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

Second Quarter 2019

Lima, July 24, 2019 -. 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 second quarter 2019.

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

MAIN HIGHLIGHTS

FIRST SEMESTER 2019 RESULTS

- Consolidated net profit during for the 1S2019 amounted to S/ 173 million and rose by 45% compared to net profit reached during 1S2018 (S/ 119 million). This result is mainly attributed to higher sales with an improvement in gross margin, controlled expenses and benefited by an exchange gain led by the nuevo sol appreciation in 2.63% during the first six months of the year.
- Consolidated sales for the first semester 2019 amounted to S/ 2,713 million and increased by 8% compared to the same period last year (S/ 2,503 million). This result is mainly explained by the delivery of spare parts and services due to the aging population of machinery all over the country, and due to greater activity in the Caterpillar machinery business. In dollars, sales reached to US\$ 816 million, 6% higher if compared to 1S18.
- Gross profit (S/ 687 million) increased by 14% compared to the first semester 2018 (S/ 600 million) reaching its highest level in recent quarters, led by major sales at greater margin and margins improve in almost all the companies of corporation. In turn, gross margin amounted to 25.3%, compared to 24% reached during the same period of 2018.
- Operating profit amounted to S/ 263 million and rose by 28% compared to operating profit as of June 2018 of S/ 206 million,

led by higher sales with expenses growing at a slower pace. Operating margin in this first six-month period reached to 9.7% compared to 8.2% during 1S2018.

- As of June 2019, EBITDA amounted to S/ 377 million and boosted by 34% compared to first semester 2018 (S/ 281 million). EBITDA margin for the 1S2019 reached 13.9% compared to 11.2% in the same period last year due to gross margin and operating profit increase. If we exclude the impact of IFRS16 (S/ 33 million), the EBITDA margin would be 12.7%, still higher than EBITDA margin as of June 2018.

SECOND QUARTER 2019 RESULTS

- Consolidated net profit during for the 2Q2019 amounted to S/ 81 million and rose by 50% compared to net profit reached during 2Q2018 (S/ 54 million). This result is mainly attributed to higher sales with an improvement in gross margin, controlled expenses in all the subsidiaries and benefited by an exchange gain led by the nuevo sol appreciation in 0.93% during the second quarter.
- Consolidated sales for the second quarter amounted to S/ 1,372 million and increased by 8% if compared to the same period last year (S/ 1,272 million). This growth is mainly explained by both, higher sales of spare parts and services business line that accounted for record sales during this quarter and, deliveries of Caterpillar equipment for both, mining and other sectors such as construction.
- Gross profit for the second quarter 2019 (S/ 349 million) posted a 12% growth compared to the gross profit for the second quarter last year (S/ 312 million) and compared to 1Q19 gross profit of S/ 338 million. Gross margin amounted to 25.5%, higher if compared to 24.5% during the 2Q2018 due to better margins in mining and rental and used equipment sales.
- Operating margin reached to 9.9% in 2Q2019, compared to 8.7% during 2Q2018, impacted by the operating expenses that increased in a slower pace than sales.
- During the second quarter 2019, EBITDA amounted to S/ 194 million and rose by 30% compared to same period 2018 (S/ 149 million). EBITDA margin for the 2Q2019 reached 14.1% compared to 11.7% in the same period last year. If we exclude the impact of IFRS16 for S/ 19 million, the EBITDA margin would be 12.8%, still higher than EBITDA margin in 2Q2018.

(in million, except for per share ratios)	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018	%Var. 2Q19/1Q19	%Var. 2Q19/2Q18
Net sales (US\$)	\$413	\$403	\$429	\$385	\$390	\$380	2.4%	5.8%
Net sales	S/ 1,372	S/ 1,341	S/ 1,439	S/ 1,269	S/ 1,272	S/ 1,231	2.3%	7.9%
Gross profit	S/ 349	S/ 338	S/ 334	S/ 319	S/ 312	S/ 289	3.4%	12.1%
SG&A expenses	S/ -220	S/ -216	S/ -234	S/ -215	S/ -207	S/ -199	1.8%	6.1%
Operating profit	S/ 136	S/ 127	S/ 150	S/ 108	S/ 111	S/ 94	6.9%	22.4%
Financial expenses	S/ -25	S/ -23	S/ -22	S/ -19	S/ -18	S/ -14	6.4%	38.1%
(Gain)Loss to exchange rate	S/ 9	S/ 24	S/ -35	S/ -13	S/ -18	S/ 7	-63.8%	-150.1%
Net profit	S/ 81	S/ 92	S/ 54	S/ 52	S/ 54	S/ 65	-12.5%	49.8%
EBITDA	S/ 194	S/ 183	S/ 192	S/ 147	S/ 149	S/ 132	2.9%	29.9%
Profit per share	0.083	0.095	0.055	0.053	0.055	0.067	-12.5%	49.6%
EBITDA per share	0.199	0.188	0.196	0.150	0.153	0.135	2.9%	29.9%
Free cash flow	-S/ 112	S/ 235	S/ -209	S/ -63	S/ 57	S/ -71		
Gross margin	25.5%	25.2%	23.2%	25.2%	24.5%	23.5%		
SG&A/ sales	16.0%	16.1%	16.3%	17.0%	16.3%	16.2%		

Operating margin	9.9%	9.5%	10.4%	8.5%	8.7%	7.7%
Net margin	5.9%	6.9%	3.7%	4.1%	4.2%	5.3%
EBITDA margin	14.1%	13.6%	13.3%	11.5%	11.7%	10.7%
Leverage ratio.	0.98					
Net debt/ EBITDA	2.92					

MAIN HIGHLIGHTS

Ferreycorp awarded by the Lima Stock for Corporate Governance for seventh time

Ferreycorp was awarded with "The Lima Stock Exchange Key" for seven time and recognized as the issuer with best corporate governance practices in Perú because of its compliance with the Principles of Corporate Governance; by the liquidity of its share; and for being among the top five companies in "La Voz del Mercado".

With this award the corporation is conferred with this recognition in the years 2019, 2018, 2017, 2013, 2012, 2011 and 2008.

Simultaneously, Ferreycorp celebrated twelve years as part of The Lima Stock Exchange Good Corporate Governance Index (IBGC) and has been incorporated every year in this prestigious index since its launch in 2008.

SAP implementation in Ferreycorp

In April Motored and Orvisa were the first subsidiaries to "go live" with the platform ERP SAP S/4 HANA, which will allow to improve processes and reports in those companies.

Unimaq is expected to "go live" at the end of 2019 and Ferreryos in 2020.

Ferreycorp among the three leading companies in gender equality in Perú

Ferreycorp, the holding company, was recognized among the three leading companies in gender equality and diversity in our country, in its category, according to the 2019 PAR Ranking carried out by Aequales consulting firm.

Ferreycorp is the holding company that provides guidelines and strategic vision to its subsidiaries in Perú and in some Latin American countries, with more than 6,000 employees, took part of a meticulous evaluation carried out by PwC with emphasis in four areas: goals management, organizational culture, organizational structure and talent management.

Outstanding positions in Institutional Investor magazine

Institutional Investor magazine, which highlights the performance in Investor Relations management, highlighted Ferreycorp among the top three companies in the Capital Goods sector in Latin America, in its ranking of small cap companies.

Likewise, the company website and ESG management took the third place in their respective categories.

Six subsidiaries recognized with the distinction Socially Responsible Company

Ferreyros, Orvisa, Unimaq, Motored, Fargoline and Soltrak were recognized with the distinction as "Socially Responsible Company", awarded by Peru 2021, due to their commitment with a socially responsible management as part of their culture and business strategy.

This recognition was awarded after a rigorous auto diagnosis process that evaluates company's performance, based on three sustainable core ideas: values and organizational culture; environmental development; and risk and impacts management.

Ferreycorp distinguished as member of The Good Employers Association

Ferreycorp, the corporations' holding company, was recognized as entrepreneurial partner of The Good Employers Association, after an audit process. This distinction, granted by the American Chamber of Commerce in Perú, is one of the most important recognitions in labor social responsibility in the country. Several companies of the group take part this Association such as Ferreyros, Unimaq, Orvisa, Motored, Cresko, Trex, Soltrak and Fargoline.

Ferreyros among the 10 best companies to attract and retain talent in Peru

For sixth consecutive year, the prestigious Merco Talento ranking recognized Ferreyros, the main subsidiary of the corporation, as one of the 10 Best Companies to Attract and Retain Talent in Peru and as the leader company in its sector.

This recognition brought together more than 30,000 local respondents. Ferreyros was assessed according to three reputation values: job quality, employer brand and internal reputation. The survey involved workers, human resources experts, headhunters and human resources managers, alumni from business schools, university students and public in general.

I. COMMERCIAL MANAGEMENT

1. SALES BREAKDOWN ACCORDING TO CORPORATE ORGANIZATION

Ferreycorp organizes 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 second quarter 2019, sales increased by 10.8% if compared to the same period 2018, as a result of a significant growth of 51.1% in rental and used equipment business line derived from an important sale of used equipment; sales of spare parts and services that went up by 9.1%, and, due to a 16.1% increase in the line of Caterpillar equipment serving different markets other than large open pit mining, mainly to construction and marine customers.

It is important to point out that Unimaq reported higher sales than second quarter 2018 and went up by 8.1%, even though demand of light equipment is still impacted due to the lower dynamism of the construction sector which is the main market served by this subsidiary.

The share of this first group of subsidiaries in total sales during this quarter is 77.2%.

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

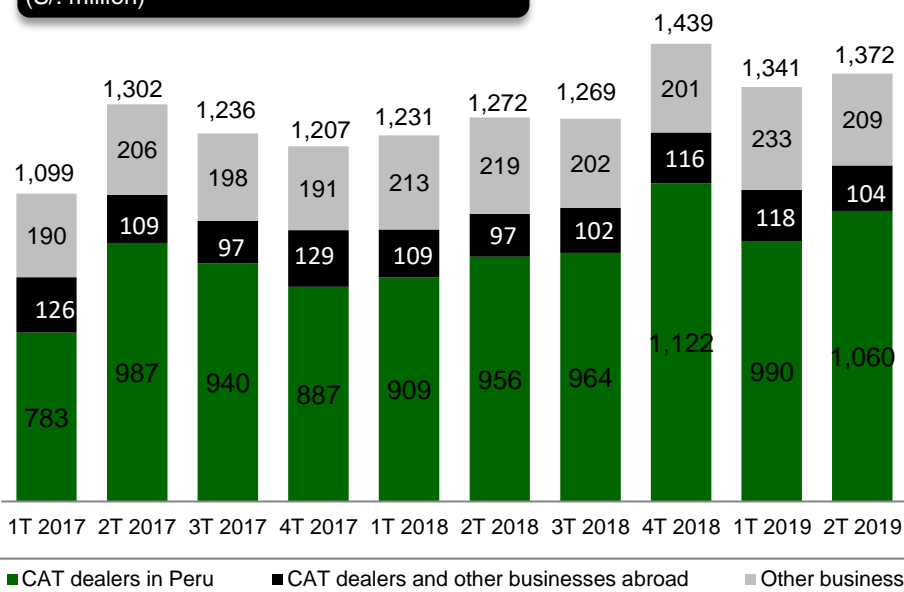
Sales of the second group of companies, with presence in Central America, increased by 6.6% compared to the 2Q 2018, despite the complicated political-economic situation that the region is going through. Almost all the business lines showed an improvement, being spare parts and services the one that showed a better performance during the quarter reflected in a 14% increase.

The share of this group of companies in total sales is 7.6%.

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 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, decreased sales by 4.6%. This result turns out from Trex and Motored lower sales that decreased by 27.4% and 8.9%, respectively and were in part offset by logistic services that increased by 23%.

This group of companies currently represents 15.2% of total sales

Sales by Group of Subsidiaries
 (\$ million)


The detail of sales by group of companies:

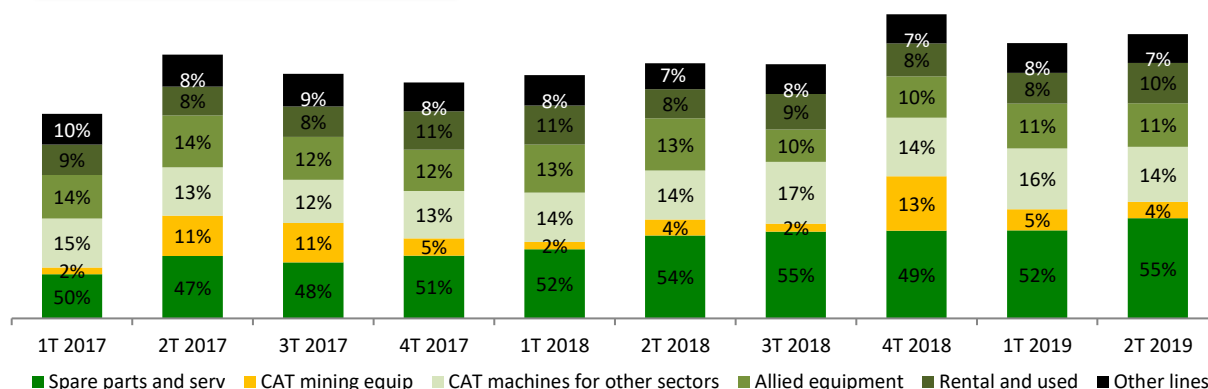
(\$/ million)	2Q19	%	1Q19	%	4Q18	%	3Q18	%	2Q18	%	1Q18	%	% Var 2Q19/1Q19	% Var 2Q19/2Q18
Ferreyros	920	67	856	64	979	68	818	64	814	64	768	62	7	13
Unimaq	113	8	103	8	117	8	106	8	105	8	102	8	10	8
Orvisa	26	2	31	2	27	2	40	3	37	3	39	3	-15	-29
CAT dealers in Peru	1,060	77	990	74	1,122	78	964	76	956	75	909	74	7	11
CAT dealers and other businesses abroad	104	8	118	9	116	8	102	8	97	8	109	9	-12	7
Soltrak	53	4	53	4	53	4	54	4	50	4	65	5	0	6
Motored	55	4	47	4	33	2	41	3	60	5	54	4	17	-9
Trex	50	4	74	6	68	5	59	5	68	5	47	4	-33	-27
Others (Fargoline, Motriza, Forbis, etc)	51	4	59	4	47	3	48	4	40	3	47	4	-14	28
Other businesses	209	15	233	17	201	14	202	16	219	17	213	17	-10	-5
TOTAL	1,372	100	1,341	100	1,439	100	1,269	100	1,272	100	1,231	100	2	8

2. SALES BREAKDOWN BY BUSINESS LINE

(S/ million)	2Q 2019	%	1Q 2019	%	4Q 2018	%	3Q 2018	%	2Q 2018	%	1Q 2018	%	% Var 2Q19/1Q19	% Var 2Q19/2Q18
CAT mining trucks and machines (GM)	56	4	72	5	186	13	27	2	54	4	26	2	-22.6	3.2
CAT machines for other sectors (NGM)	189	14	208	16	200	14	210	17	168	13	168	14	-9.3	12.2
Allied equipment	149	11	153	11	141	10	111	9	178	14	164	13	-2.8	-16.2
Rental and used	138	10	105	8	113	8	121	10	100	8	134	11	31.0	37.9
Spare parts and services	742	54	701	52	700	49	697	55	684	54	636	52	5.9	8.6
Other lines	98	7	102	8	100	7	102	8	88	7	104	8	-3.1	11.5
TOTAL	1,372	100	1,341	100	1,439	100	1,269	100	1,272	100	1,231	100	2.3	7.9

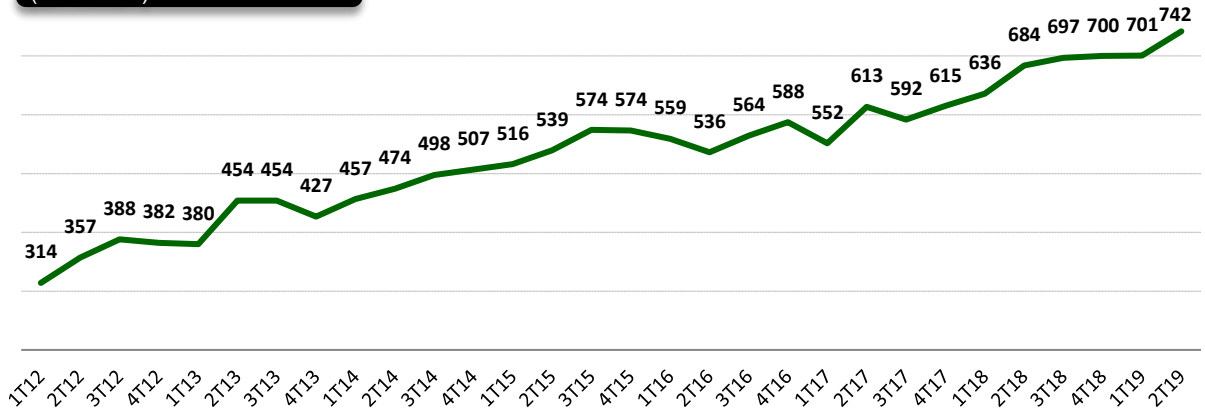
When analyzing the results by business lines during the second quarter 2019, rental and used boosted sales by 37.9% compared to the same quarter last year, led by sale of used equipment. Additionally, Caterpillar engines and machines for sectors other than mining rose by 12.2% compared to 2Q 2018.

Sales (% share)

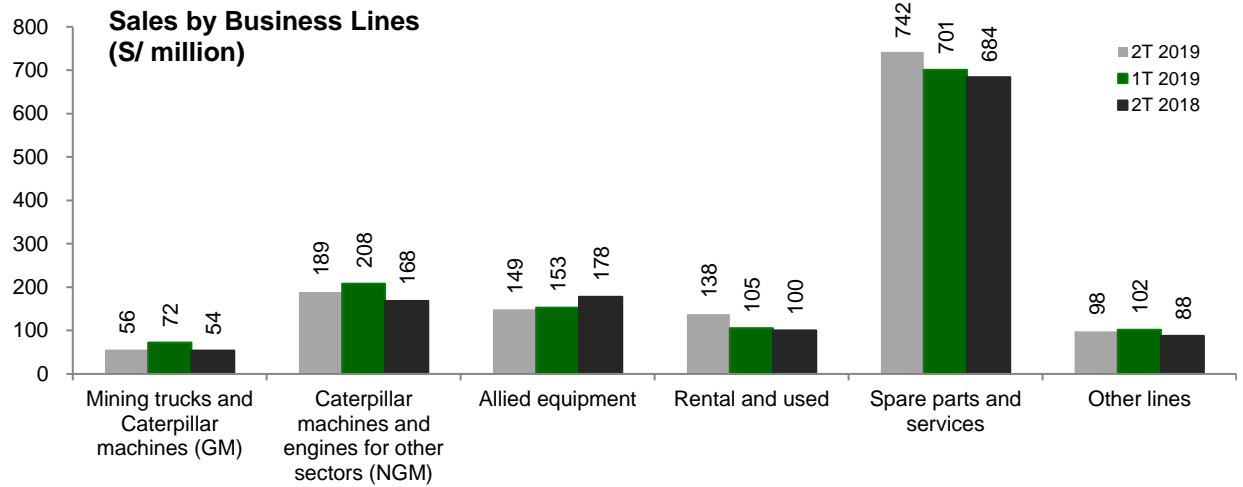


As mentioned before, the strategy of the corporation is focused in serving the customers throughout the life of their equipment, for this reason, great efforts are deployed to deliver the best quality aftermarket support through locations near the customers. These capacities have allowed spare parts and services business line, both Caterpillar and allied brands, to keep the higher share in the composition of total sales (54%), reaching a record sale of S/ 742 million thru the second quarter 2019, 5.9% higher compared to last quarter, and rose by 8.6% compared to 2Q'18. The population of Caterpillar machinery has grown and continues to grow, dynamic that allows the sustainability of the business model in the long term.

Spare parts and services
(S/. million)

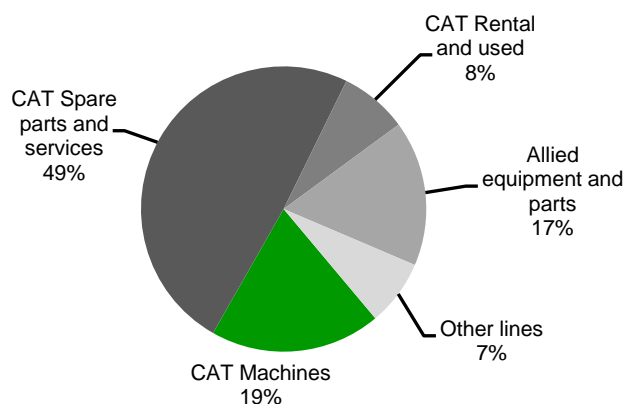


The after-market provided by Ferreycorp to its customers is recognized by high quality standards, a key difference from the competition. Nevertheless, this world class service impacts the operating expenses because it requires investments in inventories of spare parts and components as well as in construction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

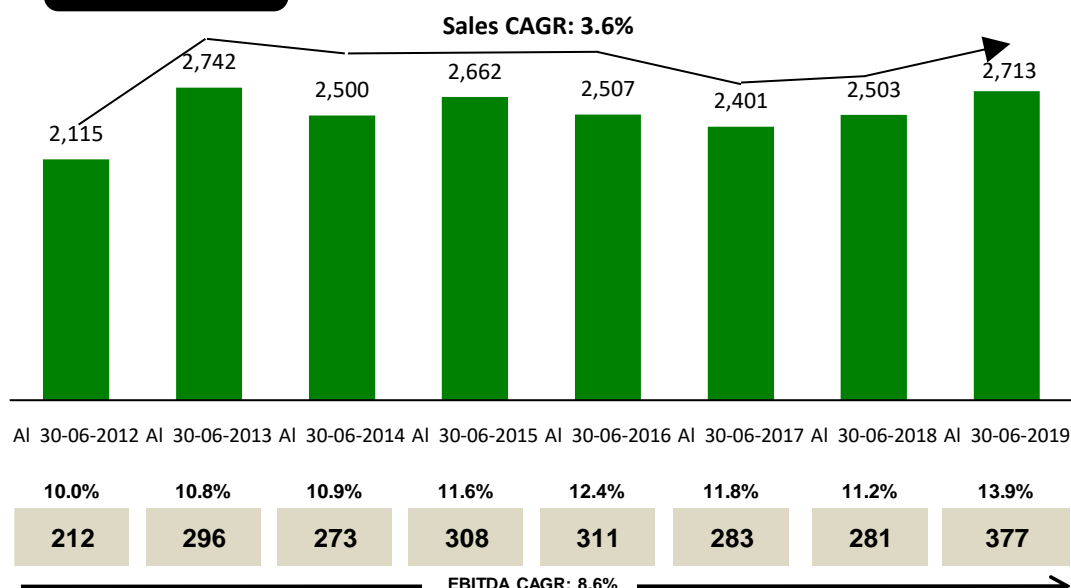


As of June 30, 2019, sales of the Caterpillar brand carried by Caterpillar dealers in Peru, Guatemala, El Salvador and Belize, accounted for 76% of total sales, including machinery and equipment (new, used and rental units) as well as spare parts and services.

Sales (As of June 2019)



Sales and EBITDA (S/. million)



3. SALES BREAKDOWN BY ECONOMIC SECTORS

Regarding sales distribution by economic sectors, sales to open pit mining represented, during the second quarter 2019, 43% of total sales compared to 42% during the second quarter last year. Meanwhile, underground mining represented 15% of total sales, higher than second quarter 2018 share of 14%.

	2T 2019	1T 2019	4T 2018	3T 2018	2T 2018	1T 2018
Open pit mining	42.6%	43.6%	47.1%	39.6%	41.8%	34.9%
Construction	16.0%	21.9%	18.8%	23.1%	20.3%	20.0%
Underground mining	15.1%	12.1%	11.9%	11.9%	13.8%	20.7%
Government	1.1%	1.0%	1.7%	0.9%	0.6%	0.8%
Transportation	3.7%	4.0%	2.5%	2.7%	5.0%	4.8%
Industry, commerce and serv	9.8%	9.2%	11.6%	11.8%	13.0%	12.7%
Agriculture and forestry	2.1%	2.0%	1.9%	3.5%	2.4%	2.8%
Fishing and marine	2.1%	2.2%	2.3%	3.4%	1.0%	1.1%
Hydrocarbons and energy	0.6%	0.6%	0.8%	1.5%	0.5%	0.7%
Others	6.9%	3.4%	1.4%	1.7%	1.4%	1.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

II. ANALYSIS OF FINANCIAL INFORMATION

1. Sales

Million soles	2Q19	2Q18	%Var.	1S19	1S18	%Var.
Sales	1,371.9	1,272.0	7.9	2,712.7	2,503.1	8.4

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

2. Gross profit

Million soles	2Q19	2Q18	%Var.	1S19	1S18	%Var.
Gross profit	349.3	311.6	12.1	687.0	600.3	14.4
Gross margin	25.5%	24.5%		25.3%	24.0%	

In the second quarter 2019, gross profit increased if compared to the one obtained in the same period of 2018 led by higher sales and an improvement in margins of some business lines.

In percentage terms, 2Q 2019 gross margin reached to 25.5% above the one reached during similar quarter the previous year mainly due to higher sales of Caterpillar mining equipment and used equipment with better margins.

3. Selling and Administrative Expenses

Million soles	2Q19	2Q18	%Var.	1S19	1S18	%Var.
SG&A	219.8	207.1	6.1	435.6	406.4	7.2
As a % of total sales	-16.0%	-16.3%		-16.1%	-16.2%	

Selling and administrative expenses during the second quarter 2019 increased by 6.1% compared to the same quarter last year, mainly due to variable expenses related to higher sales (8%). The variable expenses that showed a significant variation during the quarter were the ones related to product support.

4. Financial expenses

Million soles	2Q19	2Q18	%Var.	1S19	1S18	%Var.
Financial expenses	24.9	18.1	38.1	48.4	32.2	50.3
As a % of total sales	-1.8%	-1.4%		-1.8%	-1.3%	

Financial expenses for the second quarter 2019 rose by 38.1% compared to 2Q 2018 derived from an increase in the average financial liabilities from US\$ 533 million in 2Q18 to US\$ 624 million in 2Q19 related to inventories expansion. Additionally, interest rates showed a downward trend during the last months and resulted in a reduction of the average cost of debt in the second quarter this year (3.90%), but still above from 3.23% obtained during the second quarter 2018. Moreover, financial expenses were impacted in S/ 1.7 million derived from the adoption of IFRS16 (until December 2018 this was an expense related to rental payment).

5. Foreign Exchange Gain/ Loss

Million soles	2Q19	2Q18	%Var.	1S19	1S18	%Var.
Foreign Exchange Gain/ Loss	8.8	-17.5		33.0	-10.6	

The foreign exchange gain recorded in 2Q 2019 was led by the appreciation of the currency in Perú. The Sol appreciation against the dollar was 0.93% (the exchange rate varied from S/ 3.321 in April 2019 to S/ 3.290 in June 2019), compared to a 1.39% nuevo sol devaluation during similar quarter last year (the exchange rate varied from S/ 3.229 in March 2018 to S/ 3.274 in June 2018).

This appreciation has allowed the debt in dollars to be expressed at a lower exchange rate, more similar to the exchange rate used to register the inventories related to this debt. Therefore, the recovery of the exchange loss recorded during 2018, that was anticipated to be recovered during 2019 through a higher gross margin, has been recovered faster through a gain due to exchange rate.

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).

As of June 30, 2019, inventories have been recorded at an average exchange rate of S/ 3.30, while the debt at an exchange rate of S/ 3.29

6. Net Profit

Million soles	2Q19	2Q18	%Var.	1S19	1S18	%Var.
Net profit	80.9	54.0	49.8	173.2	119.1	45.4
Net margin	5.9%	4.2%		6.4%	4.8%	

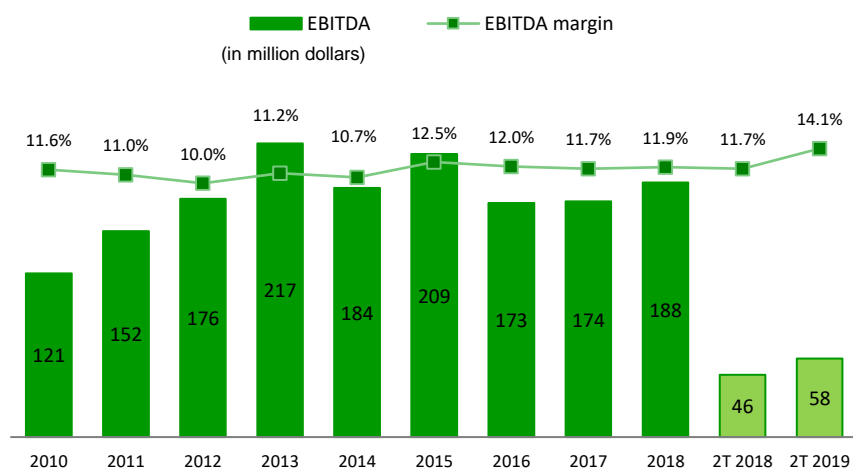
Net profit for the second quarter 2019 amounted to S/ 80.9 million showing an increase from the net profit recorded during the second quarter 2018, as a result of the explanations aforementioned.

7. EBITDA

Million soles	2Q19	2Q18	%Var.	1S19	1S18	%Var.
EBITDA	193.9	149.3	29.9	376.9	280.9	34.2
EBITDA margin	14.1%	11.7%		13.9%	11.2%	

During the second quarter 2019, EBITDA rose by 29.9% compared to 2Q2018 led by an increase in gross and operating profit. Excluding IFRS 16, EBITDA amounted to S/ 175.3 million and rose by 17.4% and resulted in a 12.8% EBITDA margin. This figure results from the exclusion of the depreciation related to the assets by right of use and the interests for the leases that are now considered as liabilities, both treated before as expenses that reduced the operating profit.

During the 2Q2019, 78% 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, 7.1% of EBITDA is generated by Caterpillar dealers and other businesses abroad with an EBITDA margin of 14%, while 12.7% comes from local and foreign subsidiaries aimed to offer capital goods and services for the different economic sectors, with an EBITDA margin of 9%.



ANALYSIS ACCORDING TO CORPORATE ORGANIZATION

(S/ thousand)	CAT Dealers in Perú		CAT dealers and other businesses abroad		Other businesses	
	2019	2018	2019	2018	2019	2018
Sales	2,049,641	1,865,049	221,441	206,036	441,573	432,063
Gross profit	542,376	475,554	56,010	48,666	88,631	76,108
Gross margin	26%	25%	25%	24%	20%	18%
SG&A expenses	323,580	293,417	38,582	40,674	70,264	68,648
Operating margin	11%	10%	8%	4%	5%	2%
Depreciation & Amort	62,651	45,926	10,806	7,199	25,769	7,038
EBITDA	293,741	246,104	29,828	16,837	49,743	19,057
EBITDA Margin	14%	13%	13%	8%	11%	4%

Note: Results exclude Ferreycorp individual and Inti

III. ANALYSIS OF CONSOLIDATED FINANCIAL INFORMATION

Total assets as of June 30, 2019 amounted to S/ 5,654.6 million, 12% higher if compared to S/ 5,048.0 million as of June 30, 2018. This variation is primarily due to the increase in inventory (S/ 369.5 million) and the increase in the fixed assets led by the incorporation of IFRS 16 (rights of use impacted fixed assets in S/ 178 million).

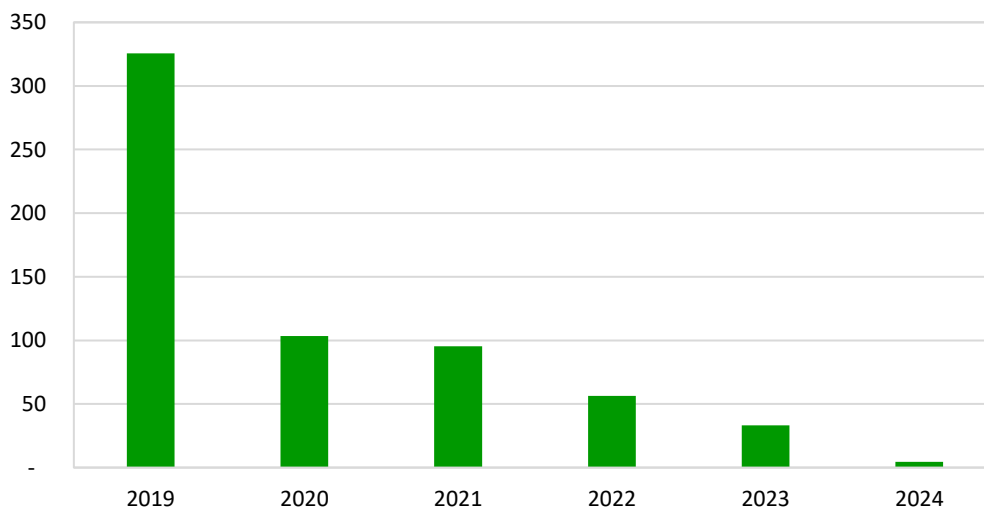
The increase in inventories is explained by components to keep the mining trucks fleets in full operation and factory delays in the supply of spare parts; and by machines related to higher demand of new machines that will be delivered in the second semester 2019.

Financial liabilities as of June 2019 amounted to S/ 2,185.9 million (US\$ 664 million) and increased by 23.3% if compared to financial liabilities of US\$ 539 million recorded during the same period last year. Current maturities account for 58% of total debt, while S/ 914.1 million is long-term debt.

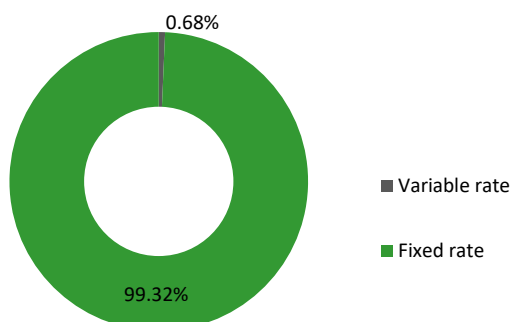
It is important to recall that financial liabilities include S/ 150.5 million related to the application of IFRS 16 that points out that lease contracts must be turned into a liability with its related asset equivalent to its right of use, recording also a financial expense derived from bringing this obligation to present value using a discount rate (average cost of debt).

Below is the maturity structure of the consolidated liabilities, which is 94.7% in dollars according to the strategy of the corporation to keep a natural hedge between its sales and financing. The local currency financing belongs to subsidiaries that have a percentage of their income in local currency. Likewise, 99.3% of total debt has been contracted at fixed rate, which cover us from interest rate risks.

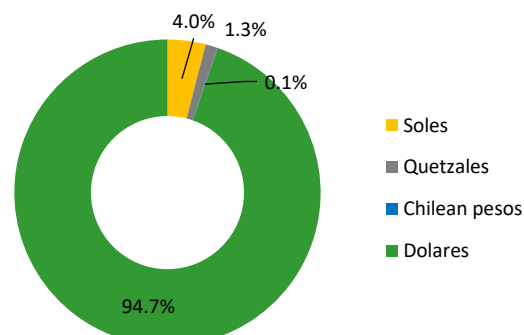
Debt Maturity
(US\$ million)



Debt by rate



Debt by currency



Investment in Fixed Assets (Capex) and intangibles

As of June 30, 2019, the investment in fixed assets and intangibles amounted S/ 143.5 million:

Rental Fleet

Ferreyros invested S/ 76.5 million to replace units in its rental fleet. However, equipment from the rental fleet was removed and transferred to inventory for sale (S/ 17.8 million).

Machinery and equipment for workshops

The investment for S/ 15.6 million is mainly explained by components for mining equipment and machinery for workshops in CRC in Lima and La Joya.

Works in progress

Ferreyros is performing complimentary Works in CRC in La Joya.

Intangibles

The investment in intangible assets reached S/ 36.1 million for the implementation of ERP SAP S/4 HANA platform that will "go 100% live" in 2020 in the main companies of the corporation.

There is a difference between the fixed assets account recorded in the Statement of Financial Position and the capital expenditures (CAPEX) related to additions derived from the recognition of leased assets (locations, rental fleet, vehicles fleet, among the most important) as fixed assets according IFRS 16 for S/ 178 million.

In this way, the balance sheet shows a fixed asset increase of S/ 200.2 million (US\$ 61 million) from same period 2018.

FINANCIAL RATIOS

Ratios	Jun-19	Mar-19	Dec-18	Set-18	Jun-18	Mar-18
Current ratio	1.41	1.69	1.80	1.49	1.46	1.41
Financial debt ratio	0.98	0.87	0.93	0.85	0.82	0.80
Indebtedness ratio	1.64	1.60	1.54	1.44	1.44	1.50
Net debt / EBITDA	2.92	2.73	3.20	3.20	3.00	2.79
Adjusted debt / EBITDA	1.84	2.30	2.66	2.39	1.62	1.94
Financial expenses coverage ratio	7.80	7.81	8.46	8.36	8.73	9.33
Asset turnover	1.01	1.01	1.02	0.99	1.00	1.02
Inventory turnover	2.32	2.41	2.49	2.53	2.65	2.81
Inventory days	155	149	145	143	136	128
Receivable days	63	67	68	71	71	71
Payable days	55	53	53	57	59	55
Cash cycle	163	163	160	156	148	144
ROE	13.3%	12.2%	10.7%	11.0%	12.4%	13.9%
ROA	6.9%	6.7%	6.4%	5.8%	6.0%	6.2%
ROIC (6)	12.4%	12.6%	11.3%	10.5%	11.1%	12.0%
Book value per share	2.20	2.17	2.18	2.17	2.12	2.06

Note: See the description of each ratio in the section: "Glossary of terms".

As shown in the chart above, the current ratio dropped due to higher current liabilities derived from higher short term debt.

The leverage ratios considered within the covenants of the international bond show lower levels due to the EBITDA improvement.

The cash cycle kept stable during this quarter, showing 163 days, compared to the one obtained as of march 2019, but is at higher levels if compared to second quarter 2018 affected by inventory turnover.

Profitability ratios were impacted by an increase of the net profit during the quarter.

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

(In thousand soles)

	2Q 2019	%	2Q 2018	%	Var %	As of June 19	%	As of June 18	%	Var %
Net sales	1,371,882	100.0	1,271,983	100.0	7.9	2,712,655	100.0	2,503,149	100.0	8.4
Cost of goods sold	-1,022,595	-74.5	-960,431	-75.5	6.5	-2,025,638	-74.7	-1,902,821	-76.0	6.5
Gross profit	349,287	25.5	311,552	24.5	12.1	687,017	25.3	600,328	24.0	14.4
Selling and admin expenses	-219,764	-16.0	-207,059	-16.3	6.1	-435,649	-16.1	-406,433	-16.2	7.2
Other income (expenses), net	6,614	0.5	6,717	0.5	-1.5	12,023	0.4	11,738	0.5	2.4
Operating profit	136,137	9.9	111,210	8.7	22.4	263,391	9.7	205,633	8.2	28.1
Financial income	5,690	0.4	6,270	0.5	-9.3	10,538	0.4	11,222	0.4	-6.1
Gain (loss) to exchange rate	8,787	0.6	-17,529	-1.4	-150.1	33,027	1.2	-10,606	-0.4	-411.4
Financial expenses	-24,922	-1.8	-18,050	-1.4	38.1	-48,350	-1.8	-32,164	-1.3	50.3
Share in the result of associated through the equity method	529	0.0	1,319	0.1	-59.9	1,598	0.1	5,768	0.2	-72.3
Profit before income tax	126,221	9.2	83,220	6.5	51.7	260,204	9.6	179,853	7.2	44.7
Income tax	-45,337	-3.3	-29,210	-2.3	55.2	-86,975	-3.2	-60,710	-2.4	43.3
Net profit	80,884	5.9	54,010	4.2	49.8	173,229	6.4	119,143	4.8	45.4
Profit per share	0.083		0.055			0.178		0.122		
EBITDA	193,921	14.1	149,311	11.7	29.9	376,909	13.9	280,937	11.2	34.2

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 2

State of Financial Position

(In thousand soles)

	As of Jun19	As of Jun18	Var %
Cash and cash equivalents	90,109	67,745	33.0
Accounts receivables - trade	1,076,151	1,101,869	-2.3
Inventories	1,936,181	1,566,678	23.6
Accounts receivables - other	235,061	197,898	18.8
Investment in shares	-	82,291	-100.0
Investment in securities	4,995	2,161	
Prepaid expenses	39,860	38,794	2.7
Current assets	3,382,357	3,057,436	10.6
Long term account receivables - trade	28,648	33,965	-15.7
Long term account receivables - other	5,031	327	1,438.5
Rental fleet	519,822	368,178	41.2
Other fixed assets	1,715,879	1,639,016	4.7
	2,235,701	2,007,194	11.4
Accrued depreciation	-577,783	-549,496	5.1
Property, plant and equipment	1,657,918	1,457,698	13.7
Investments	15,096	21,265	-29.0
Intangible assets, net and goodwill	361,805	299,827	20.7
Deferred income tax	203,758	177,453	14.8
Non current assets	2,272,256	1,990,535	14.2
Total Assets	5,654,613	5,047,971	12.0
Short term debt	374,672	225,196	66.4
Liabilities derived from leases (IFRS16)	43,797	-	
Other current liabilities	1,985,663	1,809,489	9.7
Current liabilities	2,404,132	2,034,685	18.2
Long term debt	807,381	747,773	8.0
Other payables	159	131	21.4
Liabilities derived from leases (IFRS16)	106,691	-	
Deferred income tax	194,169	194,908	-0.4
Total Liabilities	3,512,532	2,977,497	18.0
Equity	2,142,081	2,070,474	3.5
Total Liabilities and Equity	5,654,613	5,047,971	12.0
Other financial information			
Depreciation	94,572	55,759	
Amortization	8,408	8,323	

FERREYCORP S.A.A AND SUBSIDIARIES

APPENDIX 3

NET SALES

(In thousand soles)

	2Q2019	%	2Q2018	%	VAR %	As of June 2019	%	As of June 2018	%	VAR %
Mining trucks and Caterpillar machines (GM)	55,781	4.1	54,072	4.3	3.2	127,845	4.7	79,934	3.2	59.9
Caterpillar machines and engines for other sectors (NGM)	188,834	13.8	168,351	13.2	12.2	397,011	14.6	344,759	13.8	15.2
Allied equipment	148,787	10.8	177,641	14.0	-16.2	301,837	11.1	333,096	13.3	-9.4
Rental and used	138,111	10.1	100,185	7.9	37.9	243,552	9.0	234,169	9.4	4.0
Spare parts and services	742,023	54.1	683,560	53.7	8.6	1,442,554	53.2	1,319,492	52.7	9.3
Other lines	98,345	7.2	88,175	6.9	11.5	199,857	7.4	191,699	7.7	4.3
TOTAL	1,371,882	100.0	1,271,983	100.0	7.9	2,712,655	100.0	2,503,149	100.0	8.4

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 4

Total Liabilities as of March 2019

(In thousand US\$)

	Total Liabilities	Current Liabilities	Long term Liabilities		Financial Liabilities
			Current	Long term	
					(A)
Local banks (short term)	214,771	214,771	-	-	214,771
Foreign banks (short term)	49,356	49,356	-	-	49,356
Local banks (long term)	264,709	-	69,574	195,135	264,709
Foreign banks (long term)	42,433	-	16,460	25,973	42,433
Local and foreign banks (Leasing Fin)	1,594	-	700	894	1,594
Suppliers					
Accounts payable to Caterpillar	38,177	38,177	-	-	-
Accounts payable to Caterpillar	8,480	8,480	-	-	8,480
Others	125,515	125,515	-	-	89
Corporate bonds	-	-	-	-	-
Caterpillar Financial	37,239	-	13,836	23,403	37,239
Liabilities derived from leases (IFRS16)	45,741	-	13,312	32,429	45,741
Other Liabilities	239,626	180,559	-	59,066	-
Total (US\$)	1,067,639	616,857	113,882	336,900	664,411
Total (S/.)	3,512,532	2,029,460	374,672	1,108,400	2,185,911

FERREYCORP S.A.A. AND SUBSIDIARIES
APPENDIX 5
CASHFLOW STATEMENT

(In thousand soles)

As of Jun19

Cashflow from operating activities	
Collection to customers and third parties	2,950,222
Payment to suppliers	-2,345,282
Payment to employees and others	-217,511
Payment of taxes and income tax	-80,764
Net cash provided by operating activities	306,665
Cashflow from investing activities	
Acquisition of property, plant and equipment	-89,373
Acquisition of financial instruments (mutual funds)	-32,228
Acquisition of intangibles	-36,731
Sale of property, plant and equipment	-
Net cash used in investing activities	-158,332
Cashflow from financing activities	
Financial liabilities	1,870,108
Payment of financial liabilities	-1,774,995
Interests paid	-58,136
Dividends paid	-171,515
Net cash provided by financing activities	-134,538
Cash increase, net	13,795
Cash at the beginning of the year	73,698
Result due translation	979
Cash due to exchange variation	1,637
Cash at the end of the year	90,109