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

Fourth Quarter 2015

Lima, February 11, 2016. Ferreycorp S.A.A. and subsidiaries (BVL: FERREYC1), a leading corporation in the capital goods sector and complementary services, with presence in Peru, Chile, Guatemala, El Salvador, Nicaragua and Belize, announces consolidated results for the fourth quarter 2015. The consolidated financial results have been prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in nuevos soles.

MAIN HIGHLIGHTS

FULL YEAR 2015 RESULTS

- Consolidated sales for the year 2015 amounted to S/ 5,333 million, showing a 9% increase if compared to same period last year (S/ 4,878 million) mainly as a result of large mining equipment deliveries, that belong to purchase orders from the previous year, to mining companies in expansion stage. Likewise, the company has maintained high sales to the construction sector (S/ 1,046 million) despite the shrink in this market for second consecutive year. It is important to recall that the contribution from the companies abroad to total sales during the year 2015 was 12.3% (S/ 658 million)
- Accumulated gross profit increased by 16% to S/. 1,292 million compared to 2014. The gross margin reached to 24.2% from 22.9% last year due to the

increase of spare parts and services share in total sales and the exchange loss recover (S/ 115 million)

- EBITDA margin for the full year 2015 reached a record of 12.5%, higher than 10.7% reported in 2014. EBITDA annual growth was 28% explained by higher operating profit.
- Operating profit grew by 45% as a result of higher gross margin and permanent expenses control. Likewise, operating margin went from 6.9% in 2014 to 9.2% in 2015.
- Consolidated net profit reached S/. 161 million compared to S/ 92 million in 2014, as a result of the net profit positive trend showed during the past quarters (1Q: S/ 31 million, 2Q: S/ 38 million and 3Q: S/ 54 million).
- EPS during 2015 reached to S/ 0.163 higher than S/ 0.091 during 2014.
- EBITDA per share increased from S/ 0.529 in 2014 to S/ 0.674 in 2015.
- As of December 31, 2015 the Free cash flow amounted S/ 140.0 million mainly affected by the strategic acquisition of a piece of land during the first quarter this year.
- Leverage ratio – net debt/EBITDA – for the year ended 2015 is 2.67, as a result of lower debt and EBITDA increase. The debt reduction is a consequence of the corporation strategy for an efficient management of cash surpluses and an adequate debt structure, which allows to prepay debt without penalties.

<u>FOURTH QUARTER 2015 RESULTS</u>

- Consolidated sales for the fourth quarter amounted to S/ 1,273 million, 6% higher if compared to the same period last year (S/ 1,201 million), mainly due to the increase of spare parts and services sales. It is important to point out that the share of this line of business in total sales reached record of 45%.
- Gross profit during the fourth quarter raised 23% to S/ 342 million, higher than sales increase explained by the sales mix and the exchange loss recovery.
- EBITDA rose by 43% to S/ 180 million compared to S/ 127 million reached during fourth quarter 2014, as a result of sales increase, better gross margin and expenses control. Fourth quarter 2015 EBITDA margin boost to 14.2% from 10.5% in fourth quarter last year.
- Operating profit showed an important increase of 68%, explained by higher gross profit and permanent expenses control. Operating margin rose from 6.8% in 4Q 2014 to 10.8% in 4Q 2015, as a result of operating expenses reduction compared to total sales (16.8% during 4Q 2015, compared to 17.3% during 4Q 2014).
- Net profit reached S/ 38 million, showing an important growth if compared to fourth quarter 2014 net loss (S/ -5 million). This is the outcome of higher operating profit described in the previous paragraph that offset the quarter exchange loss.
- EPS amounted to S/ 0.038 compared to S/ -0.005 during the fourth quarter last year due to the net profit increase.
- EBITDA per share went from S/ 0.128 in 4Q 2014 to S/ 0.181 in 4Q15.
- Fourth quarter 2015 Free cash flow is S/ 145.5 million, mainly affected by the inventory reduction.

FINANCIAL RESULTS

	4Q15	4Q14	%Var.	As of Dec 15	As of Dec 14	%Var.
Net sales US$ (million)	383	410	-6.6%	1,673	1,718	-2.6%
Net sales S/.	1,273	1,201	5.9%	5,333	4,878	9.3%
Gross profit S/.	343	279	22.8%	1,292	1,117	15.6%
Operating profit S/.	137	82	68.0%	490	338	45.1%
Financial expenses S/.	(28)	(23)	22.0%	(106)	(97)	9.1%
Gain (loss) to exchange rate S/.	(54)	(47)	14.7%	(152)	(99)	52.6%
Net profit S/.	38	(5)		161	92	75.2%
EBITDA S/.	180	127	42.5%	667	522	27.7%
EPS	0.038	(0.005)		0.163	0.091	80.0%
Free cash flow	145	(165)		140	117	19.7%
Gross margin	26.9%	23.2%		24.2%	22.9%	
Operating margin	10.8%	6.8%		9.2%	6.9%	
Net margin	3.0%	-0.4%		3.0%	1.9%	
EBITDA margin	14.2%	10.5%		12.5%	10.7%	
Leverage ratio				1.05	1.16	
Net debt/ EBITDA				2.67	3.49	

HIGHLIGHTS

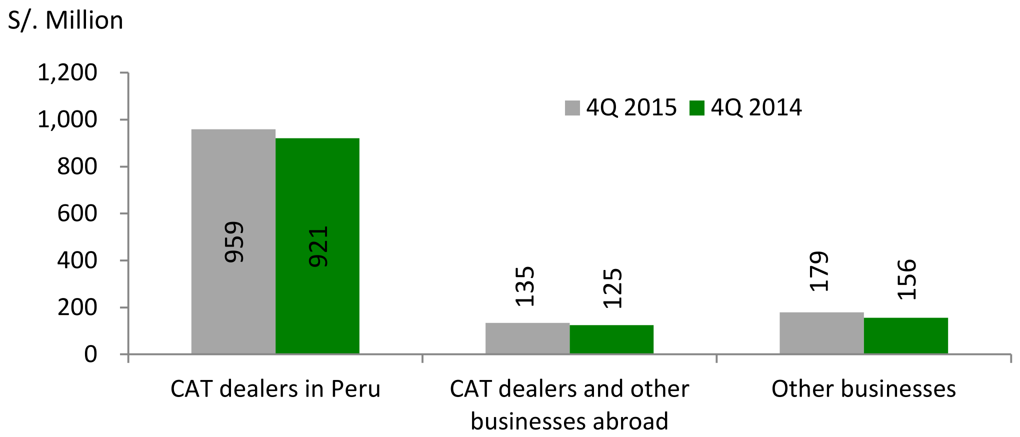
- **Shares repurchased during year 2015**

  During 2015 Ferreycorp has repurchased 27 million shares, amount that represents approximately 2.7% of total shares. Since the share repurchase program was announced on August 27, 2015 until December 31, 2015 the share price has recovered in 14%, from S/ 1.16 to S/ 1.35.

COMMERCAIL MANAGEMENT

SALES BREAKDOWN ACCORDING TO CORPORATE ORGANIZATION

Sales (S/ million)	4Q2015	%	4Q2014	%	Var %	As of Dec 2015	%	As of Dec 2014	%	Var %
Cat dealers in Peru	959	71.8	921	76.6	4.1	4,168	78.2	3,814	78.2	9.3
Cat dealers and other businesses abroad	135	10.1	125	10.4	8.2	520	9.7	476	9.8	9.2
Other businesses	179	13.4	156	13.0	14.9	645	12.1	587	12.0	9.8
TOTAL	**1,273**	**95.3**	**1,201**	**100.0**	**5.9**	**5,333**	**100.0**	**4,878**	**100.0**	**9.3**



Consolidated sales of Ferreycorp S.A.A. and its subsidiaries in Peru, Chile, Guatemala, El Salvador, Nicaragua and Belize, amounted to S/ 1,273 million during the fourth quarter of 2015, showing an increase of 5.9% compared to the fourth quarter of 2014. In dollars, sales decreased by 2.6% from US$ 410 million to US$ 383 million, explained by a lower average exchange rate in 2014 (S/. 2.932) compared to 2015 (S/. 3.325).

It is worth recalling that Ferreycorp divide its companies in three main groups: Subsidiaries which are Caterpillar dealers and represent allied brands in Peru (Ferreyros, Unimaq, Orvisa and Ferrenergy); subsidiaries which are Caterpillar dealers and have other businesses abroad (Gentrac, Cogesa, Transpesa and Mercalsa); and the ones aimed to offer capital goods and services other than Caterpillar to different economic sectors in Peru and abroad (Motored, Fiansa, Fargoline, Mega Representaciones, Cresko, Forbis Logistics, Sitech and Trex). Sales composition in the fourth quarter 2015 showed no substantial variation compared to the same period in 2014.

	Cat dealers in Peru		Cat dealers and other businesses abroad		Other subsidiaries and businesses abroad		Consolidated	
	4Q 2015	4Q 2014	4Q 2015	4Q 2014	4Q 2015	4Q 2014	4Q 2015	4Q 2014
Mining trucks and Caterpillar machines (GM)	94	85	0	0	0	0	94	85
Caterpillar machines and engines for other sectors (NGM)	188	179	35	39	0	2	222	220
Allied equipment	79	93	9	4	84	54	173	152
Rental and used	96	123	15	16	3	2	114	141
Spare parts and services	502	441	44	39	27	27	574	507
Other lines	0	0	32	27	65	70	96	97
TOTAL	**959**	**921**	**135**	**125**	**179**	**156**	**1,273**	**1,202**
% Share	**75.3%**	**76.6%**	**10.6%**	**10.4%**	**14.1%**	**13.0%**	**100.0%**	**100.0%**

	Cat dealers in Peru		Cat dealers and other businesses abroad		Other subsidiaries and businesses abroad		Consolidated	
	As of Dec 15	As of Dec 14	As of Dec 15	As of Dec 14	As of Dec 15	As of Dec 14	As of Dec 15	As of Dec 14
Mining trucks and Caterpillar machines (GM)	574	382	0	0	0	0	574	382
Caterpillar machines and engines for other sectors (NGM)	903	917	143	158	0	0	1,045	1,074
Allied equipment	373	357	18	13	276	216	667	587
Rental and used	384	453	71	58	11	4	466	515
Spare parts and services	1,935	1,706	164	138	105	93	2,203	1,936
Other lines	0	0	125	109	253	274	378	384
TOTAL	**4,168**	**3,814**	**520**	**476**	**645**	**587**	**5,333**	**4,878**
% Share	**78.2%**	**78.2%**	**9.8%**	**9.8%**	**12.1%**	**12.0%**	**100.0%**	**100.0%**

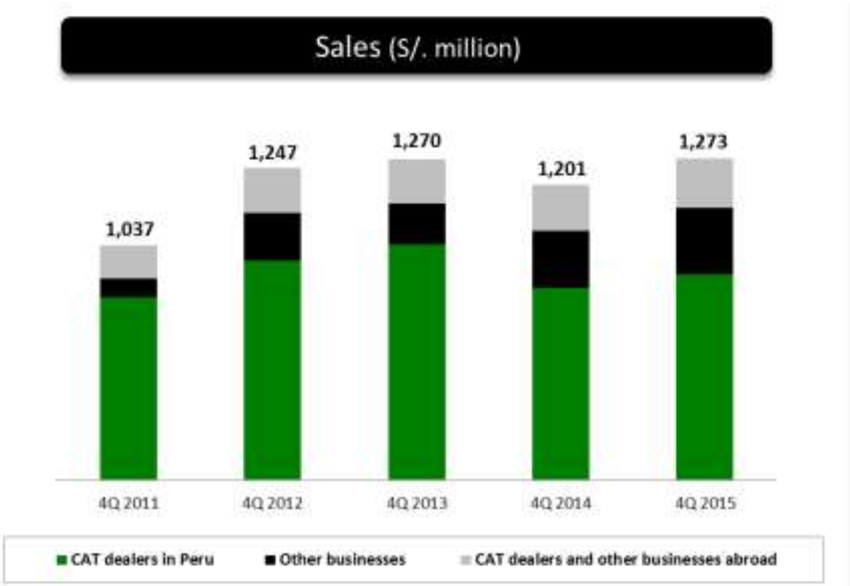
According to the sales breakdown by group of companies, during the fourth quarter 2015 the three groups showed an increase in their sales. **Caterpillar dealers in Peru** increased their sales by 4.1% if compared with the same period 2014, which was primarily led by higher sales of spare parts and services to mining and construction customers, as a result of the Caterpillar machinery population increase.

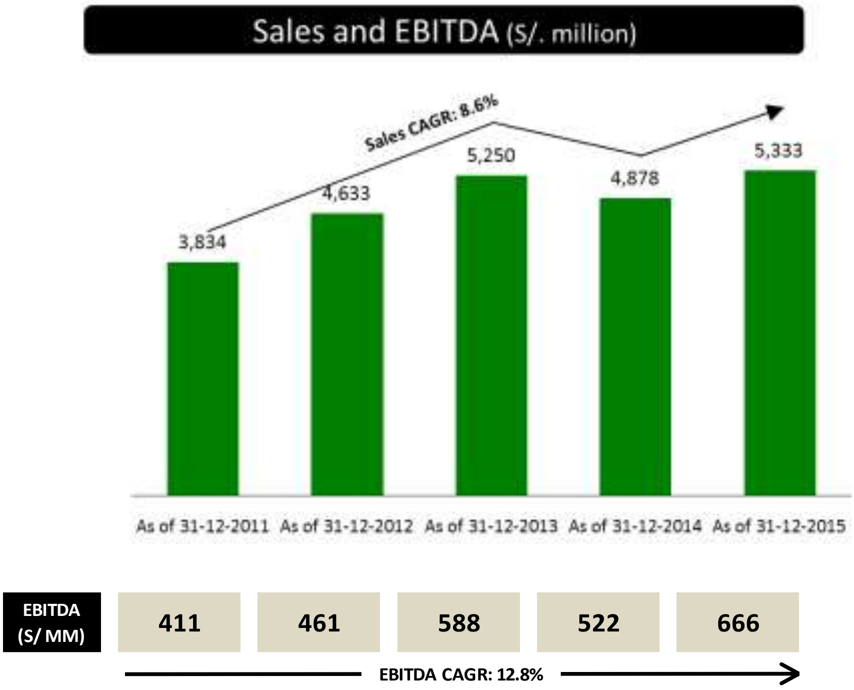
Caterpillar dealers in Central America and other businesses abroad reported during these period sales that increased 8.2% if compared to 2014, in part as a result of higher sales in some business lines and due to the incorporation of the recently acquired company in El Salvador (Transportes Pesados S.A. de CV – Transpesa) which is part of Ferreycorp since July 2015.

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 15.0%. This variation includes higher sales of the Chilean subsidiary TREX.

Sales (S/ million)	4Q2015	%	4Q2015	%	VAR %	As of Dec 15	%	As of Dec 14	%	VAR %
Ferreyros	793	62.4%	750	62.5%	5.8%	3,447	64.7%	3,068	62.9%	12.4%
Unimaq	119	9.3%	131	10.9%	-9.6%	540	10.1%	534	11.0%	1.0%
Orvisa	47	3.7%	39	3.3%	18.8%	181	3.4%	212	4.4%	-14.9%
Cat dealers Peru	**959**	**75.3%**	**921**	**76.6%**	**4.1%**	**4,168**	**78.2%**	**3,814**	**78.2%**	**9.3%**
Cat dealers and other businesses abroad	**135**	**10.6%**	**125**	**10.4%**	**8.2%**	**520**	**9.7%**	**476**	**9.8%**	**9.2%**
Motored	51	4.0%	48	4.0%	5.0%	199	3.7%	213	4.4%	-6.2%
Mega Representacion	50	4.0%	50	4.2%	-0.1%	192	3.6%	192	3.9%	0.1%
Trex	50	3.9%	25	2.0%	102.7%	138	2.6%	52	1.1%	165.1%
Others (Fargoline, Cresko, Fiansa, etc)	28	2.2%	33	2.7%	-13.4%	114	2.1%	130	2.7%	-12.2%
Other subsidiaries	**179**	**14.1%**	**156**	**13.0%**	**14.9%**	**645**	**12.1%**	**587**	**12.0%**	**9.8%**
TOTAL	**1,273**	**100.0%**	**1,201**	**100.0%**	**5.9%**	**5,333**	**100.0%**	**4,878**	**100.0%**	**9.3%**

In the following chart we present the sales evolution of the last five years (fourth quarter of each year) where you may notice that sales of 4Q 2015 kept stable, even in an environment of lower economic activity in the country as a result of the diversification strategy adopted by the corporation, in selling various product lines, with attention to different economic sectors and presence and coverage in different countries. Thus, in a given situation it is possible to compensate the less favorable results in a business line with positive results from other lines.

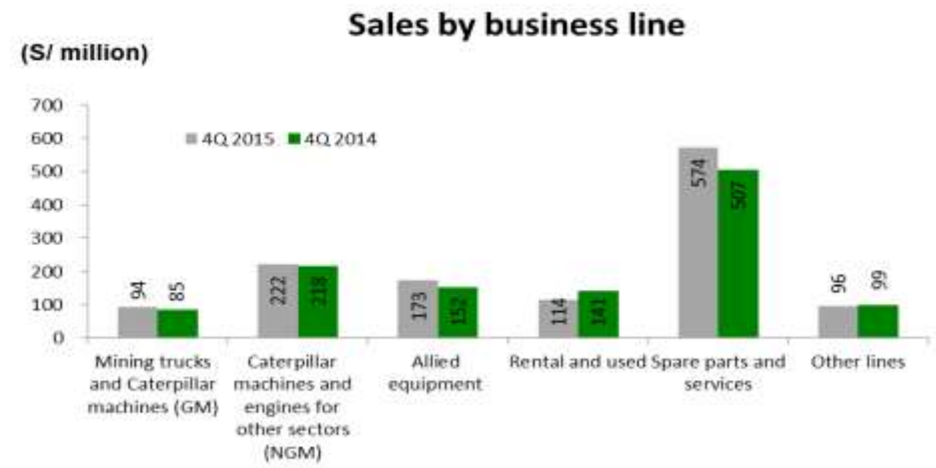


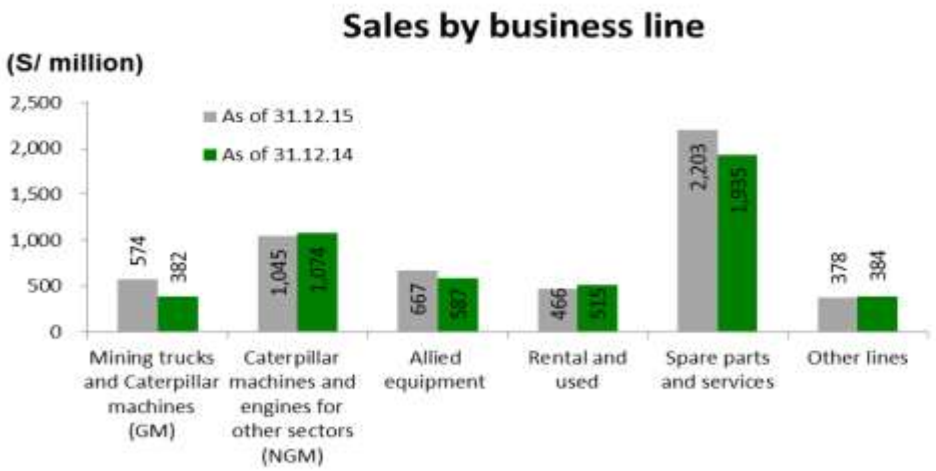


The chart above shows accumulated sales year ended for each year. As of December 2015, sales reached to S/. 5.3 billion soles, slightly higher than 2014.

SALES BREAKDOWN BY BUSINESS LINE

Sales (S/ million)	4Q 2015	%	4Q 2014	%	Var %	As of Dec 2015	%	As of Dec 2014	%	Var %
Mining trucks and Caterpillar machines (GM)	94	7.4	85	7.1	10.4	574	10.8	382	7.8	50.1
Caterpillar machines and engines for other sectors (NGM)	222	17.4	218	18.1	2.1	1,045	19.6	1,074	22.0	-2.7
Allied equipment	173	13.6	152	12.6	13.8	667	12.5	587	12.0	13.6
Rental and used	114	9.0	141	11.7	-18.9	466	8.7	515	10.6	-9.6
Spare parts and services	574	45.1	507	42.2	13.2	2,203	41.3	1,935	39.7	13.8
Other lines	96	7.5	99	8.3	-3.2	378	7.1	384	7.9	-1.6
TOTAL	**1,273**	**100.0**	**1,201**	**100.0**	**5.9**	**5,333**	**100.0**	**4,878**	**100.0**	**9.3**



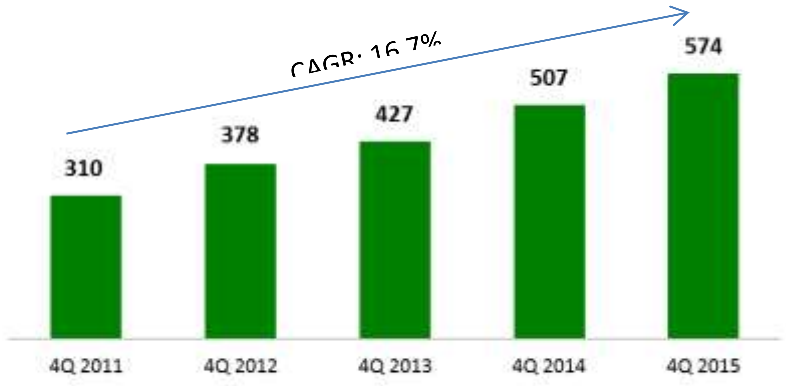


When analyzing the results by business line during the fourth quarter, we should highlight that allied equipment rose by 14% basically due to the incorporation of Trex that provided S/. 50 million to total sales during the quarter. Trex has its main operations in Chile and represents Terex cranes, also represented by Ferreyros in Peru

Even though, businesses grouped in “Other lines” showed an slight decrease, it is important to mention that logistic services and safety equipment rose by 37% and 28%, respectively.

Regarding the aftermarket revenues, spare parts and services sales continued to show an increase of 13% over the same period in 2014, driven by machinery population sold in recent years in countries where Ferreycorp has presence, where its Caterpillar dealers keep a high market share. During 2015, the population of Caterpillar machinery has increased due to the delivery of equipment fleets to customers, which will require greater amounts of spare parts and services. This dynamic allows the sustainability of the business model.

Spare parts and services (S/. million)

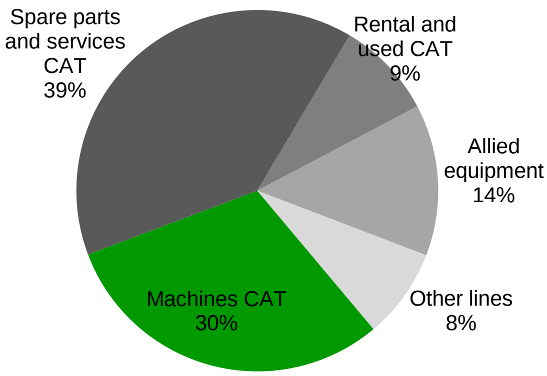


It is important to notice that sales of spare parts and services continue to increase their share in total sales and in the fourth quarter represented 45% of total revenues, being the business line that generates higher margins, to cover distribution costs, and generate more EBITDA to the corporation.

The after-market provided by Ferreycorp to its customers is characterized by high quality standards. It is well known that one of the main characteristics of the corporation is its high-quality after-market service, for which it makes important investments in inventories of spare parts and components as well as in modernizing its workshops and selecting and training its technicians

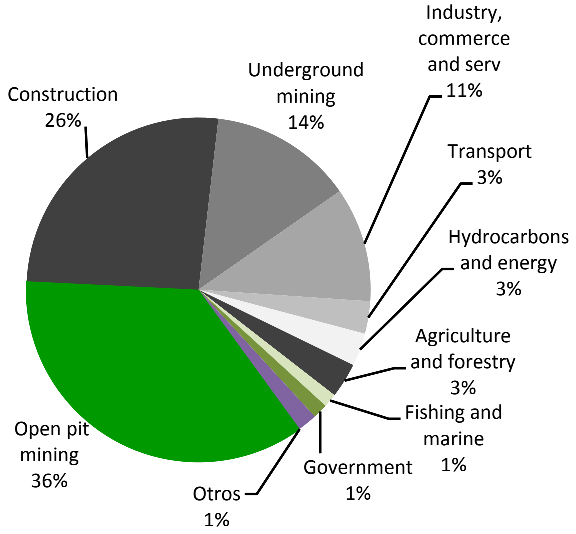
As of December, 2015 sales from the Caterpillar line accounted for 78% of total income, including machinery and equipment (new, used and rental units) as well as spare parts and services.

Sales (As of December 2015)



SALES BREAKDOWN BY ECONOMIC SECTORS

Regarding sales distribution by economic sector, sales to the open pit mining and construction sectors as of December 2015 continued to record the largest sales volume, with shares of 36% and 26% of total sales, respectively. As of December 2014 open pit mining sales represented 27% of total sales, an increase of 9 points as a result of higher sales to mining customers as explained before, meanwhile construction sales represented 29% of total sales.



ANALYSIS OF FINANCIAL INFORMATION

Sales

Million of nuevos soles	4Q15	4Q14	%Var.	As of Dec 2015	As of Dec 2014	%Var.
Sales	1,272.6	1,201.2	5.9	5,332.5	4,877.8	9.3

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

Gross profit

Million of nuevos soles	4Q15	4Q14	%Var.	As of Dec 2015	As of Dec 2014	%Var.
Gross profit	342.5	279.0	22.8	1,292.1	1,117.4	15.6
Gross margin	26.9%	23.2%		24.2%	22.9%	

During the fourth quarter 2015 gross profit increased from the amount obtained in the same period 2014. In percentage terms, gross margin reached to 26.9% as a result of the increase of spare parts and services share in total sales. At the same time, was positively affected by the exchange loss recovery of S/. 11 million in the 4Q15. During the fourth quarter the average exchange rate was S/. 3.325, while in 4Q 2014 the average exchange rate was S/. 2.932 which represents a variation of 13.4%. As of December 2015 the exchange loss recovery is S/. 115 million.

Selling and Administrative Expenses

Million of nuevos soles	4Q15	4Q14	%Var.	As of Dec 2015	As of Dec 2014	%Var.
Selling and admin expenses	213.8	208.2	2.7	819.8	798.4	2.7
As a % of total sales	-16.8%	-17.3%		-15.4%	-16.4%	

Selling and administrative expenses increased by 2.7% compared to fourth quarter 2014, below sales increase of 5.9% as a result of the exchange rate effect in the results of the companies abroad when reporting their results in the functional currency. In that sense, selling and administrative expenses accounted for 16.8% of total sales in the fourth quarter of 2015, lower if compared to 17.3% in the same period last year.

Financial Expenses

Million of nuevos soles	4Q15	4Q14	%Var.	As of Dec 2015	As of Dec 2014	%Var.
Financial expenses	28.2	23.2	22.0	106.4	97.5	9.1
As a % of total sales	-2.2%	-1.9%		-2.0%	-2.0%	

Financial expenses for the fourth quarter of 2015 showed a variation of 22% compared to the fourth quarter of 2014. The increase in the financial expenses in functional currency is explained by higher exchange rate used for the accounting registration (the 4Q14 average liabilities was $638 million compared to $618 million in 4Q15, a 3% reduction). 86% of total debt belongs to dollar funding and the average cost of debt has remained around 4.6%, which has led to a decrease in interest expenses in dollars.

Foreign Exchange Gain/ Loss

Million of nuevos soles	4Q15	4Q14	%Var.	As of Dec 2015	As of Dec 2014	%Var.
Foreign exchange gain/ loss	-54.3	-47.3		-151.8	-99.5	52.6

The exchange loss in 4Q 2015 was produced by a devaluation of the sol against the dollar of 5.90% compared to 3.35% sol devaluation in the 4Q 2014.

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). The net currency position is widely covered by inventories, which are recorded in US dollars but registered in the balance sheet using the exchange rate at the date of acquisition. As of December 2015 the inventory was registered at an average exchange rate of S/. 3.180 while liabilities were registered at an exchange rate of S/. 3.413. The difference generated a reserve in inventory of S/. 95 million that will be recover in the upcoming months when these inventories are invoiced at a higher exchange rate to which they were registered when they were acquired. As of December 2015 the company recorded an exchange loss of S/. - 152 million, higher than exchange loss of S/. - 100 million as of December 2014, both result in S/. -252 million exchange loss. We estimate that the corporation has already recover S/. 115 million. However, the difference between the generated exchange loss and the recovery belongs to the exchange loss regarding other assets, basically real state and the rental fleet.

Net Profit

Million of nuevos soles	4Q15	4Q14	%Var.	As of Dec 2015	As of Dec 2014	%Var.
Net profit	37.8	-4.9		161.1	92.0	75.2

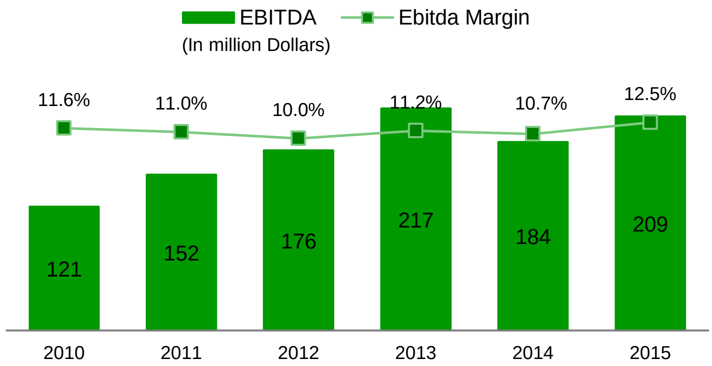
As explained above, net profit has been showing a positive trend during the year and in the fourth quarter reached to S/. 37.8 million, compared to S/. 4.9 million loss in 4Q 2014. This is the result of higher sales, increase in gross profit and expenses control, that allowed to show better operating results and also off-set the exchange loss effect.

EBITDA

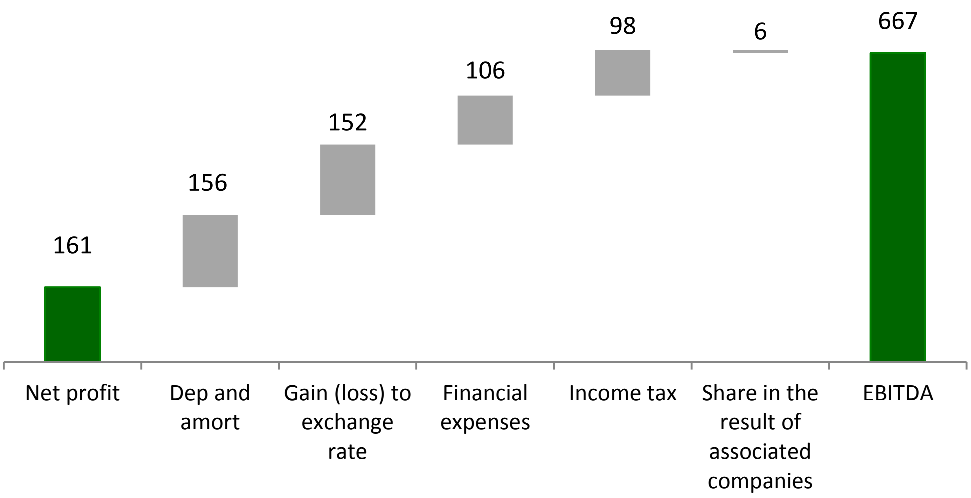
Million of nuevos soles	4Q15	4Q14	%Var.	As of Dec 2015	As of Dec 2014	%Var.
EBITDA	180.3	126.6	42.5	666.9	522.3	27.7
EBITDA margin	14.2%	10.5%		12.5%	10.7%	

86% of the corporation's EBITDA is generated by Caterpillar dealers and allied brands in Peru (Ferreyros, Unimaq, Orvisa and Ferrenergy), which are the businesses contributing more to sales and profit in the corporation. On the other hand, 9% of EBITDA is generated by Caterpillar dealers and other businesses abroad, while 5% comes from local and foreign subsidiaries aimed to offer capital goods and services for the different economic sectors, in accordance with sales distribution.

The fourth quarter 2015 EBITDA reached to S/. 179 million compared to S/. 127 million reported in the fourth quarter of 2014, a 41.5% increase primarily due to the improvement of the operating profit. In foreign currency, the increase equals to 24.8%, from US$ 43 million in the 4Q14 to US$ 54 million in the 4Q15. EBITDA margin rose from 10.5% in 4Q14 to 14.1% in 4Q15.



EBITDA as of December 2015
(S/. Million)



ANALYSIS ACCORDING TO CORPORATE ORGANIZATION

(S/ Thousand)	Cat dealers in Peru		Cat dealers and other businesses abroad		Other subsidiaries and businesses abroad	
	2015	2014	2015	2014	2015	2014
Sales	4,167,970	3,814,370	519,826	476,122	644,725	587,303
Gross profit	1,039,940	889,856	130,899	111,042	121,300	116,522
Gross margin	25%	23%	25%	23%	19%	20%
Operating expenses	603,719	599,389	95,565	81,075	120,563	117,921
Operating margin	14%	16%	18%	17%	19%	20%
Depreciation and amort	111,335	131,964	21,958	15,531	22,476	17,404
EBITDA	575,424	450,325	58,498	46,706	33,015	25,281
EBITDA margin	14%	12%	11%	10%	5%	4%

ANALYSIS OF CONSOLIDATED FINANCIAL INFORMATION

As shown in Appendix 2, total assets as of December 31, 2015 amounted to S/. 4,732.2 million, compared to S/. 4,519.2 million as of December 31, 2014, representing an increase of S/. 213 million (4.7%). This variation was primarily due to i) an increase of S/. 143 million in cash and banks as a result of payments received by important mining customers during the last days of the year, and ii) a S/. 88.1 million increase in fixed assets explained mainly by the purchase of land in Punta Negra that will allow better coverage and attention to our customers in the future. This land has been acquired at a lower cost per square meter than what is expected to be in the future, and at an average cost of the others corporation properties.

Financial liabilities as of December 31, 2015 amounted to S/. 2,012.6 million or US$ 590 million, which represent an increase of 5.1% in soles and a reduction of 7.9% in dollars if compared to the debt of S/. 1,914.7 million or US$ 640 million as of December 31, 2014. Nevertheless, it is important to recall that the corporation has been able to reduce financial liabilities in US$ 56 million since last results reported on September 2015. The company keeps the strategy to use the cash surpluses to reduce debt. In line with this strategy, the board approved to repurchase part of the bonds issued in the international market in 2013 as an alternative to reduce debt. This approval helps to adjust the company's position to changes in economic cycles, allowing to adjust its debt to appropriate levels for each scenario.

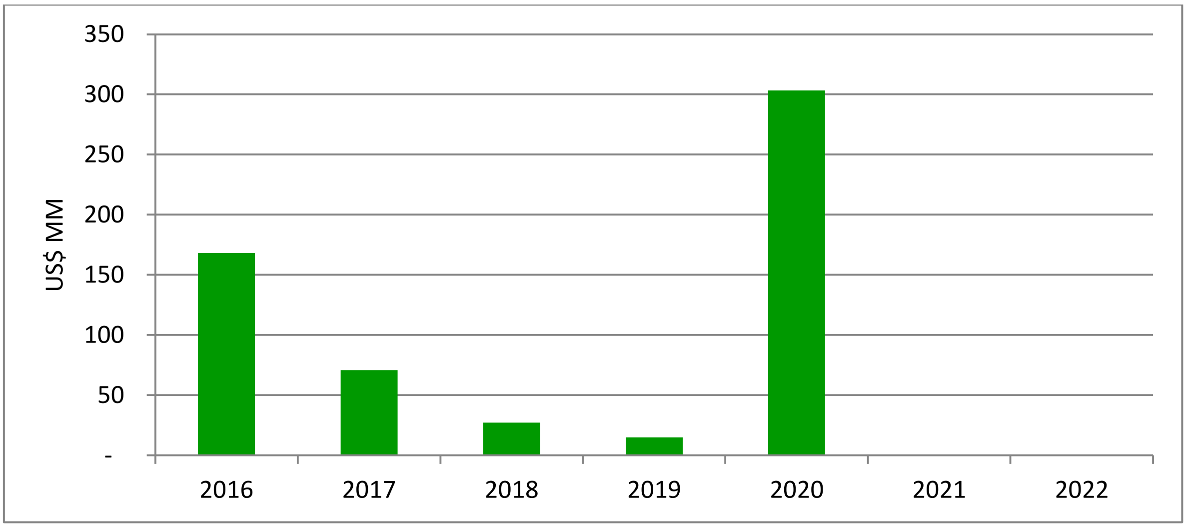
In this way, the shares repurchase has been done with free cash flow since its announcement on August, which has allowed no impact in total debt.

The percentage of financial liabilities corresponding to short-term debt is 28.4% (S/. 572.5 million), while (S/. 1,440.1 million) is long-term debt.

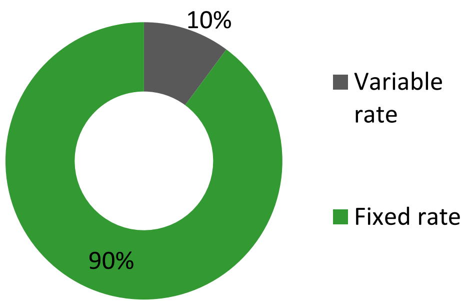
The debt that matures in 2016 is US$ 168 million. The corporation has followed a short term financing strategy in order to make more flexible the debt and take advantage of better market conditions, in Perú and abroad. This strategy allows the corporation to improve the interest rates and reduce the effect in the financial expenses. These credits will be canceled with the corporation resources and with available credit lines in the capital market, local and foreign banks, Caterpillar Financial Services and the line for inventory financing from Caterpillar.

Below is the maturity structure of the consolidated liabilities, which is 81% in dollars. The nuevos soles debt belongs to subsidiaries that have a percentage of their income in nuevos soles. 90% of total debt has been contracted at fixed rate, which cover us from possible increases in interest rates.

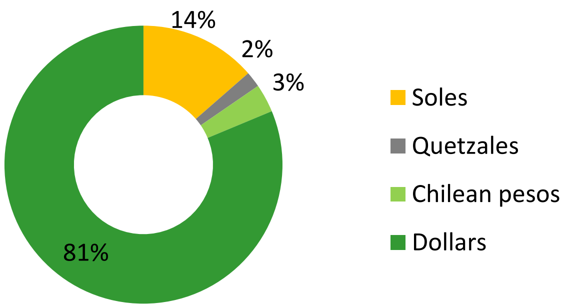
Maturity Structure of Liabilities (US$ MM)



Gross debt by rate



Gross debt by currency



Investment in Fixed Assets (CAPEX)

In million soles	As of Dec 2015	As of Dec 2014	As of Dec 2013	As of Dec 2012
Infrastructure (1)	94.9	17.0	45.6	42.4
Machinery and equipment	1.2	19.8	22.6	24.5
Rental fleet	(5.1)	28.4	14.0	33.4
Other (2)	9.9	8.7	14.7	17.0
Total S/.	100.9	74.0	96.8	117.3
Total US$	29.6	26.5	34.7	46.0

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 December 31, 2015 amounted S/. 100.9 million (US$ 30 million), 36% higher if compared to the same period in 2014 (S/. 74 million or US$ 26 million). The amount is divided as follows: 94% on infrastructure, 1% on machinery and equipment, 10% on other items and -5% (net) in rental fleet.

The reduction on capital expenditures shows the effort made by the corporation to increase free cash flow, showing flexibility in this type of investments in order to adapt to the slower growth of the country.

FINANCIAL RATIOS

	As of Dec15	As of Sep15	As of Jun15	As of Marc15	As of Dec14
Current Ratio	1.88	1.86	1.81	1.80	1.87
Financial debt ratio	1.05	1.18	1.22	1.19	1.16
Indebtedness ratio	1.79	1.87	1.88	1.92	1.83
Net debt / EBITDA ratio	2.67	3.19	3.52	3.52	3.49
Adjusted debt / EBITDA ratio	2.59	2.73	2.85	3.07	3.00
Financial expenses coverage ratio	6.27	6.23	5.91	5.98	5.36
Assets turnover	1.15	1.14	1.12	1.12	1.09
Inventory turnover	2.67	2.71	2.76	2.51	2.38
ROE	9.8%	7.3%	4.0%	4.7%	5.9%
ROA	7.4%	7.7%	5.9%	5.5%	5.3%
ROIC	14.1%	14.1%	10.6%	10.2%	9.9%
Receivable days	56	60	58	51	56
Payable days	42	43	38	40	42
Cash cycle	149	150	152	154	166
Book value per share	1.72	2.00	1.59	1.55	1.57

Both, ROE and ROA during 2014 were mainly affected by the exchange loss that impacted the corporation net profit. The exchange loss was recorded more accented since the second semester 2014. It is important to recall that these ratios have shown an improvement during the year as a result of an increasing net profit, even though the exchange loss during 2015 is higher than 2014.

ROIC as of December 2015 increased if compared to the same period last year, mainly impacted by the rise in the operating profit during the last twelve months (Operating profit as of December 2015: S/. 490 million; operating profit as of December 2014: S/. 338 million).

GLOSSARY OF TERMS

1) Financial Net Debt

This metric shows how the financial debt would be when subtracted from the company's more liquid assets. It is calculated as follows: Total Financial Debt – Cash and cash equivalents

2) Compound Annual Growth Rate (CAGR)

It is the year-over-year growth rate of an investment over a specified period of time.

3) 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

4) Adjusted Financial Expenses Coverage Ratio

Company's ability to meet its obligations derived from debt, excluding expenses related to the short term debt related to inventories. The ratio is calculated as follows: EBITDA / Financial Expenses – Financial Expenses related to short term debt related to inventories.

5) 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.

6) 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.

7) Earnings Before Interest, Taxes, Depreciation, and Amortization - EBITDA

It is used to evaluate the company's financial performance in its operations. It is calculated as follows: Net Income (+/-) Financial Expenses (+/-) Gain (loss) to exchange rate (+/-) Income Tax (+/-) Share in Associated Companies + Depreciation + Amortization

8) Net Debt / EBITDA Ratio

This ratio corresponds to interest-bearing liabilities, minus cash or cash equivalents, divided by its EBITDA (accumulated from last twelve months).

9) Free Cash Flow

It represents the available cash after the company fulfills with all operative necessities. It is calculated as follows: Operating Cash Flow – Financial Income – CAPEX (without considering transferences to inventory, they are already registered in the Operating Cash Flow)

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

Income Statement (NOTE)

(In thousand of nuevos soles)

	4Q 2015	%	4Q 2014	%	Var %	As of Dec 2015	%	As of Dec 2014	%	Var %
Net Sales	1,272,635	100.0	1,201,174	100.0	5.9	5,332,521	100.0	4,877,795	100.0	9.3
Cost of goods sold	-930,103	-73.1	-922,178	-76.8	0.9	-4,040,382	-75.8	-3,760,375	-77.1	7.4
Gross profit	**342,532**	**26.9**	**278,996**	**23.2**	**22.8**	**1,292,139**	**24.2**	**1,117,420**	**22.9**	**15.6**
Selling and administrative expenses	-213,794	-16.8	-208,228	-17.3	2.7	-819,847	-15.4	-798,385	-16.4	2.7
Other income (Expenses), net	8,395	0.7	10,880	0.9	-22.8	17,561	0.3	18,530	0.4	-5.2
Operating profit	**137,133**	**10.8**	**81,648**	**6.8**	**68.0**	**489,853**	**9.2**	**337,565**	**6.9**	**45.1**
Financial income	6,325	0.5	4,538	0.4	39.4	21,315	0.4	19,848	0.4	7.4
Gain (loss) to exchange rate	-54,272	-4.3	-47,306	-3.9	14.7	-151,812	-2.8	-99,487	-2.0	52.6
Financial expenses	-28,246	-2.2	-23,152	-1.9	22.0	-106,368	-2.0	-97,466	-2.0	9.1
Share in the net result of associated through the equity method	1,239	0.1	-1,107	-0.1	-211.9	5,889	0.1	6,563	0.1	-10.3
Profit before income tax	**62,179**	**4.9**	**14,621**	**1.2**	**325.3**	**258,877**	**4.9**	**167,023**	**3.4**	**55.0**
Income tax	-24,410	-1.9	-19,547	-1.6	24.9	-97,748	-1.8	-75,042	-1.5	30.3
Net profit	**37,768**	**3.0**	**-4,926**	**(0.4)**		**161,129**	**3.0**	**91,981**	**1.9**	**75.2**
Earnings per share (EPS)	0.038		(0.005)			0.163		0.091		
EBITDA	**180,325**	**14.2**	**126,561**	**10.5**	**42.5**	**666,937**	**12.5**	**522,312**	**10.7**	**27.7**

NOTA: 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**

Statement of Financial Position

(In thousand of nuevos soles)

	As of December 2015	As of December 2014	Variation %
Cash and banks	233,322	89,949	159.4
Accounts receivables - trade	956,964	889,351	7.6
Inventories	1,379,362	1,561,763	-11.7
Accounts receivables - other	148,896	132,480	12.4
Prepaid expenses	22,259	17,160	29.7
Current Assets	**2,740,803**	**2,690,703**	**1.9**
Long-term account receivables - trade	47,876	31,311	52.9
Long-term account receivables - other	4,607	4,656	-1.1
Rental fleet	547,777	549,338	-0.3
Other fixed assets	1,456,827	1,346,607	8.2
	2,004,604	1,895,945	5.7
Accrued depreciation	-588,210	-567,698	3.6
Property, plant and equipment, net	1,416,394	1,328,247	6.6
Investment	93,512	78,045	19.8
Intangible assets, net and goodwill	264,711	249,369	6.2
Deferred income tax	164,334	136,874	20.1
Non current assets	**1,991,434**	**1,828,502**	**8.9**
Total Assets	**4,732,237**	**4,519,205**	**4.7**
Short term debt	287,864	226,372	27.2
Other current liabilities	1,170,307	1,215,431	-3.7
Current liabilities	**1,458,171**	**1,441,803**	**1.1**
Long term debt	1,440,147	1,341,022	7.4
Other payables	719	797	-9.8
Deferred income taxes	139,690	139,807	-0.1
Total Liabilities	**3,038,727**	**2,923,429**	**3.9**
Equity	**1,693,510**	**1,595,776**	**6.1**
Total liabilities and equity	**4,732,237**	**4,519,205**	**4.7**

Other financial information		
Depreciation	139,626	147,534
Amortization	16,143	17,365

Sales (S/ Thousand)	4Q2015	%	4Q2014	%	Var %	As of Dec 2015	%	As of Dec 2014	%	Var %
Mining trucks and Caterpillar machines (GM)	93,961	7.4	85,089	7.1	10.4	573,766	10.8	382,158	7.8	50.1
Caterpillar machines and engines for other sectors (NGM)	222,368	17.5	217,871	18.1	2.1	1,045,477	19.6	1,074,110	22.0	-2.7
Allied equipment	172,509	13.6	151,541	12.6	13.8	666,901	12.5	586,956	12.0	13.6
Rental and used	114,264	9.0	140,831	11.7	-18.9	465,655	8.7	515,258	10.6	-9.6
Spare parts and services	573,516	45.1	506,608	42.2	13.2	2,203,057	41.3	1,935,404	39.7	13.8
Other lines	96,017	7.5	99,235	8.3	-3.2	377,664	7.1	383,910	7.9	-1.6
TOTAL	**1,272,635**	**100.0**	**1,201,174**	**100.0**	**5.9**	**5,332,521**	**100.0**	**4,877,795**	**100.0**	**9.3**

SALES DISTRIBUTION BY ECONOMIC SECTORS

	4Q 2015	4Q 2014	As of 31/12/15	As of 31/12/14
Open pit mining	41.3%	33.3%	35.8%	27.4%
Construction	29.4%	29.9%	26.1%	29.1%
Underground mining	6.2%	14.3%	13.5%	17.7%
Government	1.6%	1.1%	1.4%	1.5%
Transport	1.7%	2.6%	3.0%	4.3%
Industry, commerce and serv	11.7%	11.5%	10.8%	10.0%
Agriculture and forestry	2.3%	3.2%	3.3%	3.4%
Fishing and marine	0.6%	1.5%	1.3%	2.6%
Hydrocarbons and energy	1.1%	2.3%	3.1%	2.6%
Others	4.1%	0.5%	1.8%	1.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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

Total Liabilities as of September 2015

(In thousand of US$ dollars)

	Total Liabilities	Current Liabilities	Long term liabilities		(A) Financial Liabilities
			Current	Long term	
Local banks (short term)	49,433	49,433	-	-	49,433
Foreign banks (short term)	15,428	15,428	-	-	15,428
Local banks (long term)	56,430	-	20,220	36,210	56,430
Foreign banks (long term)	68,930	-	33,754	35,176	68,930
Local and foreign banks (long term) Leas	3,596	-	1,526	2,070	3,596
Suppliers:					
Accounts payable to Caterpillar (inve	29,035	29,035	-	-	-
Accounts payable to Caterpillar	16,310	16,310	-	-	16,310
Others	89,427	89,427	-	-	2,219
Corporate bonds	296,529	-	-	296,529	296,529
Caterpillar Financial	76,829	-	24,854	51,975	76,829
Other liabilities	188,394	143,264	3,990	41,139	3,990
Total (US$)	**890,339**	**342,897**	**84,343**	**463,098**	**589,693**
Total (S/.)	**3,038,727**	**1,170,306**	**287,864**	**1,580,554**	**2,012,622**

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

Cashflow statement

(In thousands of nuevo soles)

	As of Dec 2015
Cash flow from operating activities	
Collection to customers and third parties	5,175,268
Payment to suppliers	-4,159,108
Payment to employees and others	-439,122
Taxes	-139,195
Efectivo obtenido utilizado en las actividades de operación	**437,843**
Cash flow from investing activities	
Acquisition of property, plant and equipment	-201,731
Shares repurchase	-35,166
Intangible acquisitions	-22,497
Sale of property, plant and equipment	611
Net cash used in investing activities	**-258,783**
Cash flow from financing activities	
Financial liabilities	1,248,875
Financial liabilities payed	-1,144,466
Interests payed	-100,853
Dividends payed	-60,977
Own shares	-
Efectivo proveniente de las actividades de financiación	**-57,421**
Net increase in cash	121,138
Cash at the begining of the year	89,949
Result in traslation	28,109
Cash due to variation in exchange rate	-5,874
Cash and cash equivalents at the end of the year	**233,322**