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

Fourth Quarter 2020

Lima, February 15, 2021.- 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 Latin America, announces consolidated results for the fourth quarter 2020. The consolidated financial results have been prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in nuevos soles.

Ferreycorp and subsidiaries fourth quarter results reinforce the sales recovery trend. Sales recorded for the last quarter of the year (S/ 1,653 million) represent higher figures than pre - Covid levels.

Likewise, during the 4Q2020 Ferreycorp recorded gross, operating and net profit growth, as well as EBITDA, higher gross, operating, net and EBITDA margin along with lower operating and financial expenses.

Regarding sales, first quarter 2020 amounted to S/ 1,179 million and was affected by the first 15 days of operational halt; the second quarter sales shrunk 32% to S/ 805 million and, since the third quarter, driven by the economic activity recovery, sales recorded S/ 1,220 million. The main economic sectors that contributed to reach this result were mining and construction that represented 51% and 21% of total sales, respectively. By December 2020, these markets achieved 90% and 70% operational capacity, respectively, compared to pre-Covid levels.

It should be noted that the corporation activities are completely restored. As of today, 60% of our employees are working in our facilities and all others mainly back office, working from home, or in a combined scheme

As stated before, Ferreycorp responded to the expected reduction in sales with a control of SG&A expenses and a plan for immediate cost control. As of December 2020, SG&A were reduced by S/ 104 million soles, as stated in previous press releases. This result was led by a reduction in discretionary

expenses including consulting, travel expenses, maintenance, training and events; an also, personnel expenses, employee pay reductions and provision for vacations.

We should also highlight that the corporation cash levels are normalized and stabilized. As of December 2020, debt reached to US\$ 511 million even below pre-Covid levels. During the critical months, financial liabilities rose from US\$625 million in March 2020 to US\$ 899 million dollars on May 2020, which allowed us to keep on average US\$ 200 million in cash balance for some weeks to face any reduction of income and cash flow. Once we started to generate positive cash flow, we prepaid debt for US\$ 223 million.

Impact in the financial statements derived from the Covid-19 pandemic

In this context, the management has been analyzing continuously the impact of Covid-19 pandemic and the main accounting effects on the financial statements estimates. These impacts are reflected over the year 2020 through lower sales and the results that are explained in this report. We do not foresee further meaningful adjustments derived from the pandemic.

EXECUTIVE SUMMARY

FOURTH QUARTER 2020 RESULTS

- Consolidated sales for the fourth quarter 2020 amounted to S/ 1,653 million and rose by 7.0% if compared to the same period 2019 (S/ 1,545 million). During this quarter almost all business lines showed higher figures, mainly led by Caterpillar mining equipment business line (102%). Likewise, Caterpillar equipment for clients other than mining recorded higher sales than the ones achieved in previous quarter 2020 and 2019. It is worth mentioning the sales recovery through the last three months: in October S/ 494 million, in November S/ 544 million and on December S/ 615 million. In turn, spare parts and services amounted to S/ 720 million during the 4Q2020, similar to 4Q 2019 and rose 27% compared to 3Q2020.
- Gross margin during the fourth quarter amounted to 24.0%, compared to 21.7% reached during the same period of 2019. Gross profit (S/ 397 million) improved by 18% compared to 4Q2019 (S/ 336 million), led by higher sales and margin. Exchange rate affected the margin in S/ 22 million (represented 1.3% of total sales), therefore the adjusted margin would be 22.7%, still above the margin of the 4Q2019.
- Operating margin in this quarter reached to 11.2% higher than 4.8% in 4Q2019, mainly due to higher gross profit and an 18% decrease in expenses (from S/ 255 million in 4Q2019 to S/ 210 million in 4Q2020) led by lower operating expenses in training, consulting, travel, representation and personnel, as well as extraordinary expenses recorded during 4Q2019 that were not repeated in 4Q2020.
- EBITDA margin for the 4Q2020 reached 14.5% compared to 8.6% in the same period 2019. EBITDA amounted to S/ 240 million and boosted by 81% compared to same period 2019 (S/ 133 million), affected by higher sales and operating profit led by gross profit that increased by S/ 60 million and a S/ 45 million reduction in SG&A expenses, with a total effect of S/ 105 million.
- Consolidated net profit recorded in 4Q2020 amounted to S/ 113 million and increased by 177% compared to net profit of S/ 41 million recorded in 4Q2019.
- Free cash flow in 4Q2020 amounted to S/ 80 million, similar compared to 4Q2019 free cash flow of S/ 83 million.

ACCUMULATED RESULTS AS OF DECEMBER 2020

- Consolidated sales for full year 2020 amounted to S/ 4,857 million and decreased by 17% compared to the same period last year (S/ 5,858 million). This result is mainly explained by the operations halt after the sanitary state of emergency declaration since March 16th. Nevertheless, as mentioned before, we've seen a gradual recovery in the monthly sales that reflect the economic reactivation measures taken by the Government.

- Gross margin amounted to 24.8% compared to 23.5% reached during full year 2019. Gross profit (S/ 1,205 million) decreased by 12% compared same period 2019 (S/ 1,376 million), led by lower sales. Exchange rate affected the margin in S/ 77 million (represented 1.6% of total sales), therefore the adjusted gross margin would be 23.2%, similar to 2019.
- Operating margin as of December 2020 reached to 8.4% compared to 7.9% for full year 2019, led by higher gross margin and expenses reduction by 11% compared to 2019 (-S/ 104 million). SG&A expenses represented 16.7% as a percentage of total sales.
- As of December 2020, EBITDA amounted to S/ 602 million and decreased by 12% compared to full year 2019 (S/ 684 million). EBITDA margin for 2020 reached 12.4%, higher if compared to 11.7% in 2019. The EBITDA reduction in S/ 82 million was derived from gross profit that dropped by S/ 170 million which could not be fully offset by expenses reduction.
- Consolidated net profit for the year 2020 amounted to S/ 144 million, meanwhile, net profit for 2019 rose to S/ 246 million. Full-year 2020 net profit was impacted by a reduction in operating profit -led by lower sales.
- The net debt / EBITDA ratio as of December 2020 was 2.64x, decreased compared to 3.19x as of September 2020 and 3.31x as of December 2019.
- Free cash flow as of December 2020 amounted to S/ 991 million, higher if compared to full year 2019 free cash flow of S/ 85 million, mainly led by a reduction in inventories and expenses.

(In million, except for per share ratios)	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019	% Var. 4Q 2020/3Q 2020	% Var. 4Q 2020/4Q 2019
Net sales (US\$)	\$459	\$344	\$235	\$346	\$459	\$479	\$413	\$403	33.3%	-0.2%
Net sales	S/. 1,653	S/. 1,220	S/. 805	S/. 1,179	S/. 1,545	S/. 1,601	S/. 1,372	S/. 1,341	35.5%	7.0%
Gross profit	S/. 397	S/. 312	S/. 203	S/. 293	S/. 336	S/. 353	S/. 349	S/. 338	27.4%	18.4%
SG&A expenses	S/. -210	S/. -202	S/. -179	S/. -219	S/. -255	S/. -225	S/. -220	S/. -216	3.8%	-17.5%
Operating profit	S/. 184	S/. 113	S/. 32	S/. 77	S/. 74	S/. 124	S/. 136	S/. 127	63.5%	150.6%
Financial expenses	S/. -21	S/. -24	S/. -28	S/. -22	S/. -23	S/. -24	S/. -25	S/. -23	-10.2%	-8.5%
(Gain) Loss to exchange rate	S/. -0	S/. -10	S/. -16	S/. -80	S/. 16	S/. -50	S/. 9	S/. 24	-99.1%	-100.6%
Net profit	S/. 113	S/. 56	S/. -4	S/. -21	S/. 41	S/. 32	S/. 81	S/. 92	100.6%	176.7%
EBITDA	S/. 240	S/. 159	S/. 74	S/. 128	S/. 133	S/. 175	S/. 194	S/. 183	50.6%	81.3%
Profit per share	0.117	0.058	(0.004)	(0.021)	0.042	0.033	0.083	0.095	101.4%	181.2%
EBITDA per share	0.250	0.165	0.076	0.131	0.136	0.179	0.199	0.188	51.2%	84.2%
Free cash flow	S/. 80	S/. 558	S/. 205	S/. 149	S/. 83	S/. -120	S/. -113	S/. 235	-85.7%	-3.6%
Gross margin	24.0%	25.5%	25.2%	24.9%	21.7%	22.1%	25.5%	25.2%		
SG&A expenses / sales	12.7%	16.6%	22.3%	18.6%	16.5%	14.0%	16.0%	16.1%		
Operating margin	11.2%	9.2%	4.0%	6.5%	4.8%	7.7%	9.9%	9.5%		
Net margin	6.8%	4.6%	-0.5%	-1.8%	2.6%	2.0%	5.9%	6.9%		
EBITDA margin	14.5%	13.1%	9.2%	10.8%	8.6%	10.9%	14.1%	13.6%		
Leverage ratio	0.73	0.77								
Net debt / EBITDA	2.64	3.19								

MAIN HIGHLIGHTS

Second dividends payment

The board, in accordance to the powers delegated by the Shareholders Annual Meeting held on July 30, agreed to make a second cash dividends payment for S/ 73,456,408.07 to complete the distribution of total dividends approved by the Shareholder meeting for S/ 146'912,816.15.

This second payment equals to S/ 0.07664449421 per share. The payment date was December 4th,2020.

Share repurchase program

On October 2019, the board approved a repurchase program for up to 50 million shares (5% of the capital) to be executed according to market conditions.

The share repurchase program has been executed during the year and will continue to be monitored and reported to the market.

As of December 2020, Ferreycorp has repurchased S/ 17.8 million shares at an average price of S/ 2.01.

Ferreycorp is part of the Dow Jones Sustainability Index

For fourth consecutive year, Ferreycorp was included in the Dow Jones Sustainability Index for the MILA-Pacific Alliance region (Dow Jones Sustainability MILA Pacific Alliance Index – DJSI). Ferreycorp is the only Peruvian company that is part of the index for four editions, since its launch in 2017.

The index measures the performance of companies in environmental, social and governance issues (ESG) through the analysis of good corporate governance, impact on the value chain, human, environmental management policies and systems, transparency, corporate citizenship, an effective code of conduct, among others.

Merco Responsibility and Corporate Governance

The reputation monitor Merco, in its Social Responsibility and Corporate Governance edition, recognized Ferreycorp among the top 10 companies in Peru and the number one in the industrial sector, with the best performance in these dimensions after collecting the perception in more than 4,300 surveys.

The ranking analyzes values such as ethical behavior, transparency and good governance, responsibility towards employees, commitment to the environment and climate change and contribution to the community. It includes the perception of multiple stakeholders as well as a performance evaluation.

Peru Carbon Footprint Distinction

Ferreycorp and its subsidiaries Ferreyros, Unimaq, Orvisa, Motored and Soltrak were recognized by the Peruvian Ministry of Environment through the Peru Carbon Footprint new platform, for their achievements in managing Greenhouse Gas emissions.

We are the corporation with the highest number of stars -or recognitions- registered in this platform.

Ferreycorp as well as Unimaq, Orvisa and Motored were recognized with the highest score after measuring, validating, reducing and compensating their carbon emissions in several of their main locations. They became carbon neutral in the scope 1 and 2.

Ferreyros stands out for reducing its GHG emissions by 14% in its main workshop facility.

Ferreycorp reduced emissions by 25% in its headquarter in Surco and in its facility in Callao, which hosts logistic and training operations for its subsidiaries. At the same time, Unimaq, Motored and Orvisa reduced GHG emissions in their main facilities and Soltrak was recognized for measuring and validating its emissions in the company's main headquarter.

PAR ranking recognition for gender equality

Ferreycorp was recognized in the PAR 2020 Ranking hosted by Aequales as the second company in terms of gender equality in Peru -in the category up to 200 employees - improving in one position compared to the previous year's edition. It is important to mention that in the holding company female share amounts to 53%.

The ranking assesses strategic aspects for gender equality. Among them the deployment of talent management that promotes equity in hiring, promotions and remuneration; internal and external policies with a gender perspective; awareness raising actions to eliminate paradigms and become aware of the lack of opportunities; the prevention and punishment of sexual harassment; and the balance between personal and work life.



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 fourth quarter 2020, sales increased by 8.3% compared to 4Q2019. The business lines that improved during the 4Q2020 are Caterpillar mining equipment (102%), and allied equipment (26%). Likewise, Caterpillar equipment for sectors other than mining recorded higher sales than the ones achieved in previous quarters and years.

In turn, Unimaq and Ferreyros sales rose by 8% and 22%, respectively, while Orvisa sales fell by 2%.

The share of this first group of subsidiaries in total sales during the fourth quarter is 76.3%.

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 15% compared to 4Q2019. The operational halt in almost all the countries where these subsidiaries are located was not at 100%: several activities continued to operate at a smaller scale due to new security protocols implemented by governments in each of these countries.

Gentrac has been the most affected subsidiary. Despite this, Caterpillar equipment sales grew 80%. On the other hand, Cogesa, achieved a 169% increase in the same business line.

This group of companies generated 7.9% of the total sales of the corporation.

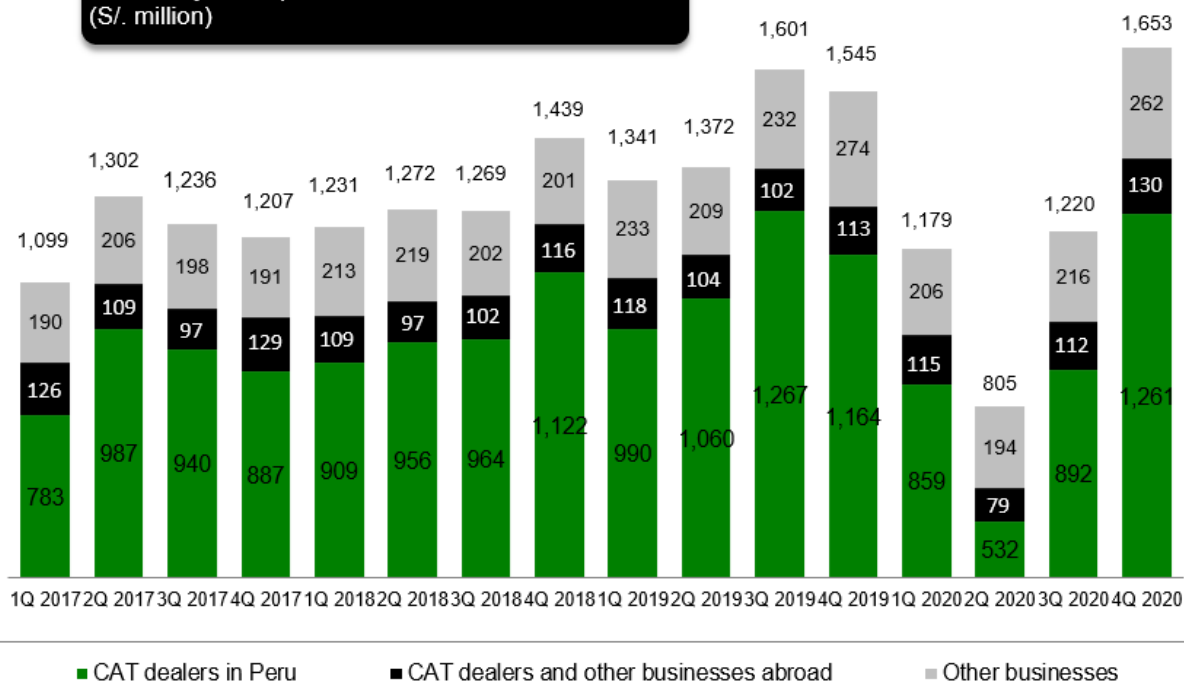
Group III - Other subsidiaries aimed to offer capital goods and services other than Caterpillar to different economic sectors in Peru and South America (Motored, Soltrak, Trex, Motriza, Fargoline, Forbis Logistics and Sitech).

This group of companies, which complements the supply of goods and services through equipment and vehicles, consumables and logistics solutions, among other lines, decreased sales by 2.1% compared to 4Q2019, but increase by 21% compared to 3Q2020. Trex lower sales were in part offset by Soltrak (+18%), Motored (+15%) and Forbis (+46) sales.

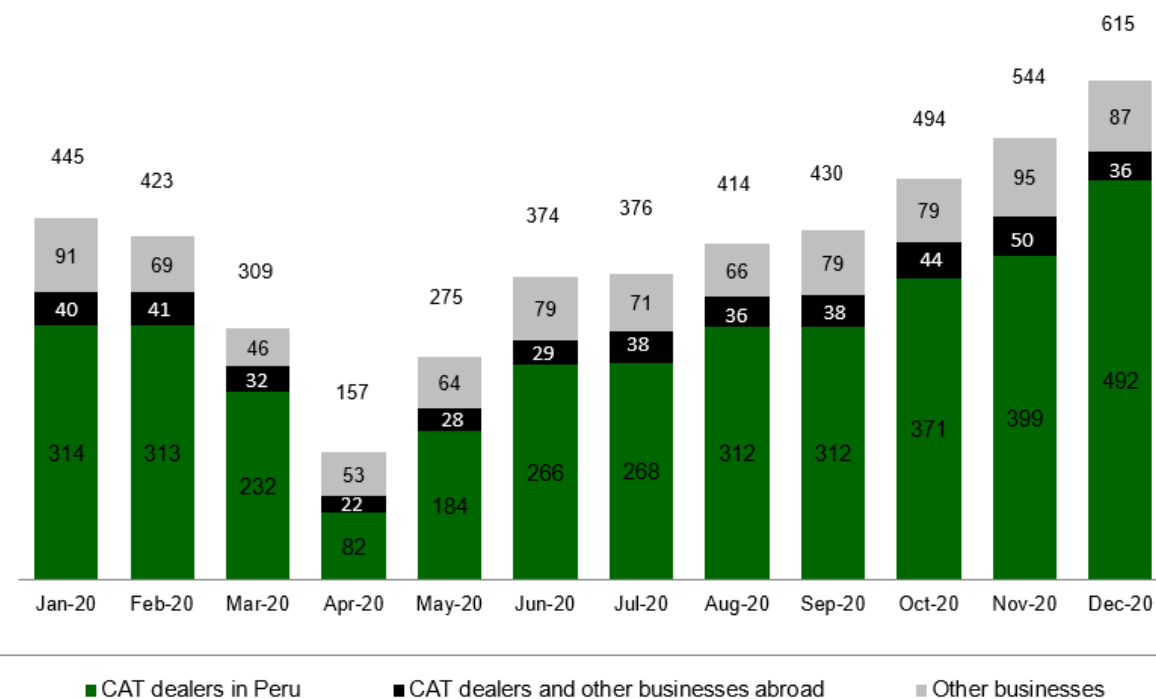
Even though Motored and Soltrak were the most affected subsidiaries by the halt of operations in Peru, both companies recovered during the fourth quarter.

This group of companies currently represents 15.8% of total sales.

Sales by Group of Subsidiaries (S/. million)



Monthly Sales by Group of Subsidiaries (S/. million)



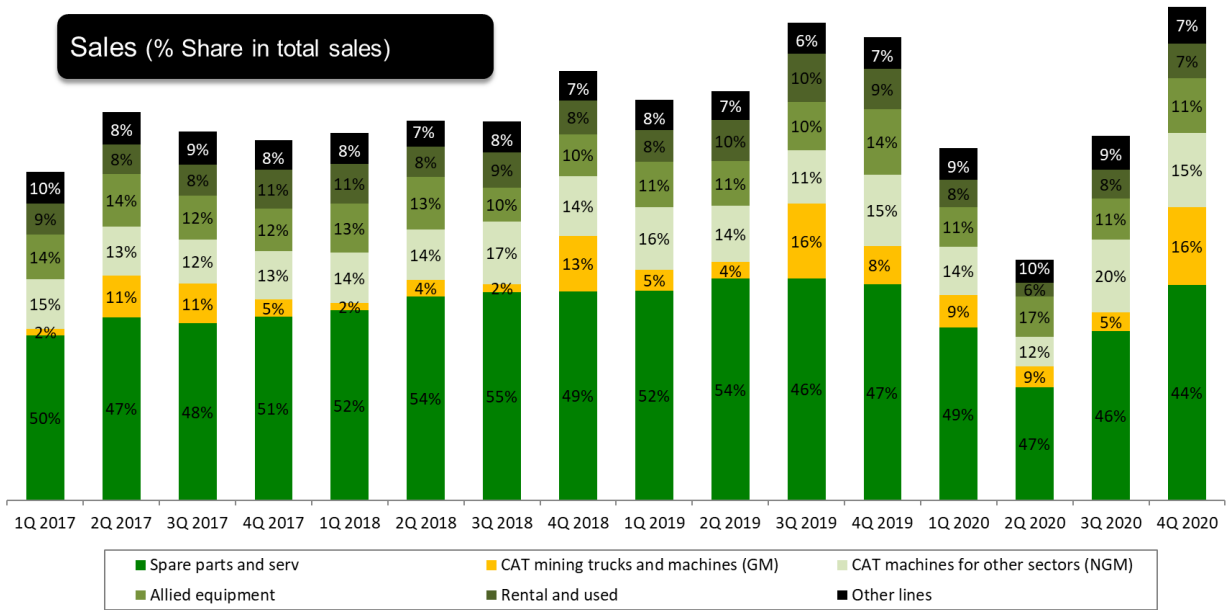
The detail of sales by group of companies:

(S/ million)	4Q 2020	%	3Q 2020	%	2Q 2020	%	1Q 2020	%	4Q 2019	%	3Q 2019	%	2Q 2019	%	1Q 2019	%	% Var 4Q 2020/ 3Q 2020	% Var 4Q 2020/ 4Q 2019
Ferreyros	1,111	67	721	59	464	58	733	62	1,032	67	1,132	71	920	67	856	64	52.2	7.7
Unimaq	104	6	122	10	59	7	95	8	86	6	103	6	113	8	103	8	-14.5	21.7
Orvisa	46	3	50	4	9	1	31	3	47	3	33	2	26	2	31	2	-8.5	-1.7
Total dealers CAT in Peru	1261	76	892	73	532	66	859	73	1164	75	1267	79	1060	77	990	74	41.3	8.3
Total dealers CAT and other businesses abroad	130	8	112	9	79	10	115	10	113	7	102	6	104	8	118	9	15.8	15.0
Motored	53	3	47	4	18	2	43	4	47	3	48	3	55	4	47	4	12.9	14.9
Soltrak	60	4	58	5	37	5	53	4	51	3	57	4	53	4	53	4	3.4	18.0
Trex (Chile)	88	5	55	4	88	11	56	5	93	6	77	5	50	4	74	6	60.5	-6.0
Trex (Perú)	25	2	27	2	21	3	27	2	41	3	19	1	22	2	30	2	-4.8	-37.6
Fargoline	21	1	20	2	19	2	20	2	21	1	20	1	19	1	21	2	4.5	-1.3
Forbis	10	1	7	1	6	1	4	0	7	0	4	0	6	0	4	0	32.9	46.4
Others	4	0	1	0	4	1	2	0	8	1	6	0	5	0	4	0	265.0	-48.4
Total Other businesses	262	16	216	18	194	24	206	17	267	17	232	14	209	15	233	17	21.4	-2.1
TOTAL	1,653	100	1,220	100	805	100	1,179	100	1,545	100	1,601	100	1,372	100	1,341	100	35.5	7.0

2. SALES BREAKDOWN BY BUSINESS LINE

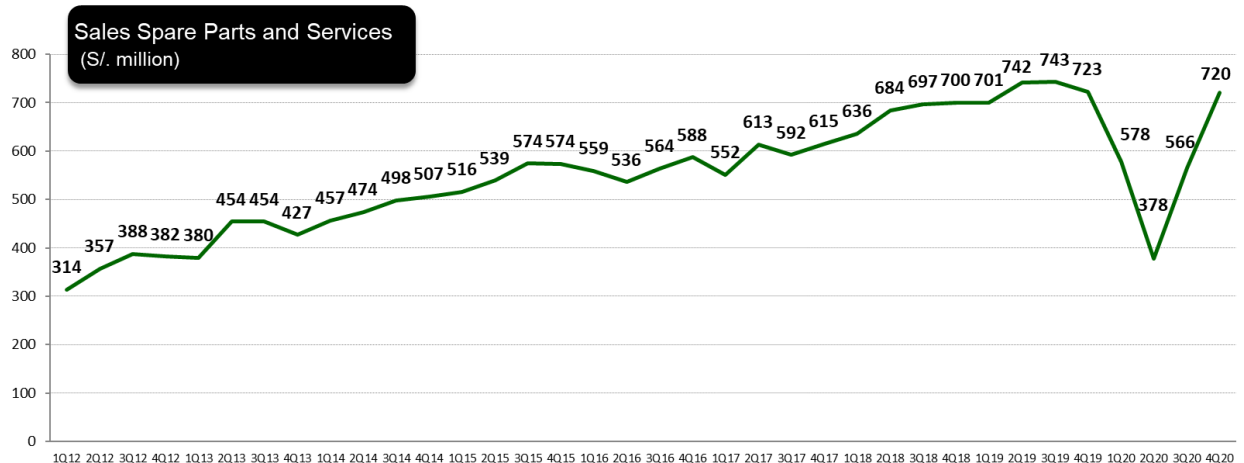
(S/ million)	4Q 2020	%	3Q 2020	%	2Q 2020	%	1Q 2020	%	4Q 2019	%	3Q 2019	%	2Q 2019	%	1Q 2019	%	% Var 4Q 2020/ 3Q 2020	% Var 4Q 2020/ 4Q 2019
CAT mining trucks and machines (GM)	263	16	63	5	70	9	110	9	130	8	250	16	56	4	72	5	276.7	102.3
CAT machines for other sectors (NGM)	248	15	244	20	99	12	162	14	239	15	178	11	189	14	208	16	150.6	3.5
Allied equipment	184	11	139	11	136	17	131	11	218	14	163	10	149	11	153	11	35.2	-16.0
Rental and used	116	7	96	8	45	6	91	8	137	9	162	10	138	10	105	8	156.0	-15.5
Spare parts and service	720	44	566	46	378	47	578	49	720	47	743	46	742	54	701	52	90.8	0.1
Other lines	123	7	112	9	78	10	106	9	101	7	104	6	98	7	102	8	58.6	21.8
TOTAL	1,653	100	1,220	100	805	100	1,179	100	1,545	100	1,601	100	1,372	100	1,341	100	105.4	7.0

When analyzing the results by business lines during the fourth quarter 2020, almost all got back to pre-covid levels. Among the business lines that have shown a greater increase are Caterpillar mining equipment sales, led by the delivery of machines to an important mining customer. In the last months, sales rose by 10% from October to November (November: S/ 544 million, October: S/ 494 million) and increased by 13% from November to December (S/ 615 million).

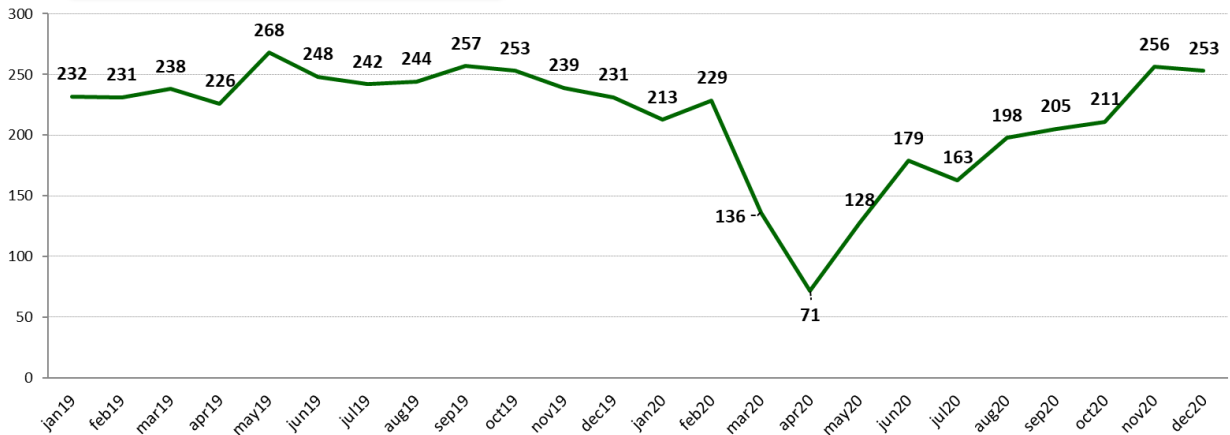


The strategy of the corporation is focused in serving the customers throughout the life of their equipment, for this reason, great efforts are deployed to deliver the best quality aftermarket support through locations near the customers.

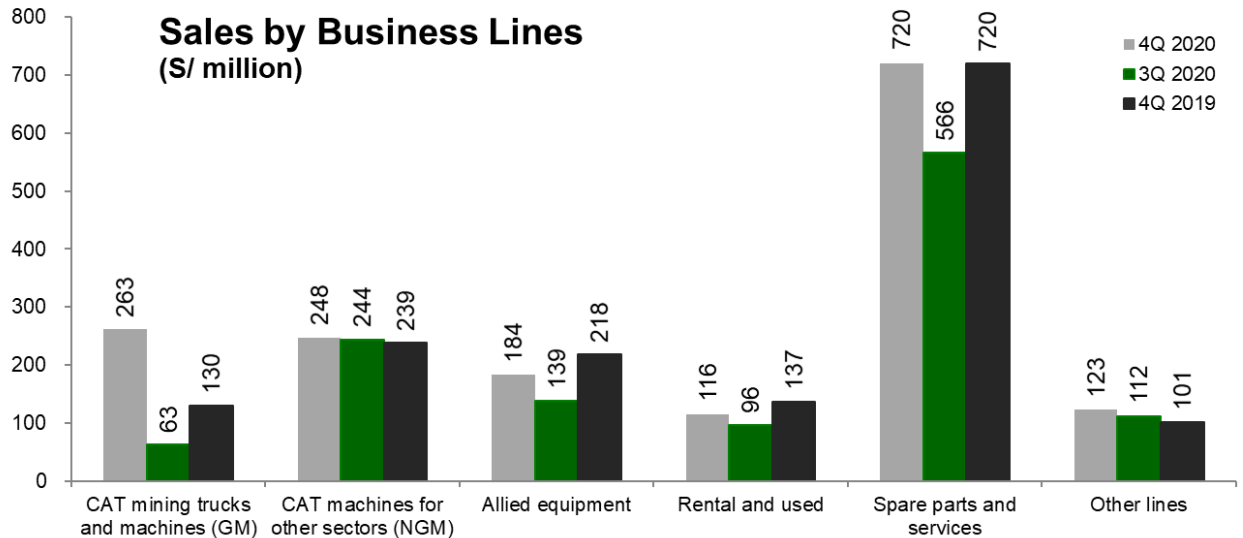
These capacities have allowed spare parts and services business line, both Caterpillar and allied brands, to keep the higher share in the composition of total sales (44%), reaching S/ 720 million thru the fourth quarter 2020, similar to 4Q'19, but increased by 27.3% compared to 3Q2020. It is important to highlight the recovery of this line during the last months.

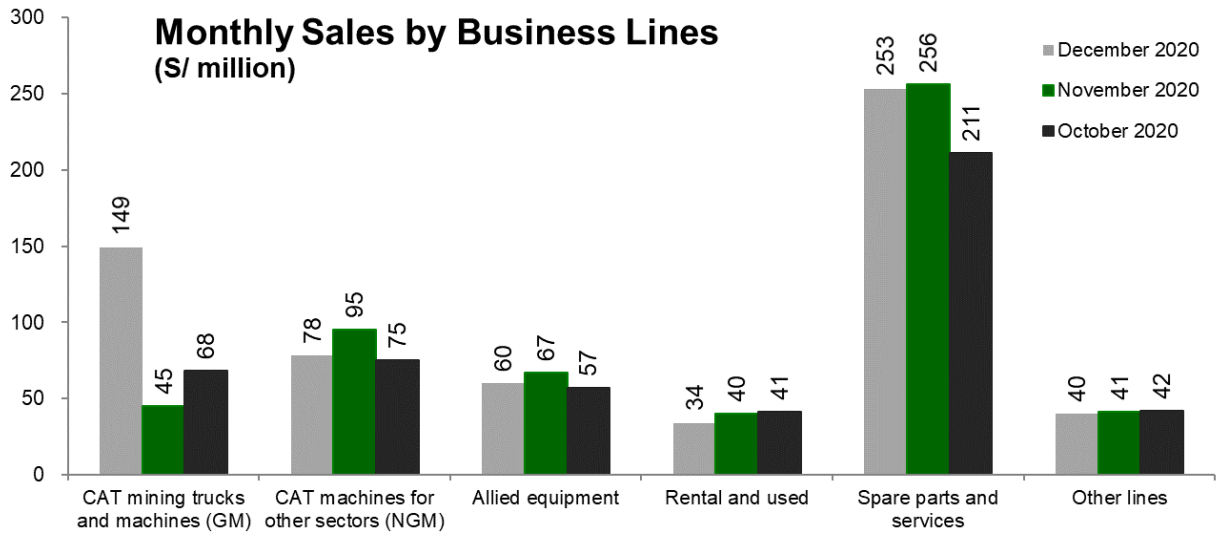


Sales by Month Spare Parts and Services
(S/. million)



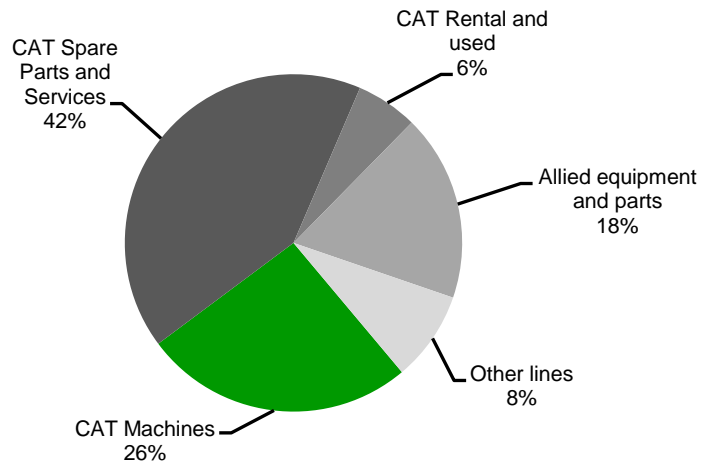
The after-market provided by Ferreycorp to its customers is recognized by high quality standards, a key difference from the competition. However, as mentioned before, all of the corporation's subsidiaries have gradually restarted their operations in service in shops, warehouses, branches and offices, 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 December 2020, employees in most subsidiaries are working in the following schemes: 60% presence in the office, 21% home office, 11% in a mix scheme, 2% under leave with payment and 6% under other schemes.

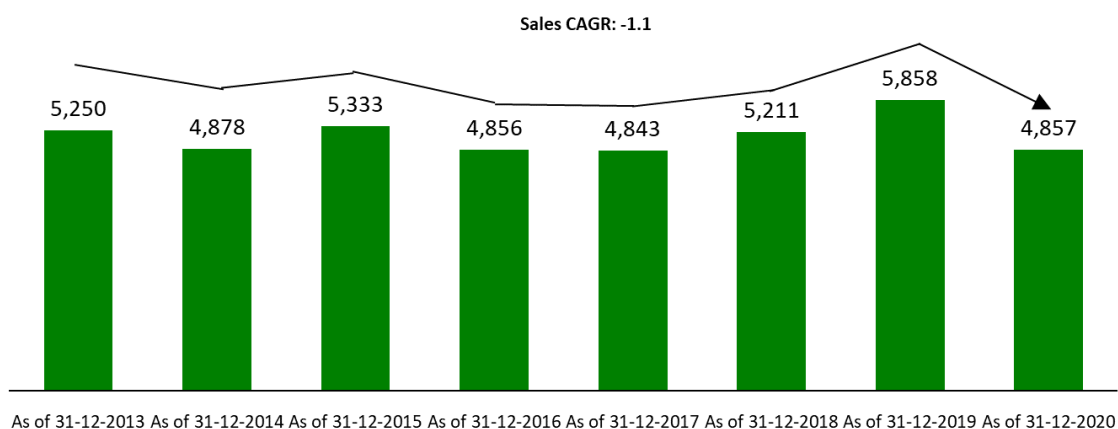




As of December 2020, sales of the Caterpillar brand carried by Caterpillar dealers in Peru, Guatemala, El Salvador and Belize, accounted for 74% of total sales, including machinery and equipment (new, used and rental units) as well as spare parts and services.

Sales (As of December 2020)



Sales and EBITDA
 (S/. million)


Ebitda Margin	11.2%	10.7%	12.5%	12.0%	11.7%	11.9%	11.7%	12.4%
EBITDA (S/ MM)	588	522	667	583	567	621	684	602

EBITDA CAGR: 0.3%

3. SALES BREAKDOWN BY ECONOMIC SECTORS

Regarding sales distribution by economic sectors, sales to open pit mining represented, during the fourth quarter 2020, 47% of total sales compared to 43% during the fourth quarter last year. Sales to construction sector accounted to 21% of total sales, lower than 23% reached during the fourth quarter 2019.

Meanwhile, underground mining accounted to 7% of total sales, below fourth quarter 2019 share of 9%.

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

ANALYSIS OF FINANCIAL INFORMATION

1. Sales

Million soles	4Q 2020	4Q 2019	%Var.	As of Dec20	As of Dec19	%Var.
Sales	1,653.1	1,545.0	7.0	4,857.2	5,858.4	-17.1

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

2. Gross profit

Million soles	4Q 2020	4Q 2019	%Var.	As of Dec20	As of Dec19	%Var.
Gross profit	397.3	335.6	18.4	1,205.4	1,375.6	-12.4
Gross margin	24.0%	21.7%		24.8%	23.5%	

In the fourth quarter 2020, gross profit increased if compared to the one obtained in the same period of 2019 impacted by higher sales and gross margin, as a result of the gradual economic reactivation, despite the restrictions that still apply for the corporation. In percentage terms, gross margin was 24.0% higher if compared to 4Q 2019, mainly due to the FX recovery thru the margin - equivalent to 1.3% in 4Q 2020, and to the effect of spare parts exports and guarantees during the 4Q 2019 for -0.7%.

3. Selling and Administrative Expenses

Million soles	4Q 2020	4Q 2019	%Var.	As of Dec20	As of Dec19	%Var.
Selling and administrative expenses	210.1	254.5	-17.5	810.6	914.9	-11.4
As a % of total sales	-12.7%	-16.5%		-16.7%	-15.6%	

Selling and administrative expenses during the fourth quarter 2020 shrunk 17.5% compared to the same quarter 2019, mainly explained: i) lower personnel expenses driven by temporary salary adjustments, reduction in working hours, vacation compensation, among others and ii) less discretionary expenses such as consulting, advertising, travel and events, among the most important. SG&A expenses related to total sales for the 4Q2020 are 12.7% lower than figures for the 4Q2019 (16.5%).

4. Financial Expenses

Million soles	4Q 2020	4Q 2019	%Var.	As of Dec20	As of Dec19	%Var.
Financial expenses	21.3	23.3	-8.5	95.8	96.0	-0.2
As a % of total sales	-1.3%	-1.5%		-2.0%	-1.6%	

Financial expenses during the fourth quarter 2020 decreased by 8.5% compared to the same quarter 2019. In the fourth quarter, there was a debt reduction. Consequently, the average financial liabilities went from US\$ 694 million as of December 2019 to US\$ 526 million as of December 2020, a 24% reduction, that was partly offset by higher average interest rate.

5. Foreign Exchange Gain/Loss

Million soles	4Q 2020	4Q 2019	%Var.	As of Dec20	As of Dec19	%Var.
Foreign Exchange Gain/Loss	-0.1	15.6		-105.8	-1.8	

During the fourth quarter 2020, there was practically no FX effect as a result of the exchange rate devaluation in Peru and the appreciation in Chile. The devaluation of the sol against the dollar was 0.69% (it went from S/ 3.599 in September 2020 to S/ 3.624 in December 2020). In similar period 2019, the nuevo sol appreciated in 2.01% (went from S/ 3.385 in September 2019 to S/ 3.317 in december 2019). In the fourth quarter 2020, the Chilean peso appreciated against the dollar in 9.80%, while in the fourth quarter 2019 a 2.82% devaluation 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

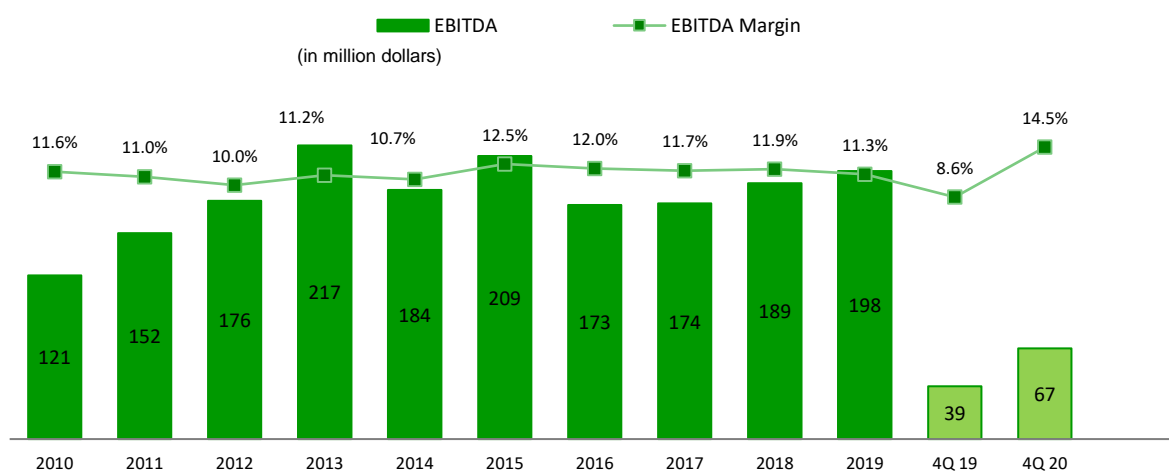
Million soles	4Q 2020	4Q 2019	%Var.	As of Dec20	As of Dec19	%Var.
Net profit	112.7	40.7	176.7	143.9	246.4	-41.6
Net margin	6.8%	2.6%		3.0%	4.2%	

Net profit for the fourth quarter 2020 amounted to S/ 113 million and boosted 177% if compared to fourth quarter 2019 and 101% if compared to third quarter 2020 led by higher sales with a better gross margin, lower operating expenses and almost no FX effect.

7. EBITDA

Million soles	4Q 2020	4Q 2019	%Var.	As of Dec20	As of Dec19	%Var.
EBITDA	240.2	132.5	81.3	601.6	684.2	-12.1
EBITDA margin	14.5%	8.6%		12.4%	11.7%	

Fourth quarter 2020 EBITDA rose 81.3% compared to EBITDA in the fourth quarter 2019 due to higher operating profit, impacted by sales, better gross margin and lower expenses. EBITDA for the fourth quarter 2020 booted 50.6% compared to third quarter 2020.



ANALYSIS ACCORDING TO CORPORATE ORGANIZATION

(S/ thousand)

	CAT Dealers in Peru		CAT Dealers and other businesses abroad		Other businesses	
	2020	2019	2020	2019	2020	2019
Sales	3,544,380	4,481,163	436,197	436,466	876,582	940,795
Gross profit	924,275	1,086,042	99,174	110,612	181,901	178,993
Gross margin	26%	24%	23%	25%	21%	19%
SG&A	593,739	679,028	72,726	81,484	139,102	146,314
Operating margin	10%	9%	7%	7%	5%	4%
Depreciation and amortization	88,794	122,832	20,042	18,941	56,345	52,454
EBITDA	444,571	553,958	50,923	51,339	108,316	96,109
EBITDA margin	13%	12%	12%	12%	12%	10%

Note: This results do not include Ferreycorp and Inti

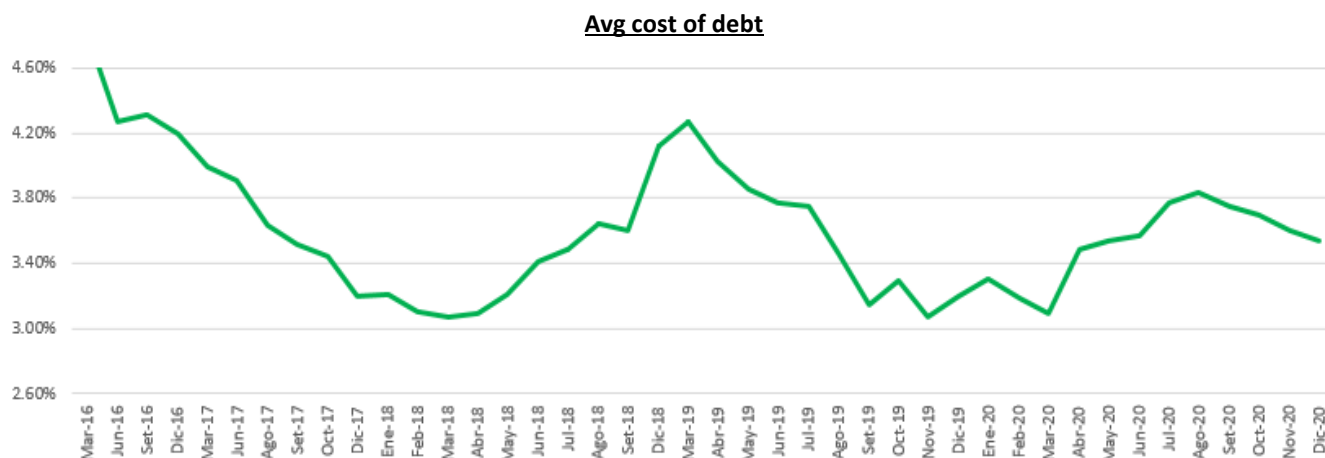
ANALYSIS OF CONSOLIDATED FINANCIAL INFORMATION

As of December 31st, 2020, total assets amounted to S/ 5,634.9 million, 1.7% lower than the S/ 5,731.2 million recorded as of December 2019. This variation is primarily as consequence of: the decrease in inventories by S/ 260 million led by the management of the stock levels and by the deliveries to large mining customers (reflected in the sales increase); and accounts receivables that dropped by S/ 110 million driven by the collections during the last months of the year.

Financial debt as of December 31st, 2020, amounted S/ 1,851.6 million or US\$ 511 million, decreased by 27.4% compared to December 2019 (US\$ 703 million). Current maturities account to 45% of financial liabilities.

It is important to mention that financial debt include S/ 139.7 million (US\$ 38.6 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.

The chart below shows the average cost of debt that increased in 34bps in the last months derived from higher interest rates recorded during quarantine and due to the change in the debt maturity, for which the corporation took medium-term debt. Likewise, financial expenses related to total sales went from 1.64% as of December 2019 to 1.97% as of December 2020 explained by higher interest rates.



INVESTMENT IN FIXED ASSETS (CAPEX) AND INTANGIBLES

As of December 2020, the investment in fixed assets and intangibles amounted S/ 106.1 million:

Machinery and equipment for workshops

The net investment was S/ 14.4 million (Ferreyros S/ 12.5 million).

Work in progress

Ferreyros is carrying out additional works in CRC La Joya and the ceiling construction of its main warehouse (CDR) (S/ 27.6 million).

Intangibles

The investment in intangible assets reached S/ 63.7 million, mainly for the implementation of ERP SAP S/4 HANA in the main subsidiaries of the corporation in order to improve their processes and reports. This platform is operating since January 1st, 2021, date from which the corresponding amortization began to record according to the terms established by current regulations.

As of December 31st, 2020, the total amount invested in this project is S/ 245.2 million (2016: S/ 7.4 million; 2017: S/ 38.2 million; 2018: S/ 69.2 million; 2019: S/ 68.6 million and 2020: S/ 61.8 million).

There is a difference between the fixed assets account recorded in the Statement of Financial Position as of December 2020 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/ 51 million.

FINANCIAL RATIOS

Indicadores	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19
Current ratio	1.42	1.40	1.40	1.37	1.42	1.40	1.41	1.69
Financial debt ratio	0.73	0.77	0.95	0.99	1.02	1.01	0.97	0.85
Indebtedness ratio	1.61	1.94	1.93	1.79	1.66	1.65	1.64	1.60
Net debt / EBITDA	2.64	3.19	4.05	3.35	3.21	2.97	2.88	2.69
Adjusted debt / EBITDA	2.37	3.07	3.22	2.50	2.36	2.04	2.05	2.30
Financial expenses coverage ratio	6.26	4.85	3.97	5.69	7.13	7.59	7.80	7.81
Asset turnover	0.85	0.80	0.86	0.99	1.04	1.05	1.01	1.01
Inventory turnover	2.00	1.87	1.93	2.26	2.39	2.42	2.32	2.41
Inventory days	180	193	187	159	150	149	155	149
Collection days	69	76	64	56	62	64	63	67
Payable days	55	58	52	47	48	52	55	53
Cash cycle	193	210	198	169	165	161	163	163
ROE	6.7%	3.4%	2.3%	6.3%	11.5%	12.1%	13.3%	12.2%
ROA	5.0%	3.5%	3.6%	5.1%	5.8%	6.9%	6.9%	6.7%
ROIC	8.0%	5.8%	5.2%	6.8%	7.3%	8.5%	8.7%	8.8%
Book value per share	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 are impacted by the operations halt since the second half of March 2020. However, there is an improvement trend since second quarter 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 declined by the end of 2020 to 193 days on average; higher if compared to December 2019, 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)

	4Q 2020	%	4Q 2019	%	Var %	As of Dec 20	%	As of Dec 19	%	Var %
Net sales	1,653,114	100.0	1,545,005	100.0	7.0	4,857,159	100.0	5,858,424	100.0	-17.1
Cost of goods sold	-1,255,854	-76.0	-1,209,377	-78.3	3.8	-3,651,809	-75.2	-4,482,777	-76.5	-18.5
Gross profit	397,260	24.0	335,628	21.7	18.4	1,205,350	24.8	1,375,647	23.5	-12.4
Selling and admin expenses	-210,061	-12.7	-254,522	-16.5	-17.5	-810,558	-16.7	-914,917	-15.6	-11.4
Other income (expenses), net	-2,770	(0.2)	-7,525	(0.5)	-63.2	11,868	0.2	6	0.0	197,700.0
Operating profit	184,429	11.2	73,581	4.8	150.6	406,660	8.4	460,736	7.9	-11.7
Financial income	6,274	0.4	5,820	0.4	7.8	20,679	0.4	21,765	0.4	-5.0
Gain(Loss) to exchange rate	-89	-0.0	15,612	1.0	-100.6	-105,848	-2.2	-1,822	-0.0	5,709.4
Financial expenses	-21,270	-1.3	-23,256	-1.5	-8.5	-95,764	-2.0	-95,976	-1.6	-0.2
Participation in the results of associates	542	0.0	788	0.1	-31.2	1,667	0.0	3,336	0.1	-50.0
Profit before income tax	169,886	10.3	72,545	4.7	134.2	227,394	4.7	388,039	6.6	-41.4
Income tax	-57,210	-3.5	-31,817	-2.1	79.8	-83,446	-1.7	-141,603	-2.4	-41.1
Net profit	112,676	6.8	40,728	2.6	176.7	143,948	3.0	246,436	4.2	-41.6
EBITDA	240,241	14.5	132,535	8.6	81.3	601,609	12.4	684,236	11.7	-12.1

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 31-12-2020	As of 31-12-2019	Var %
Cash and cash equivalents	269,504	84,433	219.2
Accounts receivables - trade	975,252	1,114,857	-12.5
Inventories	1,684,076	1,944,428	-13.4
Accounts receivables - other	240,359	231,165	4.0
Assets available for sale	13,863	13,863	-
Investment in shares	-	9,303	
Prepaid expenses	32,863	29,394	11.8
Current assets	3,215,917	3,427,443	-6.2
Cuentas por cobrar comerciales a LP	61,490	31,788	93.4
Otras cuentas por cobrar a LP	33,331	32,148	3.7
Rental fleet	596,797	491,341	21.5
Property	1,142,488	1,125,443	1.5
Machinery and equipment	461,256	456,360	1.1
Other fixed assets	165,674	181,529	-8.7
	2,366,215	2,254,673	4.9
Accrued depreciation	-736,157	-623,361	18.1
Property, plant and equipment	1,630,058	1,631,312	-0.1
Investments	18,005	16,654	8.1
Intangibles assets, net and goodwill	454,245	393,427	15.5
Deferred income tax	221,872	198,392	11.8
Non current assets	2,419,001	2,303,721	5.0
Total Assets	5,634,918	5,731,164	-1.7

	As of 31-12-2020	As of 31-12-2019	Var %
Short term debt	381,339	409,427	-6.9
Liabilities derived from leases (IFRS16)	41,517	47,103	-11.9
Other current liabilities	1,843,489	1,943,127	-5.1
Current liabilities	2,266,345	2,399,657	-5.6
Long term debt	913,706	909,584	0.5
Other payables	553	1,573	-64.8
Liabilities derived from leases (IFRS16)	98,226	79,581	23.4
Deferred income tax	195,196	186,900	4.4
Total Liabilities	3,474,022	3,577,295	-2.9
Equity	2,160,896	2,153,869	0.3
Total Liabilities and Equity	5,634,918	5,731,164	-1.7
Other financial information			
Depreciation	163,602	182,983	
Amortization	8,722	15,836	

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 3

NET SALES

(In thousand nuevos soles)

	4Q 2020	%	3Q 2020	%	4Q 2019	%	% Var 4Q 2020 / 3Q 2020	% Var 4Q 2020 / 4Q 2019	As of Dec20	%	As of Dec19	%	Var %
CAT mining trucks and machines (GM)	262,750	15.9	62,512	5.1	129,869	8.4	320.3	102.3	505,252	10.4	508,187	8.7	-0.6
CAT machines for other sectors (NGM)	247,754	15.0	244,400	20.0	239,326	15.5	1.4	3.5	753,466	15.5	814,539	13.9	-7.5
Allied equipment	183,590	11.1	138,669	11.4	218,442	14.1	32.4	-16.0	589,455	12.1	683,309	11.7	-13.7
Rental and used	115,577	7.0	96,411	7.9	136,809	8.9	19.9	-15.5	348,270	7.2	542,489	9.3	-35.8
Spare parts and services	720,422	43.6	565,998	46.4	719,569	46.6	27.3	0.1	2,241,630	46.2	2,905,531	49.6	-22.8
Other lines	123,020	7.4	112,419	9.2	100,991	6.5	9.4	21.8	419,086	8.6	404,369	6.9	3.6
TOTAL	1,653,114	100.0	1,220,409	100.0	1,545,005	100.0	35.5	7.0	4,857,159	100.0	5,858,424	100.0	-17.1

FERREYCORP S.A.A. AND SUBSIDIARIES
APPENDIX 4
Total Liabilities as of December 31st, 2020

(In thousand US\$)

		(A)			
	Total Liabilities	Current Liabilities	Long term Liabilities		Financial Liabilities
			Current	Long term	
Local banks (short term)	65,006	65,006	-	-	65,006
Foreign banks (short term)	61,459	61,459	-	-	61,459
Local banks (long term)	133,167	-	41,037	92,130	133,167
Foreign banks (long term)	64,991	-	21,716	43,275	64,991
Local and foreign banks (Leasing Fin)	619	-	361	258	619
Suppliers:					
Accounts payable to Caterpillar	40,514	40,514	-	-	-
Accounts payable to Caterpillar	-	-	-	-	-
Others	97,603	97,603	-	-	-
Corporate bonds	89,237	-	-	89,237	89,237
Caterpillar Financial	57,883	-	30,656	27,227	57,883
Liabilities derived from leases (IFRS16)	38,560	-	11,456	27,104	38,560
Other Liabilities	309,578	255,563	-	54,015	-
Total (US\$)	958,616	520,145	105,226	333,245	510,921
Total (S/.)	3,474,026	1,885,006	381,339	1,207,681	1,851,579

(A) Subject to interest payment

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 5

Cash Flow Statement

(In thousand of nuevos soles)

	4Q 2020	As of 31-12-2020	As of 31-12-2019
Cashflow from operating activities			
Collection from customers and third parties	1,480,361	5,454,644	5,986,821
Payment to suppliers	-1,049,391	-3,470,135	-4,892,595
Payment to employees and others	-181,353	-590,145	-453,878
Payment of taxes and income tax	-93,494	-117,058	-151,861
Net cash provided by operating activities	156,123	1,277,306	488,487
Cashflow from investing activities			
Acquisition of property, plant and equipment	-28,094	-41,558	-186,132
Acquisition of assets by right of use (IFRS16)	-2,241	-51,035	-38,295
Sale of financial instruments (mutual funds)	53,925	9,303	-6,803
Intangible acquisitions	-15,114	-63,724	-78,507
Net cash used in investing activities	8,476	-147,014	-309,737
Cashflow from financing activities			
Financial liabilities	437,443	2,504,540	3,843,208
Payment of financial liabilities	-510,936	-3,131,820	-3,696,158
Payment of lease liabilities	-12,187	-37,166	-
Interests paid	-19,437	-93,931	-83,688
Dividends paid	-148,127	-148,127	-221,515
Share repurchase	-922	-23,549	-12,237
Cash from financing activities	-254,166	-930,053	-170,390
Cash increase, net	-89,567	200,239	8,361
Cash at the beginning of the year	-	84,433	73,698
Result due traslation	-	-	979
Cash due to exchange rate variation	-2,083	-15,168	1,395
Cash at the end of the year	-91,650	269,504	84,433