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

Third Quarter 2016

Lima, October 28, 2016. Ferreycorp S.A.A. (BVL: FERREYC1), a leading corporation which aims to carry out investment activities in the capital goods sector and complementary services, with presence in Peru and other 8 countries in Latin America, announces consolidated results for the third quarter 2016. The consolidated financial results have been prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in nuevos soles.

MAIN HIGHLIGHTS AS OF SEPTEMBER 30TH 2016

- During this first nine-month period, net profit reached S/ 164 million, which represents an increase of 33% if compared to the same period last year (S/ 123 million).
- Consolidated sales as of September 30th increased to S/ 3,751 million, 7.6% less if compared to the same period last year (S/ 4,060 million) as a result of a contraction, especially in construction sector, started two years ago. Nevertheless, it is important to highlight that, despite of it, the corporation achieved sales levels that allowed the maintenance of a high market share, and leadership in the sector. On the other hand, mining machinery sales levels were similar as last year's.
- 2016 gross margin reached to 23.9%, slightly higher than 2015 gross margin of 23.4%, whereas 2016

operating margin was 8.8%, similar to 2015's, 8.7%; notable margins for a difficult business environment.

- EBITDA margin as of September 30th 2016 was 12%, the same as in 2015.
- As of September 30th, financial debt reached US$ 540 million, showing an important decrease of 16%, against US$ 646 million from the same period in 2015, thanks to inventory control. Leverage ratio went from 3.19 in 2015 to 2.76 in 2016.
- EPS amounted to S/ 0.166 in 2016, greater than S/ 0.122 obtained in 2015.
- As of September 30th 2016, free cash flow reached S/ 120 million, higher compared to 2015, which was –S/ 5 million. This is due to an improvement in asset management and less capex investment.
- In the course of the year, the corporation has been carrying out a strategy of reduction or control on their expenses, in order to obtain more operating efficiency, processes improvement, and search of synergies among its subsidiaries.

THIRD QUARTER 2016 VS THIRD QUARTER 2015

- During the third quarter 2016, consolidated sales reached to S/ 1,244 million, showing a 11% reduction if compared to the same period last year (S/ 1,398 million), mainly due to a lower demand from customers in construction sector, and a low dynamism from the industry and services provided by the corporation, evidenced by lower rates of growth in the country's economy.
- Gross margin 3Q 2016 reached to 23.1%, slightly inferior if compared to 23.7% gross margin reached in 3Q 2015, leading to a bigger market share for other business lines, which have increased from 6.8% to 9.5% of their sales, but that represent lower margins.
- Operating margin reached to 8.0% in 3Q 2016, against 9.2% obtained in the same period last year, due to a decrease in gross profit as a result from less sales, even thought that in absolute terms were lower.
- EBITDA margin 3Q 2016 amounted to 11.2%, against 12.8% obtained in the same period last year.
- Net profit during the third quarter reached to S/ 31 million, showing a decrease in 43.1% with respect to the same period last year (S/ 54 million), due to the reasons explained above, which had an impact in operating margin, and additionally, due to an increase in exchange loss in this quarter against the one obtained in the same period last year, despite of the results obtained for January – September 2016 period which have no major impact.
- Third quarter 2016 free cash flow reached -S/ 41 million, resulted from a lower operating cash flow, explained by an increase in receivables, which includes invoices from sales of Open Pit Mining machinery. Additionally, increase in financial expenses due to the prepayment of the international bond, has also affected free cash flow.

	Third Quarter			Accumulate		
(in million soles except ratios per share)	3Q16	3Q15	%Var.	2016	2015	%Var.
Net sales US$ (million)	$372	$495	-24.8%	$1,113	$1,292	-13.9%
Net sales	S/. 1,244	S/. 1,398	-11.0%	S/. 3,751	S/. 4,060	-7.6%
Gross profit	S/. 287	S/. 332	-13.6%	S/. 896	S/. 950	-5.6%
Operating profit	S/. 100	S/. 128	-22.1%	S/. 329	S/. 353	-6.7%
Financial expenses	S/. -32	S/. -26	23.5%	S/. -90	S/. -78	15.4%
Gain (loss) to exchange rate	S/. -22	S/. -19		S/. -6	S/. -98	
Net profit	S/. 31	S/. 54	-43.1%	S/. 164	S/. 123	33.3%
EBITDA	S/. 139	S/. 178	-22.0%	S/. 450	S/. 487	-7.5%
EPS	0.031	0.054	-41.6%	0.166	0.122	36.6%
EBITDA per share	0.141	0.176	-20.0%	0.456	0.481	-5.2%
Free cash flow	S/. -41	S/. 48		S/. 120	S/. -5	
Gross margin	23.1%	23.7%		23.9%	23.4%	
Operating margin	8.0%	9.2%		8.8%	8.7%	
Net margin	2.5%	3.9%		4.4%	3.0%	
EBITDA margin	11.2%	12.8%		12.0%	12.0%	
Leverage ratio				0.98	1.18	
Net debt / EBITDA				2.76	3.19	

MAIN HIGHLIGHTS

Recognition for its strong leadership

Caterpillar recognized Ferreyros, the corporation's main subsidiary, for its high market share in Caterpillar construction line, achieved in 2015, of 70%, according to the statistics obtained from the Global Construction and Infrastructure (GCI), under PINS methodology.

This corresponds to a historical record in Peru, outstanding among Caterpillar's worldwide dealers. Also, this highlights an important growth for two consecutive years: from 2013 to 2014, market share increased in 10 points; and from 2014 to 2015, another 10 points.

On the other hand, Unimaq, subsidiary specialized in light equipment, was recognized for third consecutive year by Caterpillar, thanks to its preference in Peru, the biggest in the international market 2015. The company received the award of "Best dealer of Light Equipment" from Caterpillar, among 150 dealers in the world.

Caterpillar's light equipment market share in Peru, represented by Unimaq, achieved levels of 60% in 2015. Up to date, Caterpillar light equipment maintains leadership in Peru.

Mega Representaciones changes its name to Soltrak

Ferreycorp announced that Mega Representaciones, subsidiary aimed to provide industry consumables, changed its name to Soltrak. With this new identity, Soltrak looks forward to strengthen its image as an expert in the market and reflect its business plans, which include its internationalization, along with its represented.

Soltrak is providing prestigious brands in Peru such as Mobil lubricants, Good Year tires and other personal safety equipment (3M), which belong to an important portfolio of more than 50 represented. With this range of brands, the company is starting its operations in Bolivia, visioning its growth in this market.

Main recognitions for Ferreycorp and Ferreyros

Ferreycorp was recognized for fourth year with the award "Empresas Más Admiradas del Perú" (Most Admired Companies in Peru), which is granted by "G" magazine from "Gestion" and PwC, as a result from an evaluation carried out by the main executives of the country: more than 4,500 were surveyed, belonging to 1,500 companies.

In total, ten Peruvian companies received this award. In this survey it was defined the companies which were a reference of excellency in the country, exploring their diverse attributes, such as Good Corporate Governance and Strategic Vision; these two were linked to Ferreycorp.

On the other hand, Ferreyros, main subsidiary of the corporation, was recognized for fifth consecutive year among the 10 companies with best reputation in Peru, according to Merco (Monitor Empresarial de Reputación Corporativa – Corporative Reputation Business Monitor), in alliance with "Gestion" newspaper.

This prestigious ranking, from Spanish origin, collected the valuation of multiple stakeholders, over 17,000 surveys for its 2016 edition. Ferreyros kept its sixth place in the list and, again was recognized as the company with best reputation in the industry, position which has been maintained since this ranking was launched in Peru.

I. COMMERCIAL MANAGEMENT

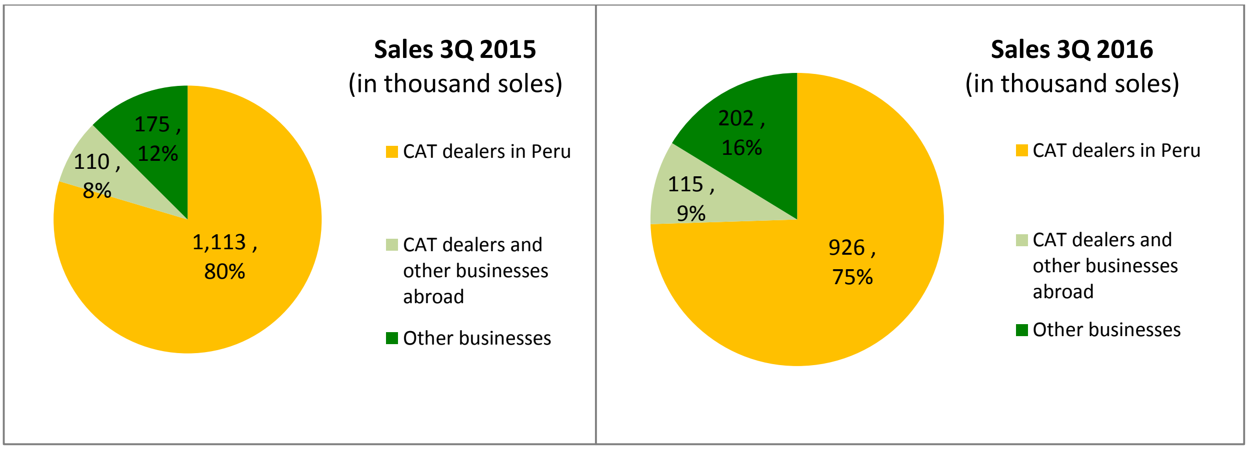
1. SALES BREAKDOWN ACCORDING TO CORPORATE ORGANIZATION

During this first nine-month period, consolidated sales of Ferreycorp S.A.A. and its subsidiaries in Peru, Chile, Guatemala, El Salvador, Nicaragua, Honduras, Ecuador and Belize, amounted to S/ 3,751 million, showing a decrease of 7.6% compared to the same period last year. During third quarter 2016, consolidated sales reached S/ 1,244 million and dropped by 11.0% compared to third quarter 2015.

It is worth recalling that Ferreycorp divides its companies in three main groups:

First Group - Subsidiaries which are Caterpillar dealers and represent allied brands in Peru (Ferreyros, Unimaq, and Orvisa).
Second Group - Subsidiaries which are Caterpillar dealers and have other businesses in Central America (Gentrac, Cogesa, Motored – Ex Transpesa - and Mercalsa).
Third Group - Subsidiaries aimed to offer capital goods and services other than Caterpillar to different economic sectors in Peru and abroad (Motored, Fiansa, Fargoline, Soltrak (Former Mega), Cresko, Forbis Logistics, Sitech and Trex).

Ferreycorp sales composition in the third quarter 2016 showed the following distribution:



In the following lines it can be seen the sales composition by group of companies:

Sales (S/ million)	3Q 2016	%	3Q 2015	%	VAR %	As of Sep 16	%	As of Sep 15	%	VAR %
Ferreyros	759	61.0%	919	65.8%	-17.5%	2,378	63.4%	2,654	65.4%	-10.4%
Unimaq	125	10.1%	148	10.6%	-15.3%	364	9.7%	421	10.4%	-13.6%
Orvisa	43	3.4%	46	3.3%	-7.1%	125	3.3%	134	3.3%	-6.7%
Total CAT dealers in Peru	**926**	**74.5%**	**1,113**	**79.6%**	**-16.8%**	**2,867**	**76.4%**	**3,209**	**79.1%**	**-10.7%**
Total CAT dealers and other businesses abroad	**115**	**9.2%**	**110**	**7.9%**	**4.6%**	**340**	**9.1%**	**385**	**9.5%**	**-11.7%**
Sales (S/ million)	**3Q 2016**	**%**	**3Q 2015**	**%**	**VAR %**	**As of Sep 16**	**%**	**As of Sep 15**	**%**	**VAR %**
Soltrak (ex Mega Rep.)	67	5.4%	49	3.5%	37.1%	186	5.0%	142	3.5%	31.0%
Motored	57	4.6%	66	4.7%	-13.8%	147	3.9%	149	3.7%	-1.6%
Trex	25	2.0%	33	2.4%	-25.4%	70	1.9%	89	2.2%	-21.5%
Others (Fargoline, Fiansa, Forbis, etc)	54	4.3%	27	1.9%	98.5%	141	3.8%	86	2.1%	64.3%
Total other subsidiaries	**202**	**16.3%**	**175**	**12.5%**	**15.6%**	**543**	**14.5%**	**466**	**11.5%**	**16.7%**
TOTAL	**1,244**	**100.0%**	**1,398**	**100.0%**	**-11.0%**	**3,751**	**100.0%**	**4,060**	**100.0%**	**-7.6%**

Caterpillar dealers in Peru decreased their sales by 16.8% in 3Q 2016, if compared with the same period 2015, due to lower sales to customers from construction sector.

Caterpillar dealers and other businesses in Central America reported during this period sales that increased by 4.6% if compared to 2015, mainly due to higher sales of machinery and spare parts for automobile in El Salvador as a result from the acquisition of Transpesa last year, now named Motored. The diversification strategy, started years ago, has showed positive results as it allows the corporation to achieve the expected sales volume due to the increase of other business lines, whereas others have been affected by the market's contraction.

Finally, sales of **other subsidiaries aimed to offer capital goods and services other than Caterpillar to different economic sectors in Peru and abroad**, increased by 15.6% as a result of higher sales of Soltrak (ex Mega Representaciones), subsidiary aimed to provide Goodyear tires, Exxon Mobil lubricants and personal safety equipment (3M). Even though this group of companies still represent a small share of total sales, during the 3Q 2016, their sales amounted to S/ 202 million and represent 16.3% of total sales.

2. SALES BREAKDOWN BY BUSINESS LINE

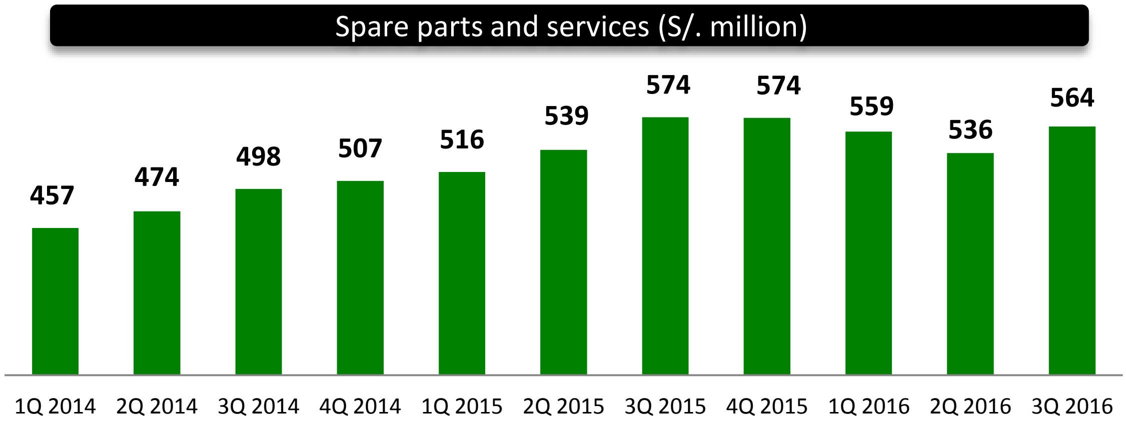
Sales (S/. In thousand)	3Q 2016	%	3Q 2015	%	Var %	As of 30.09.16	%	As of 30.09.15	%	Var %
Mining trucks and Caterpillar machines (GM)	119,082	9.6	120,094	8.6	-0.8	500,255	13.3	479,805	11.8	4.3
Caterpillar machines and engines for other sectors (NGM)	194,999	15.7	293,052	21.0	-33.5	569,913	15.2	823,109	20.3	-30.8
Allied equipment	156,505	12.6	182,200	13.0	-14.1	419,864	11.2	494,392	12.2	-15.1
Rental and used	91,036	7.3	133,568	9.6	-31.8	261,075	7.0	351,392	8.7	-25.7
Spare parts and services	564,452	45.4	574,172	41.1	-1.7	1,659,612	44.2	1,629,541	40.1	1.8
Other lines	117,530	9.5	94,700	6.8	24.1	340,027	9.1	281,647	6.9	20.7
TOTAL	**1,243,605**	**100.0**	**1,397,786**	**100.0**	**-11.0**	**3,750,747**	**100.0**	**4,059,886**	**100.0**	**-7.6**

When analyzing the results by business line as of the third quarter 2016, it can be seen an increase of 4% in Caterpillar mining trucks and equipment for open pit mining, and a relative quarter to quarter stability. It is important to highlight these obtained results within a business environment in which no new investment projects have been announced. On the other hand, sales of Caterpillar engines and machines shrank on average 32% during the third quarter as well as on 2016. Additionally, it is important to note that in the third quarter 2015, two important businesses were registered due to a direct requirement from energy and construction customers for S/ 83.1 million. If excluded this non-habitual operation, the decrease in this quarter will change to 7%, against a decrease of 11%.

In the same way, allied equipment and rental and used equipment sales shrank in this third quarter to 15% and on average 29%, respectively, due to a contraction of the construction sector. It is important to mention that the corporation has been able to resize its rental fleet within its subsidiaries in this business line, such as Ferreyros and Unimaq.

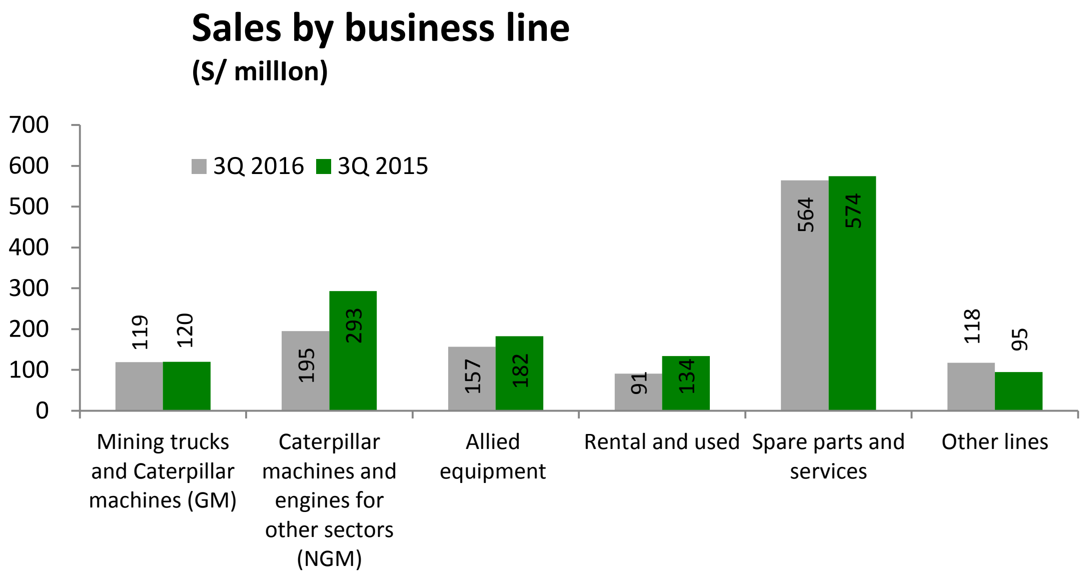
Regarding the after-market revenues, spare parts and services sales continued to show an increase of 2%, driven by machinery population sold in recent years in countries where Ferreycorp has presence, where its Caterpillar dealers keep a high market share. During the last years, the population of Caterpillar machinery, represented by the corporation, has increased significantly, which allows the sustainability of the business model.

It is important to highlight that after-market revenues, spare parts and services sales in this third quarter, achieved similar levels as the same period last year, increasing its market share with respect to its mix of sales, which allowed to achieve, in this third quarter, 45.4% of the sales of the corporation, compared to 41.1% obtained in the same period last year.



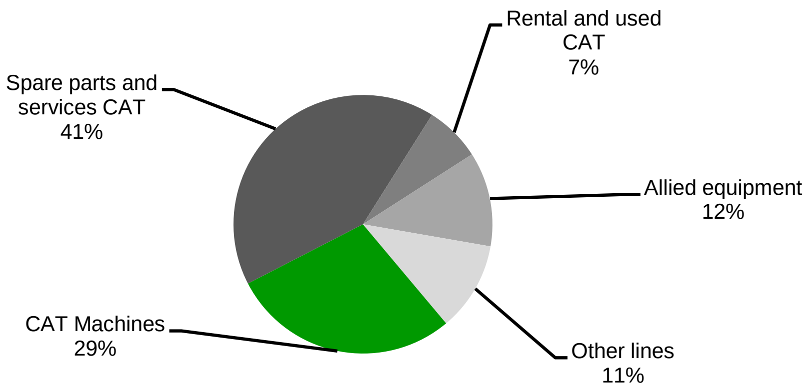
This consists of business lines that generate higher gross margins as they incur in higher distribution costs, but also generate a significant EBITDA to the corporation. The after-market provided by Ferreycorp to its customers is characterized by high quality standards which differentiates it from the competition. Nevertheless, this world-class service requires important investments in inventories of spare parts and components, as well as in modernizing its workshops and selecting and training its technicians. As it represents a higher sales percentage, that fluctuates between 40% and 45%, a higher percentage of all the employees in the organization are focused to provide an after-market service decentralized in all the branches and in the locations where they operate.

Businesses grouped in "Other lines" show an increase of 24.1%, led by safety equipment, metal mechanics, lubricant, and tires sales that rose by 62%, 255%, 3% and 2%, respectively.



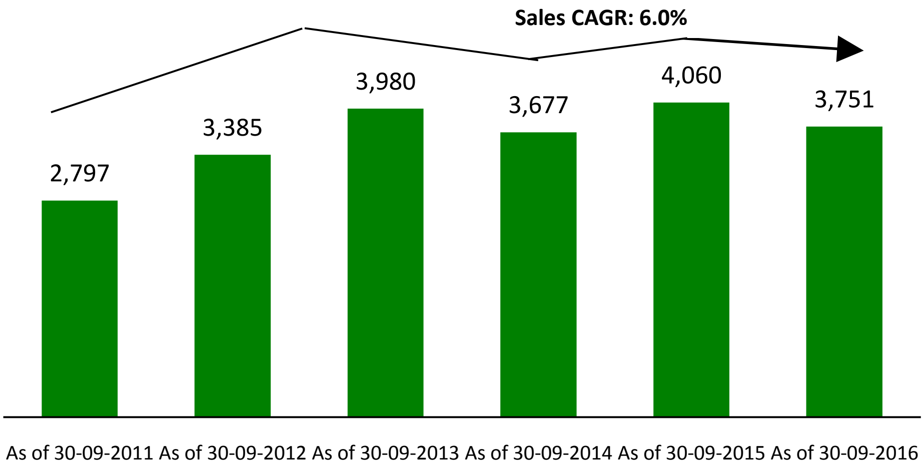
As of September 30th, 2016 sales from the Caterpillar line carried by the exclusive Caterpillar dealers in Peru, Guatemala, El Salvador and Belize, accounted for 77% of total income, including machinery and equipment (new, used and rental units) as well as spare parts and services.

Sales (as of September 2016)



It is important to highlight that EBITDA margin for 2016 is 12.0%, explained by sales levels obtained during this nine-month period, and for the good gross and operating margins, and positive cash flow, resulted from expenses control and permanent 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%
EBITDA (S/ MM)	343	351	458	396	487	450

EBITDA CAGR: 5.6%

3. SALES BREAKDOWN BY ECONOMIC SECTORS

Regarding sales distribution by economic sectors, sales to the open pit mining recorded 38.4% of total sales in this nine-month period, increasing its market share in 2 percentage points, if compared to the same period from last year; whereas construction represented 20% of total sales, reducing its market share in 6 points due to a low dynamism from this sector. Other economic sector that increased its share in total revenues is government, led by some bids won by the company during this period.

	3Q 2016	3Q 2015	As of 30/09/16	As of 30/09/15
Open pit mining	34.9%	33.0%	38.4%	36.0%
Construction	23.7%	25.5%	20.0%	26.4%
Underground mining	14.3%	14.0%	13.6%	13.5%
Government	1.9%	2.0%	3.6%	1.1%
Transport	4.8%	3.1%	4.1%	3.3%
Industry, commerce and serv	9.9%	9.4%	10.0%	10.7%
Agriculture and forestry	3.7%	3.5%	3.4%	3.2%
Fishing and marine	1.6%	1.4%	2.3%	1.2%
Hydrocarbons and energy	1.5%	5.0%	1.5%	3.2%
Others	3.7%	3.1%	3.1%	1.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

II. ANALYSIS OF FINANCIAL INFORMATION

1. Sales

Million soles	3Q 2016	3Q 2015	%Var.	As of 30.09.16	As of 30.09.15	%Var.
Sales	1,243.6	1,397.8	-11.0	3,750.7	4,059.9	-7.6

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

2. Gross profit

Million soles	3Q 2016	3Q 2015	%Var.	As of 30.09.16	As of 30.09.15	%Var.
Gross profit	286.7	331.9	-13.6	896.0	949.6	-5.6
Gross margin	23.1%	23.7%		23.9%	23.4%	

During the third quarter 2016, gross profit was lower than the amount obtained in the same period 2015. In percentage terms, gross margin reached to 23.1%, similar to last year.

3. Selling and Administrative Expenses

Million soles	3Q 2016	3Q 2015	%Var.	As of 30.09.16	As of 30.09.15	%Var.
Selling and administrative expenses	196.4	207.2	-5.2	585.8	606.1	-3.3
As a % of sales	-15.8%	-14.8%		-15.6%	-14.9%	

Selling and administrative expenses decreased by 5.2% compared to the same quarter from last year. This result is explained by a decline on variable expenses due to lower sales (commissions, pre-delivery expenses, among others).

4. Financial Expenses

Million soles	3Q 2016	3Q 2015	%Var.	As of 30.09.16	As of 30.09.15	%Var.
Financial expenses	32.0	25.9	23.5	90.2	78.1	15.4
As a % of sales	-2.6%	-1.9%		-2.4%	-1.9%	
Financial expenses (without tender)	24.8	25.9	-4.3	79.5	78.1	1.7
As a % of sales (FE without tender)	2.0%	-1.9%		2.1%	-1.9%	

Financial expenses for the third quarter of 2016 showed an increase of 23.5% compared to the third quarter of 2015. This increase is explained basically by the incurred expenses in the international bond tender offer, previously done in June 2016 (S/ 7.2 million), which is compensated with a decrease in financial expenses (average financial rate). The difference in the replaced debt expense will have an estimated impact of S/ 6.4 million.

5. Foreign Exchange Gain/ Loss

Million soles	3Q 2016	3Q 2015	%Var.	As of 30.09.16	As of 30.09.15	%Var.
Gain (loss) to exchange rate	-21.7	-19.2	12.6	-6.0	-97.5	-93.8

As it has been explained before, exchange rate monthly variation has temporal effects in corporation's results. In this sense, it can be appreciated that, with a devaluation of 0.029% as of September 30th

2016, loss exchange produced in this year has almost been recovered. Nevertheless, if the third quarter is only analyzed, the exchange loss was produced by a devaluation of 3.37% sol against the dollar, resulted in a S/ 6.0 million exchange loss vs. S/ 97.5 million exchange loss from last year (devaluation of 7.83%). As it has been mentioned 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

Million soles	3Q 2016	3Q 2015	%Var.	As of 30.09.16	As of 30.09.15	%Var.
Net Profit	31.0	54.5	-43.1	164.4	123.4	33.3

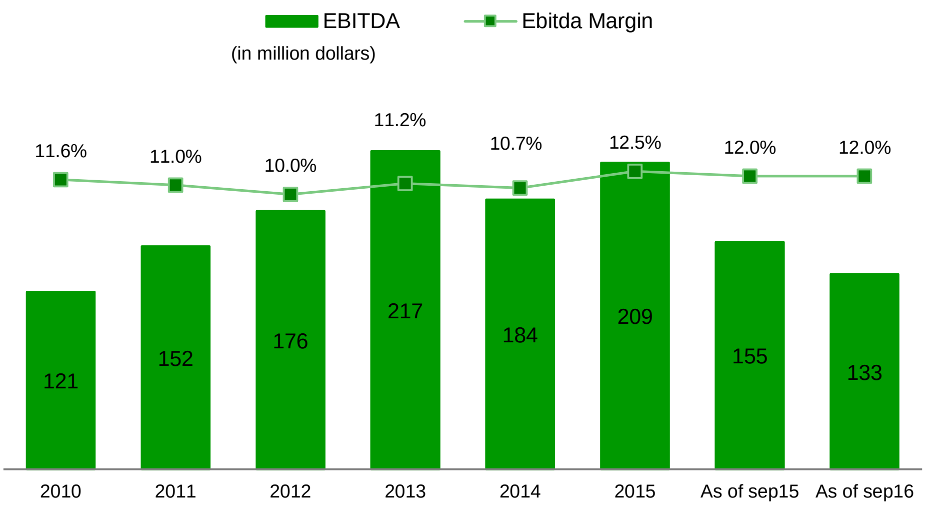
As explained above, net profit of third quarter 2016 was S/. 31.0 million, lower compared to S/. 54.5 million in 3Q 2015.

7. EBITDA

Million soles	3Q 2016	3Q 2015	%Var.	As of 30.09.16	As of 30.09.15	%Var.
EBITDA	139.1	178.3	-22.0	450.2	486.6	-7.5
EBITDA margin	11.2%	12.8%		12.0%	12.0%	

91.6% 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, 4.7% of EBITDA is generated by Caterpillar dealers and other businesses abroad, while 3.7% comes from local and foreign subsidiaries aimed to offer capital goods and services for the different economic sectors, in accordance with sales distribution. These businesses are in a maturity process, or correspond to services that even though are profitable, their revenue levels cannot be compared to the revenues provided from capital goods subsidiaries.

EBITDA as of September 30th 2016 reached to S/. 450.2 million compared to S/. 486.6 million reported September 30th 2015, which represents a decrease of 7.5%, which is correlated to the decrease in sales levels of 7.6%.



ANALYSIS ACCORDING TO CORPORATE ORGANIZATION

(S/. Thousand)	CAT dealers in Peru		CAT dealers and other businesses abroad		Other businesses	
	3Q 2016	3Q 2015	3Q 2016	3Q 2015	3Q 2016	3Q 2015
Sales	926,422	1,112,844	114,902	109,884	202,281	175,056
Gross profit	225,172	269,784	28,203	30,412	33,287	31,696
Gross margin	**24%**	**24%**	**25%**	**28%**	**16%**	**18%**
Operating expenses	136,798	155,418	25,561	23,434	34,018	28,374
Operating margin	**10%**	**10%**	**2%**	**6%**	**0%**	**2%**
Dep. And amort	23,954	32,151	3,931	4,952	6,046	7,539
EBITDA	127,387	153,323	6,586	13,544	5,157	11,462
EBITDA margin	**14%**	**14%**	**6%**	**12%**	**3%**	**7%**

III. ANALYSIS OF CONSOLIDATED FINANCIAL INFORMATION

Total assets as of September 30th, 2016 amounted to S/. 4,677.3 million, compared to S/. 4,771.9 million as of September 30th, 2015, representing a decrease of 2.0%. This variation was primarily due to i) a decrease of S/ 121.0 million of inventory led by asset management, one of the corporation main objectives, in order to improve the subsidiaries cash flow, and to ii) less fixed assets investment, from S/ 1,3723.3 million in this first nine-month period, to S/ 1,400.4 million in the same period last year.

Financial liabilities as of September 30th, 2016 amounted to S/. 1,837.2 million or US$ 540 million, which represent a reduction of 16.4% in dollars if compared to financial liabilities of S/. 2,081.1 million or US$ 646 million as of September 30th, 2015. This debt reduction has been carried out with the surplus cash flow from this third quarter.

The percentage of financial liabilities, corresponding to short-term debt and current long-term debt, is 44.0% (S/. 808.1 million), while (S/. 1,029.1 million) is long-term debt.

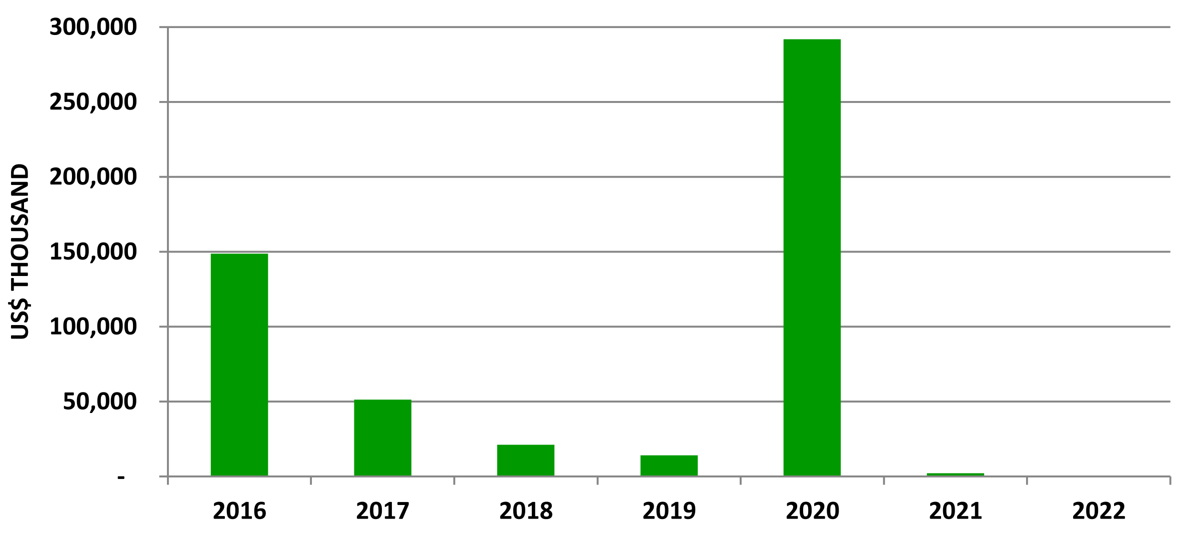
The debt that matures in 2016 amounts to US$ 136 million as of third quarter 2016, showing a reduction of US$ 53 million compared to second quarter 2016, from which US$ 20 million were canceled with the produced cash flow, and the remaining was reprofiled with good financial maturity conditions.

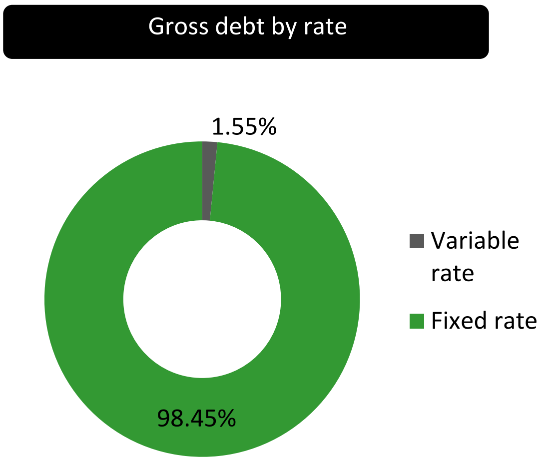
It is important to highlight that financial expense (excluding tender) has been maintained thanks to better financial rates and conditions, which allows the corporation to make prepayments without an additional cost, with the generated surplus cash flow. This flexibility was one of the main reasons to prepay the international bond (US$ 122 million).

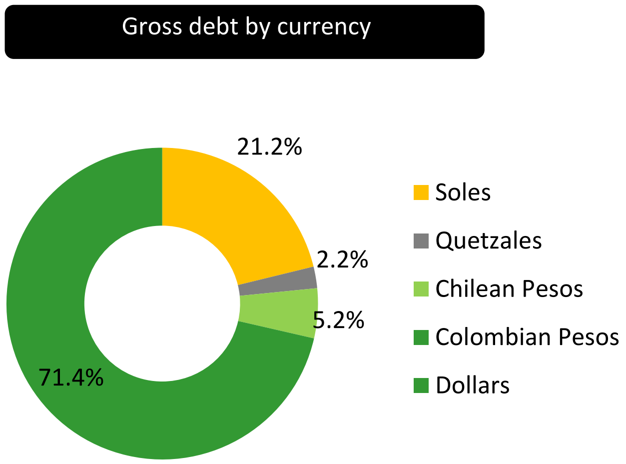
It is important to mention that the corporation has credit lines that can face the payments if necessary. As it is well known he corporation has three financial sources, which are: Caterpillar Financial Services, capital markets, and local and foreign banks.

Below is the maturity structure of the consolidated liabilities, which is 72% in dollars. The soles and other currency debt belong to subsidiaries that have a percentage of their income in their local currency, or that their legislation does not allow them to keep receivables in dollars (Trex Chile). Likewise, 98% of total debt has been contracted at fixed rate, which cover us from possible increases in interest rates.

Maturity Structure of Liabilities (US$ thousand)







Investment in Fixed Assets (CAPEX)

In million soles	As of Sept 2016	As of Sept 2015
Infrastructure (1)	27.0	80.0
Machinery and equipment	5.2	-1
Rental fleet	-66.0	-28.7
Other (2)	7.3	8.2
Total S/	-26.6	58.9
Total US$	-8.1	18.3

Note: In the Financial Statements reported to the Superintendencia del Mercado de Valores (Superintendency of Securities Market. SMV, in Spanish), the items above have the following nomenclature:
(1) Buildings and other constructions
(2) Transport units, furniture and appliances

Capital expenditures (CAPEX) as of September 30th, 2016 amounted to S/ -26.6 million (-US$ 8.1 million), lower if compared to the same period in 2015 (S/ 58.9 million or US$ 18.3 million). In infrastructure is included, mainly, "La Joya" land acquired (Arequipa) by Ferreyros, as well as operations that are being executed in other subsidiaries. CAPEX results negative due to the reduction of rental fleet, as a result from the new demand levels, highlighting that this corresponds to a semi-fixed asset.

IV. FINANCIAL RATIOS

	As of Set 16	As of Jun 16	a Mar 16	As of Dic 15	As of Sep 15
Current Ratio	1.59	1.51	1.66	1.88	1.86
Financial debt ratio	0.98	0.99	0.94	1.05	1.18
Indebtedness ratio	1.62	1.67	1.78	1.79	1.87
Net debt / EBITDA ratio	2.76	2.56	2.25	2.67	3.19
Adjusted debt / EBITDA ratio	2.00	1.86	2.01	2.59	2.73
Financial expenses coverage ratio	4.99	5.35	6.18	6.27	6.23
Assets turnover	1.06	1.11	1.16	1.15	1.14
Inventory turnover	2.86	2.77	2.81	2.67	2.71
ROE	11.8%	13.5%	13.2%	9.8%	7.3%
ROA	7.1%	7.7%	8.1%	7.6%	8.0%
ROIC	13.2%	14.3%	16.0%	14.1%	14.1%
Receivable days	72	62	56	56	60
Payable days	46	47	44	42	43
Cash cycle	152	145	140	149	150
Book value per share	1.80	1.74	1.68	1.72	1.64

Note: See description of each indicator in “Glossary of terms” section.

As it can be seen in the table above, current and indebtedness ratios have an adequate level. The leverage ratios, considered within the international bond *covenant*, show a small decrease due to EBITDA variation; nevertheless, they are within the covenant limit according to the bond contract.

Regarding the profitability ratios, ROE as of September 30th 2016 presents an improvement compared to the same period last year, mainly due to a better net margin, despite of lower sales, whereas ROA and ROIC have decreased due to a lower operating profit.

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)

(S/. In thousand soles)

	3Q 2016	%	3Q 2015	%	Var %	As of 30.09.16	%	As of 30.09.15	%	Var %
Net Sales	1,243,605	100.0	1,397,785	100.0	-11.0	3,750,747	100.0	4,059,886	100.0	-7.6
Cost of goods sold	-956,942	-76.9	-1,065,893	-76.3	-10.2	-2,854,762	-76.1	-3,110,278	-76.6	-8.2
Gross profit	**286,663**	**23.1**	**331,892**	**23.7**	**-13.6**	**895,985**	**23.9**	**949,608**	**23.4**	**-5.6**
Selling and administrative expenses	-196,377	-15.8	-207,227	-14.8	-5.2	-585,799	-15.6	-606,053	-14.9	-3.3
Other income (Expenses), net	9,720	0.8	3,730	0.3	160.6	18,763	0.5	9,166	0.2	104.7
Operating profit	**100,007**	**8.0**	**128,395**	**9.2**	**-22.1**	**328,949**	**8.8**	**352,721**	**8.7**	**-6.7**
Financial income	5,193	0.4	5,292	0.4	-1.9	19,898	0.5	14,990	0.4	32.7
Gain (loss) to exchange rate	-21,669	-1.7	-19,242	-1.4	12.6	-6,016	-0.2	-97,540	-2.4	-93.8
Financial expenses	-31,999	-2.6	-25,918	-1.9	23.5	-90,155	-2.4	-78,123	-1.9	15.4
Share in the net result of associated through the equity method	658	0.1	832	0.1	-20.9	5,116	0.1	4,650	0.1	10.0
Profit before income tax	**52,190**	**4.2**	**89,360**	**6.4**	**-41.6**	**257,792**	**6.9**	**196,699**	**4.8**	**31.1**
Income tax	-21,169	-1.7	-34,882	-2.5	-39.3	-93,356	-2.5	-73,338	-1.8	27.3
Net Profit	**31,020**	**2.5**	**54,478**	**3.9**	**-43.1**	**164,437**	**4.4**	**123,361**	**3.0**	**33.3**
Earnings per share (EPS)	0.031		0.054			0.166		0.122		
EBITDA	**139,130**	**11.2**	**178,329**	**12.8**	**-22.0**	**450,239**	**12.0**	**486,612**	**12.0**	**-7.5**

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

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

Estate of Financial Position

(S/. In thousand of nuevos soles)

	As of September 2016	As of September 2015	Var % sep16/sep15
Cash and Banks	94,527	124,565	-24.1
Accounts recievables - trade	1,151,885	1,128,413	2.1
Inventories	1,258,338	1,379,353	-8.8
Accounts recievables - other	159,646	154,417	3.4
Prepaid expenses	36,004	27,834	29.4
Current Assets	**2,700,400**	**2,814,582**	**-4.1**
Long-term account receivables - trade	36,684	42,848	-14.4
Long-term account receivables - other	1,838	5,552	-66.9
Rental Fleet	358,409	528,696	-32.2
Other fixed assets	1,613,436	1,446,957	11.5
	1,971,846	1,975,653	-0.2
Accrued depreciation	-599,584	-575,245	4.2
Property, plant and equipment, net	1,372,262	1,400,408	-2.0
Investment	106,372	87,932	21.0
Intangible assets, net and goodwill	266,691	263,235	1.3
Deferred income tax	193,004	157,343	22.7
Non Current Assets	**1,976,851**	**1,957,318**	**1.0**
Total Assets	**4,677,251**	**4,771,900**	**-2.0**
Short term debt	233,748	218,680	6.9
Other current liabilities	1,461,280	1,293,124	13.0
Current Liabilities	**1,695,028**	**1,511,804**	**12.1**
Long term debt	1,029,133	1,455,995	-29.3
Other payables	956	732	30.6
Minority interest	2,787	-	
Deferred income taxes	166,879	140,478	18.8
Total Liabilities	**2,894,783**	**3,109,009**	**-6.9**
Equity	**1,782,468**	**1,662,891**	**7.2**
Total Liabilities and Equity	**4,677,251**	**4,771,900**	**-2.0**

Other financial information		
Depreciation	89,975	107,446
Amortization	11,417	11,455

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

NET SALES

Sales (S/. In thousand)	3Q 2016	%	3Q 2015	%	Var %	As of 30.09.16	%	As of 30.09.15	%	Var %
Mining trucks and Caterpillar machines (GM)	119,082	9.6	120,094	8.6	-0.8	500,255	13.3	479,805	11.8	4.3
Caterpillar machines and engines for other sectors (NGM)	194,999	15.7	293,052	21.0	-33.5	569,913	15.2	823,109	20.3	-30.8
Allied equipment	156,505	12.6	182,200	13.0	-14.1	419,864	11.2	494,392	12.2	-15.1
Rental and used	91,036	7.3	133,568	9.6	-31.8	261,075	7.0	351,392	8.7	-25.7
Spare parts and services	564,452	45.4	574,172	41.1	-1.7	1,659,612	44.2	1,629,541	40.1	1.8
Other lines	117,530	9.5	94,700	6.8	24.1	340,027	9.1	281,647	6.9	20.7
TOTAL	**1,243,605**	**100.0**	**1,397,786**	**100.0**	**-11.0**	**3,750,747**	**100.0**	**4,059,886**	**100.0**	**-7.6**

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

Total Liabilities as of March 2016

(In thousand of US$ dollars)

	Total Liabilities	Current Liabilities	Long term liabilities Current	Long term liabilities Long Term	(A) Financial Liabilities
Local banks (short term)	142,128	142,128	-	-	142,128
Foreign banks (short term)	6,571	6,571	-	-	6,571
Local banks (long term)	104,924	-	41,864	63,060	104,924
Foreign banks (long term)	17,614	-	9,462	8,152	17,614
Local and foreign banks (long term) Lease	2,015	-	764	1,250	2,015
Suppliers:					
Accounts payable to Caterpillar (invent)	47,042	47,042	-	-	-
Accounts payable to Caterpillar	18,013	18,013	-	-	18,013
Others	75,884	75,884	-	-	2,055
Corporate bonds	160,150	-	-	160,150	160,150
Caterpillar Financial	85,935	-	16,130	69,805	85,935
Other liabilities	190,380	139,771	469	50,140	470
Total (US$)	**850,656**	**429,409**	**68,689**	**352,558**	**539,874**
Total (S/.)	**2,894,783**	**1,461,280**	**233,748**	**1,199,754**	**1,837,193**

(A) Affected by interest payments

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

Cashflow statement

(In thousand of nuevos soles)

	As of 30-09-16
Cash flow from operating activities	
Trade accounts receivables	3,626,798
Suppliers	-2,900,280
Employees and others	-305,022
Taxes	-127,709
Net cash provided by operating activities	**293,786**
Cash flow from investing activities	
Acquisition of property, plant and equipment	-89,752
Business acquisition	1,245
Intangible acquisitions	-12,288
Sale of property, plant and equipment	2,096
Net cash used in investing activities	**-98,700**
Cash flow from financing activities	
Financial liabilities	1,704,926
Financial liabilities payed	-1,871,786
Interests payed	-86,521
Pago de dividendos	-87,302
Interes minoritario (Fiansa)	2,787
Net cash used in financing activities	**-337,896**
Net increase in cash	-142,809
Cash at the begining of the year	233,322
Result in traslation	-120
Cash due to variation in exchange rate	4,134
Cash and cash equivalents at the end of the year	**94,527**