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

## First Quarter 2021

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**Lima, April 28, 2021.**- Ferreycorp S.A.A. (BVL: FERREYC1), a Peruvian leading corporation which aims to carry out investment activities in the capital goods sector and complementary services with presence in Latin America, announces consolidated results for the first quarter 2021. The consolidated financial results have been prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in nuevos soles.

### EXECUTIVE SUMMARY

#### FIRST QUARTER 2021 RESULTS

Since first quarter 2020 results were impacted by the operations halt since March 16<sup>th</sup> led by the obligatory social isolation declared by the Peruvian government, the analysis of the first quarter 2021 results will be compared not only with 2020 but also with 2019 results.

- Consolidated sales for the first quarter 2021 amounted to S/ 1,243 million and rose by 5.4% compared to the same period 2020 (S/ 1,179 million), however showed a 7.3% reduction compared to 1Q2019 (S/ 1,341 million). During this quarter almost all business lines showed higher figures. Caterpillar equipment for clients other than mining recorded higher sales that increased by 44% and 12% compared to 1Q2020 and 1Q2019, respectively; likewise logistic services, lubricants and personal protective equipment sales ramp up 52%, 16% and 28%, respectively compared to 1Q2020 and by 53%, 42% and 24%, compared to 1Q2019.

In turn, sales of spare parts and services during the 1Q2021 (S/ 603 million soles) were 5% above 1Q2020 and 14% below 1Q2019 sales, mainly led by the advanced invoicing of spare parts during December 2020 due to the temporary suspension of operations planned for January 2021 for the migration to SAP/4Hanna.

- Gross margin during the first quarter amounted to 27.0%, compared to 24.9% reached during the same period 2020 and 25.2% in first quarter 2019. Gross profit (S/ 336 million) improved by 15% compared to 1Q2020 (S/ 293 million), led by higher sales and margin. If compared to 1Q2019, gross profit recorded similar levels (S/ 338 million). Exchange rate affected the margin in S/ 20 million (1.6% as a percentage of total sales), therefore the adjusted margin would be 25.4%, still above the adjusted gross margin of 24.1% in 1Q2020 and 25.2% in 1Q2019.
- Operating margin in this quarter reached to 10.2% higher than 6.5% in 1Q2020 and 9.5% in 1Q2019, mainly due to higher gross profit and a decrease in expenses compared to both periods.
- EBITDA margin for the 1Q2021 reached 14.7% compared to 10.8% in the same period 2020 and 13.6% in 1Q2019. EBITDA amounted to S/ 183 million and boosted by 43% compared to same period 2020 (S/ 128 million) and recorded a similar amount as of 1Q2019 (S/ 183 million). This EBITDA margin shows the corporations capacity to improve results led by the market recovery, higher demand and a better operating and financial structure.
- Consolidated net profit recorded in 1Q2021 amounted to S/ 53 million compared to S/ -21 million net loss recorded in 1Q2020, impacted by an S/ -81 million soles FX loss during that period. Net profit during 1Q2019 amounted to S/ 92 million benefited by a S/ 24 million FX gain.  
Excluding the exchange loss in both periods, first quarter 2021 net profit is 112% higher than 1Q2020 and 1% above 1Q2019 net profit.
- Free cash Flow for 1Q2021 amounted to S/ 42 million compared to S/ 149 million recorded in 1Q2020 and S/ 235 million in 1Q2019.

(In million, except for per share ratios)	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019	% Var. 1Q 2021/4Q 2020	% Var. 1Q 2021/1Q 2020	% Var.1Q 2021/1Q 2019
Net sales (US\$)	\$339	\$459	\$344	\$235	\$346	\$459	\$479	\$413	\$403	-26.0%	-2.0%	-15.9%
Net sales	S/. 1,243	S/. 1,653	S/. 1,220	S/. 805	S/. 1,179	S/. 1,545	S/. 1,601	S/. 1,372	S/. 1,341	-24.8%	5.4%	-7.3%
Gross profit	S/. 336	S/. 397	S/. 312	S/. 203	S/. 293	S/. 336	S/. 353	S/. 349	S/. 338	-15.5%	14.5%	-0.6%
SG&A expenses	S/. -216	S/. -210	S/. -202	S/. -179	S/. -219	S/. -255	S/. -225	S/. -220	S/. -216	2.7%	-1.5%	-0.1%
Operating profit	S/. 127	S/. 184	S/. 113	S/. 32	S/. 77	S/. 74	S/. 124	S/. 136	S/. 127	-31.2%	64.9%	-0.3%
Financial expenses	S/. -18	S/. -21	S/. -24	S/. -28	S/. -22	S/. -23	S/. -24	S/. -25	S/. -23	-17.7%	-22.1%	-25.3%
(Gain) Loss to exchange rate	S/. -32	S/. -0	S/. -10	S/. -16	S/. -80	S/. 16	S/. -50	S/. 9	S/. 24		-59.7%	-233.5%
Net profit	S/. 53	S/. 113	S/. 56	S/. -4	S/. -21	S/. 41	S/. 32	S/. 81	S/. 92	-53.0%		-42.6%
EBITDA	S/. 183	S/. 238	S/. 159	S/. 74	S/. 128	S/. 133	S/. 175	S/. 194	S/. 183	-23.4%	42.9%	-0.2%
Profit per share	0.055	0.117	0.058	(0.004)	(0.021)	0.042	0.033	0.083	0.095	-52.8%		-41.5%
EBITDA per share	0.191	0.248	0.165	0.076	0.131	0.136	0.179	0.199	0.188	-23.1%	45.7%	1.8%
Free cash flow	S/. 42	S/. 80	S/. 558	S/. 205	S/. 149	S/. 83	S/. -120	S/. -113	S/. 235	-47.9%	-72.0%	-82.3%
Gross margin	27.0%	24.0%	25.5%	25.2%	24.9%	21.7%	22.1%	25.5%	25.2%			
SG&A expenses / sales	17.4%	12.7%	16.6%	22.3%	18.6%	16.5%	14.0%	16.0%	16.1%			
Operating margin	10.2%	11.2%	9.2%	4.0%	6.5%	4.8%	7.7%	9.9%	9.5%			
Net margin	4.3%	6.8%	4.6%	-0.5%	-1.8%	2.6%	2.0%	5.9%	6.9%			
EBITDA margin	14.7%	14.4%	13.1%	9.2%	10.8%	8.6%	10.9%	14.1%	13.6%			
Leverage ratio	0.78	0.73	0.77	0.97	1.79	1.02	1.01	0.97	0.85			
Net debt / EBITDA	2.53	2.64	3.19	4.05	3.43	3.21	2.97	2.88	2.69			

## **MAIN HIGHLIGHTS**

### **Mandatory Annual Shareholders Meeting**

The Virtual Annual General Meeting was held on March 31, 2020 through the Cisco Webex-Events virtual platform. The meeting had a quorum of 79.51% and approved all the proposals according to the Agenda:

1. Review and approval of the 2020 Annual Report, which includes the analysis and discussion of the financial statements as well as the corporate management.
2. Profits distribution.
3. Amendment of Art. 19°, 26° and 30° of Ferreycorp S.A.A. and Ferreyros S.A. Bylaws, to reflect the possibility of holding non-presential shareholders meetings.
4. Approval for Ferreycorp and any of its subsidiaries so they can individually issue bonds locally or abroad, through the placement of instruments representing debt and delegation of powers to the board of directors.
5. Appointment of external auditors for fiscal year 2021.
6. Empowerment to sign public and/or private documents with respect to the resolutions adopted by this shareholders' meeting.

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

### **Dividends payment**

The General Shareholders Meeting approved the distribution of S/ 86,368,865.74 cash dividends, which equals to the maximum limit of the dividend policy and to S/ 0.091053181425 dividend per share. The payment date is May 14, 2021 and the record date is April 21<sup>st</sup>.

### **Ferreyros completes Project for Taxes in Cusco**

Ferreyros completed a project in Colquepata, located in the province of Paucartambo (Cusco) with an investment of S/ 21 million. This project will benefit more than 2,000 residents with quality drinking water and an efficient sanitation service. This is the third project that Ferreyros complete in the southern region of Perú under this mechanism.

As part of the project, the company built three water reservoirs, installed and renewed potable water and sewage connections; and more than 7,000 meters of water pipelines were laid, 9,000 meters of distribution networks and 11,000 meters of sewer collection networks. At the same time, people were trained in health education, delivered equipment to maintain the systems and environmental impact mitigation actions were carried out.

Ferreycorp and its companies reaffirm their commitment with projects for taxes having financed up to date 11 projects nationwide for S/ 105 million that generate a positive impact to more than 34,000 people.

### **Ferreycorp's labor practices awarded with three recognitions from the Ministry of Labor**

Ferreycorp obtained a triple award in the Good Labor Practices Contest carried by the Ministry of Labor for the execution of its corporate programs during 2020.

Regarding employee's benefits, Ferreycorp was recognized with the first place for its Buena Vida Program, which promotes the life balance among its employees, with initiatives such as the staggered return after maternity leave; promotes a healthy culture with various initiatives that support good mental and physical health; develops value creation activities for families and integration among employees; among others.

Ferreycorp was also awarded with the first place in Prevention of Sexual and Workplace Harassment, for its Zero Tolerance to Harassment program, which clearly establishes guidelines for identification, prevention and punishment of all forms of sexual harassment in the workplace; actively disseminates and generates awareness among employees.

Likewise, Ferreycorp was recognized with the second place in the Promotion of Equal Opportunities between Men and Women, by the Pares+ program which articulates spaces for sensitization and training on gender equality, stimulates reflection and networking among collaborators; determines recruitment, development and communication guidelines; inspires the participation of more women in the industry; conducts mentoring programs; initiatives to prevent gender violence. Pares + also covers other aspects such as diversity, ethnicities and cultures, different abilities, generations and the LGBTIQ+ community.

## **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 first quarter 2021, sales increased by 2.1% compared to 1Q2020 and shrunk by 11.5% compared to 1Q2019. The business lines that improved during the 1Q2021 are Caterpillar equipment for sectors other than mining (40%), allied equipment (54%) and spare parts and services (4%). The reduction compared to 1Q2019 was led mainly by Caterpillar mining equipment sales (43%) impacted by the delivery of 2 mining trucks, one drilling equipment and 16 auxiliary machines during 1Q2019, meanwhile in 1Q2021 only 2 mining trucks and 9 auxiliary machines were delivered. Meanwhile, spare parts and services sales shrunk by 16% led by lower sales during the first quarter 2021 as a result of advance invoicing on December 2020 led by the migration to SAP/4Hanna.

In turn, Unimaq and Orvisa sales rose by 34% and 27%, respectively, while Ferreyros sales fell by 3% as a result of the in advance invoices on December 2020, as explained above.

The share of this first group of subsidiaries in total sales during the first quarter is 70.5%.

#### **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, went up 21.9% compared to 1Q2020 and 19.2% compared to 1Q2019. The business line that recorded higher increase was Caterpillar equipment for sectors other than mining (64%); in Gentrac rose by 71% and in Cogesa by 42%.

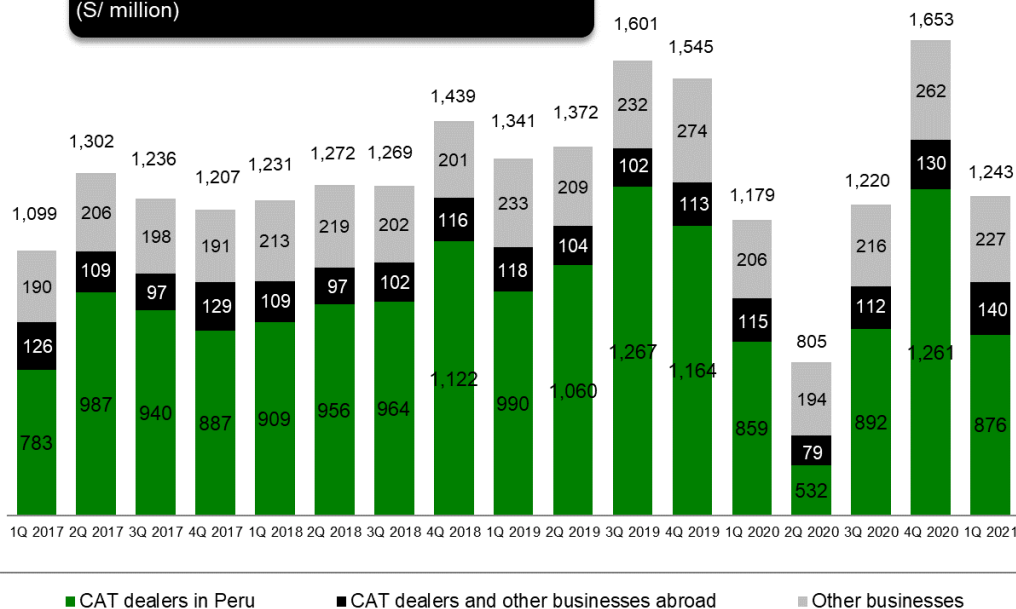
This group of companies currently represents 11.2% of total sales.

#### **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 complements the supply of goods and services through equipment and vehicles, consumables and logistics solutions, among other lines, increased sales by 10.4% compared to 1Q2020 and showed a slight 2.9% reduction compared to 1Q2019. The subsidiaries that recorded higher sales were Soltrak (+27%), Forbis (+303%), Fargoline (+18%) and Trex Perú (+11). If we compare with figures as of March 2019, the companies that registered lower sales were Trex Chile (23%) and Motored (29%).

This group of companies generated 18.3% of the total sales of the corporation.

Sales by Group of Subsidiaries  
(S/ million)



The detail of sales by group of companies:

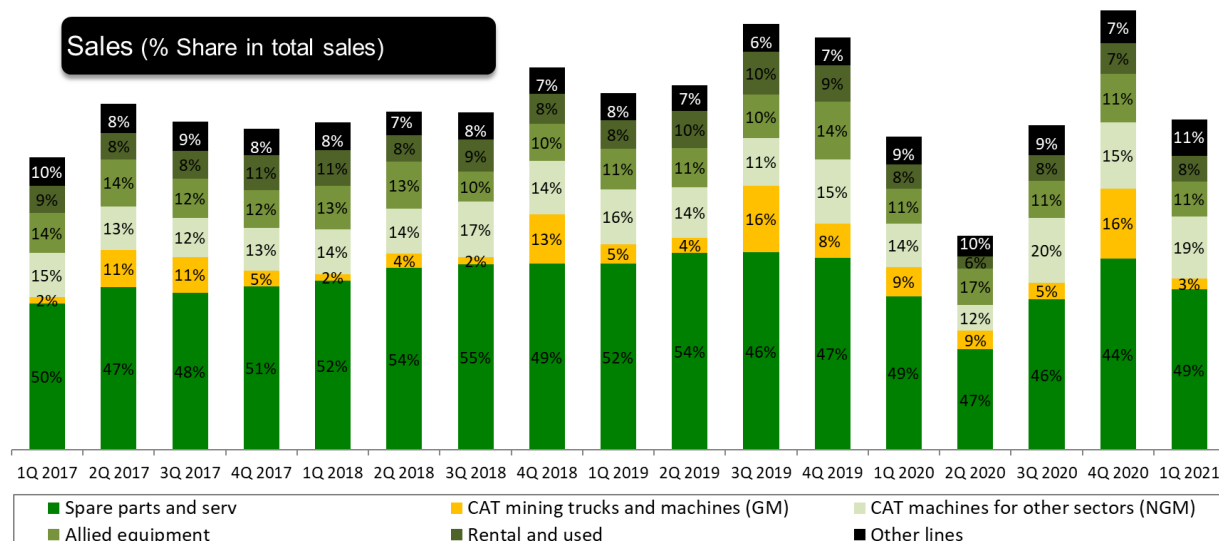
(S/ million)	1Q 2021	%	4Q 2020	%	1Q 2020	%	1Q 2019	%	% Var 1Q 2021/ 4Q 2020	% Var 1Q 2021/ 1Q 2020	% Var 1Q 2021/ 1Q 2019
Ferreyros	710	57	1111	67	733	62	856	64	-36.1	-3.1	-17
Unimaq	127	10	104	6	95	8	103	8	22	33.7	23.6
Orvisa	39	3	46	3	31	3	31	2	-15.2	27.4	25.6
Total dealers CAT in Peru	876	71	1261	76	859	73	990	74	-30.5	2.1	-11.5
Total dealers CAT and other businesses abroad	140	11	130	8	115	10	118	9	7.4	21.9	18.4
Motored	67	5	60	4	53	4	53	4	11.2	26.8	26.8
Soltrak	57	5	88	5	56	5	74	6	-35.2	2.1	-23.4
Trex (Chile)	33	3	53	3	43	4	47	4	-37.6	-23.3	-28.9
Trex (Peru)	31	2	25	2	27	2	30	2	20.6	11.1	2.4
Fargoline	24	2	21	1	20	2	21	2	12.8	17.9	15.5
Forbis	15	1	10	1	4	0	4	0	45.7	302.9	242.6
Others	1	0	4	0	2	0	4	0	-77.2	-61.5	-79
Total Other businesses	227	18	262	16	206	17	233	17	-13.3	10.4	-2.6
<b>TOTAL</b>	<b>1,243</b>	<b>100</b>	<b>1,653</b>	<b>100</b>	<b>1,179</b>	<b>100</b>	<b>1,341</b>	<b>100</b>	<b>-25</b>	<b>5.4</b>	<b>-7.3</b>

## 2. SALES BREAKDOWN BY BUSINESS LINE

(S/ million)

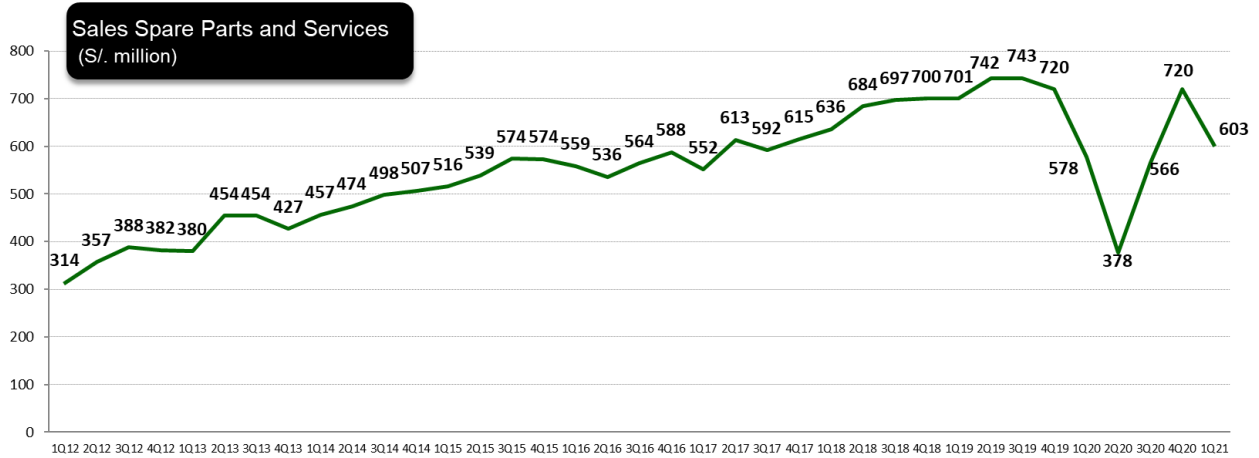
	1Q 2021	%	4Q 2020	%	1Q 2020	%	1Q 2019	%	% Var 1Q 2021/ 4Q 2020	% Var 1Q 2021/ 1Q 2020	% Var 1Q 2021/ 1Q 2019
CAT mining trucks and machines (GM)	41	3	263	16	110	9	72	5	-84.4	-62.7	-43.0
CAT machines for other sectors (NGM)	234	19	248	15	162	14	208	16	-5.7	43.9	12.3
Allied equipment	131	11	184	11	131	11	153	11	-28.7	-0.4	-14.5
Rental and used	98	8	116	7	91	8	105	8	-15.6	7.1	-7.4
Spare parts and services	603	49	720	44	578	49	701	52	-16.2	4.5	-13.9
Other lines	136	11	123	7	106	9	102	8	10.8	28.4	34.2
<b>TOTAL</b>	<b>1,243</b>	<b>100</b>	<b>1,653</b>	<b>100</b>	<b>1,179</b>	<b>100</b>	<b>1,341</b>	<b>100</b>	<b>-24.8</b>	<b>5.4</b>	<b>-7.3</b>

When analyzing the results by business lines during the first quarter 2021, almost all lines went up compared to 1Q2020; nevertheless, among the business lines that have shown a greater increase compared to 1Q2019 are Caterpillar equipment for other sectors than mining (12%), as well as logistic services (53%), personal protective equipment (24%) and lubricants (42%).

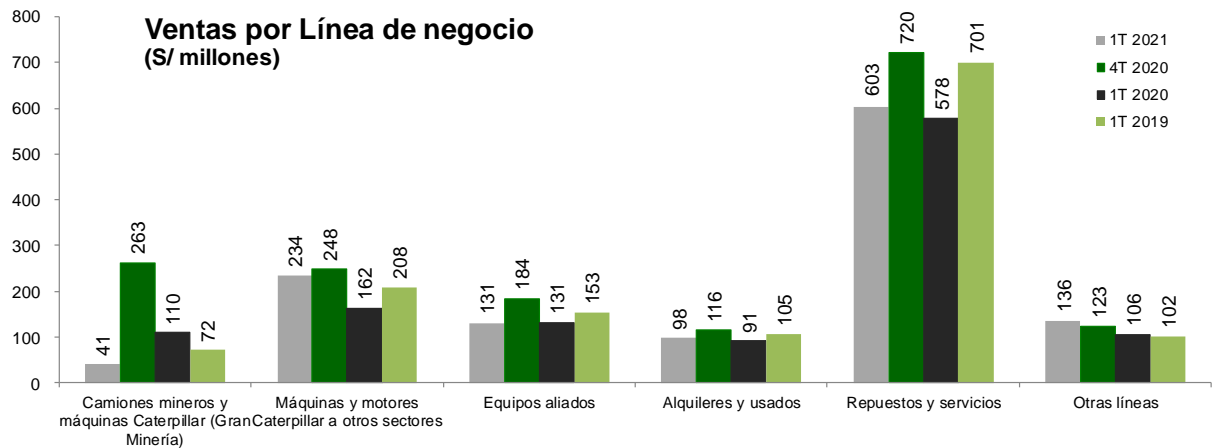


The strategy of the corporation is focused in serving the customers throughout the life of their equipment, for this reason, great efforts are deployed to deliver the best quality aftermarket support through locations near the customers.

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 (49%), reaching S/ 603 million thru the first quarter 2021, higher by 5% compared to 1Q2020.

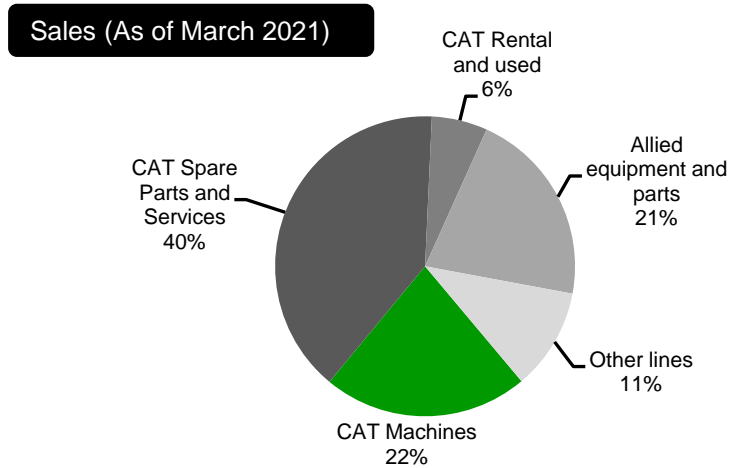


The after-market provided by Ferreycorp to its customers is recognized by high quality standards, a key difference from the competition. However, as mentioned before, all of the corporation's subsidiaries have gradually restarted their operations in service in shops, warehouses, branches and offices, within the mandatory security protocols and safeguarding in first instance the health of all employees and the other stakeholders with whom they interact. As of March 2021, employees in most subsidiaries are working in the following schemes: 62% presence in the office, 24% home office, 9% in a mix scheme, 2% under leave with payment and 3% under other schemes.

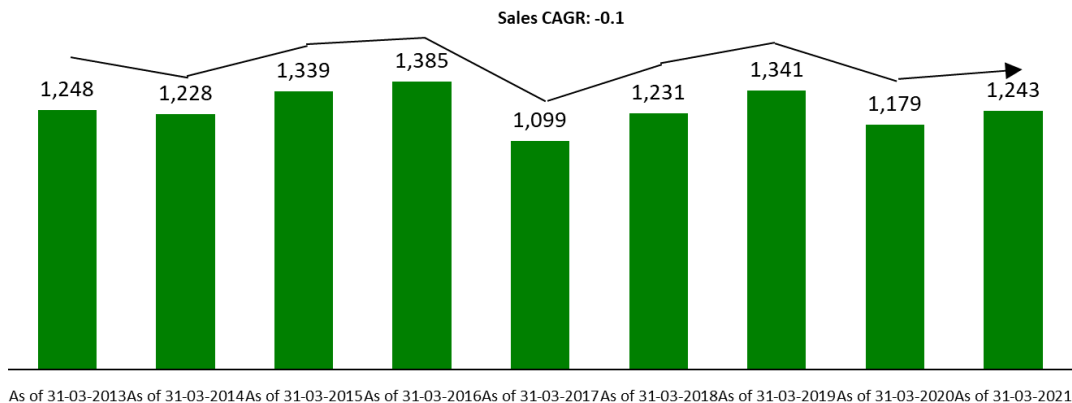




As of March 2021, sales of the Caterpillar brand carried by Caterpillar dealers in Peru, Guatemala, El Salvador and Belize, accounted for 68% of total sales, including machinery and equipment (new, used and rental units) as well as spare parts and services.



Sales and EBITDA (S/. million)



Margen Ebitda	9.6%	11.7%	11.4%	13.5%	10.9%	10.7%	13.6%	10.8%	14.7%
EBITDA (S/ MM)	119	144	152	187	120	132	183	128	183

### 3. SALES BREAKDOWN BY ECONOMIC SECTORS

Regarding sales distribution by economic sectors, sales to open pit mining represented, during the first quarter 2021, 36% of total sales compared to 45% during the first quarter 2020 and 44% as of 1Q2019. Sales to construction sector accounted to 23% of total sales, higher than 19% reached during the 1Q2020 and 22% during 1Q2019.

Meanwhile, underground mining accounted to 11% of total sales, on top of first quarter 2020 share of 9% and 12% as of March 2019.

	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019
Open pit mining	36.2%	47.4%	35.5%	43.9%	44.7%	43.1%	43.8%	42.6%	43.6%
Construction	23.4%	20.6%	25.3%	16.9%	19.2%	23.3%	18.7%	16.0%	21.9%
Industry, commerce and serv	15.3%	10.3%	13.7%	19.1%	12.6%	10.2%	9.7%	9.8%	9.2%
Underground mining	10.7%	6.8%	7.6%	6.8%	8.8%	8.6%	12.9%	15.1%	12.1%
Agriculture and forestry	3.2%	2.7%	4.0%	3.8%	1.0%	2.1%	2.4%	2.1%	2.0%
Transportation	3.0%	3.8%	3.7%	2.5%	4.2%	3.8%	3.6%	3.7%	4.0%
Government	2.8%	2.5%	3.6%	1.5%	2.1%	5.1%	1.8%	1.1%	1.0%
Fish and marine	1.8%	1.2%	1.8%	1.2%	2.0%	1.1%	1.9%	2.1%	2.2%
Hydrocarbons and energy	0.6%	0.6%	1.3%	1.3%	1.4%	0.7%	0.8%	0.6%	0.6%
Others	3.1%	4.0%	3.6%	2.9%	3.0%	2.0%	4.4%	6.9%	3.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## ANALYSIS OF FINANCIAL INFORMATION

### 1. Sales

Million soles	1Q 2021	1Q 2020	%Var.	1Q 2019	%Var.
Sales	1,242.9	1,178.8	5.4	1,340.8	-7.3

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

### 2. Gross Profit

Million soles	1Q 2021	1Q 2020	%Var.	1Q 2019	%Var.
Gross profit	335.8	293.4	14.5	337.7	-0.6
Gross margin	27.0%	24.9%		25.2%	

Gross profit during the first quarter 2021 increased if compared to gross profit recorded in 1Q2020, due to higher sales and better gross margin. In percentage terms, gross margin was 27.0%, higher than gross margin in 1Q2020, mainly led by the recovery of the FX loss thru the margin which equals to 1.6 percentage points in 1Q2021. Additionally, gross margin during 1Q2020 was impacted by major sales of mining trucks and Caterpillar machines to mining customers, which carry lower margins than other machines.

Gross margin during 1Q2021 was also higher than gross margin recorded in 1Q2019. Nevertheless, if we adjust the FX loss recovery in both periods, which was -0.1 percentage points in 1Q2019, margins are similar.

### 3. Selling and Administrative Expenses

Million soles	1Q 2021	1Q 2020	%Var.	1Q 2019	%Var.
Selling and administrative expenses	215.7	219.0	-1.5	215.9	-0.1
As a % of total sales	-17.4%	18.6%		16.1%	

Selling and administrative expenses during the first quarter 2021 showed a slightly 1.5% and 0.1% reduction if compared to 1Q2020 and 1Q2019, respectively. Expenses as a percentage of total sales amounted to 17.4%, below 18.6% recorded in 1Q2020 but on top of 16.1% recorded in 1Q2019, due to lower sales. Moreover, SG&A expenses during the 1Q2021 include the amortization and other expenses related to SAP 4/Hanna project for S/ 8 million, which were part of intangible assets during 2020.

### 4. Financial Expenses

Million soles	1Q 2021	1Q 2020	%Var.	1Q 2019	%Var.
Financial expenses	17.5	22.5	-22.1	23.4	-25.3
As a % of total sales	-1.4%	1.9%		1.7%	

Financial expenses during the first quarter 2021 showed a 22.1% and 25.3% reduction if compared to 1Q2020 and 1Q2019, respectively. As of March 2021, the company reduced debt. As a result, average financial liabilities went from US\$ 601 million as of March 2019 to US\$ 717 million as of March 2020 and US\$ 497 million as of March 2021. This reduction was partly offset by higher average interest rate (average interest rate first quarter 2021: 3.32%).

### 5. Foreign Exchange Gain/Loss

Million soles	1Q 2021	1Q 2020	1Q 2019
Foreign Exchange Gain/Loss	-32.4	-80.3	24.2

During the first quarter 2021, the company recorded a S/ 32 million FX loss as a result of the FX devaluation in Peru. The devaluation of the sol against the dollar was 3.7% (went from S/ 3.624 in December 2020 to S/ 3.758 in March 2021); in 1Q2020, a 3.77% devaluation of the sol was registered (went from S/ 3.317 in December 2019 to S/ 3.442 in March 2020); while in 1Q2019, there was a 1.72% nuevo sol appreciation (went from S/ 3.379 in December 2018 to S/ 3.321 in March 2019). The devaluation of the Chilean peso against the dollar in the first quarter 2021 was 1.53%, 13.8% in 1Q2020, while in the 1Q 2019 a 2.34% appreciation was recorded.

As appointed before, it is important to mention 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). Therefore, exchange loss recorded during the year derived from higher exchange rates will be recovered in part through the sale of the inventory which is registered at a lower exchange rate, but which is not susceptible to adjustment due to accounting standards.

### 6. Net profit

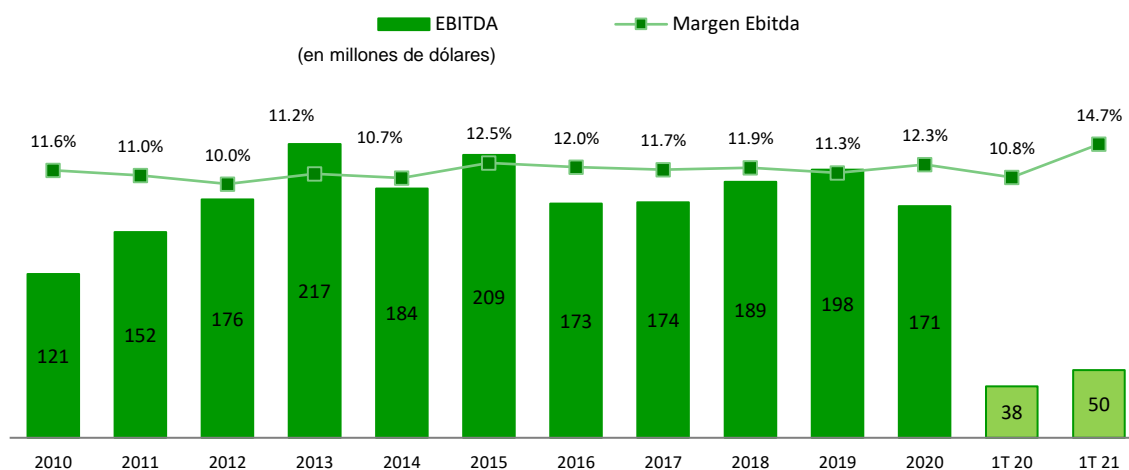
Million soles	1Q 2021	1Q 2020	%Var.	1Q 2019	%Var.
Net profit	53.0	-20.8		92.3	-42.6
Net margin	4.3%	-1.8%		6.9%	

Net profit for the first quarter 2021 amounted to S/ 53 million, compared to S/ -21 million net loss recorded in 1Q2020 and S/ 92 million net profit during 1Q2019. First quarter 2021 results are led by higher sales and gross margin, as well as controlled expenses that partially offset FX loss during the quarter.

### 7. EBITDA

Million soles	1Q 2021	1Q 2020	%Var.	1Q 2019	%Var.
EBITDA	182.6	127.8	42.9	183.0	-0.2
EBITDA Margin	14.7%	10.8%		13.6%	

First quarter 2021 EBITDA rose by 42.9% compared 1Q2020 EBITDA due to higher operating profit, impacted by higher sales, gross margin and controlled expenses. EBITDA reached similar figures if compared to 1Q2019.



## ANALYSIS ACCORDING TO CORPORATE ORGANIZATION

(S/ thousand)

	CAT Dealers in Peru		CAT Dealers and other businesses abroad		Other businesses	
	2021	2020	2021	2020	2021	2020
<b>Sales</b>	876,348	858,692	139,692	114,563	226,862	205,557
<b>Gross profit</b>	256,689	222,914	31,534	28,613	47,606	41,890
<b>Gross margin</b>	<b>29%</b>	<b>26%</b>	<b>23%</b>	<b>25%</b>	<b>21%</b>	<b>20%</b>
<b>SG&amp;A</b>	157,588	164,314	19,540	18,575	35,880	34,695
<b>Operating margin</b>	<b>12%</b>	<b>8%</b>	<b>9%</b>	<b>9%</b>	<b>5%</b>	<b>4%</b>
<b>Depreciation and amortization</b>	27,539	24,131	6,647	6,851	14,345	14,007
<b>EBITDA</b>	135,277	91,856	19,336	17,056	28,845	23,138
<b>EBITDA margin</b>	<b>15%</b>	<b>11%</b>	<b>14%</b>	<b>15%</b>	<b>13%</b>	<b>11%</b>

Note: This results do not include Ferreycorp and Inti

## **ANALYSIS OF CONSOLIDATED FINANCIAL INFORMATION**

As of March 31<sup>st</sup>, 2021, total assets amounted to S/ 5,642.4 million, 4.6% lower if compared to S/ 5,912.0 million as of March 31<sup>st</sup>, 2020. This variation is mainly explained by: decrease in cash and cash equivalents in S/ 199 million - led by the strategy adopted by the corporation during the first quarter 2020 to increase its cash balance in order to have sufficient liquidity to meet operating and financial cash flow needs, anticipating that the halt of operations would be extended. In the same way, other accounts receivables decreased by S/ 45 million and inventories by S/ 35 million.

As of March 2021, assets turnover accounted to 0.85 (considering Rolling 12 months); nevertheless, if we consider rolling 6 months, which better reflects the sales stabilization, assets turnover would be 1.01.

Financial debt as of March 31<sup>st</sup>, 2021, amounted S/ 1,815.3 million or US\$ 483 million, and decreased by 34% compared to 1Q2020 (US\$ 732 million). Current maturities account to 55% of total debt.

It is important to mention that financial debt include S/ 133.3 million (US\$ 35.5 million) corresponding to the application of IFRS16 on Leases. This rule indicates that lease contracts must be converted into a liability and an asset equivalent to the right of use of the good object of the contract and recording a financial expense that results from bringing the corresponding obligation to present value.

## **INVESTMENT IN FIXED ASSETS (CAPEX) AND INTANGIBLES**

As of March 2021, the investment in fixed assets and intangibles amounted S/ -2.3 million:

### **Work in progress**

Ferreyros is carrying minor construction works and complimentary construction projects (S/ 0.9 million).

### **Intangibles**

The ERP SAP S/4 HANA is operating since January 1<sup>st</sup>, 2021 in the main subsidiaries of the corporation in order to improve their processes and reports. Since then, the corresponding amortization began to record according to the terms established by current regulations.

As of March 31<sup>st</sup>, 2021, S/ 1.1 million was additionally invested for the ERP SAP S/4 HANA stabilization stage.

As of March 2021, there is no 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 to IFRS 16, since during this period there were no new activated contracts.

## FINANCIAL RATIOS

Ratios	Mar-21	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19
Current ratio	1.30	1.42	1.40	1.40	1.37	1.42	1.40	1.41	1.69
Financial debt ratio	0.78	0.73	0.77	0.95	0.99	1.02	1.01	0.97	0.85
Indebtedness ratio	1.66	1.61	1.94	1.93	1.79	1.66	1.65	1.64	1.60
Net debt / EBITDA	2.53	2.64	3.19	4.05	3.35	3.21	2.97	2.88	2.69
Adjusted debt / EBITDA	1.92	2.37	3.07	3.22	2.50	2.36	2.04	2.05	2.30
Financial expenses coverage ratio	10.44	6.26	4.85	3.97	5.69	7.13	7.59	7.80	7.81
Asset turnover	0.85	0.85	0.80	0.86	0.99	1.04	1.05	1.01	1.01
Inventory turnover	1.87	2.00	1.87	1.93	2.26	2.39	2.42	2.32	2.41
Inventory days	193	180	193	187	159	150	149	155	149
Collection days	60	69	76	64	56	62	64	63	67
Payable days	57	55	58	52	47	48	52	55	53
Cash cycle	195	193	210	198	169	165	161	163	163
ROE	10.3%	6.7%	3.4%	2.3%	6.3%	11.5%	12.1%	13.3%	12.2%
ROA	5.6%	5.0%	3.5%	3.6%	5.1%	5.8%	6.9%	6.9%	6.7%
ROIC	8.8%	8.0%	5.8%	5.2%	6.8%	7.3%	8.5%	8.7%	8.8%
Book value per share	2.22	2.25	2.09	2.18	2.17	2.21	2.23	2.20	2.17

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

It is important to mention that all ratios were impacted by the operations halt since the second half of March 2020. However, there is an improvement trend since second quarter 2020: results as of March 2021 are similar as the ones reached at year end 2020.

The leverage ratios considered within the covenants of the medium-term loans, in particular the adjusted debt covenant show a significant decrease due to a reduction of financial debt.

The cash cycle increased by the end of March 2021 to 195 days; higher if compared to December 2020, due to lower sales despite the reduction in inventory levels.

## 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:  $360 * \text{Sales} / \text{Average Accounts Receivable}$ .

### 12) **Payable days**

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

### 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)

	1Q 2021	%	1Q 2020	%	Var %	1Q 2019	%	Var %
Net sales	1,242,902	100.0	1,178,812	100.0	5.4	1,340,773.0	100.0	-7.3
Cost of goods sold	-907,073	-73.0	-885,395	-75.1	2.4	-1,003,043.0	-74.8	-9.6
<b>Gross profit</b>	<b>335,829</b>	<b>27.0</b>	<b>293,417</b>	<b>24.9</b>	<b>14.5</b>	<b>337,730.0</b>	<b>25.2</b>	<b>-0.6</b>
Selling and administrative expenses	-215,669	-17.4	-218,959	-18.6	-1.5	-215,885.0	-16.1	-0.1
Other income (expenses), net	6,748	0.5	2,500	0.2	169.9	5,409.0	0.4	24.8
<b>Operating profit</b>	<b>126,908</b>	<b>10.2</b>	<b>76,958</b>	<b>6.5</b>	<b>64.9</b>	<b>127,254.0</b>	<b>9.5</b>	<b>-0.3</b>
Financial income	5,433	0.4	4,061	0.3	33.8	4,848.0	0.4	12.1
Gain (Loss) to exchange rate	-32,358	-2.6	-80,253	-6.8	-59.7	24,240.0	1.8	-233.5
Financial expenses	-17,500	-1.4	-22,467	-1.9	-22.1	-23,428.0	-1.7	-25.3
Participation in the results of associates	622	0.1	291	0.0	113.7	1,069.0	0.1	-41.8
<b>Profit before income tax</b>	<b>83,105</b>	<b>6.7</b>	<b>-21,410</b>	<b>-1.8</b>		<b>133,983.0</b>	<b>10.0</b>	<b>-38.0</b>
Income tax	-30,135	-2.4	625	0.1		-41,638.0	-3.1	-27.6
<b>Net profit</b>	<b>52,970</b>	<b>4.3</b>	<b>-20,785</b>	<b>-1.8</b>		<b>92,345.0</b>	<b>6.9</b>	<b>-42.6</b>
<b>EBITDA</b>	<b>182,649</b>	<b>14.7</b>	<b>127,841</b>	<b>10.8</b>	<b>42.9</b>	<b>182,988.0</b>	<b>13.6</b>	<b>-0.2</b>

NOTE: Some amounts have been reclassified in this document, to include the allocation of the gross profit of purchase orders, such as sale and cost of sale. In the Income Statement presented to the SMV, only the gross profit obtained in various operations is shown in the heading of other operating income.

## FERREYCORP S.A.A. AND SUBSIDIARIES

## APPENDIX 2

Statement of Financial Position

(In thousand soles)

	As of 31-03-2021	As of 31-03-2020	Var %		As of 31-03-2021	As of 31-03-2020	Var %
Cash and cash equivalents	158,308	357,128	-55.7	Short term debt	349,353	477,054	-26.8
Accounts receivables - trade	898,772	931,796	-3.5	Liabilities derived from leases (IFRS16)	47,786	43,719	9.3
Inventories	1,936,125	1,971,495	-1.8	Other current liabilities	2,144,280	2,107,081	1.8
Accounts receivables - other	248,676	293,298	-15.2	<b>Current liabilities</b>	<b>2,541,419</b>	<b>2,627,854</b>	<b>-3.3</b>
Assets available for sale	13,914	13,863	0.4	Long term debt	736,876	900,947	-18.2
Investment in shares	5,000	-	-	Other payables	736	342	115.2
Prepaid expenses	41,144	35,099	17.2	Liabilities derived from leases (IFRS16)	85,511	74,935	14.1
<b>Current assets</b>	<b>3,301,939</b>	<b>3,602,679</b>	<b>-8.3</b>	Deferred income tax	154,786	187,134	-17.3
Long term accounts receivables - trade	53,268	30,387	75.3	<b>Total Liabilities</b>	<b>3,519,328</b>	<b>3,791,212</b>	<b>-7.2</b>
Long term accounts receivables - other	33,900	32,166	5.4	<b>Equity</b>	<b>2,123,085</b>	<b>2,120,809</b>	<b>0.1</b>
Rental fleet	599,905	533,450	12.5	<b>Total Liabilities and Equity</b>	<b>5,642,413</b>	<b>5,912,021</b>	<b>-4.6</b>
Property	1,159,984	1,130,426	2.6	<b>Other financial information</b>			
Machinery and equipment	458,990	461,777	-0.6	Depreciation	44,396	44,560	
Other fixed assets	155,022	150,902	2.7	Amortization	5,912	2,262	
	2,373,901	2,276,555	4.3				
Accrued depreciation	-770,495	-656,784	17.3				
Property, plant and equipment	1,603,406	1,619,771	-1.0				
Investments	18,620	17,010	9.5				
Intangible assets, net and goodwill	452,116	403,786	12.0				
Deferred income tax	179,164	206,222	-13.1				
<b>Non current assets</b>	<b>2,340,474</b>	<b>2,309,342</b>	<b>1.3</b>				
<b>Total Assets</b>	<b>5,642,413</b>	<b>5,912,021</b>	<b>-4.6</b>				

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

(In thousand nuevos soles)

	1Q 2021	%	4Q 2020	%	1Q 2020	%	1Q 2019	%	% Var 1Q 2021/ 4Q 2020	% Var 1Q 2021/ 1Q 2020	% Var 1Q 2021/ 1Q 2019
CAT mining trucks and machines (GM)	41,082	3	262,750	16	110,243	9	72,064	5	-84.4	-62.7	-43.0
CAT machines for other sectors (NGM)	233,746	19	247,754	15	162,432	14	208,176	16	-5.7	43.9	12.3
Allied equipment	130,854	11	183,590	11	131,358	11	153,050	11	-28.7	-0.4	-14.5
Rental and used	97,601	8	115,577	7	91,132	8	105,441	8	-15.6	7.1	-7.4
Spare parts and serv	603,357	49	720,422	44	577,546	49	700,531	52	-16.2	4.5	-13.9
Other lines	136,263	11	123,020	7	106,102	9	101,511	8	10.8	28.4	34.2
<b>TOTAL</b>	<b>1,242,902</b>	<b>100</b>	<b>1,653,114</b>	<b>100</b>	<b>1,178,812</b>	<b>100</b>	<b>1,340,773</b>	<b>100</b>	<b>-24.8</b>	<b>5.4</b>	<b>-7.3</b>

**FERREYCORP S.A.A. AND SUBSIDIARIES**
**APPENDIX 4**
**Total Liabilities as of March 31st, 2021**

(In thousand US\$)

	<b>Total Liabilities</b>	<b>Current Liabilities</b>	<b>Long term Liabilities</b>		(A) <b>Financial Liabilities</b>
			<b>Current</b>	<b>Long term</b>	
Local banks (short term)	113,147	113,147	-	-	113,147
Foreign banks (short term)	58,107	58,107	-	-	58,107
Local banks (long term)	78,452	-	23,387	55,065	78,452
Foreign banks (long term)	60,701	-	21,181	39,520	60,701
Local and foreign banks (Leasing Fin)	528	-	355	173	528
<b>Suppliers:</b>					
Accounts payable to Caterpillar	78,437	78,437	-	-	-
Accounts payable to Caterpillar	-	-	-	-	-
Others	70,131	70,131	-	-	-
Corporate bonds	89,260	-	-	89,260	89,260
Caterpillar Financial	47,387	-	35,324	12,063	47,387
Liabilities derived from leases (IFRS16)	35,470	-	12,716	22,754	35,470
Other Liabilities	315,935	263,484	-	52,451	-
<b>Total (US\$)</b>	<b>947,556</b>	<b>583,307</b>	<b>92,963</b>	<b>271,287</b>	<b>483,053</b>
<b>Total (S/.)</b>	<b>3,560,917</b>	<b>2,192,066</b>	<b>349,353</b>	<b>1,019,498</b>	<b>1,815,313</b>

(A) Subject to interest payment

**FERREYCORP S.A.A. AND SUBSIDIARIES**
**APPENDIX 5**
**Cash Flow Statement**

(In thousand of nuevos soles)

	As of 31-03-2021	As of 31-03-2020
<b>Cashflow from operating activities</b>		
Collection from customers and third parties	1,385,686	1,354,419
Payment to suppliers	-1,084,268	-972,646
Payment to employers and others	-168,838	-112,663
Payment of taxes and income tax	-45,179	-36,760
<b>Net cash provided by operating activities</b>	<b>87,400</b>	<b>232,350</b>
<b>Cashflow from investing activities</b>		
Acquisition of property, plant and equipment	-9,873	-22,821
Sale of financial instruments (mutual funds)	-5,000	9,303
Intangible acquisitions	-1,260	-12,565
<b>Net cash used in investing activities</b>	<b>-16,133</b>	<b>-26,083</b>
<b>Cashflow from financing activities</b>		
Financial liabilities	510,511	759,014
Payment of financial liabilities	-630,491	-622,026
Payment of lease liabilities	-16,861	-21,973
Interests paid	-17,684	-26,339
Dividends paid	-	-
Share repurchase	-9,360	-21,692
<b>Cash from financing activities</b>	<b>-163,885</b>	<b>66,714</b>
Cash increase, net	-92,618	272,981
Cash at the beginning of the year	256,188	84,433
Cash due to exchange variation	-5,262	-286
<b>Cash at the end of the year</b>	<b>158,308</b>	<b>357,128</b>