)	7.59	0.82	0.06	0.08	0.08	9.83
Wood (Pallet, slats, etc.)	-	2.47	0.11	18.66	-	40.09
Paper (Bond sheets, ream of paper, formatry)	23.56	6.13	2.91	3.32	3.39	-
Plastic (Stretch film, bags, packing tape)	2.64	81.00	1.51	5.09	-	54.16
Metal (Chains, Tensioners, etc.)	-	-	-	31.05	-	-
Others (Oils, lubricants and absorbent cloths)	123.63	-	-	-	-	-
TOTAL	157.43	90.42	4.59	58.20	3.47	104.08

Table 9. Renewable and non-renewable materials (Tn)

		Ferreyros + Holding Ferreycorp	Unimaq	Orvisa	Fargoline	Motored	Soltrak
2018	Renewable	31.15	9.42	3.08	53.11	3.47	49.92
	Non-renewable	126.27	81.00	1.51	5.09	-	54.16
	TOTAL	157.43	90.42	4.59	58.20	3.47	104.08

7.7.1.4 Waste

(GRI 306-2; 306-4)

Within the framework of good management practices and final disposal of waste, the strategies adopted by Ferreyros, Unimaq, Orvisa, Fargoline, Motored, Soltrak and Motriza can be highlighted to minimize the impacts generated by their processes.

Waste management is very important for the business, which is why it renews the conventions of adequate disposition, at a national level. In addition, the corporation works to transport its waste, in compliance with regulations, with operating companies (EO-RS) or municipal services, according to the volume of the same.

Table 10. Waste (Tn)

	Ferreyros + Holding Ferreycorp		Unimaq		Soltrak		Motored		Fargoline		Orvisa		Motriza	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Non-hazardous	400.50	282.25	89.34	11.22	34.34	13.39	23.98	23.06	97.85	135.52	7.32	8.92	-	0.65
Hazardous	159.08	259.62	33.68	40.19	2.39	1.47	8.30	32.90	2.04	27.33	2.82	2.28	-	4.77
Recyclable	763.60	719.08	67.92	10.48	5.10	3.27	16.90	9.59	41.58	41.70	6.33	4.97	-	1.33
RAEE (Special)	3.88	0.82	-	0.01	-	-	-	-	-	-	-	-	-	-
Total	1,327.06	1,261.76	190.94	61.89	41.83	18.13	49.18	65.55	141.47	204.54	16.47	16.17	-	6.75

Both non-hazardous waste (general and wood) and hazardous waste (filters, EPPS, contaminated wipes and absorbent cloths, batteries and batteries, residual oil and refrigerants) of the main subsidiaries of the corporation are collected and transported by an EO-RS towards the final disposal in the landfill and safety landfill, as appropriate.

Table 11. Hazardous waste transported (Tn)

	Ferreyros + Holding Ferreycorp	Unimaq	Orvisa	Fargoline	Soltrak	Motored	Motriza
2017	159.08	33.68	2.82	2.04	2.39	8.30	-
2018	253.77	40.19	2.28	27.33	1.47	32.90	4.77

1. Locations in which non-hazardous waste is collected by an EO-RS:

- Ferreyros: Industrial, Rentafar, CDR, Gambetta, Surco, Cajamarca, Arequipa, Cusco
- Soltrak: Callao
- Unimaq: Ate, Villa El Salvador, Arequipa, Cusco, Ilo, Trujillo
- Fargoline: Gambetta, Punta Negra

2. Locations in which non-hazardous waste is collected by a municipality:

- Ferreyros: Piura, Lambayeque, Trujillo, Chimbote, Huaraz, Huancayo, Ayacucho, Cerro de Pasco, Ica, Juliaca
- Unimaq: Huancayo, Cajamarca, Piura, Huaraz, Chiclayo
- Orvisa: Iquitos, Pucallpa, Tarapoto, Puerto Maldonado, Huánuco, Bagua
- Fargoline: Arequipa
- Motored: Ate, Lurín, Trujillo, Cajamarca, Arequipa
- Motriza: Callao

The management of waste oils is carried out by a specialized company that extends its useful life, converting them into raw material and avoiding generating greater impacts associated with their use.

The metallic waste is derived to a company that manages this waste, from parts or spare parts that can not be recovered and are categorized as non-reusable. In some cases, this waste is returned to customers, as it is obtained during the machinery repair process.

As regards waste electrical and electronic equipment (WEEE), such as computer and telecommunications equipment, they are managed according to the corporate agreement signed in 2016 with Entel, for nine corporate headquarters located in Lima. They are transported, previously carrying out the process of dismantling, decontamination, classification and segregation, crushing, pressing, compaction and reuse of parts that can be recycled.

On the other hand, the main subsidiary Ferreyros has established a strategic alliance with the organization Aldeas Infantiles for the segregation, collection and recycling of paper from three of its premises. During 2018, 14,046 kilos of paper have been segregated, equivalent to 239 saved trees, 1,124 liters of water and 66,719 electric energy saved. In the same way, it has contributed with the financing of the complete feeding of 35 children belonging to the Program "Recíclame, cuple tu papel".

Table 2. Impacts of donated paper

	Donated paper (Kg)	Saved trees	Water saved	Electric power saved	Scholarships given
2017	12,664	215	1,013	60,152	38
2018	14,046	239	1,124	66,719	35

Recolección en sedes de Surco, CDR e Industrial

In order to ensure proper management of each of the waste from Ferreycorp and its subsidiaries, employees are trained face-to-face and virtual.

Table 13. Percentage of total employees trained in waste segregation

	2018	
	Lima	Provinces
Ferreyros	15.32	46.62
Unimaq	23.73	4.33
Orvisa	-	92.75
Fargoline	93.60	62.5
Soltrak	3.87	67.97
Motored	0.72	-
Motriza	32.26	-

7.7.2 Extended product liability

Ferreyros, seeking to minimize the negative impacts of solid waste on the environment, promotes the circular economy in the industry through programs for the reconstruction of equipment and components with a high level of wear or that have already been discarded. The reconstruction allows customers to offer equipment with a new useful life, with the operational capacity of new units, at a lower cost.

The CAT Certified Reconstruction (CCR) program, for underground mining and heavy construction equipment, requires compliance with a series of repairs and changes to mandatory parts, as well as the incorporation of improvements that were implemented

after the date of manufacture of the equipment. Equipment that is eligible for this program, after repairs, gets a new serial number and a new Caterpillar warranty period.

For its part, the Ferreyros general equipment reconstruction program offers the possibility of rehabilitating a wide range of machines - giant electric loaders, haulage trucks, auxiliary equipment for mining and heavy construction equipment - through component repair processes, parts recovery and replacement of parts by spare parts, in different levels of depth according to the needs of each client. This program delivers the reconstructed equipment with a new warranty period issued by Ferreyros.

Only in the last two years, the company has rebuilt a series of equipment that has been operating successfully in the north, center and south of the country: mining trucks, low profile loaders for underground mining, heavy construction equipment, auxiliary equipment for large-scale mining and even an electric cable shovel CAT 7495, the largest equipment in the Caterpillar portfolio in Peru.

Among the main environmental benefits of this practice are:

- Reduction of the affectation of the soil caused by machinery buried in industrial landfills or "cemeteries of machines".
- Reduction of air pollution due to the traditional processes of machinery smelting.
- Maximization of production processes and the use of resources: this production is based on the use of inputs and discarded materials.

Table 3. Extended product liability programs

Equipment rebuilt by Ferreyros		
Equipments	2018	2017
Low profile loaders CAT	26	22
Heavy construction machinery CAT	14	22
CAT trucks	10	0
Other CAT mining machines	8	11
Total	46	50

7.7.3 Climate change: Emissions

Ferreycorp considers it of utmost importance to reduce the environmental impacts associated with climate change, which is why it focuses its efforts on reducing its greenhouse gas emissions as a contribution to the Sustainable Development Goals and the national objectives agreed in the Paris Agreement.

7.7.3.1 Emissions

(GRI 305-1)

Since 2016, Ferreyros implements the good practice of measuring environmental pollution in all the locations, following compliance with the principles of the GHG Protocol and the orientation of the international standard ISO 14064-1. Since 2017, the measurement made in the main subsidiaries was exposed to an independent third party verification with the company SGS. This reveals a significant increase in the values measured between 2016 and 2017. Currently, companies are in the process of measuring the carbon footprint of the 2018 period, which will add new premises to those considered in the last period.

Table 15. CO2 emissions (Tn)

Companies	Locations	2016		2017	
		Scope 1	Scope 2	Scope 1	Scope 2
		GHG emissions [t CO ₂ e]	GHG emissions [t CO ₂ e]	GHG emissions [t CO ₂ e]	GHG emissions [t CO ₂ e]
Ferreycorp	Surco	25.33	411.86	22.90	331.16
	CDR			58.87	272.37
Ferreyros	Industrial	731.37	1,155.35	653.34	998.29
Unimaq	Evitamiento			91.89	88.02
Fargoline	Gambetta			2,941.33	123.39
Motored	Lurín			36.10	54.43
Orvisa	Iquitos			41.61	176.18
	Pucallpa			54.09	23.60
	Tarapoto			44.18	19.90
TOTAL		756.70	1,567.21	3,944.32	2,087.34

(1) Scope 1: Emissions generated directly by the company
 (2) Scope 2: Indirect emissions due to electric power consumption

7.7.3.2. Reduction of emissions

(GRI 305-5)

As part of the commitment to reduce emissions from its activity, the main subsidiaries have implemented the following actions:

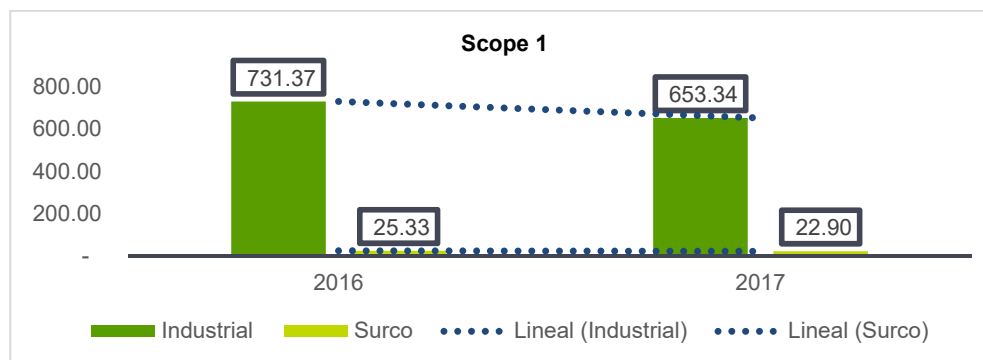
Measures to reduce GHG emissions - 2018	Locations
Scheduled maintenance for equipment that consumes fuel and refrigerant gases	Ferreyros, Orvisa, Fargoline, Unimaq
Implementation of a program for the progressive change of the conventional lighting system to an LED system, which contributes to the reduction of electric power consumption	Ferreycorp, Ferreyros, Fargoline
Daily monitoring by the surveillance staff of each site in order to turn off or unplug the equipment that may be on or connected outside of working hours	Ferreyros, Orvisa, Fargoline, Unimaq, Motored
Talks are given in each venue on the efficient use of electric power	Ferreyros, Orvisa, Fargoline, Unimaq

It is worth highlighting the reduction of emissions generated in the Industrial sites -the main location of workshops of the main subsidiary Ferreyros- and Surco -the central office of the Ferreycorp corporation-, as can be seen in the results obtained in said facilities. In the latter, emissions have been measured in accordance with ISO 14064-1, since the 2016 period. The corporation plans to extend the measurement of emissions in the following periods to other locations.

Table 4. Reduction of emissions (TnCO₂e_q)

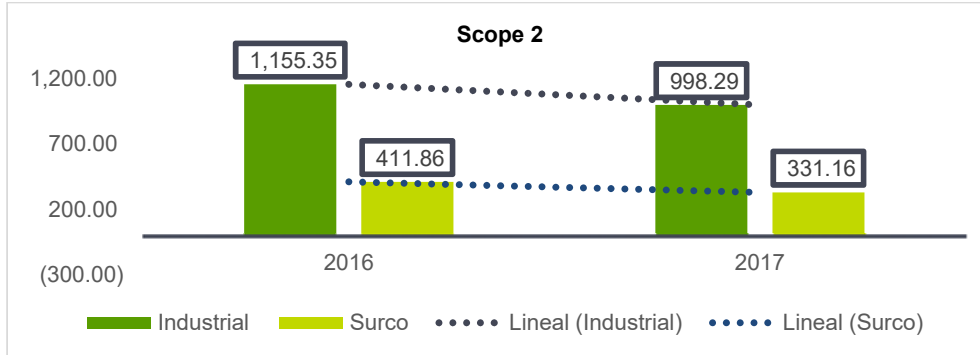
Year	Scope 1	
	Industrial t CO ₂ e/año	Surco t CO ₂ e/año
2016	731.37	25.33
2017	653.34	22.90

Location	Year	Scope 1	
		t CO ₂ e/año	Variation %
Industrial	2016 vs 2017	- 78.03	Reducción 11%
Surco	2016 vs 2017	- 2.42	Reducción 10%



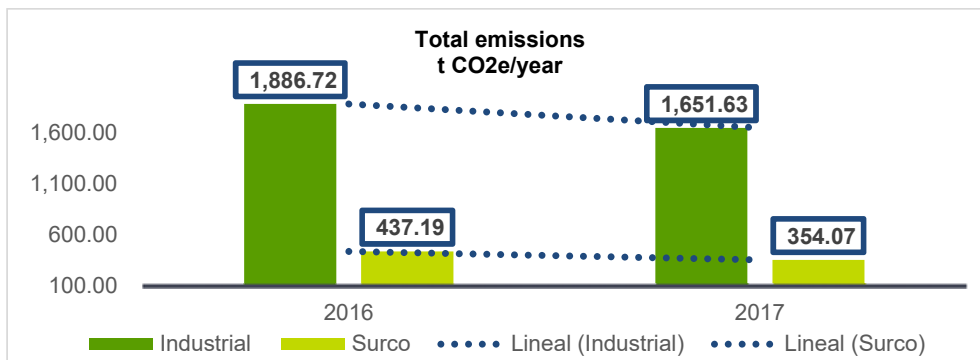
Scope 2		
Year	Industrial	Surco
	t CO2e/año	t CO2e/año
2016	1,155.35	411.86
2017	998.29	331.16

Scope 2			
Location	Year	Variation	
		t CO2e/año	%
Industrial	2016 vs 2017	- 157.06	Reducción 14%
Surco	2016 vs 2017	- 80.70	Reducción 20%



Total Emissions		
Year	Industrial	Surco
	t CO2e/año	t CO2e/año
2016	1,886.72	437.19
2017	1,651.63	354.07

Total Emissions			
Location	Year	Variation	
		t CO2e/año	%
Industrial	2016 vs 2017	- 235.08	Reducción 12%
Surco	2016 vs 2017	- 83.12	Reducción 19%



7.7.4 Pollution control standards

The main represented Caterpillar has developed a set of pollution control standards for the different stages of repair of its products, with the aim of ensuring the reliability and durability of its units during its useful life. These pollution control standards apply to the operations of their distributors worldwide.

Caterpillar conducts periodic audits of compliance with high standards in all its processes throughout the repairs and equipment life. Consider key parameters such as order and cleanliness, at all levels; the proper disposal of waste; and the proper use of fluids with cleaning levels in oils, refrigerants and fuels. The responsible use of resources reflects the commitment of Caterpillar and its distributors to the care of the environment.

In Peru, ten Ferreyros workshops and one Orvisa workshop have the highest qualification of Caterpillar in pollution control, the Five Stars, having demonstrated to fully comply with the highest standards in the matter during their repair processes.

Table 17. Workshops certified by Caterpillar in Pollution Control

	5 Stars	4 Stars	3 Stars
Ferreyros	Arequipa, Cusco, Piura, Cajamarca, Trujillo, Chimbote, Lambayeque, CRC La Joya, CRC Lima, Machine Workshop (National Accounts, Energy and Retail).	Lima (Training Center- CDT), Hydraulic Workshop	Lima (Spare Parts Distribution Center - CDR), Huancayo
Orvisa	Tarapoto		

For its part, the Pollution Control program has been applied at Unimaq, with certification in its main workshops in process.

Table 18. Workshops in certification process

	5 Stars	4 Stars	3Stars
Unimaq	Cajamarca	Lima, Ilo, Cusco	Piura, Chiclayo, Trujillo, Huancayo, Arequipa

Appendices

Appendix 1: Business

1.1 General data

1.1.1 Corporate name, address, telephone, fax and contact information

Business name	Ferreycorp S.A.A.
Type of society	Sociedad Anónima Abierta
RUC	20100027292
Address	Jr. Cristóbal de Peralta Norte 820 Monterrico, Santiago de Surco, Lima, Peru
Telephone	511-626-4000
Fax	511-626-4504
Web site	www.ferreycorp.com.pe
Telephone dedicated to customers	511-626-5000
Telephone dedicated to shareholders	0800-13372

1.1.2 Constitution and registration in Public Registries

Ferreycorp S.A.A. (formerly Ferreyros S.A.A.) began activities under the original name of Enrique Ferreyros and Compañía Sociedad en Comandita, by means of a public deed dated September 14, 1922, before the Notary Public of Lima, Dr. Agustín Rivero y Hurtado. It was registered in file 1, section 299, volume 15 of Companies of the Mercantile Registry of Lima.

Enrique Ferreyros and Company S.A. absorbed the assets and liabilities of the previous company, by public deed dated September 21, 1931 before Notary Public of Lima, Dr. Agustín Rivero y Hurtado, registered in file 1 of setion 457 of volume 31 of the Mercantile Registry of Lima. The change of name to Enrique Ferreyros S.A. was made by public deed dated November 23, 1981 before Notary Public of Lima, Dr. Jorge Orihuela Iberico.

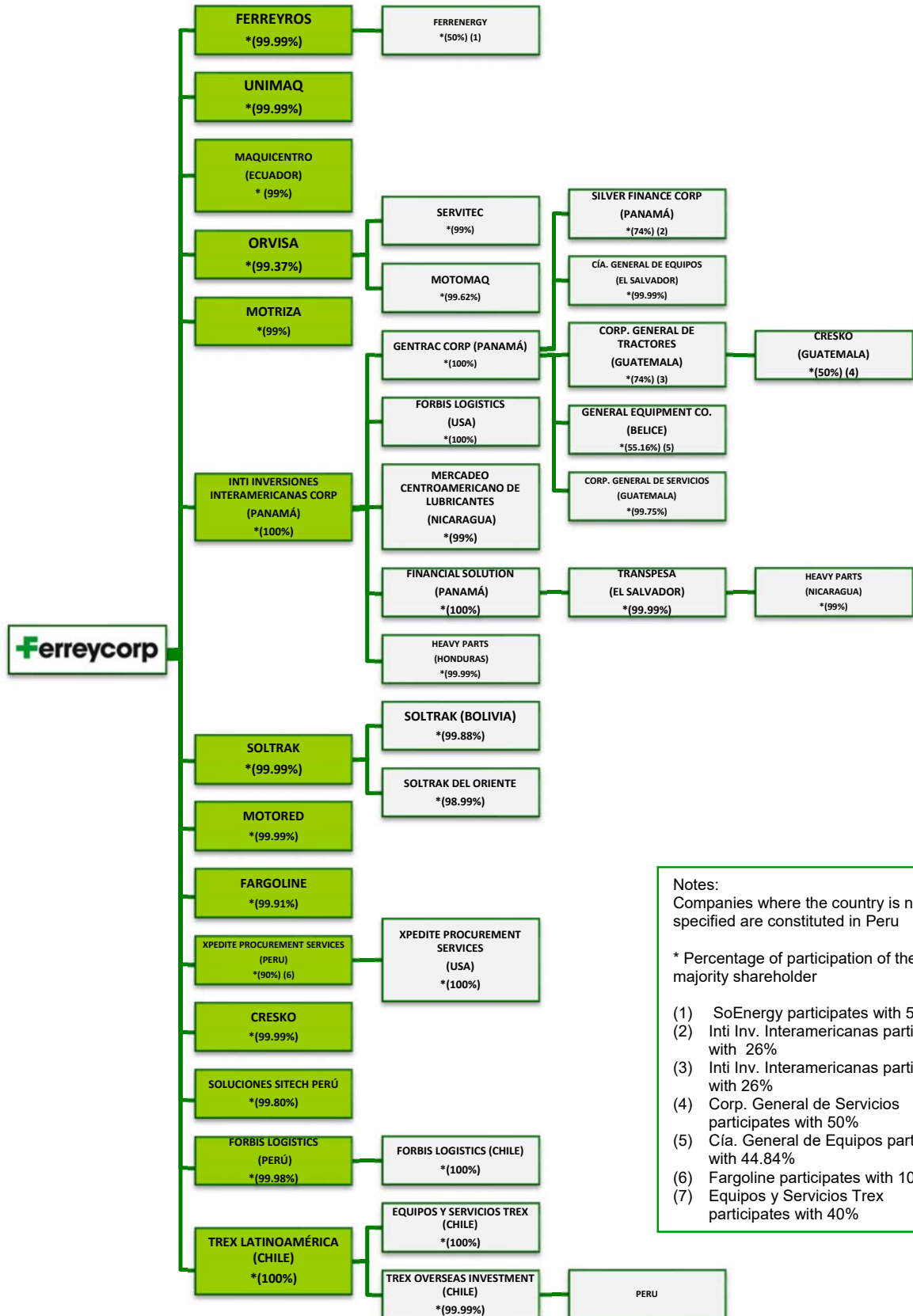
The change of name to Ferreyros S.A. It was made by public deed dated May 6, 1996 before a Notary Public of Lima, Dr. Jorge Orihuela Iberico, registered in the File 117502 of the book of Societies of Registration of Legal Persons. On March 24, 1998, the General Shareholders' Meeting agreed to change the corporate name of the company to that of Ferreyros S.A.A., registered in Electronic Certificate No. 11007355 of the Registry of Legal Entities.

As agreed at the Shareholders' Meeting in March 2012, the company went through a simple reorganization process, through which two capital blocks were segregated from two subsidiary companies. The first capital block, derived from the business of the automotive division, was transferred to the subsidiary Motored S.A.; and the other, derived from the business of selling machinery, equipment, and after-sales services of the Caterpillar line and its allies, was transferred to the new subsidiary Ferreyros S.A.

After the segregation of these patrimonial blocks, the company changed its corporate name to Ferreyros S.A.A. by Ferreycorp S.A.A., having registered this reorganization process in the B00020 seat of Electronic Certificate No. 11007355 of the Registry of Legal Persons of Lima.

The new matrix organizational structure has allowed it to focus on its role as an investor, so that each of its operating subsidiaries can focus on improving the service provided to its clients, expanding its coverage, addressing its own business opportunities and improving its capabilities. operational.

1.1.3 Economical group



Notes:
Companies where the country is not specified are constituted in Peru

* Percentage of participation of the direct majority shareholder

(1) SoEnergy participates with 50%
 (2) Inti Inv. Interamericanas participates with 26%
 (3) Inti Inv. Interamericanas participates with 26%
 (4) Corp. General de Servicios participates with 50%
 (5) Cía. General de Equipos participates with 44.84%
 (6) Fargoline participates with 10%
 (7) Equipos y Servicios Trex participates with 40%

1.2 Description of operations and development

1.2.1 Company purpose

According to the second article of its bylaws, Ferreycorp S.A.A. Its purpose is "to carry out investment, financing and business services activities, which include: i) the incorporation of companies, the acquisition, holding and administration of shares, investment in transferable securities and participation in companies and capital increases, in the national or international market; ii) the execution of financial operations under any modality or nature, the issuance of shares, bonds, securities or any other representative type of debt or credit, in the financial and capital markets, in Peru and/or abroad; and iii) the provision of business services in general, including management, sale, lease, assignment of use and enjoyment of real estate or furniture, including domestic and foreign merchandise and products, import and export thereof and transfer of articles in general. Without prejudice to the aforementioned main purpose, the company may enter into any type of nominated or unnamed contract related to the acquisition or transfer of any kind of movable or immovable property that will lead to the realization of its purposes, or in any way serve for the best realization of them or that they agree to the social interests".

The modification of the company's bylaws was agreed in the session of the Annual General Compulsory Shareholders' Meeting held on March 30, 2016. This agreement was formalized by means of a Public Deed dated May 27, 2016, duly registered in the B00025 and D0079 entries. of Electronic Certificate No. 11007355 of the Registry of Legal Entities of Lima.

1.2.2 Term

The duration of the company has an indefinite term.

1.2.3 Evolution of operations

1.2.3.1 Historical review

Ferreycorp S.A.A. begins its activities in 1922 on the initiative of Enrique Ferreyros Ayulo and three partners, to engage in the commercialization of consumer products. During his career he adopts many social reasons, the first was that of Enrique Ferreyros y Cía. Limited Partnership In 1942, he ventures into the category of capital goods, assuming the representation of Caterpillar Tractor, which means a total change in his activity. From there, he consolidates his operations in two large business units: consumer goods and capital goods. In the same decade, with a view to achieving greater coverage to sell his products, it begins its decentralization and constitutes offices in the provinces, as well as several subsidiary companies.

In 1962, in order to sustain their growth, shareholders decide to open their shareholding and register it in the Lima Stock Exchange, laying the foundations to convert it into a widespread shareholder company that today has nearly 2,400 shareholders, with the highest standards of corporate governance in Peru.

At the end of the 80s, he disassociated himself from the consumer goods business and decided to concentrate his efforts on what is now his main business, capital goods, for which he takes new representations that complement the Caterpillar line. In this way, it can better serve its customers, who are in various productive sectors of the economy.

In the 90s, it is committed to expanding its offer to customers, in addition to the sale of new units, incorporating the provision of rental equipment and the sale of used machinery. In that same decade, it began to take care of open-pit mining projects, recently concessioned or privatized, bringing the first Caterpillar off-highway mining trucks.

In 1994, it expanded its participation in the capital market through the placement of corporate bonds and commercial paper. It becomes an important participant in the capital market, in which it acts with great success and demand from investors.

Since 1995, it has made important investments to improve the infrastructure of offices and workshops, as well as to prepare its service personnel, thus creating capacities to meet the maintenance and repair contracts of the large mining truck fleets that begin enter the country to operate in the large open pit mining -which is developed thanks to the concessions granted after the privatization of mining companies in the decade of the 90-. Also, after a few years, decides to venture into the sale of machinery for underground mining, line of business with which the represented Caterpillar expanded its product portfolio.

In order to expand the sources of capital to maintain the sustained growth experienced in those years, in 1997 it carried out a successful placement of shares at the national and international levels, which made it possible to increase its capital by US \$ 22 million.

In the period 1998-2001, it faces the sharp slowdown in the growth of Peru's economy, which has a negative impact on its sales. In this time of crisis for the country, it must adapt its organization and at the same time accompany its clients, through the provision of resources and financial facilities, overcoming the difficult moments to return to the path of growth in the following years.

In later years, the corporation adopts an organic growth strategy, to increase its sales in the Peruvian market where it already performed, and another one of inorganic growth, through acquisitions of companies, among them Mega Rubber and Representations (today Soltrak) in 2005, in the consumable's category. It is important to note that in 2010, as part of this strategy and in response to an invitation from its represented Caterpillar, the corporation begins its internationalization with the acquisition of Gentrac Corporation of Panama, owner of the Caterpillar distributors in Guatemala, El Salvador and Belize.

On the other hand, since 2006 Ferreycorp has become one of the nine companies in Latin America and one of the two in Peru that is part of the Circle of Companies of the Latin American Round Table, which recognizes companies by their highest standards of corporate governance, under the sponsorship of the International Finance Corporation (IFC), the Organization for Economic Cooperation and Development (OECD) and the Global Corporate Governance Forum. Currently, nine companies are part of the Circle, from Brazil, Colombia, Costa Rica and Peru.

In order to clearly differentiate the roles of, on the one hand, parent and investor, and on the other hand, of operating company in charge of the distribution of capital assets (Caterpillar equipment, Kenworth and Iveco vehicles, among others), in 2012 a simple reorganization is created by which the Ferreycorp corporation is created, to support a greater future growth of all the businesses of its subsidiaries and, at the same time, maintain the specialization of certain activities. Also, the Ferreyros and Motored subsidiaries are created: while the former assumes the Caterpillar business, the latter takes over the automotive business, which previously constituted a Ferreyros business line. From that moment, the current Ferreyros S.A., the subsidiary of the main operating volumes, incorporates new lines of products and services; enhances customer coverage by focusing on large investment projects in the country, including mining, energy, oil and the creation of new infrastructure; and it expands its customer base, all backed by important investments in infrastructure, systems and personnel training.

On the other hand, the other subsidiaries of Ferreycorp experience a gradual growth, complementing the offer that Ferreyros S.A. It grants to its clients - in fact, at the end of the current fiscal year, they represent 35% of the corporation's businesses. Also, new businesses enter in this period, either through the acquisition of companies or the creation of new subsidiaries.

To ensure the healthy growth of the corporation and continue to make new investments with a solid capital structure, in 2012 a capital increase of US \$ 62 million was made. The new shares issued were mostly subscribed by the shareholders of Ferreycorp, evidencing the confidence in the business model and its commitment to the defined growth strategy.

In the same year, Ferreyros S.A., the main subsidiary, incorporates a new line of machinery for mining (Bucyrus business line acquired by Caterpillar), electric and hydraulic shovels, as well as drills. In this way, the company completes its portfolio of Caterpillar products, both for open pit and underground mining, making it the most complete option of machinery and equipment for that economic sector, which strengthens the value proposition to its customers.

In 2013, the expansion of the subsidiaries other than Ferreyros SA continues. through acquisitions such as the Mobil lubricants distribution business in Guatemala and Nicaragua (Mercalsa, today Soltrak), as well as a personal protection equipment business with important distributions in Peru. Added to this is the creation of Soluciones Sitech Peru, a technology solutions company.

The expansion of the organization and the opportunities offered by the international capital market lead the corporation to re-profiling its debt and continue to count on the financial resources for its investments in the best possible conditions. Thus, in 2013 it carried out a successful placement of corporate bonds for US \$ 300 million, with good interest rate conditions and a seven-year term.

In 2014, Ferreycorp ventures into Chile through the acquisition of Trex, representative of the Terex brand in the entire range of cranes and lifting platforms and a complete series

of port equipment in that country, with smaller businesses in Ecuador and Colombia. Currently, the Trex business is developed in Peru and in the aforementioned countries.

In 2015, the corporation acquires Transportes Pesados S.A. (Today Motored, like the subsidiary in Peru for transportation solutions), leader in the marketing of spare parts for heavy transport in El Salvador, with more than 35 years in the market and currently with 11 branches in the country. Ferreycorp complements its activity in El Salvador, where it is located since 2010 with its subsidiary representative of Caterpillar, Mobil and allied brands.

In 2016, a lower dynamism of economic activity in the countries in which Ferreycorp operates reduces the need for working capital. In this framework, the decision is made to repurchase bonds, through a Tender Offer, which allowed the repurchase of US \$ 120 million. The repurchased bonds were part of the US \$ 300 million issue made in 2013, with a maturity date of 2020.

In 2017, with the objective of continuing to improve the financial results of the corporation and to give greater flexibility to the debt structure, a partial redemption of the international bond for US \$ 62,333,000 is carried out. Likewise, in November of the same year, 38,643,295 Treasury shares were canceled, generating a reduction in the share capital of PEN 1,014,326,324 to PEN 975,683,029.

In 2018, the process to return to the local capital market begins and a bond program for US \$ 100 million or its equivalent in national currency is registered.

An important milestone in 2018 is the sale of Ferreycorp's stake in La Positiva Seguros y Reaseguros, under the Public Offer of Shares (OPA) addressed to the holders of common shares representing the capital stock of La Positiva. Thus, it sold 56,962,727 shares of which Ferreycorp owned. As a result of this operation, the total sale of the shares amounts to PEN 102,532,909, with a price of PEN 1.80 per share.

1.2.3.2 Product lines

The Ferreycorp Corporation is the only representative of Caterpillar in Peru, since 1942, as well as in Guatemala, El Salvador and Belize. The vast portfolio of machinery and equipment distributed by Ferreycorp's subsidiaries includes mining trucks, front-end loaders, tractors, motor graders, excavators, electric and hydraulic shovels, drilling equipment, low-profile loaders for underground mining, marine engines and generators, among other families.

In addition to Caterpillar machines and engines, Ferreyros, the corporation's largest volume subsidiary, markets a wide range of products from other quality brands, including equipment for the production of Metso aggregates for construction, Astec asphalt plants -included in 2014-, as well as utilities, trucks and loaders of low profile of the Paus brand. Also, for agriculture, Massey Ferguson tractors, implements Kuhn, Tatu, Double TT, among others; Valley pivoted irrigation systems, Kepler Weber drying and storage projects, Zaccaria grain processing and rice grading equipment, as well as grain sorters by IGSP color, among other products.

For its part, other subsidiaries of Ferreycorp in Peru provide other equipment in their respective areas, such as Kenworth and DAF trucks, Iveco vehicles, Sullair compressors, Mitsubishi - CAT forklifts, Wacker compaction equipment, Lincoln welding equipment Electric, Olympian-Cat generator sets, Amida lighting towers, Enerpac hydraulic tools, Carmix concrete mixers and Compair stationary compressors, as well as - in the Asian machinery segment - lines such as loaders, crawler tractors, motor graders and SEM rollers, Shacman trucks, Shaorui crushers and crushers, Lovol agricultural tractors (formerly Foton), among others. Likewise, they distribute Goodyear and Superhawk tires; Chevron lubricants; 3M industrial safety items, Kimberly Clark, MSA, Capital Safety, Microgard, Ansell, Tecseg and Westland; as well as tools Bosch, Sata and Dewalt, among others. For its part, Solutions Sitech Peru, specialized in the provision of technological solutions, is representative of brands such as Trimble, Loadrite, AMT, MST and DSS, among others.

Outside, in Central America, the Gentrac subsidiaries (Guatemala and Belize) and General de Equipos (El Salvador) are representatives of the Caterpillar brand and a complete portfolio of allied lines. Likewise, the Ferreycorp companies are distributors of Mobil lubricants in Guatemala and El Salvador, as well as in Nicaragua through the company Soltrak. Also, in El Salvador and Honduras, the subsidiary Motored supplies spare parts of various brands, both for the engine and the body, trucks and buses. In El Salvador, Motored also distributes Kenworth trucks and Higer minibuses. In Chile, Trex represents the Terex brand in cranes and lifting platforms, as well as a complete series of port equipment. In Ecuador, Maquicentro's portfolio of light equipment includes agricultural tractors, construction equipment, concrete mixers, forklifts and welding equipment, among others, brands such as Valtra, Wacker Neuson, Carmix and Lincoln Electric.

In order to serve customers who, need to rent machinery instead of buying it, Ferreyros, Unimaq- The Cat Rental Store and Ferreycorp's subsidiaries in Central America have a large fleet of Caterpillar machines to cover these demands, especially for infrastructure projects and general construction. In Chile, the rental fleet includes cranes of less than 100 tons capacity of the Terex brand and lifting equipment in the full range of the Genie brand (Terex).

1.2.3.3 Competence

The breadth of the product lines distributed by Ferreycorp companies means that they compete in a segmented manner with a large number of suppliers that import and distribute different brands. However, and thanks to the preference of its customers, the main represented company, Caterpillar, has a leading market share; Likewise, the range of allied brands occupies a prominent position in its field.

Regarding the competition of the main brands represented by Ferreycorp, it can be mentioned that, in auxiliary machinery and off-highway trucks for large-scale mining, the Caterpillar brand has Komatsu as the main competition. As for the low-profile loaders for underground mining, the competitors are Sandvik and Atlas Copco. In electric and hydraulic shovels, it has as competitor P & H and Hitachi.

In earth moving machinery, Caterpillar equipment for the construction market has competing brands such as Volvo, Komatsu, John Deere, Hyundai, among others. Also, since 2008, some lots of earthmoving machinery, of Chinese origin, have been brought into the country, oriented to the heavy construction segment.

At the same time, Ferreyros sells the Astec asphalt plants, whose main competitors are the Amman, Bomag Marini and Ciber brands.

For its part, Cresko's business distributes machinery of Asian origin to compete in the same segment. It provides heavy and light commercial Shacman trucks that compete with FAW, DongFeng, Foton and Sinotruck, among others. In the line of loaders, motor graders, rollers and tractors SEM, has among its competitors' brands such as Liugong, XCMG and Chenggong, among other brands.

In the line of motors and generator sets, Ferreyros distributes Caterpillar, competing in the diesel segment with the brands Cummins, Weichai, Modasa, Baifa, among others; in the heavy fuel segment, with the Wartsila and Man brands; and Guascor and Waukesha, in the gas combustion segment.

In drills for surface mining, Caterpillar distributes (line formerly known as Bucyrus) and competes with Sandvik, Atlas Copco and P & H. In cranes of diverse characteristics and capacities, represents Trex, and competes with Grove and Sany. In the agricultural line, it distributes Massey Ferguson, competing with brands such as John Deere and Kubota, among others.

In trucks, both in the dump truck and truck market, the subsidiary Motored participates with its brands Kenworth, Iveco, and DAF, and competes with Volvo, Mack International, Scania, Mercedes Benz, Freightliner, Hino, Isuzu and Volkswagen.

In Central America, the main competitors in the field of machinery are Hyundai, Case, John Deere, New Holland and Komatsu; in engines, brands such as Cummins, FG Wilson and Perkins; and in lubricants, Castrol, Valvoline and Shell, among others. Meanwhile, in Chile, the Manitowoc (Grove) and Liebherr cranes, the Kalmar port equipment, the JLG lifting equipment and the Manitou handlers are among the competitors of Trex, a subsidiary incorporated to Ferreycorp in 2014.

In the spare parts lines of the various brands that it markets, the corporation faces competition from entities that distribute non-genuine spare parts in small market segments.

In the case of Soltrak, in Peru, the Good Year tires it sells compete with brands such as Michelin, Bridgestone, Continental and Chinese brands. In lubricants, in which this subsidiary is a representative of Chevron, it competes with Shell, Mobil, Total, Castrol

and Vistony, among others. In the case of personal protection equipment, the competition is found in brands such as Deltaplus, Honeywell, among others.

Fargoline develops its operations competing with other firms of different national and foreign business groups that develop as customs warehouses and extra-port terminals, such as Tramarsa and Ransa (Romero group), Imupesa (Agunsa group of Chile), APM Terminals (Danish AP Moller group) Maersk), Neptunia and Dubai Ports World (holding company owned by the State of Dubai in the United Arab Emirates), Contrans (Transmeridian group), among others.

In the provision of services as freight forwarder, Forbis Logistics Corp. competes with Alexim, Hanseatic, Gamma Cargo, New Transport, DHL, MIQ and Fleet.

Soluciones Sitech Peru, representative of Trimble in the market of solutions for positioning and guiding machinery, has among its main competitors the companies Topcon, owned by Komatsu, and Leica, originally from Central Europe.

1.2.4 Investment plans and policies

1.2.4.1 Investments in new businesses

The corporation's strategy is to invest in new businesses that allow it to complement other growth strategies in order to continue increasing its level of sales and to complete the value proposition to its customers.

Investments in new businesses, whether through acquisitions, creation of new companies or incorporation of product lines to complete their offer of value to customers, constitute one of the basic pillars of the corporation's growth. Investment decisions are developed in accordance with the principles established in the corporate sphere, Ferreycorp being responsible for evaluating, approving and allocating resources efficiently, based on the strategic objectives and the balance between profitability and risk of each project. Part of its corporate role is to provide the guidelines and criteria for investment decisions or divestment. Likewise, the corporation must guarantee that the new project has the capital, human and managerial resources necessary for its operation.

In 2018, no investments were made in new businesses.

1.2.4.2 Investments in assets

a) Investment in inventories

During 2018, the consolidated inventory levels (US \$ 535 million), both for machinery and spare parts, showed a significant increase of 27% compared to 2017 (US \$ 420 million).

This variation was mainly due to the increased inventory of Ferreyros equipment, which will be billed in part in the first quarter of 2019, and an increase in the stock of spare parts to complete services that were in process and meet customer orders, despite supply constraints presented during the year.

b) Investment in accounts receivable

In 2018, the portfolio of accounts receivable and provisions for bad debts were increased due to loans granted to companies in the construction sector. The accounts were deteriorated by the breakdown of the payment chain and by the lack of flows of construction companies, due to the problems of the sector.

Taking into account these difficulties and the possible risk of uncollectibility, the new receivables, monthly collections and the situation of the aforementioned accounts have been presented monthly to the Board of Directors of the company.

As part of the financial solutions it provides to its clients, and seeking loyalty, Ferreycorp has some programs with banks and with the active participation of Caterpillar Financial Services, the financial arm of the main brand represented, which provides medium-term loans to the customers of the Caterpillar line with good conditions. These loans granted by Caterpillar Financial are intended for Cat products but have also been used to finance customers of Motored (acquisition of heavy goods vehicles) and Trex (acquisition of cranes).

It should be noted that Ferreycorp maintains the policy of not offering its clients medium-term financing, unless it is essential as part of the realization of a particular business.

c) Investment in fixed assets

As distributors of capital goods and related services, and for their storage, workshop and exhibition needs, Ferreycorp's subsidiaries require investments in infrastructure and fixed assets. Among the latter, there are major components to service mining truck repairs, as well as machinery for rental fleets, to meet the value proposition to customers and maintain the competitive advantage that has allowed companies to ratify the leadership in the markets where they act.

For more information on investment in fixed assets, consult the Financial Management chapter.

1.2.5 Guarantees, guarantees, guarantees, contingencies and commitments

1.2.5.1 Commitments

As of December 31, 2018, the corporation has the following commitments:

a) Ferreycorp S.A.A.

As of December 31, 2018, the company has commitments for guarantees that guarantee credit operations of subsidiaries and associates for US \$ 178,005,243 (US \$ 144,662,432 as of December 31, 2017) and guarantees guaranteeing purchase operations with third parties for US \$ 149,398 (US \$ 170,564 as of December 31, 2017).

Ferreycorp supports the financing and guarantee operations to the majority of its subsidiary companies, as part of the normal development of its operations and of its business. The guaranteed amounts mentioned above, of US \$ 178 million as of December 31, 2018, are disaggregated as follows:

▪ Unimaq	US\$ 41 million
▪ Orvisa	US\$ 2 million
▪ Soltrak	US\$ 17 million
▪ Fargoline	US\$ 5 million
▪ Inti y subsidiarias	US\$ 14 million
▪ Gentrac	US\$ 10 million
▪ Forbis Logistics	US\$ 0.2 million
▪ Motored	US\$ 40 million
▪ Trex	US\$ 40 million
▪ Motriza	US\$ 8 million
▪ Soluciones Sitech Peru	US\$ 0.6 million

As of December 31, 2018, and 2017, the company has letters of guarantee in favor of financial entities for PEN 5,961,662 and PEN 5,956,283, respectively, which guarantee claims and appeals before the Tax Administration.

It is worth mentioning that the corporation signed with the BBVA bank the so-called green loan, for US \$ 70 million, which has cross-guarantees from the corporation and its subsidiary companies. The balance of this loan as of December 31, 2018 was US \$ 63 million.

b) Subsidiaries

Ferreycorp S.A.:

- Guarantees for US \$ 3,593,200 (US \$ 14,843,309 in 2017), which guarantee third party purchase operations.
- Banking bonds in favor of financial entities for US \$ 28,653,902 (US \$ 21,020,346 in 2017), which mainly guarantee the seriousness of the company's offer and the faithful fulfillment of the delivery of the products sold through public tenders, advances of clients and the payment of customs obligations related to the importation of merchandise.

Fargoline S.A.:

- The subsidiary has contracted a bond policy in favor of the National Customs Superintendence for merchandise under customs regime for US \$ 1,980,000 (US \$ 2,600,000 in 2017).

Cresko S.A.:

- As of December 31, 2018, the subsidiary does not have current bonds, as it did at December 31, 2017.

Soltrak S.A.:

- Guarantees for US \$ 4,665,693 and PEN 32,193,473 (US \$ 7,562,244 and PEN 34,641,000 in 2017), which guarantee third-party purchase operations and financial leases, respectively, with various maturities.
- ♣ Banking bonds in favor of financial entities for US \$ 5,454,567 and PEN 1,661,526 (US \$ 4,279,244 and PEN 2,358,301 in 2017), which mainly guarantee the seriousness of the company's offer and the faithful fulfillment of the delivery of the products sold through public tenders, as well as the payment of customs obligations related to the importation of merchandise, respectively.

Motored S.A.:

- Guarantees for US \$ 15,731,652 (US \$ 2,851,000 in 2017), which guarantee credit operations for the purchase of third parties.
- Banking guarantees in favor of third parties for US \$ 4,484,000 and PEN 16,000 (US \$ 4,484,000 and PEN 16,000 in 2017), which mainly guarantee the seriousness of the offer and the faithful fulfillment of the delivery of the products sold through public tenders.

Orvisa S.A.:

- Guarantees for US \$ 2,851,000 (US \$ 2,851,000 in 2017), which guarantee credit operations for the purchase of third parties.
- Banking bonds for US \$ 5,469,260 and PEN 903,609 (US \$ 5,585,933 and PEN 1,216,574 in 2017) that mainly guarantee credit operations of subsidiaries and third party purchases.

1.2.5.2 Tax Situation

- a) The group is subject to the tax regime of each country in which it operates and is taxed based on its unconsolidated results. As of December 31, 2018, and 2017, the income tax rate on taxable income in the main countries in which the company and its subsidiaries operate is:

	Tax Situations	
	<u>2018</u>	<u>2017</u>
	%	%
Peru	29.5	29.5
Ecuador	22	22
Colombia	24	24
Chile (*)	24	24
Guatemala	25	25
El Salvador	30	30
Belice	25	25
Nicaragua	30	30
Estados Unidos de América	15 y 28	15 y 28

(**) According to the tax reforms issued in Chile, the income tax rate for the following years will be:

Year:	Set of Rules	
	<u>Tax rate</u>	<u>Art. 14 Letter B</u>
2017	25.0%	25.5%
2018 and next	25.0%	27.0%

While the companies do not state their intention to pay under the regime of Art. 14 Letter "A", through an Extraordinary Shareholders' Meeting, the law establishes that by default it must be considered in the regime of Art. 14 Letter "B".

In accordance with the legal provisions in force in some countries as of December 31, 2018 and 2017, cash dividends in favor of non-domiciled shareholders are taxed at the income tax rate according to the following rates:

	Tax rates	
	<u>2018</u>	<u>2017</u>
	%	%
Peru	5	5
Colombia	10	10
Chile	35	35
El Salvador	5	5

b) Regulatory framework - Modifications to the Law on Income Tax

In Peru, on September 13, 2018, Legislative Decree No.1422 was issued, which includes, among other modifications, the one that corresponds to incorporation of concepts and / or definitions of "non-cooperating country or territory" and "preferential tax regime". " Permanent establishment " indirect disposal "of shares, as well as the following most significant ones:

Transfer Prices:

The scope of application of the Transfer Pricing regulations is extended to transactions carried out from, to or through non-cooperative countries or territories or subjects whose income or earnings enjoy a preferential tax regime.

Accrual:

A legal definition of accrual is established for the recognition of income and expenses for purposes of income tax, according to which third-category income is understood to be accrued when the substantial events generating the income have occurred and the right to it is not recognized. is subject to a suspensive condition.

Deductibility of financial expenses:

It incorporates new rules for the deductibility of interest, and for the applicability of limits for both loans granted by related parties, as well as credits granted by parties not economically linked.

General Anti-Exclusive Clause (Rule XVI):

A special procedure has been established for the application of Rule XVI of the Tax Code, according to which the Sunat may apply the provisions of the second to fifth paragraphs of Rule XVI within the framework of a final audit, provided that it is previously available. the favorable opinion of a review committee composed of three (3) Sunat officials. Likewise, the Board's obligation to approve, ratify or modify the acts, situations and economic relations to be carried out (or carried out) within the framework of "fiscal planning" has been established.

- c) For purposes of the determination of income tax and general sales tax, the pricing and transfer rules must be applied and are in force in Peru, Nicaragua, Guatemala, El Salvador, Belize, Chile, Colombia and Ecuador and the United States of America and regulate that transactions with local or foreign related companies and companies resident in territories with low or no taxation must be carried out at market values and supported by documentation and information on the valuation methods used and the criteria considered for its determination.

The tax authorities are entitled to request this information from the taxpayer. Based on the analysis of the group's operations, Management and its legal advisors consider that, as a consequence of the application of these standards, no material contingencies will arise for the group as of December 31, 2018 and 2017.

- d) The Tax Administration in Peru has the power to review and, if applicable, correct the income tax calculated by the company in the four years following the year of presentation of the corresponding tax return (years open for review)). The affidavits of the income tax and the general sales tax for the years 2014 to 2018 are pending inspection by the Tax Administration in Peru. The affidavits for the years 2000 to 2013 have already been audited.

Likewise, the affidavits of the income tax and the general sales tax of the main subsidiaries are subject to inspection by the Tax Administration of each country for the periods detailed below:

Period subject to control

Foreign subsidiaries (país):

Guatemala	2013 a 2018
El Salvador	2006 a 2018
Belice	2009 a 2018
Nicaragua	2010 a 2018
Estados Unidos de América, Chile, Colombia y Ecuador	2011 a 2018

Local subsidiaries:

Ferreyros S.A.	2014 a 2018
Unimaq S.A.	2014 a 2018
Cresko S.A.	2014 a 2018
Fiansa S.A.	2014 a 2018
Soltrak S.A.	2014 a 2018
Fargoline S.A.	2014 a 2018
Orvisa S.A. y subsidiarias	2014 a 2018
Motored S.A.	2014 a 2018
Inmobiliaria CDR S.A.	2014 a 2018
Forbis Logistics S.A.	2014 a 2018
Soluciones Sitech Peru S.A.	2014 a 2018

Due to the possible interpretations that the corresponding tax authority can give to the legal norms in force, it is not possible to determine, to date, whether the revisions that are made will be passive or not for the group, so any higher tax or surcharge that could result from eventual fiscal reviews would be applied to the results of the year in which the difference of criteria with the Tax Authority is resolved. In the opinion of Management and its legal advisors, any eventual additional tax settlement by the corresponding Tax Administration of each country would not be significant for the consolidated financial statements as of December 31, 2018 and 2017.

- e) In Peru, the temporary tax on net assets is levied on generators of third-category income subject to the general regime of income tax. The tax rate is 0.4 percent applicable to the amount of net assets that exceed PEN 1 million.

The amount actually paid may be used as a credit against payments on account of the General Income Tax System or against the regularization payment of the income tax for the fiscal year to which it corresponds.

1.2.5.3 Contingencies

As of December 31, 2018, the group maintains tax proceedings on appeal or contentious administrative proceedings for a total amount of approximately PEN 87,945,000 (PEN 118,809,000 as of December 31, 2017); which include fines and interest for PEN 13,198,000 and PEN 58,252,000, respectively (PEN 15,610,000 and PEN 68,506,000, respectively, as of December 31, 2017). These processes are pending administrative or judicial resolution, and are related to observations made by the Tax Administration to the sworn statements of: (i) income tax (including payments on account) of the taxable years 2001 to 2008 by PEN 68,219,000; (ii) general sales tax for the taxable years 2001 to 2006 for PEN 3,118,000; and (iii) tax on non-domiciled income of the taxable years 2002, 2003, 2005, 2006 and 2015 for PEN 16,312,000 (PEN 6,708,000 as of December 31, 2017).

In all cases, as of December 31, 2018 and 2017, the group has requested the advice of specialists in the field; who have determined, together with the Management, that there are some dimensions approximately for PEN 9,085,923 (PEN 8,206,000 as of December 31, 2017), whose degree of loss has been evaluated as probable. The group has recorded a provision for these amounts, which is presented in the caption "Other accounts payable" in the consolidated statement of financial position, see note 13.

Management, together with its legal and tax advisors, believe that the group has technical and legal grounds that consider that the Tax Court should decide in favor of the company. In this regard, they believe that future resolutions of these processes will not be significant liabilities and, consequently, it is not necessary to record additional liabilities for them as of December 31, 2018.

1.3 Judicial, administrative or arbitration processes

Ferreycorp S.A.A. and its subsidiaries are part of certain legal proceedings that arose in the normal course of its activities, most of which, neither individually nor collectively, can be considered important. It should be noted, however, that at the close of the fiscal year, the companies of the corporation have eight lawsuits in the process of claiming compensation for damages and others, for US \$ 1.1 million. The General Management, based on the opinion of its legal advisors, considers that these claims are unfounded and that the final result will be favorable to the companies of the group.

1.4 Corporation Management

1.4.1 List of directors

The Board's policies, as well as the conformation of the same and of its committees, are explained in Chapter 6- Organization, sections 6.1.1, 6.1.2 and 6.1.3. The following is the professional career of the directors of Ferreycorp.

Oscar Espinosa Bedoya (President)

CEO of Ferreycorp S.A.A. since 2008 and chairman of the Board of Ferreyros S.A. He was managing director since 1983 and joined the company in 1980. Previously, he held important management and managerial positions in the Development Finance Corporation (Cofide), the World Bank, the International Bank of Peru and other financial entities. He is also a member of the boards of the Foreign Trade Company of Peru (Comex Peru), the Peruvian Institute of Economics (IPE), the NGO CARE Peru and Cedro. He is a member of the Board of Directors of the UTEC University, the Pro University of the Pacific Association and the Board of Trustees of the Antonio Ruiz de Montoya University. He received the 1999 IPAE Award. Civil Engineer from the National University of Engineering has postgraduate studies in Engineering, Economics and Business Administration, with different degrees and diplomas from Harvard University, North Carolina State College, ISVE Italy, Kellogg School of the Northwestern University, the Institute of Economics of the University of Colorado and the PAD of the University of Piura.

Carlos Ferreyros Aspíllaga (Executive vice president)

Member of the Board of Ferreycorp S.A.A. since 1971 and vice president since 2008. He was president of the Board from 1993 to 2008. In Ferreyros S.A. occupies, since 2012, the same position as in the Directory of Ferreycorp S.A.A. He is the director of La Positiva Seguros y Reaseguros, as well as a member of the Group of 50 (Carnegie Endowment for International Peace & Inter-American Dialogue). Business Administrator graduated from Princeton University.

Manuel Bustamante Olivares

Member of the Board of Ferreycorp S.A.A. since 2011 and the Directory of Ferreyros S.A. since 2012. He is Chairman of the Board of Buslett S.A. (since 2013); Vice President of the Board of Directors and member of the Risk Committee of La Positiva EPS (since 2017); director of La Positiva Sanitas (2012-2015); Chairman of the Board of Casting Chilca S.A. (since 2010); Director of Mastercol S.A. (since 2008); Vice President of the Board of Directors of La Positiva Vida Seguros y Reaseguros (since 2005); Chairman of the Investment Committee and member of the Audit Committee of Positive Life Insurance and Reinsurance (since 2017); Director of Corporación Financiera de Inversiones S.A. (since 2005); Director of Financial Transactions S.A. (since 2000); director of Dispercol S.A. (from 1998 to July 2018); Director of the Andean Society of Investments in Electricity S.A. (since 1996); vice president of La Positiva Seguros y Reaseguros (since 1975); Chairman of the Investment Committee and member of the Audit Committee of La Positiva Seguros y Reaseguros (since 2017); founding member and member of Estudio Llona & Bustamante Abogados (since 1963); and president of the Manuel J. Bustamante de la Fuente Foundation (since 1960). He is a benefactor member of the Riva-Agüero Institute (since October 2017). He is the director of Futuro Invest S.A. and Future Real

Estate Camacho S.A. (since 1994); President of Profuturo AFP (1993-1999) and member of its Executive Committee (1993-2010); first vice president of the Inter-Andean Bank (1991-1995); President of Banco de la Nación and member of the Committee of External Debt of Peru (1980-1983); and member of the Board of Directors of Corporación Financiera de Desarrollo- Cofide (1980-1983); foreign trainer member of Shearman & Sterling in New York (1962-1963). Lawyer by profession, graduated from the Faculty of Law of the Pontifical Catholic University of Peru.

Jorge Ganoza Durant

Independent member of the Board of Ferreycorp S.A.A. and Ferreyros S.A. since March 2017. Since 2005, he has been the CEO and director of Fortuna Silver Mines Inc. He is a member of the Board of Directors of the National Mining, Petroleum and Energy Society for the period 2017-2019. Co-founder and former Chairman of the Board of Directors of Atico Mining Corporation, from 2010 to 2016. Entrepreneur of the mining sector has more than twenty years of mining experience in business development, management and capital markets in Latin America, North America, Africa and Europe. He is a geological engineer graduated from the New Mexico Institute of Mining and Technology.

Humberto Nadal del Carpio

Independent member of the Board of Directors of Ferreycorp since March 2017. He is CEO and Director of Cementos Pacasmayo, as well as CEO and Vice President of Inversiones ASPI, holding company that controls Cementos Pacasmayo. He is CEO and director of Fosfatos del Pacífico, Fossal and Salmueras Sudamericanas; director of the Association of Cement Producers (Asocem); and president of the Board of the University of the Pacific. Previously, he was chairman of the Board of the Mi Vivienda Fund. Member of the G-50 group. Economist from Universidad del Pacífico, he has a Master in business administration from Georgetown University.

Gustavo Noriega Bentín

Independent member of the Board of Ferreycorp S.A.A. and the Directory of Ferreyros S.A. since 2017. Currently, he is the Central Manager of Administration and Finance of the El Comercio Group. He is also an independent member of the Club Sporting Cristal S.A. He was previously vice president of Supply Chain of Union de Cervecerías Peruanas Backus and Johnston S.A.A. (2011- 2016) and Vice President of Finance of Cervecería Hondureña S.A., subsidiary of SABMiller in Honduras (2010-2011). He led the Information Systems and Technologies function (2006-2010) as well as the Financial Planning (2004-2006) of Union de Cervecerías Peruanas Backus and Johnston S.A.A. He is a business administrator from the Universidad del Pacífico and an MBA from the IESE Business School of the University of Navarra, Spain.

Javier Otero Nosiglia

Independent member of the Board of Ferreycorp S.A.A. since March 2017. Partner of the consultancy Málaga Webb & Asociados, currently a member of the Board of Nexa Peru and Nexa Atacocha. He has been a member of the Board of Directors of AFP Prima and Visanet, as well as Chairman of the Board of Expressnet. Since 1978 he developed his professional career in various banking entities. During the years 1993 and 1994 he was general manager of AFP Unión and for the following 17 years he worked in various managerial positions in Banco de Crédito del Perú. He has a bachelor's degree in Economics and Administration, graduated from the University of Málaga, Spain.

Juan Manuel Peña Roca

Member of the Board of Ferreycorp S.A.A. since 1984 and the Directory of Ferreyros S.A. since 2012. President of La Positiva Insurance and Reinsurance and of Positive Life, Insurance and Reinsurance until October 2017, where he is currently director; Chairman of the Board of Alianza Compañía de Seguros y Reaseguros (Bolivia) and director of Alianza Vida Compañía de Seguros (Bolivia); president of La Positiva Sanitas from 2012 to 2015; Director of La Positiva EPS in 2017. He is Chairman of the Board of Martinizing of Peru and director of G Money. He previously served as general manager of Bland Welch (Brazil), where he was in charge of the Latin American and Caribbean area. He was also president of the Inter-American Federation of Insurance Companies (Fides), in the period 2003-2005. He served as president of the Peruvian Association of Insurance Companies (Apeseg) in the periods 2002-2004 and vice-president 2012-2014. He held the position of director and member of the Executive Committee of Profuturo AFP between 1993-2008. He held the position of alternate director of Confiep in the period 2012-2014. He has a degree in Civil Engineering from the National University of Engineering.

Andreas von Wedemeyer Knigge

Member of the Board of Ferreycorp S.A.A. since 2003 and the Directory of Ferreyros S.A. since 2012. He is currently also the CEO and CEO of Corporación Cervesur, as well as Chairman of the Board of the various companies that make up that group (Creditex, Alprosa, Transaltisa and Proagro, among others). He is Chairman of the Board of Euromotors; High Andes; Euro Trucks; Euroinmuebles and Renting. Likewise, he is the Chairman of the Board of La Positiva, Seguros y Reaseguros; The Positive Life, Insurance and Reinsurance and the Positive Entity that Provides Health- EPS. He is also director of Corporación Aceros Arequipa; Investment Finance Corporation; and Barcino Transport, among others. He is past-president of the National Society of Industries and director of Cómex Peru, where he is also a member of the Executive Committee. He has been director and general manager of Cía. Cervecera del Sur del Peru, as well as Chairman of the Board of Profuturo AFP, President of the AFP Association and member of the Board of Directors of Tecsup. He is a business administrator, graduated in Hamburg, Germany, with studies in the Program for Management Development, Harvard Business School and the University of Piura.

1.4.2 Management Plan

In Chapter 6- Organization, section 6.2, the conformation of the managerial staff of the corporation and its subsidiary companies was exposed. This section presents the professional career of the main officials of Ferreycorp S.A.A.

Mariela García Figari de Fabbri **General Manager**

General Manager of the Ferreycorp S.A.A. (previously integrated with the General Management of Ferreyros) since 2008. Since January 2016, he leaves the General Management of Ferreyros, retaining the General Management of the corporation. He has a 30-year career in the corporation, having joined Ferreyros in 1988 and held several positions in the Finance Division, including Finance Manager, from 2001 to 2005. Subsequently, he served as deputy general manager of the company. between January 2005 and March 2008. She is director of all the companies of the corporation in Peru and abroad and executive president of the vast majority of them. He is a member of some Caterpillar Advisory Councils in which his distributors participate.

She is president of the American Chamber of Commerce (Amcham Peru), since 2017, and member of its Board of Directors since 2007. She is also a member of the Board of Peru 2021 since 2011. She was president, during the 2010-2013 period, of the Círculo de Compañías of the Latin American Round Table of Corporate Governance (Companies Circle), which brings together nine Latin American companies highlighted by their good corporate governance practices. He is a member of the Advisory Board of some faculties of the Universidad del Pacífico and the UTEC University of Engineering and Technology. She is the director of Shift and member of the network of angel investors of UTEC. She has been a member of the Board of Directors of Procapitales and president of its Corporate Governance Committee until the end of 2006, as well as director of IPAE, between 2002 and 2004; of Cosapi, between 2007 and 2009; and of the National Mining, Petroleum and Energy Society, between 2011 and 2013. Previously, she worked as a researcher and member of the Editorial Committee of publications carried out by the La Moneda Consortium.

She holds a degree in Economics from the Universidad del Pacífico and an MBA from the Adolfo Ibáñez University in Chile and the Incae in Costa Rica. She received a distinction from the latter as the 2016 Distinguished Graduate.

Luis Bracamonte Loayza **Corporate Business Manager**

Corporate Business Manager since 2016. Between 2014 and 2015, he was the Investment Manager of Ferreycorp. He joined the company in 1979 and assumed various important positions, such as the Credits and Collection Manager. In 1996 he assumed the Management of the Branch Division, to later add the Agricultural Management and Automotive Division, as well as the direction and General Management of Orvisa, among other positions. From 2012 to 2013, he worked as the Central Manager of Subsidiaries. He is vice president of the subsidiary companies he oversees: Soltrak, Fargoline, Forbis and Sitech; He is also the director of Motored. He was director and vice president of the Chamber of Commerce of Lima in different periods, as well as the Automotive Association of Peru. He studied at the University of Lima; he obtained specialization diplomas in ESAN and in the High Management Program (PAG) of Incae in Costa Rica; and participated in the Corporate Governance Program for Business Directors (PDE) of EY. He holds a master's degree in marketing management and Business Management from the EOI business school in Spain.

Oscar Rubio Rodríguez
Corporate Business Manager

Ferreycorp Corporate Business Manager since 2016. He served as general manager of Unimaq S.A. between 2007 and 2015. He joined the corporation in 1975 and held management positions since 1983, including the General Deputy of Orvisa from 1989 to 1991. He is the responsible director and vice president of the Board of Directors of Motored in Peru, Motriza and Cresko; He is also the responsible director of Trex SpA and Maquicentro, as well as a member of the Board of Directors of Unimaq, Orvisa and Soltrak. Economist graduated from the Faculty of Economics of the National University of San Marcos, he has carried out courses in Peru and abroad. He has participated in the Senior Management program of the University of Piura. He obtained specialization diplomas in ESAN, IPAE and La Salle University in Argentina.

Maria Teresa Merino Caballero
Human resources Manager

Ferreycorp Human Resources Manager since 2014. He has more than 30 years of professional experience in organization and business development; mergers and acquisitions processes; talent management, compensations, benefits and labor relations. His professional development has taken place mainly in the sectors of banking, finance, insurance and pension fund administrators (AFP). He has worked in the Credicorp group, Banco de Credito del Peru (BCP), AFP Union, AFP Prima and Financiera Solución; Banco Santander and Banco Boston (Peru), in the procurement processes; Grupo Sura, Insurance and Real Estate company. Graduated from the career of Administrative Sciences and Human Resources Management at the University of San Martín de Porres, she has a Master's Degree in Business (MBA) at the Catholic Centrum business school, from the Pontificia Universidad Católica del Peru. He has specializations in talent management and compensation, negotiations, organizational development, culture and work environment, in Peru and abroad, by ESAN, INCAE, University of Piura, Universidad del Pacífico, as well as Boston Consulting and McKinsey.

Alberto García Orams
Corporate Manager of Technology, Processes and Innovation

Corporate Manager of Information Technology, Processes and Innovation at Ferreycorp since October 2014. He is currently director of Soluciones Sitech Peru, company of the corporation. He previously worked in various positions related to business management and information technology services. He has been a partner of 360 Consulting, a business consulting company; associate partner at IBM; corporate manager of Grupo Gloria Systems; managing director in Metrica; information manager at Mauricio Hochschild & Cía. He started his career at IBM, performing positions in Systems Engineering, Sales and Project Management. She holds a bachelor's degree in Sciences and Industrial Engineering from the Pontifical Catholic University of Peru and a master's degree in Business Administration from the Senior Management Program of the University of Piura.

Patricia Gastelumendi Lukis
Financial Corporate Manager

Ferreycorp Corporate Finance Manager since 2012. He joined the corporation in 1987. During his career he held various positions, including the position of Finance and Administration Manager at Ferreyros, as well as the Credit and Collections manager at Ferreyros. He is currently a member of the Board of Directors of all the subsidiaries of Ferreycorp, with the exception of Ferreyros. He has been a member of the IPAE Board in the periods 2007-2009 and 2012-2015, as well as his Integrity Committee in the period 2013-2018. He is also a member of the Competitiveness Committee of said institution. He has been a member of the Board of Directors of Procapitales since 2006 and is, to date, a member of its Corporate Governance Committee. He is a member of the Advisory Board of the Association of Corporate Secretaries (Ascla). She was president of the Organizing Committee of the CADE University in 2010. She has been a representative of Ferreycorp since 2006 and member of the Steering Committee of the Circle of Companies of the Latin American Round Table of Corporate Governance (Companies Circle), made up of leading Latin American companies in the implementation of good corporate governance practices. He is a member of the Advisory Board of the Faculty of Administration of the San Ignacio de Loyola University (USIL). She has a degree in Business Administration from the University of Lima and an MBA from the Adolfo Ibáñez and Incae University. In 2007, he participated in the Caterpillar Leading for Growth and Profitability program, taught at the Kenan-Flagler business school at the University of North Carolina. In 2009, he participated in the Global Economics Administration program taught by the Harvard Extension School Faculty and, in 2012, the Corporate Governance program of the Yale School of Management. In 2017, she participated in the Merger Week program: Creating value through Acquisitions and Strategic Alliances, at the Kellogg School of Management. In 2018 he was a professor of the Master of Finance at the Universidad del Pacífico.

Eduardo Ramírez del Villar López de Romaña
Corporate Manager of Corporate Affairs

Corporate Manager of Corporate Affairs at Ferreycorp since 2014, in charge of legal and compliance issues. Previously, he was manager of the Corporate Affairs Division of Ferreyros since 2010. He joined the corporation in 1999, serving as legal manager. He was in charge of the Legal Area of the Vice Presidency of Finance of the Andean Development Corporation (CAF) at its headquarters in Caracas, Venezuela, as legal responsible for the passive operations of said international organization and before as legal counsel of the Legal Consultancy, supporting the financing operations for the public and private sector of Peru and the structuring of large-scale projects at the regional level. Previously, he served as legal manager of Cosapi Organización Empresarial, linked to legal advice on issues related to the construction business. He is a member of the Legal Affairs Committee, the Compliance Committee and the Ethics Tribunal of the American Chamber of Commerce of Peru (Amcham Peru). He has followed several specialization courses both in Peru and abroad. In 2007, he followed the Caterpillar Leading for Growth and Profitability program, taught at the Kenan-Flagler business school at the University of North Carolina. He is a lawyer from the Pontifical Catholic University of Peru, with a Master's degree (Master in Law) from George Washington University (Fulbright Scholar).

José Miguel Salazar Romero

Corporate Communications and Image Manager

Corporate Manager of Communication and Image of Ferreycorp since 2015. He retired from the corporation at the end of 2018. He worked as Ferreyros' central marketing manager since 2007; as the central manager of Customer Relations and Commercial Development, since 2004; and as manager of the Mining Division, since 2001. Between 1996 and 2000, he worked as general manager of Matreq Ferreyros, exclusive distributor of Caterpillar in Bolivia and subsidiary of Ferreyros S.A.A. Between 1990 and 1995, he held various business positions outside the corporation. Until 1990, he worked in different positions in the areas of Human Resources, Sales and Administration, including the Finance Division Management in 1988, having joined Ferreyros in 1969. He has participated in courses in the country and in seminars organized by Caterpillar, including the Caterpillar Leading for Growth and Profitability program, taught at the Kenan - Flagler business school of the University of North Carolina, as well as the Diploma in Strategic Management for Tourism Companies, taught by the Universidad del Pacífico.

Tito Otero Linares

Corporate Audit Manager

Ferreycorp Corporate Audit Manager since January 2016. He was Manager of Computer and Processes of Ferreyros, since he joined the company in February 2000 until 2015. From 2003 to 2010 he was also the institutional responsible for the Six Program Sigma, with the development and implementation of more than one hundred process improvement projects in various areas of the company. He has 40 years of experience in systems management, operations and internal control. He held the Operations Management of two AFPs and a bank, as well as various positions in IBM of Peru related to controls and systems audit. He was an auditor at Price Waterhouse. He is a certified public accountant graduated from the University of Lima. He has participated in various specialization courses in Peru and abroad and has been a professor hired at ESAN.

Trayectoria profesional de principales funcionarios de Ferreyros

Gonzalo Díaz Pró

General Management

General Manager of Ferreyros since January 2016. Previously, he was in charge of the Deputy General Manager; previously, the Central Business Management for seven years; and the Management of the Great Mining Division. He joined the company in August 2004. He has over 25 years of experience in management and development of construction projects, open-pit mining and energy, both in Peru and Chile. He held various positions in the Cosapi group, including the Commercial Management of the subsidiary in Chile and the Project Management of the joint venture with the Bechtel corporation for the execution of the then greenfield Antamina. He is a member of the Board of Directors of the National Mining, Petroleum and Energy Society for the period 2017-2019, and Chairman of its Suppliers Committee since 2012. He is a member of the Board of Directors of the Canada-Peru Chamber of Commerce. He has also been a member of the Board of Directors of the Suppliers Committee of the Peruvian Chamber of Construction (Capeco) and the Infrastructure, Energy and Mining Committee of the American Chamber of Commerce of Peru (Amcham Peru). He is the director of several of the companies of the corporation and vice president of Unimaq. Civil Engineer graduated from the Pontifical Catholic University of Peru, holds an MBA from the Adolfo Ibáñez University of Chile and the Incae Business School of Costa Rica. He is also a graduate of the CEO Management Program of Kellogg School of Management (Northwestern University) and has participated in various specialization courses in Peru and abroad. Among them are the Training Program for Business Directors, the Pacific and Piura universities, as well as the consultancy EY, and the Caterpillar Senior Management Program, of the Kenan-Flagler business school of the University of Carolina. North (United States).

José López Rey Sánchez

Central Manager of Human Resources

Central Manager of Human Resources of Ferreyros since 2016, he served as the central manager of Product Support since 2012. He joined the corporation in 1981. He was Manager of Services from 1994 to 1998 and Manager of Parts and Services from 1999 to 2001, year in which he was promoted to manager of Product Support Division. He holds a bachelor's degree in Mechanical Engineering from the National University of Engineering. He has attended Management and Management Accounting courses at ESAN, as well as the Senior Management Program at the University of Piura. In 2007 he participated in the Caterpillar Leading for Growth and Profitability program, taught at the Kenan-Flagler business school of the University of North Carolina. In 2016, he attended the Managing Talent for Strategic Advantage program at the Stanford Graduate School of Business.

Hugo Sommerkamp Molinari

Central Finance Manager

Central Finance Manager from 2016 to June 2018, in charge of the supervision of the areas of Treasury, Financial Services to the Client, Accounting, Taxes, Management Control and Budgets of Ferreyros. This responsibility included the Logistics area until December 2016. Previously he held the position of Central Manager of Management and Systems Control, from 2001 to 2015 -which included the Risk Area, at the corporate level-, and supervised the Management of Computer Science until 2014. He joined the corporation in 1985 and held the position of Comptroller Manager of the subsidiary companies until 1990. He is director of several subsidiaries of the corporation including companies abroad. Between 1990 and 1996 he worked in Paraguay as financial director of the different subsidiaries of the ECOM group (Lausanne, Switzerland). He joined the

corporation in 1996 as manager of the Administration and Finance Division, until 2001. He was previously a partner of the auditing firm Peat Marwick (currently KMPG), in Lima. He was the Audit Manager of that company in the New York office, and previously in the auditing firm Hansen-Holm, Alonso & Co, representative of Cooper & Lybrand (today part of PwC). He is a certified public accountant by the Pontifical Catholic University of Peru, with specialization courses in Peru and abroad, including the Caterpillar Leading for Growth and Profitability program of the Kenan - Flagler business school of the University of North Carolina. It is a stock exchange representative of Ferreycorp S.A.A. and Ferreyros S.A. from March 31, 2012.

Angélica María Paiva Zegarra
Division Manager Administration and Finance

Manager of the Administration and Finance Division since 2017. From January of that year until June 2018, he led the management of the areas of Treasury and Administration, Financial Services to the Client, Prime Billing and Illegal Mining Control Unit of Ferreyros. In June 2018, he assumed the supervision of these areas, as well as the Accounting, Taxes, Management Control and Budgets of Ferreyros, which were in charge of the Central Finance Management. With 29 years of experience in the corporation, he led the Financial Services Management, from 2005 to 2016, and Treasury and Administration, a responsibility incorporated in the last two years of that period. During her career at Ferreyros she worked as Deputy Manager of Logistics Prime, Deputy Manager of the Rentals business and as Head of the Marketing Department, among others. He joined the corporation in 1990, beginning his career in the area of Credits and Collections. He holds a bachelor's degree in Business Administration from the University of Lima, a PADE in Marketing from ESAN, and an MBA from the Adolfo Ibáñez University in Chile and INCAE in Costa Rica. He has taken specialized courses in Peru in accounting, tax and financial areas at ESAN and abroad, including the Caterpillar Leading for Growth and Profitability program at the Kenan-Flagler business school of the University of North Carolina, and the CFO Executive Program, from the Business School of Chicago Booth University. He was a member of the Investment Committee of the Compass Operating Lease Fund from 2013 to 2016. He has been a member of the Amcham Financial Affairs Committee since 2015.

Luis Fernando Armas Tamayo
Large-scale Mining Division Manager

Large-scale Mining Division Manager since 2012, with 30 years of experience in the management, implementation, comercialization and market development of heavy equipment for open-pit mining operations. He held the position of regional manager at Caterpillar for northern Latin America, based in Miami (United States) during the year 2011; General Manager of Bucyrus South Africa, headquartered in Johannesburg, from 2009 to 2011; and General Manager of Bucyrus Peru, from 2000 to 2009, participating in the implementation and creation of the company in the national mining market. Previously, he held the position of Mine Maintenance Senior at Alumbraera (Argentina), from 1997 to 2000. In addition, he held positions in engineering, planning and maintenance at Southern Peru in its Cuajone operations from 1986 to 1997. Currently he is the director of the subsidiary Soltrak. He is a mechanical and electrical engineer graduated from the National University of Engineering, with postgraduate studies in the Senior Management Program of the University of Piura; graduate of Caterpillar Senior Management programs at the Kenan-Flagler business school, University of North Carolina (United States); of the Senior Executive Leadership Program at the Yale School of Management, Connecticut (United States); and recently at the CEO Innovation Management Program at IESE Business School, of the University of Navarra (Barcelona, Spain), to which numerous specialized courses in mining equipment are added in Peru, Chile and the United States.

Jorge Durán Cheneaux

Division Manager Product Support

Manager of Product Support Division since 2016. He was in charge of the Branch and Agriculture Division Management from 2012 to 2015. He joined the corporation in 1994 as a field service engineer in charge of the Cerro mining operation Green. Later, he assumed the responsibility of head of Service of the South region, in the Arequipa branch. In 1999, he took charge of the Services Management at the national level; in 2001, the Management of the Component Repair Center (CRC) and Talleres Lima; in 2005, of the Operations Management of Large Mining; and in 2007, of the Division Management of Large Mining. Graduated as a Bachelor of Science with a major in Mechanical Engineering from the Pontifical Catholic University of Peru (PUCP), in 2009 he obtained an MBA from the Adolfo Ibáñez University of Chile and the Incae of Costa Rica. He has participated in several Caterpillar specialization courses and forums, is certified as Black Belt in the Six Sigma continuous improvement program and in 2007 he graduated in the Caterpillar Leading for Growth and Profitability program, taught by the Kenan-Flagler business school. from the University of North Carolina.

Ronald Orrego Carrillo

Manager Regional Accounts Division

Manager of the Regional Accounts Division, which includes the branch network and the Government and Agricultural areas, since 2016. He joined Ferreyros in 1994 as an assistant of the Service Management at the national level. Later, he led the start-up of medium-speed engine projects for the marine sector and power generation, as well as product support plans. In 2002 he assumed the Head of the Department of Energy, in the commercial area, and subsequently held other positions in the Energy area; between 2010 and 2015 he worked as Energy, Hydrocarbons and Marine manager. He has more than 24 years of experience in commercial management, as well as in the development of energy and marine projects, both in the development of turnkey projects and in the sale of energy. He has served as director of Ferrenergy, a subsidiary of Ferreyros dedicated to the sale of energy. Mechanical engineer graduated from the Pontifical Catholic University of Peru, has an MBA with outstanding mention awarded by the Universidad del Pacífico, as well as an EMBA awarded by the Adolfo Ibáñez University of Chile and the Incae Business School of Costa Rica. He has participated in several specialization courses and Caterpillar forums of a commercial nature and product support, as well as risk management.

Paul Ruiz Lecaros

Energy and Retail Manager

Manager of the Business Unit of Energy & Retail, has a history of more than 20 years in Ferreyros. As part of his experience in the company, he led the Managers of Parts and Services, as well as the Commercial Management of Mining. Likewise, he assumed the headships of Quality Control in Warehouses, Spare Parts Inventory and Spare Parts Marketing. He also worked in the area of Customer Relations Management (CRM). It is certified as Black Belt in the Six Sigma continuous improvement program. Industrial Engineer from the University of Lima, he has completed an EMBA awarded by the Adolfo Ibáñez University of Chile and the Incae Business School of Costa Rica, as well as a postgraduate degree in Marketing from the Pontificia Universidad Católica del Peru.

Alan Sablich Nairn

Manager of Digital Marketing and Business Division

He assumed the Division of Marketing and Digital Business in 2017. He leads the areas of Commercial Intelligence, Customer Experience, Commercial Support, Campaigns and Promotions, as well as Ferreyros businesses that are managed through digital media, such as e-commerce, connectivity of equipment and digital transformation projects. Previously, he held the position of Marketing Manager since 2015, after occupying the position of Commercial Support Manager since 2013. Prior to joining Ferreyros, he worked in different leadership positions in marketing, digital and consulting in national companies and international, such as Belcorp, Ripley, General Electric Australia, Portland Group Australia, and Soluziona Peru & Spain. He is an industrial engineer from the University of Lima, with an MBA from Melbourne Business School Australia, certified in Marketing Management by Rutgers University. He has numerous leadership, marketing and digital strategy courses.

Enrique Salas Rizo-Patrón

Division Manager National Accounts

Manager of National Accounts Division since 2016. Previously, he led the Construction and Mining Division Management, between 2010 and 2015. He also served as general manager of the subsidiary Mega Representaciones (currently Soltrak) from 2007 to 2010. It is Director of several companies of the corporation. He was the founder and general manager, from 1999 until the end of 2006, of Mega Rubber, a leading company in the commercialization of off-road tires and lubricants for the industry in the country. He served as sales director at Andean Trading, the exclusive representative of Goodyear International for Peru, a company he has worked since 1986. He has 32 years of experience in the sale and value-added service of industrial products for the mining markets, construction, transport and industry. He studied at the University of Lima and followed a specialization in Sales, Marketing and Services at ESAN, as well as other studies dedicated to commercial, administrative and financial management for entrepreneurs. He has participated in Caterpillar courses and forums and institutions related to the aforementioned markets. In 2018 he participated in the Senior Executive Leadership Program at the Yale School of Management, Connecticut (United States).

José Gutiérrez Jave

Division Manager Supply Chain

Division Manager since 2018, with 20 years within the Ferreycorp Corporation. He served as commercial manager of Maquinaria, from 2014 to 2017; as Product Manager of Charge and Drilling, from 2012 to 2013; as manager of Construction Machines, from 2010 to 2012; and as Deputy Manager of Construction Machines, from 2007 to 2010. He has also played different roles within Ferreyros, such as Head of Administration and Logistics, Account Manager, Maintenance Inspector, Consignment Analyst and Sales Representative, among others, which give him field experience in service and maintenance of Caterpillar machinery, logistics and administration of mining operations, as well as marketing and sales of spare parts and Caterpillar machinery. He is a mechanical engineer from the Pontifical Catholic University of Peru, with a Master's Degree in Business Administration from the Centrum Católica business school of the Pontificia Universidad Católica del Perú.

Career path of the main officials of the other subsidiaries and businesses

Alberto Parodi de la Cuadra

General Manager of Unimaq

General Manager of Unimaq since January 2016 and, previously, Deputy General Manager of the company. Previously, he held the Deputy General Management and the Central Business and Operations Management of the General Corporation of Tractors, S.A. (Gentrac), in Guatemala, from 2010 to July 2015. He joined Ferreyros in 1995, where he worked as manager of the Construction, Mining and Energy Division, between 2007 and 2010; as Commercial Manager of Construction and Medium Mining, between January 2006 and January 2007; and as a Post-Sales Commercial Manager, between July 2002 and December 2005, among other positions. He is vice president of Orvisa and director of Cresko y Motriza. He is also a member of the Machinery Importers Committee of the Lima Chamber of Commerce. He is an industrial engineer graduated from the Universidad Ricardo Palma and has a Masters in Strategic Business Administration from the business school Centrum Católica, of the Pontificia Universidad Católica del Perú. He has also taken the course Finance for Senior Executives (FSE) at Harvard University (Boston, United States), as well as Leadership, in Incae (Costa Rica). He participated in the Caterpillar Leading for Growth and Profitability program, taught at the Kenan-Flagler business school of the University of North Carolina, and has completed several specialization programs in Peru and abroad.

César Vásquez Velásquez

General Manager of Orvisa

General Manager of Orvisa S.A. since February 2006. With 19 years of experience in the field of capital goods, he has held the positions of general administrator, administrative chief and general accountant in the same company, which he joined in the year 2000. He worked in the network of Interbank stores and was general accountant of Compañía Embotelladora Lusitania. She was a member of the Board of the Maynas Municipal Savings and Credit Fund (CMAC Maynas), between 2005 and 2007, as well as a member of the Senati Loreto Zonal Council, in the 2009-2011 and 2016-2017 periods. Master's Degree in Financial Management and Management from the School of Industrial Organization (EOI) of Spain, a Master's Degree in Higher Education from the National University of San Marcos (completed studies), as well as an Advanced Level Certification in Sales from Caterpillar University. He graduated as a public accountant at the National University of the Amazon.

Ricardo Ruiz Munguía

General Manager of Gentrac and General de Equipos

General Manager of Gentrac Corporation and its subsidiaries in Central America. He joined General de Equipos in 1978. He has held positions in different areas of the company, arriving in 1991 to be appointed general manager. In 1998, when General de Equipos acquired 100% of Gentrac in Guatemala and Gentrac in Belize, he was appointed vice president of the Board of Directors and executive director of the three companies. In 2001, he was appointed Chairman of the Board of Directors and CEO of Gentrac Corporation, the holding company of the aforementioned companies. In other activities in El Salvador, she has served as a member of the Board of Directors of the Commercial Agricultural Insurer; member of the Board of Directors of Banco de Comercio; Chairman of the Board of Directors of Banco Atlacatl; member of the Board of Directors of the Central Reserve Bank; member of the Board of Directors of the Banking Association; director of Financiera Atlacatl; as well as director of the Savings and Loan Association Aprisa. He holds a degree in Agricultural Economics from the University of Louisiana and a Master's Degree in Business Administration from the Incae.

Rodolfo Paredes León

General Manager of Soltrak

General Manager of Soltrak S.A. since 2018. Previously, at Ferreycorp he was Corporate Manager of Strategy and Business Development, since 2014, and Manager of Development and Investments of Ferreyros, since 2007. He led key initiatives such as the internationalization of the corporation, as well as the incorporation of new businesses in the last 10 years. He has more than 20 years of professional experience, including project management in multiple industries, including aerospace, technology, logistics, pharmaceutical, industrial and construction machinery and mining, among others. He has worked in various entities such as the Bureau of Pension Standardization (ONP), Farindustria and IBM, in Peru, and Honeywell International Inc., in the United States. Currently, he is the director of subsidiaries of the corporation such as Motored, Fargoline and Forbis Logistics. Graduated as an industrial engineer from the University of Lima, he has a master's degree in business (MBA) from the University of Notre Dame (United States), where he graduated with honors (cum laude). He has participated in multiple specialization courses in Peru and abroad, such as the program for the creation of value through strategic alliances and acquisitions of Kellogg School of Management of Northwestern University (United States).

Henri Borit Salinas

General Manager of Motored

General Manager of Motored S.A. since 2012. He was manager of the Automotive Division of Ferreyros S.A.A. from 2011 to 2012, the year in which said division was absorbed by Motored. He started his career in the Consulting Division of Arthur Andersen & Co. in 1992, an organization from which he retired as a manager in 1998. He has served as general manager of Indumotora del Peru between 1999 and 2011. He has 17 years of experience in the automotive sector. He was a member of the Association of Automotive Representatives of Peru (Araper) until 2015. He is an industrial engineer from the University of Lima and has postgraduate studies at the Universidad del Pacífico and the PAD of the University of Piura.

Víctor Otero Pizarro

General Manager of Trex Latinoamérica

General Manager of Trex Latin America since its founding in 2014. Previously, he served as general manager of Equipos y Servicios Trex S.A., which he founded in 2000 together with its partners. He has 25 years of experience in management and business development of capital goods, in the mining and port areas, holding various positions in the company Minepro Chile, today Joy Global, including the management of the Material Handling division that grouped P & H cranes, equipment PPM docks and Morris crane bridges. Architect of the Pontificia Universidad Católica de Chile, has an MBA from the Adolfo Ibáñez University.

Carlos Ojeda Iglesias

Trex Manager in Peru, Ecuador and Colombia

He is Trex's manager in Peru, Ecuador and Colombia. Previously, he served as manager of the Tire Division at Soltrak (formerly Mega Representaciones), between 2007 and 2014. He was Manager of Operations and Services at Mega Rubber (2004 - 2006), a company dedicated to the supply of consumable products for the mining, construction and transportation, which was subsequently acquired by the corporation and became Soltrak. She also worked as a Navy officer for 15 years, with experience in operations and leadership (1991-2004). He graduated from the Naval School of Peru, attended the Management MBA of the Centrum Católica business school, of the Pontifical Catholic University of Peru, as well as a postgraduate program in Operational Analysis at the University of Bahía Blanca and the School of Officials of the Argentina Army.

Javier Barrón Ramos Plata

Manager of Cresko

Manager of Cresko. He started his career in 1996 in Ferreyros, occupying various positions in the Commercial and Administration areas in several branches of the corporation. He won several awards and recognitions in courses taught by Caterpillar. He has 20 years of experience in the commercialization of capital goods. He has been a zonal adviser to the Senati in La Libertad in the period 2010-2012, as well as representative of the organization in the various chambers of commerce of the branches with which he interacted, being currently a member of the Machinery Committee of the CCL. He is an industrial engineer graduated from the University of Piura, graduated with honors in the Master of Business Administration at ESAN, with postgraduate studies in Finance at ESAN and Senior Management Program at Incae. He has participated in various Marketing, Leadership and Sales courses taught by Caterpillar. He has received the Advanced Level in Sales certification from Caterpillar University.

Jorge Devoto Núñez del Arco

General Manager of Forbis Logistics

General Manager of Forbis Logistics Corp. and Forbis Logistics S.A. since 2013. He has experience in the management of logistics projects since 2001. With more than eleven years of experience in the corporation, he has held positions in three representative areas: Commercial, Projects and Logistics. Within his experience, he highlights his participation in the exchange program with Caterpillar, in the city of Miami, where he worked for one year. It is certified as a Black Belt in the Six Sigma continuous improvement program, as well as in the Caterpillar Production System (CPS), a continuous improvement methodology adapted to the Caterpillar world. He holds a bachelor's degree in Food Industries from the Universidad Nacional Agraria La Molina and graduated with honors in Strategic Business Administration (MBA) at the business school Centrum Católica, of the Pontificia Universidad Católica del Peru.

Raúl Neyra Ugarte

General Manager of Fargoline

General Manager of Fargoline S.A. since 2009. He started his professional career in the Navy, and later moved to the private sector, working in Takagaki Mills, in the poultry sector, and in Nestlé, in the mass consumption sector. He joined Ferreyros in 1995, where he held management positions since 2005, after working in different areas of the corporation. He is a member of the Board of Directors of the Association of Port Operators of Peru. He has an MBA from the Incae of Costa Rica and the Adolfo Ibáñez University of Chile, as well as a specialization in Logistics from the Pontificia Universidad Católica del Peru. He is certified as a Black Belt in the Six Sigma continuous improvement program, by Caterpillar University, and he graduated from the Naval School of Peru as a Navy Officer with the Bachelor of Administration degree.

Marcos Wieland Conroy

General Manager of Soluciones Sitech Peru

General Manager of Soluciones Sitech Peru S.A. since the beginning of its operations in 2013. He started his career at IBM as a systems support engineer. Subsequently, he worked at Microsoft as a manager of Marketing Programs in the areas of education, marketing and sales; at the BCTS consultancy, as a business manager; and in Price Waterhouse Coopers, as Marketing Manager. He joined Ferreyros in 2007, as manager of Commercial Development in the Marketing area, a position he held until his current position. He is a Master in Business Administration from the University of Texas at Austin and has two bachelor's degrees: one in Industrial Engineering from the Pontifical Catholic University of Peru and another in Computer Science from the University of Arkansas, in Little Rock. He has been a Marketing and Technology professor for more than ten years at ESAN.

Ernesto Velit Suarez

General Manager of Ferrenergy

General Manager of Ferrenergy since October 2016. He has more than 30 years of experience in the management of companies related to manufacturing, construction and consulting in mining, energy, industry, gas, oil and hydrocarbons. He was general manager of the metalworking company FIMA and the construction company Skanska; Project manager of Cosapi and Parsons; and consulting companies such as Cesel. He was vice president of the Association of Private Metalworking Companies of Peru and the Suppliers Committee of the National Mining, Petroleum and Energy Society; member of the Metalworking Committee of the National Society of Industry and the Board of Directors of the Peruvian Chamber of Construction. Mechanical engineer - electrician specializing in Energy, graduated from the Polytechnic Institute Bucharest. It has a Master of Sciences awarded by the Polytechnic Institute Bucharest and the Polytechnic Institute of Paris.

1.5 Affiliation to associations

(GRI 102-13)

Both the Ferreycorp corporation and its subsidiaries are active participants and / or work together with various associations related to the sectors they serve or the guidelines, values and policies of the corporation, seeking to promote a culture of continuous improvement and good corporate practices. The following describes the associations of the Ferreycorp holding and the six companies with the largest operating volumes in Peru.

Ferreycorp	<ul style="list-style-type: none"> ▪ Circle of Companies of the Latin American Round Table of Corporate Governance (Companies Circle) ▪ Association of Capital Markets Companies (Procapitales) ▪ Investing in Peru Association (In Peru) ▪ Peruvian Institute of Business Action (IPAE) ▪ Peru 2021 ▪ American Chamber of Commerce of Peru (Amcham) ▪ Peruvian-Chinese Chamber of Commerce (Capechi) ▪ Spanish Chamber of Commerce ▪ International Organization of Women in Business (Owit Peru) ▪ Association for the Progress of the Direction (APD) ▪ Latin American Corporate Secretaries Association (Ascla)
Ferreyros	<ul style="list-style-type: none"> ▪ Association of Good Employers (ABE) ▪ Chamber of Commerce of Lima ▪ American Chamber of Commerce of Peru (Amcham) ▪ Canadian Chamber of Commerce ▪ German Chamber of Commerce ▪ Mexican Peruvian Chamber of Commerce ▪ Peruvian Chamber of Construction (Capeco) ▪ National Society of Mining, Petroleum and Energy (SNMPE) ▪ National Society of Industries (SNI) ▪ National Fisheries Society (SNP) ▪ Foreign Trade Company of Peru (Cómex Peru) ▪ Peru 2021 ▪ Peruvian Association of Human Resources (Aperhu) ▪ Business Council of Latin America (CEAL) ▪ Peruvian Institute of Economics (IPE) ▪ Latin American Institute of Research and Road Studies (ILIEV)
Unimaq	<ul style="list-style-type: none"> ▪ Association of Good Employers (ABE) ▪ Peru 2021 ▪ Chamber of Commerce of Lima ▪ Peruvian Chamber of Construction (Capeco)
Orvisa	<ul style="list-style-type: none"> ▪ Association of Good Employers (ABE) ▪ Chamber of Commerce, Industry and Tourism of Loreto ▪ Chamber of Commerce, Industry and Tourism of Ucayali ▪ Chamber of Commerce, Production and Tourism of San Martín ▪ Chamber of Commerce, Agriculture and Industries of Amazonas ▪ Chamber of Commerce and Industry of Huánuco

Fargoline	<ul style="list-style-type: none"> ▪ Association of Good Employers (ABE) ▪ Peruvian Association of Port Operators (Asppor) ▪ National Port Association (APN) ▪ Foreign Trade Company of Peru (Cómex) ▪ Peru 2021 ▪ Chamber of Commerce of Lima (CCL) ▪ Exporters Association (Ádex)
Motored	<ul style="list-style-type: none"> ▪ Association of Good Employers (ABE) ▪ Automotive Association of Peru (AAP) ▪ American Chamber of Commerce of Peru (Amcham) ▪ Peru 2021
Soltrak	<ul style="list-style-type: none"> ▪ Association of Good Employers (ABE) ▪ Chamber of Commerce of Lima (CCL) ▪ Peruvian-Chinese Chamber of Commerce (Capechi) ▪ Automotive Association of Peru (AAP) ▪ Peru 2021

Appendix 2: Equity Capital and ownership structure

2.1 Equity Capital and the Share Price behaviour

As of December 31, 2018, the share capital of Ferreycorp is represented by 975,683,029 common shares with a par value of PEN 1.00 each, fully subscribed and paid, of which 62.60% belongs to Peruvian investors and 37.40% to foreign investors. The shares outstanding as of December 31, 2018 are 975,683,029.

The opening price for the year was PEN 2.55 and the closing price, PEN 2.54, which added to the dividend per share of PEN 0.1354654234 translates into a return for the shareholder of 5%. The maximum price of PEN 2.68 was reached on January 26 and the minimum, of PEN 2.05, on October 26, 2018. The average price of the share in 2018 was PEN 2.44, if the closing prices are considered of the Lima Stock Exchange.

2.2 Ownership structure

The shareholders with 4% or more of the capital of the company as of December 31, 2018 are:

Names	Number of shares	Participation (%)	source
RI - Fund 2	68,253,171	7.00%	Peru
Onyx Latin America Equity Fund LP	55,870,766	5.73%	United States of America
IN - Fund 2	55,590,450	5.70%	Peru
IN - Fund 3	49,657,788	5.09%	Peru
PR – Fund 2	47,199,794	4.84%	Peru
RI - Fund 3	42,363,537	4.34%	Peru
PR - Fund 3	39,621,030	4.06%	Peru

CORPUS ANALYSIS

Once the corpus has reached the size that was determined, the next step is to analyze it in one linguistic direction (for example: English-Spanish) and then in the other direction (Spanish-English). These steps in which the corpus has been analyzed have been divided into four:

- 1) Preselection of data
- 2) Data capture
- 3) Validation of the selected data
- 4) Data processing

We will detail these 4 steps below, but it is valid to mention that these phases are performed one after the other but the last 3 are recursive, that is to say that depending on the term that is trying to identify, we must return to the previous phase to strengthen the information and the terminological data obtained.

1) Preselection of data

- The first step to process a corpus is to generate a list of monoléxico frequencies in which each lexical form appears in this list by its frequency of appearance or in alphabetical order.
- In the case of the elaboration of the terms dictionaries of the Natural Stone and Footwear, a corpus management program called WordSmith Tools was used.
- This type of programs when generating frequency lists produce a lot of invalid data or "noise". However, it allows stopwordlists to be created. This stage is called pre-selection because the program is told which words we want not to appear in the lists. Finally, in this first step we obtain a list of possible candidates for terms.

1) Data Capture

- From the frequency lists obtained in the previous step, each lexical unit was analyzed with the Concord program, where another list was obtained but now of concordances, also called the KWIC list.
- From this list the analysis options multiply because we see the selected terms in context. We can also ask the program to highlight N number of words to the right or left of the term.
- On the other hand, this program also offers the opportunity to know if the chosen term is the basis of a compound term, the setter of another base or can pick up the verbs with which it is combined.

2) Validation of the selected data

- In this step the authors asked themselves: What helps them determine which term or expression should be collected in order to continue processing them?
- First, the frequency with which each term or expression appears in the analyzed texts. In this case the specialized terms do not involve much difficulty because they are not very common words like the term Clast - Clasto in Spanish.
- But with the terms that at first sight are not specialized, one must see the context in which they are found in order to validate them, as in the case of grain, which when analyzing its context was determined to be used in the field of petrology with a rather limited meaning.
- Finally, what also helps to validate a term is to look for its equivalent in the corpus created in the other language and see if they have the same use and meaning.

3) Data processing

- In this phase they tried to identify synonyms, definitions and compounds and derivatives.
- The meanings were obtained by observing the contexts of the different terminological units and in order to obtain compounds and derivatives the Concord program was used.
- In addition the authors detail that they resorted to online dictionaries, data banks and used the internet as "megacorpus".

Ownership	N° of shareholders	N° of shares	% of participation
More than 10% of the equity	0	0	0.00%
Between 5% and 10 % of the equity	4	229,372,175	23.51%
Between 1% and 5 % of the equity	13	359,957,635	36.89%
Less than 1 % of the equity	2,373	386,353,219	39.60%
Total	2,390	975,683,029	100.00%

2.3 Share structure by type of investor

Acción: FERREYC1		
Tenencia por tipo de accionistas de la acción o valor representativo de participación que compone el S&P Perú Select Index (al cierre del ejercicio)	Número de tenedores	% de participación (3)
1. Miembros del directorio y alta gerencia de la sociedad, incluyendo parientes (1).	24	2,05%
2. Trabajadores de la sociedad, no comprendidos en el numeral 1.	52	0,02%
3. Personas naturales, no comprendidas en el numeral 1 y 2.	2.046	9,26%
4. Fondos de pensiones administrados por las Administradoras de Fondos de Pensiones bajo supervisión de la Superintendencia de Banca, Seguros y AFP.	12	34,62%
5. Fondo de pensiones administrado por la Oficina de Normalización Previsional (ONP).	-	
6. Entidades del Estado Peruano, con excepción del supuesto comprendido en el numeral 5.	1	0,28%
7. Bancos, financieras, cajas municipales, edpymes, cajas rurales y cooperativas de ahorro y crédito bajo supervisión de la Superintendencia de Banca, Seguros y AFP.	4	0,60%
8. Compañías de seguros bajo supervisión de la Superintendencia de Banca, Seguros y AFP.	4	7,45%
9. Agentes de intermediación, bajo la supervisión de la SMV.	5	0,49%
10. Fondos de inversión, fondos mutuos y patrimonios fideicometidos bajo el ámbito de la Ley de Mercado de Valores y Ley de Fondos de Inversión y fideicomisos bancarios bajo el ámbito de la Ley General del Sistema Financiero.	31	3,32%
11. Patrimonios autónomos y fideicomisos bancarios del exterior, en la medida que pueda identificarlos.	164	27,54%
12. Depositarios extranjeros que figuren como titulares de la acción en el marco de programas de ADR o ADS.	-	
13. Depositarios y custodios extranjeros que figuren como titulares de acciones no incluidos en el numeral 12.	4	1,44%
14. Custodios extranjeros que figuren como titulares de acciones.		
15. Entidades no comprendidas en numerales anteriores (2).	43	12,93%
16. Acciones pertenecientes al índice S&P/BVL Perú Select Index o valor representativo de estas acciones, en cartera de la sociedad.	-	
Total	2.390	100,00%
Tenencia por titulares de la acción o del valor representativo de participación que compone el S&P/BVL Perú Select Index, según su residencia (al cierre del ejercicio)	Número de tenedores	% de participación ³
Domiciliados	2.170	67,93%
No domiciliados	220	32,07%
Total	2.390	100,00%

(1) Término "Parientes" según el reglamento de propiedad indirecta, vinculación y grupos económicos.

(2) Término "Entidades" según el reglamento de propiedad indirecta, vinculación y grupos económicos.

(3) Dos decimales.

Appendix 3: Information regarding the market of securities registered in the Public Registry of the Securities Market

3.1 Joint actions

FERREYCORP S.A.A.

Variable income

ISIN Code	Mnemonic	Year - Month	QUOTATIONS 2018				Average Price
			Opening	Closure	Maximum	Minimum	PEN
			PEN	PEN	PEN	PEN	PEN
PEP736001004	FERREYC1	2018-01	2.55	2.59	2.68	2.55	2.60
PEP736001004	FERREYC1	2018-02	2.58	2.53	2.60	2.53	2.57
PEP736001004	FERREYC1	2018-03	2.52	2.54	2.62	2.50	2.56
PEP736001004	FERREYC1	2018-04	2.55	2.63	2.67	2.52	2.58
PEP736001004	FERREYC1	2018-05	2.63	2.66	2.67	2.55	2.62
PEP736001004	FERREYC1	2018-06	2.66	2.35	2.66	2.35	2.48
PEP736001004	FERREYC1	2018-07	2.36	2.36	2.47	2.28	2.35
PEP736001004	FERREYC1	2018-08	2.34	2.30	2.41	2.24	2.33
PEP736001004	FERREYC1	2018-09	2.30	2.35	2.45	2.10	2.31
PEP736001004	FERREYC1	2018-10	2.36	2.11	2.37	2.05	2.18
PEP736001004	FERREYC1	2018-11	2.10	2.34	2.40	2.08	2.29
PEP736001004	FERREYC1	2018-12	2.35	2.54	2.54	2.29	2.38

3.2 Representative instruments of outstanding debt

3.2.1 International bonds

In April 2013, Ferreycorp issued US \$ 300 million in corporate bonds in the international market. The amount collected by this issue, with a coupon of 4.875%, was used to re-profile the debt of an average term of three years with

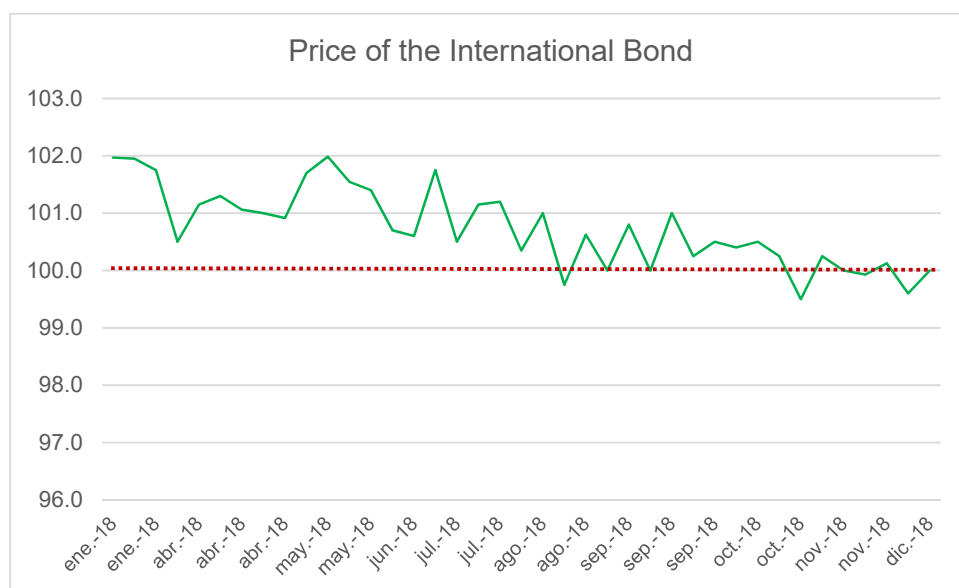
amortizations, to a payment of capital to seven years bullet. In this way, the corporation released short-term lines of credit and met its medium-term needs.

The lower dynamism of the economy during 2016 caused a reduction in the demand for financial resources for both working capital and investments, generating liquidity in the cash flow. Likewise, there was an offer of low interest rates, for which a repurchase of bonds for US \$ 17,667,000 was made, in order to achieve better and more flexible conditions. On June 24, 2016, after completing the corresponding process, the repurchase of the bonds for a total amount of US \$ 120,000,000 was carried out through a Tender Offer.

On November 28, 2017, with the objective of reducing the financial expenses of the corporation and giving greater flexibility to the debt structure, a partial redemption of the international bond for US \$ 62,333,000.00 was carried out under the terms of the Indenture.

Currently, the balance of the international bond is US \$ 100 million.

Below is the performance of the bonds during 2018:







3.2.2 Local Bonds





Ferreycorp registered with the Securities Market Superintendence its Third Program of Debt Instruments for US \$ 100,000,000 or its equivalent in soles, in order to have an additional source of financing.





The emissions will depend on the conditions presented by the local market.

Appendix 4: Sustainability

4.1 Contribution to the Sustainable Development Goals (SDG) of the United Nations

SDG	GOAL	FERREYCORP CONTRIBUTION
 <p>1 FIN DE LA POBREZA</p>	<p>End poverty in all its forms around the world</p> <p>1.1 By 2030, eradicate extreme poverty for all people and all over the world (people who live on less than USD 1.25 a day are currently considered to be suffering extreme poverty).</p>	<ul style="list-style-type: none"> 1,040 new contractings in 2018. nationwide. 71% of hirings correspond to provinces. Salary above the legal minimum.
 <p>2 HAMBRE CERO</p>	<p>End hunger, achieve food security and improve nutrition and promote sustainable agriculture</p> <p>2.1 By 2030, end hunger and ensure access for all people, particularly the poor and people in vulnerable situations, including children under one year of age, to a healthy, nutritious and sufficient diet throughout the entire year.</p>	<ul style="list-style-type: none"> Availability of food in the most vulnerable areas in situations of natural disasters.
 <p>3 SALUD Y BIENESTAR</p>	<p>Guarantee a healthy life and promote wellbeing for all at all ages</p> <p>3.4 By 2030, reduce by one third premature mortality due to noncommunicable diseases through prevention and treatment, and promote mental health and well-being.</p>	<ul style="list-style-type: none"> Campaigns and fairs of health and disease prevention, talks for the correct use of personal protection equipment, screening for occupational diseases, among others.
 <p>4 EDUCACIÓN DE CALIDAD</p>	<p>Ensure inclusive, equitable and quality education and promote lifelong learning opportunities for all</p> <p>4.1 By 2030, ensure that all girls and all boys complete primary and secondary education, which must be free, fair and of quality and produce relevant and effective learning outcomes.</p> <p>4.3 By 2030, ensure equal access for all men and women to quality technical, professional and higher education, including university education.</p> <p>4. To build and adapt educational facilities that take into account the needs of children and persons with disabilities and gender differences, and that offer safe, non-violent, inclusive and effective learning environments for all.</p>	<ul style="list-style-type: none"> More than 34,000 students benefited by the professional development workshops of the Ferreycorp Association. 14,546 members of the Heavy Equipment Operators Club. 5,553 members of the Heavy Equipment Technicians Club. Construction of 4 schools in La Libertad and Ica through the Works for Taxes mechanism. 205,728 man-hours of training deployed in the six companies with the highest operating volumes in Peru.

	<p>Achieve gender equality and empower all women and girls</p>	<p>5.1 Put an end to all forms of discrimination against all women and girls throughout the world.</p> <p>5.5 Ensure the full and effective participation of women and equal opportunities for leadership at all decision-making levels in political, economic and public life.</p>	<ul style="list-style-type: none"> ▪ Gender equity among corporate companies is promoted through a Corporate Gender Equity Policy, a Gender Equality Committee, the Pares Program, parental leave, salary parity, among others. ▪ The corporation is part of OWIT (Organization of Women in International Trade), international organization of women in business. ▪ The CEO, the CFO and 19 managerial positions are occupied by women.
	<p>Guarantee the availability of water and its sustainable management and sanitation for all</p>	<p>6.1 By 2030, achieve universal and equitable access to safe drinking water at an affordable price for all.</p> <p>6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene services for all and put an end to open defecation, paying special attention to the needs of women and girls and people in situations of vulnerability.</p>	<ul style="list-style-type: none"> ▪ 100% of the water reused in the Compound Repair Center (CRC) La Joya in Arequipa. ▪ Four projects for improvement and expansion of potable water, sewerage and water treatment services in Cusco, through the Works for Taxes mechanism. ▪ Unimaq has a line of pipes that facilitate and create access to clean water and sanitation.
	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including young people and people with disabilities, as well as equal remuneration for work of equal value.</p> <p>8.6 By 2030, reduce considerably the proportion of young people who are not employed and do not study or receive training.</p> <p>8.8 Protect labor rights and promote a safe and safe work environment for all workers, including migrant workers, particularly migrant women and people in precarious employment.</p>	<ul style="list-style-type: none"> ▪ 6,544 direct jobs generated in 2018. ▪ The subsidiaries have an Industrial Safety System, Occupational Hygiene and Environmental Management, and an Occupational Safety and Health Committee. ▪ All work spaces maintain appropriate standards to provide safe work environments for their employees. ▪ Ferreycorp does not support any type of forced or child labor in its operations or along its value chain.
	<p>Build resilient infrastructures, promote inclusive and sustainable industrialization and encourage innovation</p>	<p>9.4 By 2030, modernize the infrastructure and reconvert the industries to be sustainable, using resources more effectively and promoting the adoption of clean and environmentally sound technologies and industrial processes, and ensuring that all</p>	<ul style="list-style-type: none"> ▪ The corporation has an Innovation Board Committee. ▪ Also, a Technology, Processes and Innovation Management that provides shared services to the entire corporation.

		countries take action in accordance with their respective capabilities.	<ul style="list-style-type: none"> ▪ Event held in 2018: Innovation Summit. ▪ Ferreycorp has an innovation laboratory where new ideas and solutions are proposed. ▪ In 2018, the reduction of the carbon footprint was managed.
	Reduce inequality in and between countries	10.2 By 2030, promote and promote the social, economic and political inclusion of all people, regardless of their age, sex, disability, race, ethnicity, origin, religion or economic situation or other condition.	<ul style="list-style-type: none"> ▪ 12 employees with some type of disability are part of the corporation's workforce, fostering social inclusion and respect for others. ▪ In 2018, no cases of employment discrimination were reported. ▪ 38% of employees hold technical positions.
	Ensure sustainable consumption and production patterns	12.5 By 2030, reduce the generation of waste considerably through prevention, reduction, recycling and reuse activities.	<ul style="list-style-type: none"> ▪ Through the CAT Machinery Certified General Repairs Program, it was possible to extend the life of 10 used low profile loaders.
	Adopt urgent measures to combat climate change and its effects	13.2 Incorporate measures related to climate change into national policies, strategies and plans.	<ul style="list-style-type: none"> ▪ Action for the climate. ▪ In 2018 Ferreycorp obtained the results of its measurement of water footprint in one of its premises, which reached the figure of 24,813.62 m3. ▪ After the measurement of carbon footprint, a total of 462 tons of compensation was made. of CO2, which contributes to conserving the Amazonian forests. ▪ The corporation promotes good practices with its recycling and waste treatment program. ▪ With the implementation of new lighting systems and other initiatives, in 2018 it was possible to reduce the consumption of energy and water.
	Promote peaceful and inclusive societies for sustainable development, facilitate access to justice for all and create effective, responsible and inclusive institutions at all levels	16.5 Significantly reduce corruption and bribery in all its forms.	<ul style="list-style-type: none"> ▪ The corporation disseminates and supports the "Zero Tolerance" Principle, through its Anticorruption Prevention System, its Anticorruption Policy and its Code of Ethics. ▪ In addition, it is part of the organizations Transparencia y Proética.

4.2 Detailed description of the materiality process

(GRI 102-46; 102-47)

The Sustainability Report presented contains information on sustainable management based on the economic, social and environmental aspects of the operations of the **Ferreycorp corporation and its six subsidiaries with the largest operating volumes in Peru**, during the period between January 1 and on December 31, 2018.

This is the first version of Integrated Memory presented by Ferreycorp. It has been prepared "in accordance" with the Global Reporting Initiative (GRI) standards, in its "Essential" option.

In order to select the information to be included in this Report, which reflects the most important issues for the corporation, as well as the expectations of the stakeholders, Ferreycorp updated its materiality, with scope to the six aforementioned subsidiaries. For this edition, the topics were validated by reviewing secondary sources and some primary sources. In addition, 12 leaders of the organization participated in the validation.

Thus, of the 25 issues, organized into six thematic axes, it was possible to prioritize 13 issues at the high relevance threshold (position on the 3.2 points in each axis, which is equivalent to 0.2% of the highest score in the scale of the 1 to 4, on which each theme was assessed).

Stages of the materiality analysis

1. Review	2. Identification	3. Priorization	4. Validation	5. Grouping
The sustainability reports of leading companies in the sector identified in the Sustainability Yearbook 2015 of RobecoSAM were reviewed, highlighting the GRI aspects (now called "GRI thematic standards") of the reported materials.	Interviews were carried out with the main managements and head offices of the six subsidiaries selected for the report, where the main impacts were defined.	The risks and expectations collected in the identification stage were reviewed and then prioritized. Leaders of the organization validated the criteria of importance for each interest group and assigned the assessment to the identified issues.	The results of the materiality were validated with the Corporate Finance Management.	Finally, the 13 material topics were selected, which belong to six groups of topics.

Materiality matrix of the Ferreycorp corporation and its 6 main subsidiaries



Integridad	
1	Gobierno corporativo
2	Ética e Integridad
3	Control interno y gestión de riesgos

Desarrollo y bienestar de los colaboradores	
4	Desarrollo de talento
5	Capacitación e impulso del desarrollo profesional
6	Cuidado de la salud, seguridad y condiciones de trabajo
7	Salario competitivo y equitativo
8	Equidad de género y diversidad
9	Derechos Humanos

Compromiso con la gestión ambiental	
10	Eficiencia en el uso de materiales
11	Eficiencia energética
12	Reducción de emisiones
13	Minimización de residuos y gestión de efluentes
14	Gestión del Agua

Compromiso con la sociedad	
15	Desarrollo de infraestructura y promoción de la educación
16	Inversión social y relacionamiento con la comunidad
17	Capacitación y desarrollo de técnicos para la industria

Excelencia en los servicios	
18	Relación con proveedores
19	Relación con clientes
20	Innovación
21	Responsabilidad extendida del producto

Gestión del negocio	
22	Resultados financieros
23	Condiciones económicas del mercado
24	Competencia
25	Eficiencias operacionales

Se muestra la matriz en los cuadrantes 2.0 a 4.0, de una escala del 1.0 al 4.0. Ningún asunto obtuvo una posición menor a 2.0 puntos en alguno de los ejes.

Ferreycorp reports in this document 22 specific contents of the GRI Standard. These are related to the 25 issues that are covered by the materiality analysis, in order to maintain the comparability of the figures year after year, regardless of the position taken by each issue in the period.

GRI specific contents related to the Main themes

Identification of specific GRI contents and coverage				
N°	Main theme	Related GRI specific contents	Coverage	Interest groups linked
1	Integrity	anti-bribery	Internal and External	Collaborators, customers, suppliers and government
2	Development and welfare of employees	Employment	Internal	Collaborators
		Training and education	Internal	Collaborators
		Presence in the market	Internal	Collaborators
		Security and health at work	Internal and External	Collaborators and suppliers
		Diversity and equal opportunities	Internal	Collaborators
		No discrimination	Internal	Collaborators
		Freedom of association and collective bargaining	Internal and External	Collaborators and suppliers
		Child labor	Internal and External	Collaborators and suppliers
		Forced or compulsory labor	Internal and External	Collaborators and suppliers
3	Commitment to environmental management	Materials	External	Community and environment
		Energy	External	Customers
		Emissions	External	Community and environment
		Effluents and waste	External	Community and environment
		Water	External	Community and environment
4	Commitment with society	Local communities	External	Community
		Indirect economic impacts	External	Community
5	Excellence in services	Health and safety of the client	External	Customers
		Acquisition practices	External	Suppliers
		Marketing and labeling	External	Customers
		Customer privacy	External	Customers
6	Business management	Economic performance	Internal	Shareholders

4.2 Table of GRI, Global Compact and SDG contents

(GRI 102-55)

GRI Standard	Content	Global Compact	Associated SDG	Details
General Contents				
GRI 102: General aspects 2017	Organization's profile			
	102-1 Organization name			Ferreycorp S.A.A.
	102-2 Activities, brands, products and services			Page 19
	102-3 Headquarters location			Jirón Cristóbal de Peralta Norte N° 820, Surco, Lima, Peru.
	102-4 Location of operations			Page 23
	102-5 Ownership and legal form			Open Stock Corporation
	102-6 Markets served			Pages 20-22; 26-32
	102-7 Size of the organization			Pages 20-22; 26
	102-8 Information about employees and other workers			Pages 86-88
	102-9 Supply chain			Pages 112-114; 116
	102-10 Significant changes in the organization and its supply chain			No significant changes reported
	102-11 Principle or precautionary approach			The corporation's environmental strategy is aimed at managing the risks of environmental impacts under the Standard Environmental Management System based on the ISO 14001 standard. This system is executed, monitored and audited through the Environmental Management Programs (PGA in Spanish)) of each company.
	102-12 External initiatives			Network of the United Nations Global Compact Principles of Good Corporate Governance Association of Good Employers (AmCham)
102-13 Affiliation to associations			Appendix 1: Page 163	

GRI Standard	Content	Global Compact	Associated SDG	Details
	102-14 Statement of senior executives responsible for decision making			Pages 4-12
	102-16 Values, principles, standards and rules of conduct			Pages 14-16, 78-79 y 101
	Governance			
	102-18 Governance structure			Pages 69-77
	Participation of interest groups			
	102-40 List of interest groups			Pages 81-82
	102-41 Collective bargaining agreements			Collective bargaining agreements cover 100% of workers, whether or not they belong to the union.
	102-42 Identification and selection of interest groups			Pages 81-82
	102-43 Approach for the participation of the interest groups			Pages 82
	102-44 Key issues and concerns mentioned			Pages 81-82
	Practices for the preparation of reports			
	102-45 Entities included in the consolidated financial statements			Pages 63-64
	102-46 Definition of the contents of the reports and the coverage of the topic			<p>Description of the materiality process.</p> <p>This document refers to the management of the Ferreycorp corporation. However, in the text may be different scopes depending on the coverage of the subject.</p> <p>- To the corporate, making reference to Ferreycorp and all its companies.</p> <p>-A Ferreycorp and its six main subsidiaries, making reference at the corporate level and the companies: Ferreyros,</p>

GRI Standard	Content	Global Compact	Associated SDG	Details
				Unimaq, Orvisa, Soltrak, Motored and Fargoline. -A Ferreyros or other companies, only referring to the companies mentioned in Peru. Pages 172-175
	102-47 List of material topics			Appendix 4: Description of the materiality process. Pages 173-175
	102-48 Reexpression of information			None
	102-49 Changes in reporting			The corporation adjusted the list of material issues. He has tried, however, to maintain the same contents reported since 2014. The coverage of the report until 2017 was biennial, this report is annual.
	102-50 Period of the report			January 1 to December 31, 2018
	102-51 Date of the last report			2016-2017
	102-52 Reporting cycle			Annual
	102-53 Contact point for questions about the report			Mail ferreycorpverde@ferreycorp.com.pe Telephone line 0-800-13372 Website: www.ferreycorp.com.pe
	102-54 Declaration of preparation of the report in accordance with GRI standards			In accordance- Essential
	102-55 GRI content index			Pages 175-181
	102-56 External verification			Currently, the company does not have an external verification policy.

GRI Standard	Content	Global Compact	Associated SDG	Details
Material issues				
Integrity				
GRI 103: Management approach	103-1 Explanation of the material topic and its coverage			Pages 16-17
	103-2 The management approach and its components			
	103-3 Evaluation of the management approach			
GRI 102-5: anti-bribery	205-2 Communication and training on anti-corruption policies and procedures	Principle 10	SDG 16	Pages 16-17
Development and welfare of employees				
GRI 103: Management approach	103-1 Explanation of the material topic and its coverage			Pages 86-94
	103-2 The management approach and its components			
	103-3 Evaluation of the management approach			
GRI 401: Employment	401-1 New employee hiring and staff rotation		SDG 1 and 10	Pages 86 y 88
	401-3 Parental leave		SDG 8	Pages 93
GRI 404: Training and education	404-2 Programs to improve employee skills and transition assistance programs		SDG 5	Pages 95-96
GRI 202: Presence in the market	202-1 Ratio of standard initial category salary by gender to the local minimum wage		SDG 1 y 10	Pages 89-90
GRI 403: Health and Safety at Work	403-1 Representation of workers in formal committees worker health and safety Company		SDG 3	Page 97
	Types of accidents and frequency rates of accidents, occupational diseases, lost days, absenteeism and number of deaths due to work-related accidents or		SDG 8	Pages 97-99

GRI Standard	Content	Global Compact	Associated SDG	Details
	occupational diseases			
	403-3 Workers with high incidence or high risk of diseases related to their activity			Page 97
GRI 405: Diversity and equal opportunities	405-2 Ratio of base salary and remuneration of women to men		SDG 5	Pages 89-90
GRI 406: Nondiscrimination	406-1 Cases of discrimination and corrective actions undertaken	Principle 6	SDG 10	Pages 93-94
GRI 407: Freedom of association and collective bargaining	407-1 Operations and suppliers whose right to freedom of association and collective bargaining could be at risk	Principle 3		Page 89
GRI 408: Child labor	408-1 Operations and suppliers with significant risk of cases of child labor	Principle 5	SDG 8	Pages 93 y 112
GRI 409: Forced or compulsory labor	409-1 Operations and suppliers with significant risk of cases of forced or compulsory labor	Principle 4	SDG 8	Pages 93 y 112
Commitment to environmental management				
GRI 103: Management approach	103-1 Explanation of the material topic and its coverage	Principle 7 Principle 8 Principle 9		Pages 118-120
	103-2 The management approach and its components			
	103-3 Evaluation of the management approach			
GRI 301: Materials	301-1 Materials used by weight or volume		SDG 15	Pages 122-123
GRI 302: Energy	302-1 Energy consumption within the organization		SDG 13	Pages 121-122
	302-3 Energy intensity			Page 122
	302-4 Reduction of energy consumption			Page 121
GRI 305: Emissions	305-1 Direct GHG emissions (scope 1)		SDG 9 AND 13	Pages 127-128
	305-5 Reduction of GHG emissions			Pages 128-130

GRI Standard	Content	Global Compact	Associated SDG	Details
GRI 306: Effluents and waste	306-1 Water discharge according to its quality and destination		SDG 13	Page 120
	306-2 Waste by type and disposal method			Pages 123-124
	306-4 Transportation of hazardous waste			Page 124
GRI 303: Water	303-1 Water extraction by source			Page 119
Commitment to society				
Management approach	103-1 Explanation of the material topic and its coverage			Pages 107-109
	103-2 The management approach and its components			
	103-3 Evaluation of the management approach			
GRI 413: Local communities	413-1 Operations with local community participation, impact evaluations and development programs		SDG 4	Pages 107-110
	413-2 Operations with significant negative impacts - real and potential- in local communities		SDG 4 y 6	Pages 107-110
GRI 203: Indirect economic impacts	203-1 Investments in infrastructure and supported services			Pages 107-110
Excellence in services				
Management approach	103-1 Explanation of the material topic and its coverage			Pages 105,106, 112-113
	103-2 The management approach and its components			
	103-3 Evaluation of the management approach			
GRI 416: Health and safety of customers	416-1 Evaluation of the health and safety impacts of the categories of products or services		SDG 3	Pages 105-106
GRI 204 Acquisition practices	204-1 Proportion of spending on local suppliers			Page 116

GRI Standard	Content	Global Compact	Associated SDG	Details
GRI 417: Marketing and labeling	417-1 Requirements for information and labeling of products and services			Pages 103-106
GRI 418: Privacidad del cliente	418-1 Claims based on violations of customer privacy and loss of customer data			Page 106
Business management				
Management approach	103-1 Explanation of the material topic and its coverage			Page 51
	103-2 The management approach and its components			
	103-3 Evaluation of the management approach			
GRI 201: Economic performance	201-1 Economic value generated to the interest groups			Pages 51-53
Own indicators				
Own indicator	Extended product liability		SDG 12	Pages 125-126
	Supplier training			Pages 112-113
	Water consumption			Page 119