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

Third Quarter 2017

Lima, October 25, 2017. Ferreycorp S.A.A. (BVL: FERREYC1), a leading corporation which aims to carry out investment activities in the capital goods sector and complementary services, with presence in Peru and other countries in Latin America, announces consolidated results for the third quarter 2017.

The consolidated financial results have been prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in nuevos soles

MAIN HIGHLIGHTS

THIRD QUARTER 2017 RESULTS

- During the third quarter 2017, consolidated sales reached to S/ 1,236 million similar if compared to S/ 1,244 million in 3Q2016 and to 2Q2017 sales. Despite slow growth rates in the country, the company has accomplished to close some important deals with mining and non-mining customers, maintain used equipment sales and continued delivering spare parts and services. In dollars, sales reached to US$ 381 million compared to US$ 372 million during 3Q16 (2%). As stated in the previous quarter report, the corporation remains optimistic and confident regarding the recovery of the dynamism of the different economic sectors in the upcoming months.
- Consolidated net profit during 3Q2017 amounted to S/ 74 million and rose by 139% compared to S/ 31 million net profit reached during 3Q2016. Third quarter 2017 net

profit reflects the result of the business with no relevant distortions due to exchange rate, in contrast to same quarter 2016. Additionally, we should recall third quarter 2017 net profit is similar to the one obtained during the 2Q17 (S/ 75 million).

- It should be noted that in the third quarter of the year the corporation maintained a high market share and its leadership with the Caterpillar brand. Caterpillar is the main brand represented by Ferreycorp and has a market share near to 60% in Perú.
- Consolidated gross margin for the third quarter 2017 remained stable in 24%, similar to the one obtained during the same quarter 2016 and the one achieved during the previous two quarters this year.
- Operating margin reached to 9% in 3Q2017, compared to 8% during 3Q2016.
- EBITDA during the third quarter increased by 8% and amounted to S/ 150 million, compared to the one reached during the third quarter last year. EBITDA margin rose to 12%, compared to 11% achieved during same period last year.
- Financial expenses have decreased steadily since last year and reached S/ 18 million soles during the third quarter (-43%), mainly driven by lower interests rates given the strategy of the corporation to maintain large part of the debt in the short term, and the tender offer carried out during 2016 in order to access to better financing conditions and give flexibility to the corporation financing.
- As mentioned before, the company results were not affected by exchange rate distortions during this quarter: loss due to exchange rate was –S/ 0.5 million.
- Net margin increased to 6% during 3Q17 compared to 3% obtained during 3Q16.

ACCUMULATED RESULTS AS OF SEPTEMBER 2017

- Consolidated sales in this first nine month period amounted to S/ 3,637 million and dropped only by 3% compared to the same period last year (S/ 3,751 million). In dollars, consolidated sales reached US$ 1,113 million, almost flat compared sales as of September 2016. This important result was accomplished despite a lower dynamism in the economic cycle and a reduction of investment levels, especially due a retracted construction and infrastructure market. The deals closed with large open pit mining customers that are developing projects in expansion stage and with customers from other economic sectors, used equipment sales, new businesses closed for the delivery of allied equipment and the continuous growth of spare parts and services contributed in great part to the sales volumes accomplished as of September 2017.
- Net profit as of September 2017 amounted to S/ 212 million, 29% higher than similar period last year (S/ 164 million).
- During the first nine months of the year, gross margin kept stable at 24%, similar as the one reached for the first nine months of 2016.
- Operating margin as of September 30, 2017 rose to 9%, similar as of September 20, 2016 due to an adequate sales mix of the different business lines with respect to total sales.
- Accumulated financial expenses dropped by 35.5% from S/ 90.1 million to S/ 58.1 million as a result of a 2.2% reduction of financial debt and lower interest rates as a result of the corporation strategy to maintain large part of the debt in the short term, which allows better conditions and gives flexibility; and also due to the Tender Offer carried out in 2016.

- Exchange rate benefited the accumulated results reflected in a S/ 17 million gain, unlike the -S/ 6 million foreign exchange loss as of September 2016.
- Net margin reached to 6% compared to 4% as of September last year.
- EBITDA margin for the first nine month period 2017 amounted to 12%, similar as of the one reached as of September last year.
- The cash cycle remained stable in 152 days compared to same period last year.

(in million soles except per share ratios)	3Q'17	2Q'17	1Q'17	3Q'16	%Var 3Q'17/2Q'17	%Var 3Q'17/3Q'16	As of Sept 2017	As of Sept 2016	%Var.
Net sales (US$)	$381	$399	$334	$372	-4.6%	2.2%	$1,113	$1,113	0.0%
Net sales	S/. 1,236	S/. 1,302	S/. 1,099	S/. 1,244	-5.1%	-0.6%	S/. 3,637	S/. 3,751	-3.0%
Gross profit	S/. 290	S/. 310	S/. 264	S/. 287	-6.4%	1.1%	S/. 864	S/. 896	-3.6%
Operating profit	S/. 114	S/. 126	S/. 83	S/. 100	-9.5%	14.0%	S/. 323	S/. 329	-1.8%
Financial expenses	S/. -18	S/. -19	S/. -20	S/. -32	-4.9%	-42.5%	S/. -58	S/. -90	-35.5%
Gain (loss) to exchange rate	S/. -1	S/. -4	S/. 22	S/. -22	-87.6%		S/. 17	S/. -6	
Net Profit	S/. 74	S/. 75	S/. 62	S/. 31	-0.9%	139.2%	S/. 212	S/. 164	28.6%
EBITDA	S/. 150	S/. 163	S/. 120	S/. 139	-8.0%	7.9%	S/. 433	S/. 450	-3.7%
EPS	0.076	0.077	0.064	0.031	-0.5%	145.4%	0.218	0.165	32.0%
EBITDA per share	0.154	0.167	0.123	0.141	-7.7%	9.6%	0.446	0.456	-2.1%
Free cash flow	S/. -2	S/. 64	S/. 77	S/. -41	-103.1%	9.6%	S/. 139	S/. 120	15.8%
Gross margin	23.5%	23.8%	24.0%	23.1%			23.7%	23.9%	
Operating margin	9.2%	9.7%	7.6%	8.0%			8.9%	8.8%	
Net margin	6.0%	5.7%	5.7%	2.5%			5.8%	4.4%	
EBITDA margin	12.1%	12.5%	10.9%	11.2%			11.9%	12.0%	
Leverage ratio							0.79	0.98	
Net debt / EBITDA							2.83	2.76	

MAIN HIGHLIGHTS

Partial redemption of Ferreycorp 4.875% Senior unsecured notes due 2020

Ferreycorp announced the partial redemption of its 4.875% Senior unsecured notes due 2020. With this, the corporation looks out for flexibility to its current capital structure and to reduce financing costs, in line with the strategy stated one year ago.

As stated in the Matter of Fact published on October 11, 2017, the partial redemption is for US$ 62.3 million, leaving an outstanding of US$100 million. The notes will be redeemed on November 28, 2017 at a price of 102.438%, according to the terms described in the Indenture.

The partial redemption will be funded through a combination of new medium-term debt (approximately 20%), in terms and conditions favorable to the company, and cash flow generation.

Ferreycorp enters new Sustainability Index released by IFC and MILA

Ferreycorp, with more than 50 years in the stock market, entered the new Dow Jones Sustainability Index MILA Pacific Alliance (DJSI MILA Pacific Alliance). The index is composed by 42 companies registered in the markets of the Pacific Alliance region: México, Chile, Colombia and Perú.

The DJSI MILA Pacific Alliance was launched by S&P Dow Jones Index, the International Finance Corporation (IFC), RobecoSAM and the Latin American Integrated Market (MILA). The new index tracks the performance of companies with the highest RobecoSAM's sustainability scores in the Pacific Alliance region aforementioned.

This new index, the first of its kind in the region, will motivate more investors to take sustainability as part of their investment decisions. Likewise, it will encourage issuers to seek better standards in this area.
Its evaluation methodology includes an analysis of areas such as corporate governance, codes of conduct, environmental management, human capital development, transparency and corporate citizenship, among others

Ferreycorp addition to this index confirms its commitment to sustainability. The corporation has as part of its strategy and business model the generation of positive impacts on its different stakeholders.

Third place in "La Voz del Mercado" ranking

Ferreycorp holds the third position in La Voz del Mercado ranking, launched by the Lima Stock Exchange and EY, which summoned capital market specialists to rate the Corporate Governance practices of the companies of the Lima Stock Exchange.
The ranking took the opinion of institutional investors, financial analysts, risk analysts, corporate banking, regulators, business managers, academics and business journalists.

It should be recalled that Ferreycorp was awarded this year, for the fifth time, with the Key of the Lima Stock Exchange, a distinction that acknowledge the issuer with best practices of corporate governance in Peru. This award considered three factors: the compliance with the Principles of Corporate Governance during 2016 after an exhaustive validation process; the liquidity of the share; and for being among the top five companies in "La Voz del Mercado".

I. COMMERCIAL MANAGEMENT

1. SALES BREAKDOWN ACCORDING TO CORPORATE ORGANIZATION

Ferreycorp allocate its companies in three main groups:

Group I - Subsidiaries which are Caterpillar dealers and represent allied brands in Peru (Ferreyros, Unimaq and Orvisa)

During the third quarter 2017, sales slightly increased by 1.5% if compared to the same period 2016, as a result of the delivery of spare parts and services. The share of this line of business in total revenues is 56%.

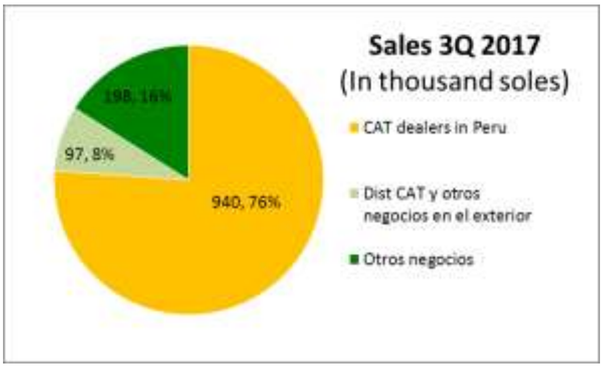
Group II - Caterpillar dealers and other businesses in Central America (Gentrac, Cogesa, Motored and Mercalsa).

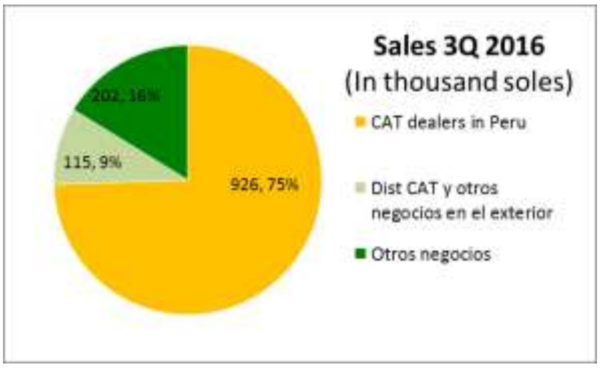
This second group of companies with presence in Central America dropped their sales by 15.6% during the 3Q 2017 compared to 3Q 2016, in great part due to lower economic activity of the economic sectors in the region that impacted Guatemala results.

Group III - Other subsidiaries aimed to offer capital goods and services other than Caterpillar to different economic sectors in Peru and South America (Motored, Soltrak, Trex, Motriza, Fargoline, Forbis Logistics, Fiansa and Sitech).

This group of companies, which complement the supply of goods and services through equipment and vehicles, consumables and logistic solutions, among other lines, slightly decreased its sales by 1.9%. This result turns out from Fiansa and Motored weaker sales, compensated in part by Trex higher sales: company that represents Terex and other allied brands in Chile. This group of companies boosts its share in the corporation consolidated sales, which currently amounts to 16.3%, led by the line of equipment, rental and used growth.

Ferreycorp and subsidiaries sales composition in the third quarter 2017 compared to third quarter 2016 is showed below:





The detail of sales by group of companies:

(S/ million)	3Q 2017	%	2Q 2017	%	3Q 2016	%	% Var 3Q 2017/2Q 2017	% Var 3Q 2017/3Q 2016
Ferreyros	785	63.5	799	61.4	759	61	-1.8	3.5
Unimaq	115	9.3	140	10.8	125	10.1	-17.8	-7.9
Orvisa	40	3.2	47	3.6	43	3.4	-16.0	-6.6
Total Cat dealers in Peru	**940**	**76.1**	**987**	**75.8**	**926**	**74.5**	**-4.8**	**1.5**
Total Cat dealers and other businesses abroad	**97**	**7.8**	**109**	**8.4**	**115**	**9.2**	**-11.2**	**-15.6**
Soltrak	68	5.5	66	5.1	67	5.4	2.3	1.2
Motored	52	4.2	53	4.1	57	4.6	-2.6	-9.6
Trex	36	2.9	39	3.0	25	2.0	-7.1	46.4
Otras (Fargoline, Motriza, Forbis, etc)	43	3.5	48	3.6	54	4.3	-9.6	-19.9
Total other businesses	**198**	**16.1**	**206**	**15.8**	**202**	**16.3**	**-3.5**	**-1.9**
TOTAL	**1,236**	**100.0**	**1,302**	**100.0**	**1,244**	**100.0**	**-5.1**	**-0.6**

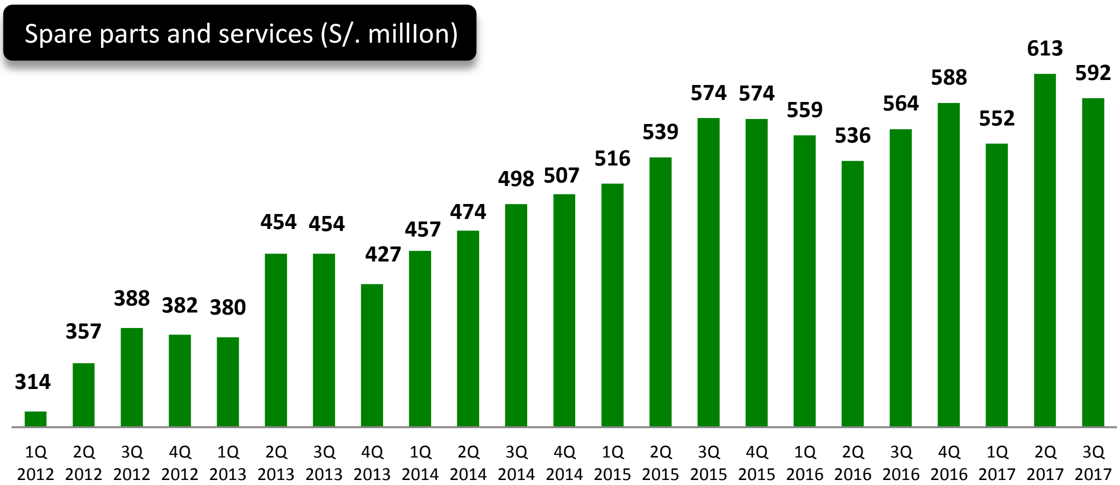
2. SALES BREAKDOWN BY BUSINESS LINE

Sales (S/ million)	3T 2017	%	2T 2017	%	3T 2016	%	% Var 3T 2017/2T 2017	% Var 3T 2017/3T 2016
Mining Trucks and Caterpillar Machines (GM)	134	10.8	138	10.6	119	9.6	-3.0	12.3
Caterpillar Machines and engines for other sectors (NGM)	148	12.0	165	12.7	195	15.7	-10.5	-24.3
Allied equipment	147	11.9	177	13.6	157	12.6	-16.8	-6.0
Rental and used	104	8.4	99	7.6	91	7.3	5.5	14.4
Spare parts and services	592	47.9	613	47.1	564	45.4	-3.5	4.9
Other lines	111	9.0	110	8.4	118	9.5	1.0	-5.5
TOTAL	**1,236**	**100**	**1,302**	**100.0**	**1,244**	**100.0**	**-5.1**	**-0.6**

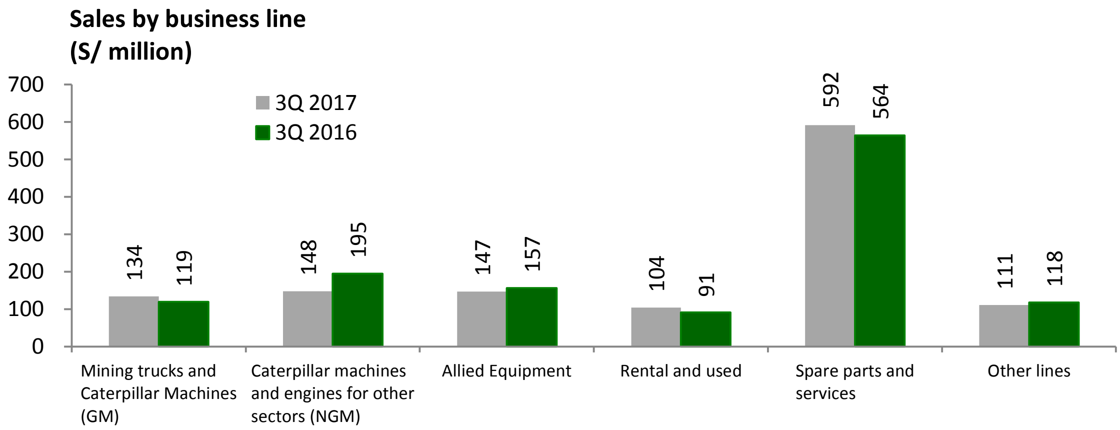
When analyzing the results by business lines, there is a significant 12% increase in the line of Caterpillar mining trucks and equipment for large mining customers, led by the delivery of mining equipment during the third quarter of the year for US$ 41 million. On the other hand, Caterpillar engines and machines continue to show weak results as a consequence of the delay in the execution of infrastructures projects.

Moreover, during the third quarter 2017, the sale of used equipment (from the rental fleet) and rental business rose by 14% as a result of higher sales in Ferreyros and Trex.

As mentioned before, the strategy of the corporation is focused in increasing the aftermarket, which is reflected in the spare parts and services sales that amounted to S/ 592 million, keeping a high share in total revenues. During the last years, the population of Caterpillar machinery has increased, dynamic that allows the sustainability of the business model.

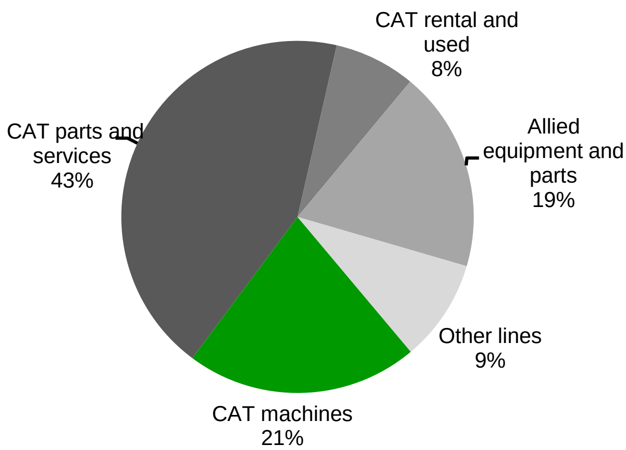


The after-market provided by Ferreycorp to its customers is characterized by high quality standards. Nevertheless, this world class service impacts the operating expenses because it requires investments in inventories of spare parts and components as well as in modernizing its workshops and selecting and training its technicians, as well as accounts receivables for 45 to 60 days.



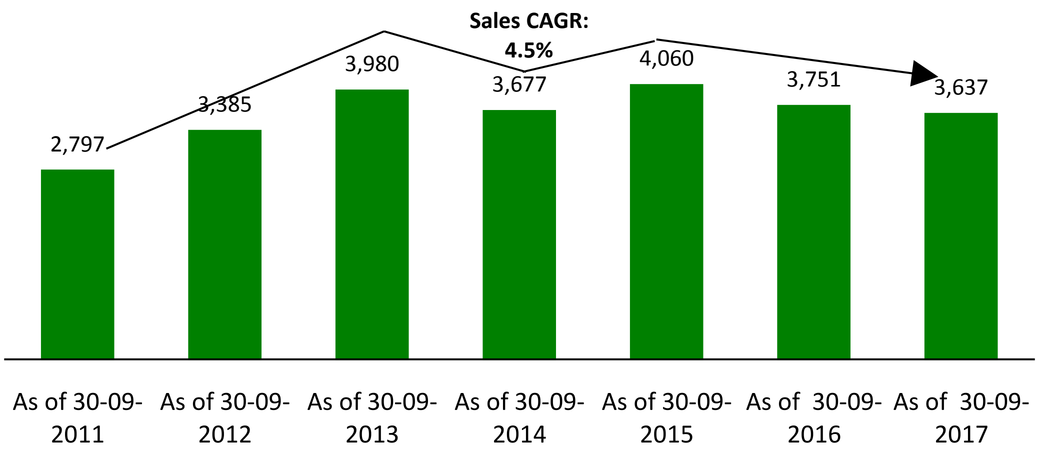
As of September 2017 sales of the Caterpillar brand carried by Caterpillar dealers in Peru, Guatemala, El Salvador and Belize, accounted for 72% of total income, including machinery and equipment (new, used and rental units) as well as spare parts and services.

Sales (as of September 2017)



It is important to highlight that the EBITDA margin recorded as of September 30, 2017 is 12% as a result of the sales volume reached during the year, good gross and operating margins, expenses control and the continuous follow up of commercial and financial indicators.

Sales and EBITDA (S/. million)



Ebitda Margin	12.3%	10.4%	11.5%	10.8%	12.0%	12.0%	11.9%
EBITDA (S/ MM)	343	351	458	396	487	450	433

EBITDA CAGR: 4.0%

3. SALES BREAKDOWN BY ECONOMIC SECTORS

Regarding sales distribution by economic sectors, sales to open pit mining represented during the third quarter 2017 38% of total revenues.

It is important to highlight the growth in other economic sectors such as Industry, Commerce and Services, as a result of the corporation diversification strategy.

	3Q 2017	3Q 2016
Open pit mining	37.8%	34.9%
Construction	22.9%	23.7%
Underground mining	12.7%	14.3%
Government	1.7%	1.9%
Transport	4.2%	4.8%
Industry, commerce and services	13.3%	9.9%
Agriculture and forestry	4.4%	3.7%
Fishing and marine	0.5%	1.6%
Hydrocarbons and energy	0.8%	1.5%
Others	1.7%	3.7%
Total	**100.0%**	**100.0%**

II. ANALYSIS OF FINANCIAL INFORMATION

1. Sales

(S/ million)	3Q17	3Q16	%Var.	As of Sept 17	As of Sept 16	%Var.
Sales	1,235.6	1,243.6	-0.6	3,636.8	3,750.7	-3.0

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

2. Gross profit

(S/ million)	3Q17	3Q16	%Var.	As of Sept 17	As of Sept 16	%Var.
Gross profit	289.8	286.7	1.1	863.7	896.0	-3.6
Gross margin	23.5%	23.1%		23.7%	23.9%	

During the third quarter 2017, gross profit reached a higher amount than the one obtained in the same period 2016. In percentage terms, 3Q 2017 gross margin reached to 23.5%, similar as third quarter 2016. The gross margin was not impacted by the nuevo sol devaluation that took place during the quarter because inventories (cost of goods sold) are registered at a similar exchange rate as the invoicing.

3. Selling and Administrative Expenses

(S/ million)	3Q17	3Q16	%Var.	As of Sept 17	As of Sept 16	%Var.
SG&A	197.3	196.4	0.5	577.8	585.8	-1.4
As a % of total sales	-16.0%	-15.8%		-15.9%	-15.6%	

Selling and administrative expenses during the third quarter 2017 remained almost flat compared to the same quarter last year, similar to sales behavior.

4. Financial Expenses

(S/ million)	3Q17	3Q16	%Var.	As of Sept 17	As of Sept 16	%Var.
Financial expenses	18.4	32.0	-42.5	58.1	90.2	-35.5
As a % of total sales	-1.5%	-2.6%		-1.6%	-2.4%	

Financial expenses for the third quarter 2017 decreased by 42.5% compared to 3Q 2016, due to a reduction of average cost of debt that declined to 3.5% and lower financial expense as a consequence of the prepayment of the international bond last year for US$ 138 million.

5. Foreign Exchange Gain/ Loss

(S/ million)	3Q17	3Q16	%Var.	As of Sept 17	As of Sept 16	%Var.
Foreign Exchange Gain/ Loss	-0.5	-21.7	-97.5	17.0	-6.0	-383.1

The foreign exchange loss in 3Q 2017 was minimum and led by a 0.37% nuevo sol devaluation against the dollar, compared to a 3.37% nuevo sol devaluation during the same period last year.

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

6. Net profit

(S/ million)	3Q17	3Q16	%Var.	As of Sept 17	As of Sept 16	%Var.
Net profit	74.2	31.0	139.2	211.5	164.4	28.6

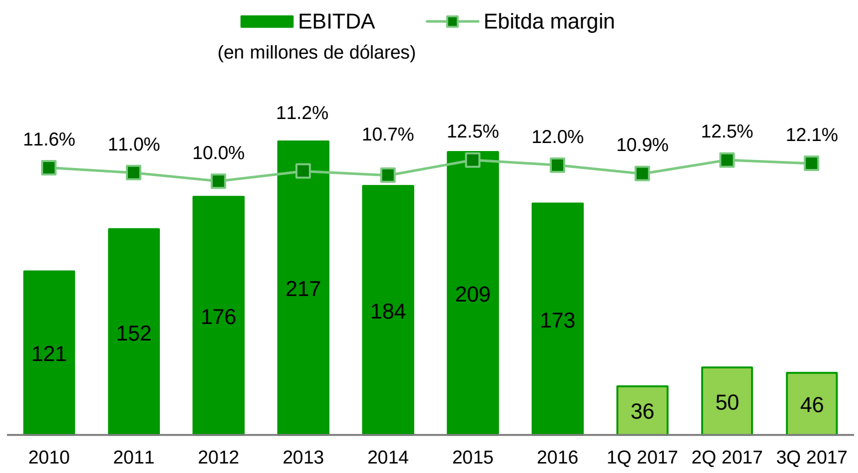
Net profit for the third quarter 2017 amounted to S/ 74.2 million, 139% higher if compared to 3Q 2016. Moreover, as mentioned before, net profit during 3Q 2017 is higher than the last four quarters net profit quarterly average of S/ 59 million.

7. EBITDA

(S/ million)	3Q17	3Q16	%Var.	As of Sept 17	As of Sept 16	%Var.
EBITDA	150.1	139.1	7.9	433.4	450.2	-3.7
EBITDA margin	12.1%	11.2%		11.9%	12.0%	

As of September 30, 2017 80.3% of the corporation's EBITDA is generated by Caterpillar dealers and allied brands in Peru (Ferreyros, Unimaq and Orvisa), which are the businesses contributing more to sales and profit in the corporation. On the other hand, 7.4% of EBITDA is generated by Caterpillar dealers and other businesses abroad, while 4.2% comes from local and foreign subsidiaries aimed to offer capital goods and services for the different economic sectors. Some of the companies from the third group are still young and have been affected by the market contraction of the last two years, without being able to adjust their expenses because they are still in a phase of market penetration. In other cases, these are businesses with different expectations of profitability that will gradually benefit from synergies with other companies of the corporation.

Third quarter 2017 EBITDA reached to S/. 150.1 million, compared to S/. 139.1 million reported on third quarter 2016, which represents a 7.9% growth.



ANALYSIS ACCORDING TO CORPORATE ORGANIZATION

(S/. Thousands)	CAT dealers in Peru		CTA dealers and other businesses aborad		Other businesses	
	As of Sept 2017	As of Sept 2016	As of Sept 2017	As of Sept 2016	As of Sept 2017	As of Sept 2016
Sales	2,710,686	2,867,316	332,156	340,083	593,935	543,348
Gross profit	673,192	705,392	83,768	87,792	106,698	102,801
Gross margin	**25%**	**25%**	**25%**	**26%**	**18%**	**19%**
Operating profit	403,943	420,083	67,297	69,875	103,308	93,161
Operating margin	**10%**	**11%**	**6%**	**5%**	**1%**	**2%**
Dep. and amort.	67,308	66,639	12,666	12,412	11,855	16,608
EBITDA	348,052	382,428	32,110	30,612	18,007	28,357
EBITDA margin	**13%**	**13%**	**10%**	**9%**	**3%**	**5%**

Note: These results do not include Ferreycorp as individual nor INTI

III. ANALYSIS OF CONSOLIDATED FINANCIAL POSITION

Total assets as of September 30, 2017 amounted to S/ 4,879.3 million, almost flat if compared to S/ 4,882.6 million as of September 30, 2016 (0.1% lower). This variation is primarily due to the compensation between cash that increased as a result of collections that were carried out during the last day of the month, and a reduction of fixed assets led by lower investment in rental fleet.

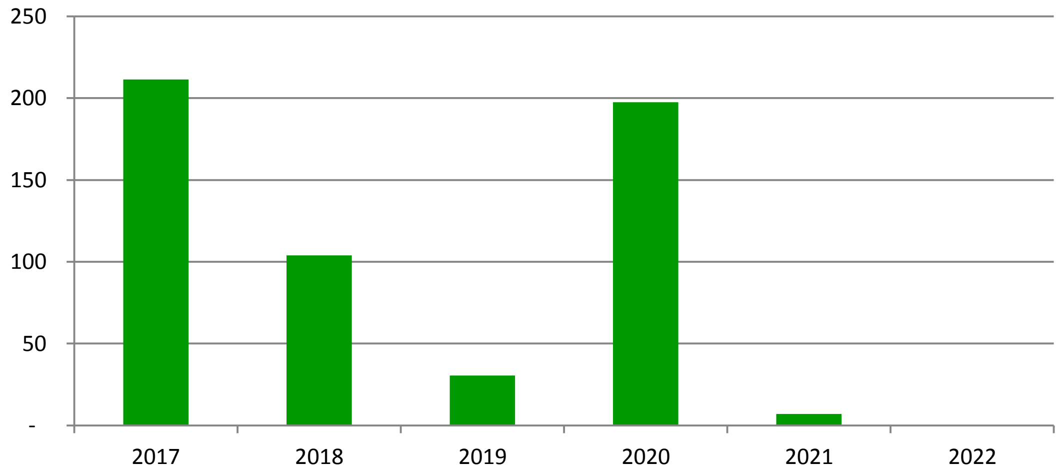
Financial liabilities amounted to S/ 1,770.6 million (US$542 million) as of September 2017, and dropped by 3.6% compared to financial liabilities of S/ 1,837.2 million recorded during the same period last year. The percentage of financial liabilities corresponding to short-term debt and the current portion of the long term debt is 54%, while S/. 815.7 million is long-term debt.

Given the context of low interest rates, the corporation kept the strategy to maintain large part of the debt in the short term; however, some of it will be refinanced during the year according to the needs for which Ferreycorp counts with available credit lines in local banks and Caterpillar Financial Services. It is worth mentioning that the corporation seeks to maintain a solid financial structure and low financial expenses, variables that have a direct impact on the results.

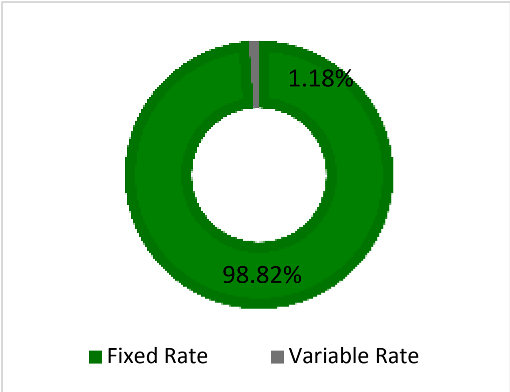
It is important to recall that financial expenses decreased by 42.5% from S/ 32.0 million during the 3Q2016 to S/ 18.4 million during 3Q17, as a result of the reduction in the average cost of debt, which as of 3Q2017 reached 3.5% and dropped by 41bps from the average cost of debt during the same period last year.

Below is the maturity structure of the consolidated liabilities, which is 89.3% in dollars, according to the strategy of maintaining the natural hedge between the revenues and debt. The nuevos soles and other currency debt belong to subsidiaries that have a percentage of their income in local currency or whose legislation does not allow it to maintain accounts receivable in dollars (Trex Chile).
Likewise, 98.82% of total debt has been contracted at fixed rate, which cover us from interest rates risks.

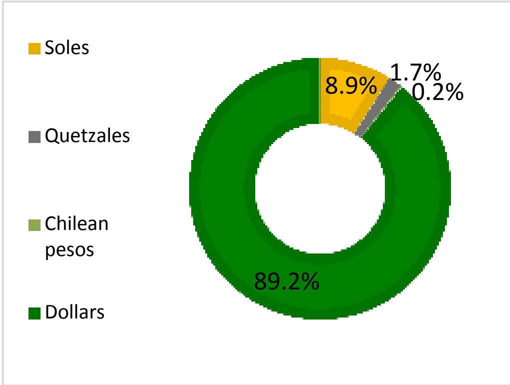
Maturity Structure of Liabilities (US$ Million)



Gross debt by rate



Gross debt by currency



Investment in Fixed Assets (Capex)

As of September 2017 the investment in fixed assets was:

In million Soles	Acquisitions	Deductions	Total S/	Total US$
Infrastructure (1)	76.5	-65.4	11.1	3.3
Machinery and equipment	35	-21.4	13.5	4.0
Rental Fleet	131.8	-161.9	-30.1	-9.0
Vehicles, furniture and fixtures	11.8	-8.6	3.1	0.9
	225.0	**-257.3**	**-2.3**	**-0.7**
(-) Operating Lease Motored facilities			46.7	13.9
			44.4	**13.2**
Intangible assets	31.2	-1.0	**30.2**	**9.0**

As of September 2017 the capex reached S/ -2.3 million (US$ -0.7 million), and increased if compared to S/ -44.2 million (US$ -13 million) invested as of September last year. The Capex investment was mainly for infrastructure and equipment executed in the new Component Rebuilt Center built in La Joya located in the south part of Peru, near the mining operations in that part of the country. It is important to mention that if we exclude the operating lease of Motored facilities, the capex as of September 2017 amounted S/ 44.4 million (US$13 million).

The investment in intangible assets reached US$ 9 million dollars, particularly for the implementation of SAP platform.

IV. FINANCIAL RATIOS

	sep-17	jun-17	mar-17	dic-16	sep-16
Current ratio	1.48	1.52	1.50	1.62	1.59
Financial debt ratio	0.79	0.83	0.83	0.83	0.90
Indebtness ratio	1.42	1.49	1.57	1.48	1.53
Net debt/ Ebitda ratio	2.83	2.89	2.97	2.86	2.76
Adjuste debt/ Ebitda ratio	1.80	1.91	2.08	2.05	2.00
Financial expenses coverage ratio	7.46	7.13	5.88	4.55	4.99
Assets turnover	0.99	1.01	0.97	1.00	1.04
Inventory turnover	2.85	2.81	2.83	2.81	2.86
Receivable days	77	70	73	67	72
Payable days	51	54	53	47	46
Cash cycle	152	145	148	148	152
ROE	14.6%	12.8%	11.9%	12.2%	11.3%
ROA	6.2%	6.1%	5.5%	6.3%	7.0%
ROIC	11.6%	11.5%	10.8%	11.9%	12.7%
Book value per share	2.08	1.97	1.89	1.97	1.95

As shown in the chart above, current and debt ratios are within the appropriate levels. The leverage ratios considered within the covenants of the international bond show an improvement due to the variation of Ebitda.

The assets had a lower turnover, due to the increase in th collection days as a result of the request from the customers for longer payment terms
The cash cycle has been affected in this quarter, showing 152 days, similar to the one obtained in the same period of 2016, despite the efforts of the company to reduce the average collection days.

ROE has increased to 14.6%, the highest obtained during the last year. Return on assets and investment have improved in recent quarters.

GLOSSARY OF TERMS

1) **Current Ratio:**
Evaluates the liquidity of the company to face its short- term liabilities with its short-term assets. It is calculated as follows: Current Assets / Current Liabilities.

2) **Equity debt**
Evaluates the company's level of debt. It shows the proportions of debt and capital that a company uses. It is calculated as follows: Total Liabilities / Total Equity

3) **Indebtedness Ratio:**
Indicates which assets of the company have been financed with debt, either short or long term. It is calculated as follows : Total Assets / Total Liabilities.

4) **Adjusted Financial Debt / EBITDA Ratio**
This ratio shows how many years Ferreycorp would take in order to pay its debt excluding its short term debt related to inventories. It is calculated as follows: (Total Financial Debt – Short Term debt related to inventories acquisition) / EBITDA

5) **Financial expenses coverage**
Indicates how many times the profit generated by the operations of the company are able to cover their financial expenses for the period. It is calculated as follows: EBITDA / Financial expenses.

6) **Assets turnover**
Ratio used as a performance indicator to measure how the company is using its assets to generate income. It is calculated as follows: Sales / Average Assets

7) **Inventory turnover:**
Shows the efficiency of the company to manage its inventory. It measures the number of times inventory is sold and replaced within a period of time. It is calculated as follows: Cost of Goods Sold / Average Inventory.

8) **Return On Equity - ROE**
This ratio measures the corporation's profitability in a period by revealing how much profit is generated with shareholders' investments. It is calculated as follows: Net Income / Shareholder's Equity.

9) **Return On Assets - ROA**
Measures the profitability of the company in a period based on the total assets of the corporation. It is calculated as follows: (Operating profit x (1 -T)) / Average Assets.

10) **Return On Invested Capital - ROIC**
This ratio is used by the company in order to make investment decisions and allocate resources. It is calculated as follows: EBIT (last twelve months) / Average Invested Capital

11) **Receivable days**

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

12) Payable days

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

13) Cash cycle:

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

14) Book value per share:

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

FERREYCORP S.A.A. AND SUBSIDIARIES **APPENDIX 1**

Income Statement (Note)

(In thousand soles)

	3Q 2017	%	3Q 2016	%	Var %	As of Sept 2017	%	As of Sept 2016	%	Var %
Net Sales	1,235,556	100.0	1,243,605	100.0	-0.6	3,636,777	100.0	3,750,747	100.0	-3.0
Cost of goods sold	-945,786	-76.5	-956,942	-76.9	-1.2	-2,773,119	-76.3	-2,854,762	-76.1	-2.9
Gross Profit	**289,770**	**23.5**	**286,663**	**23.1**	**1.1**	**863,658**	**23.7**	**895,985**	**23.9**	**-3.6**
Selling and Administrative expenses	-197,344	-16.0	-196,377	-15.8	0.5	-577,781	-15.9	-585,799	-15.6	-1.4
Other income (Expenses), net	21,592	1.7	9,719	0.8	122.2	37,271	1.0	18,763	0.5	98.6
Operating Profit	**114,017**	**9.2**	**100,006**	**8.0**	**14.0**	**323,148**	**8.9**	**328,949**	**8.8**	**-1.8**
Financial Income	3,578	0.3	5,193	0.4	-31.1	13,039	0.4	19,898	0.5	-34.5
Gain (loss) to exchange rate	-542	-0.0	-21,669	-1.7	-97.5	17,034	0.5	-6,016	-0.2	-383.1
Financial Expenses	-18,388	-1.5	-31,999	-2.6	-42.5	-58,117	-1.6	-90,155	-2.4	-35.5
Share in the net result of associated through the equity method	3,914	0.3	658	0.1	494.6	7,582	0.2	5,116	0.1	48.2
Profit before income tax	**102,580**	**8.3**	**52,189**	**4.2**	**96.6**	**302,686**	**8.3**	**257,792**	**6.9**	**17.4**
Income Tax	-28,373	-2.3	-21,169	-1.7	34.0	-91,178	-2.5	-93,356	-2.5	-2.3
Net Profit	**74,207**	**6.0**	**31,019**	**2.5**	**139.2**	**211,508**	**5.8**	**164,436**	**4.4**	**28.6**
Earnings Per Share	0.076		0.031			0.218		0.165		
EBITDA	**150,074**	**12.1**	**139,130**	**11.2**	**7.9**	**433,443**	**11.9**	**450,239**	**12.0**	**-3.7**

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

FERREYCORP S.A.A. AND SUBSIDIARIES **APPENDIX 2**

Estate of Financial Position

(In Thousand nuevos soles)

	As of 30-09-2017	As of 30-09-2016	Var % sept17/ sept16
Cash and cash equivalents	171,203	94,527	81.1
Accounts Receivables - trade	1,099,090	1,151,885	-4.6
Inventories	1,260,743	1,258,338	0.2
Accounts Receivables - other	179,505	159,646	12.4
Prepaid expenses	33,280	36,004	-7.6
Currents Assets	**2,743,821**	**2,700,400**	**1.6**
Long-term account receivables - trades	93,592	36,684	155.1
Long-term account receivables - other	532	1,838	-71.1
Rental Fleet	410,530	481,121	-14.7
Other Fixed Income	1,703,186	1,696,089	0.4
	2,113,716	2,177,210	-2.9
Accrued depreciation	-618,273	-599,584	3.1
Property, plant and equipment, net	1,495,443	1,577,626	-5.2
Investments	88,456	106,372	-16.8
Intangible assets, net and goodwill	286,222	266,691	7.3
Deferred Income tax	171,235	193,004	-11.3
Not Current Assets	**2,135,480**	**2,182,215**	**-2.1**
Total Assets	**4,879,301**	**4,882,615**	**-0.1**
Short Term Debt	197,502	233,748	-15.5
Other current Liabilities	1,653,590	1,461,280	13.2
Current Liabilities	**1,851,092**	**1,695,028**	**9.2**
Long Term Debt	815,737	1,029,133	-20.7
Other payables	411	956	-57.0
Minority Interest	-	2,787	
Deferred Income taxes	195,620	227,462	-14.0
Total Liabilities	**2,862,860**	**2,955,366**	**-3.1**
Equity	**2,016,441**	**1,927,249**	**4.6**
Total Liabilities and Equity	**4,879,301**	**4,882,615**	**-0.1**

Other Financial Information		
Depreciation	84,640	89,975
Amortization	12,616	11,417

FERREYCORP S.A.A. AND SUBSIDIARIES **APPENDIX 3**

Net Sales

(In thousand soles)

	3Q 2017	%	3Q 2016	%	% Var 3T 2017/3T 2016	As of Sept 2017	%	As of Sept 2016	%	Var %
Mining trucks and Caterpillar Machines (GM)	133,765	10.8	119,082	9.6	12.3	294,272	8.1	500,255	13.3	-41.2
Caterpillar machines and engines for other sectors (NGM)	147,689	12.0	194,999	15.7	-24.3	480,105	13.2	569,913	15.2	-15.8
Allied Equipment	147,101	11.9	156,505	12.6	-6.0	472,523	13.0	419,864	11.2	12.5
Rental and used	104,116	8.4	91,036	7.3	14.4	306,680	8.4	261,075	7.0	17.5
Spare parts and services	591,841	47.9	564,452	45.4	4.9	1,756,839	48.3	1,659,612	44.2	5.9
Other lines	111,046	9.0	117,530	9.5	-5.5	326,357	9.0	340,027	9.1	-4.0
TOTAL	**1,235,556**	**100.0**	**1,243,605**	**100.0**	**-0.6**	**3,636,776**	**100.0**	**3,750,747**	**100.0**	**-3.0**

FERREYCORP S.A.A. AND SUBSIDIARIES **APPENDIX 4**

Total liabilities as of September 30th 2017

(In Thousand US dollars)

	Total Liabilities	Current Liabilities	Long Term Liabilities Current	Long Term Liabilities Long Term	(A) Financial Libilities
Local Banks (Short term)	203,595	203,595	-	-	203,595
Foreign Banks (Short Term)	5,972	5,972	-	-	5,972
Local Banks (Long Term)	66,530	-	33,300	33,230	66,530
Foreign Banks (Long Term)	14,486	-	9,790	4,696	14,486
Local and Foreign Banks (long term) leasing	2,559	-	1,137	1,423	2,559
Suppliers:					
Accounts payable to Caterpillar (invent)	38,435	38,435	-	-	-
Accounts payable to Caterpillar	20,341	20,341	-	-	20,341
Others	107,504	107,504	-	-	1,915
Corporate Bonds	161,212	-	-	161,212	161,212
Caterpillar Financial	62,766	-	14,463	48,302	62,766
Other Liabilities	192,896	130,302	1,764	60,830	2,591
Total (US$)	**876,296**	**506,149**	**60,454**	**309,693**	**541,966**
Total (S/.)	**2,862,860**	**1,653,590**	**197,502**	**1,011,768**	**1,770,604**

(A) Subject to interest payment

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

Cashflow statement

(In thousand of nuevos soles)

	AS of Sept17
Cash flow from operating activities	
Collection to customers and third parties	3,651,822
Payment to suppliers	-2,957,625
Payment to employees and others	-296,370
Payment of taxes and income tax	-84,670
Net cash provided by operating activities	**313,157**
Cash flow from investing activities	
Acquisition of property, plant and equipment	-129,731
Shares repurchase	18,122
Intangible acquisitions	-31,199
Sale of property, plant and equipment	43,159
Net cash used in investing activities	**-99,649**
Cash flow from financing activities	
Financial liabilities	1,264,689
Payment of financial liabilities	-1,258,297
Interests paid	-56,110
Dividends paid	-124,459
Net cash provided by financing activities	**-174,177**
Net increase in cash	39,331
Cash at the begining of the year	128,982
Result due traslation	-942
Cash due to exchange rate variation	3,832
Cash at the end of the year	**171,203**