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

Fourth Quarter 2018

Lima, January 30, 2019.- Ferreycorp S.A.A. (BVL: FERREYC1), a leading corporation which aims to carry out investment activities in the capital goods sector and complementary services, with presence in Peru and other countries in Latin America, announces consolidated results for the fourth quarter 2018.

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

MAIN HIGHLIGHTS

FOURTH QUARTER 2018 RESULTS

- During the fourth quarter 2018, consolidated sales reached S/ 1,439 million, 19% higher if compared to S/ 1,207 million in 4Q2017. These results reflect the leadership of Ferreycorp and its main represented brand, Caterpillar, and were achieved despite the delays in the execution of new investment projects. This growth is mainly explained by, deliveries of Caterpillar mining equipment as stated in previous quarters – that represent 13% of overall sales during the fourth quarter, above the average of 4% in the last quarters - and, secondly by the greater dynamism of spare parts and services business line that accounted for record sales.
- Gross profit (S/ 334 million) increased compared to the fourth quarter of the previous year (S/ 303 million) led by higher sales driven by mining equipment deliveries. In turn, gross margin amounted to 23.2%, compared to 25.1% reached during the same period of 2017, as a

result of a greater share of Caterpillar mining equipment in total sales.

- Operating margin reached to 10.4% in 4Q2018, compared to 8.1% during 4Q2017, impacted mainly by other income affected by the sale of the investment that Ferreycorp had in La Positiva Seguros y Reaseguros insurance company. Excluding this operation, the operating margin remains in line with the average reached during the year.
- Consolidated net profit during 4Q2018 amounted to S/ 54 million and decreased by 3% compared to net profit reached during 4Q2017 (S/ 56 million). This result is mainly attributed to the S/ -35 million exchange loss recorded during the 4Q18, compared to the S/ 8 million exchange gain recorded during the 4Q17. Part of this exchange loss will be recovered in the upcoming months when the inventories are invoiced at higher exchange rates than the ones they were recorded.
- EBITDA margin for the 4Q2018 reached 13.3% compared to 11.1% in the same quarter 2017, as a result of the operating profit increase.

ACCUMULATED RESULTS AS OF DECEMBER 2018

- Consolidated sales for full year 2018 amounted to S/ 5,211 million and increased by 8% compared to the same period last year (S/ 4,843 million). This result is mainly explained by the greater dynamism of spare parts and services business line, rental and due to Caterpillar machinery for economic sectors other than mining. It should be noted that sales of Caterpillar mining equipment started its growth trend in the fourth quarter 2018. In dollars, sales reached to US\$ 1,585 million, 7% higher if compared to December 2017. With these results, the corporation has been able to keep high business volumes, as well as its leadership in the market with Caterpillar brand.
- Gross margin as of December 2018 reached to 24.1%, flat compared to gross margin as of December 2017.
- Operating margin for full year 2018 amounted to 8.9%, slightly higher compared to 8.7% last year. Sales and administrative expenses as a percentage of total sales remained stable in 16%.
- EBITDA for 2018 reached S/ 619 million, higher compared to EBITDA reached as of December 2017 (S/ 567 million). EBITDA margin as of December 2018 amounted to 11.9% compared to 11.7% as of December 2017 driven by higher sales and operating profit.
- Consolidated net profit for 2018 amounted to S/ 225 million and dropped 16% compared to net profit reached in 2017 mainly impacted by a S/ -84 million variation due to exchange rate (S/ -59 million foreign exchange loss during 2018 and S/ 25 million foreign exchange gain during 2017).
- Financial expenses for 2018 showed an important reduction of 14% compared to 2017 and amounted to S/ 73 million. It is important to recall that financial expenses in 2017 were impacted by expenses related to the prepayment of the international bond. Nevertheless, if we consider only the higher debt (+20%), the financial expenses would've kept stable compared to 2017 due to the lower average cost of debt in 2018 as a result of the strategy deployed by the corporation to finance in short term taking advantage of the low interest rates. However, in order to change the debt maturity, the corporation took medium term financing, with good conditions, but with higher rates.

As pointed out in previous reports, Ferreycorp keeps its positive long-term view for both economic sectors, mining and construction. Although there are delays in the execution of infrastructure projects, the corporation trusts that projects will be developed in order to close the existing infrastructure gap, and values signals such as the expansion of the country's main airport. Regarding mining, Peru has a portfolio of mining project of US\$ 58 billion and on December 2018 the Quellaveco mining project hired Ferreyros to provide mining equipment, service and maintenance.

(In million soles except for share ratios)	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017	%Var. 4Q 2018/3Q	%Var. 4Q 2018/4Q	As of Dic 2018	As of Dic 2018	%Var.
Net Sales (US\$)	\$430	\$385	\$390	\$380	\$372	\$381	\$399	\$334	11.7%	15.8%	\$1,587	\$1,484	6.9%
Net Sales	S/. 1,445	S/. 1,269	S/. 1,272	S/. 1,231	S/. 1,207	S/. 1,236	S/. 1,302	S/. 1,099	13.9%	19.8%	S/. 5,218	S/. 4,843	7.7%
Gross profit	S/. 335	S/. 319	S/. 312	S/. 289	S/. 303	S/. 290	S/. 310	S/. 264	5.0%	10.5%	S/. 1,255	S/. 1,167	7.5%
SG&A expenses	S/. -235	S/. -215	S/. -207	S/. -199	S/. -223	S/. -204	S/. -200	S/. -185	9.3%	5.4%	S/. -857	S/. -808	6.1%
Operating profit	S/. 150	S/. 108	S/. 111	S/. 94	S/. 98	S/. 114	S/. 126	S/. 83	39.0%	53.2%	S/. 464	S/. 421	10.2%
Financial expenses	S/. -22	S/. -19	S/. -18	S/. -14	S/. -27	S/. -18	S/. -19	S/. -20	16.6%	-17.9%	S/. -73	S/. -85	-13.9%
Gain (loss) to exchange rate	S/. -35	S/. -13	S/. -18	S/. 7	S/. 8	S/. -1	S/. -4	S/. 22	176.8%		S/. -59	S/. 25	-334.1%
Net profit	S/. 54	S/. 52	S/. 54	S/. 65	S/. 56	S/. 74	S/. 75	S/. 62	3.3%	-3.2%	S/. 225	S/. 267	-15.8%
EBITDA	S/. 192	S/. 147	S/. 149	S/. 132	S/. 134	S/. 150	S/. 163	S/. 120	30.8%	43.3%	S/. 619	S/. 567	9.1%
EPS	0.055	0.053	0.055	0.067	0.057	0.076	0.077	0.064	3.3%	-3.2%	0.231	0.274	-15.8%
EBITDA per share	0.196	0.150	0.153	0.135	0.137	0.154	0.167	0.123	30.8%	43.3%	0.634	0.581	9.1%
Free cash flow	S/. -209	S/. -63	S/. 57	S/. -71	S/. 42	S/. -2	S/. 64	S/. 77	231.7%	-601.2%	S/. -286	S/. 181	-258.0%
Gross margin	23.2%	25.2%	24.5%	23.5%	25.1%	23.5%	23.8%	24.0%			24.0%	24.1%	
SG&A expenses / sales	16.3%	17.0%	16.3%	16.2%	18.5%	16.5%	15.4%	16.8%			16.4%	16.7%	
Operating margin	10.4%	8.5%	8.7%	7.7%	8.1%	9.2%	9.7%	7.6%			8.9%	8.7%	
Net margin	3.7%	4.1%	4.2%	5.3%	4.6%	6.0%	5.7%	5.7%			4.3%	5.5%	
EBITDA margin	13.3%	11.5%	11.7%	10.7%	11.1%	12.1%	12.5%	10.9%			11.9%	11.7%	
Leverage ratio											0.93	0.75	
Net debt / EBITDA											3.20	2.73	

MAIN HIGHLIGHTS

Ferreyros will provide mining equipment, service and maintenance to Quellaveco for more than US\$500 million

Ferreyros will deliver specialized mining equipment, technical service and maintenance to Quellaveco for more than US\$ 500 million.

The Caterpillar mining equipment amounts US\$ 300 million and will be invoice/ deliver between 2019 and 2021. We estimate the machines deliveries worth US\$135 million in 2019 and 2020, and US165 million in 2021. Moreover, Ferreyros will provide US\$200 million in technical services and maintenance through five years.

Sale of investment in insurance company La Positiva Seguros y Reaseguros S.A.A.

The board, at its meeting held on November 27, 2018, confirmed the decision to sell all the shares that Ferreycorp held as an investment in the insurance company La Positiva Seguros y Reaseguros through the public offering addressed to all of its shareholders.

In this way, Ferreycorp sold 56,962,727 shares and at a price of S/ 1.80 soles per share, which represented an income of S/ 102.5 million soles. Accounting wise, the profit from this sale for S/ 32.9 million soles was recorded as other income, which is affected by income tax.

Ferreycorp registered its Third Bond Program

Ferreycorp registered its Third Bond Program for US\$ 100 million dollars in order to count with and additional source of financing and will issue according to market conditions.

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 2018, sales increased by 26.5% if compared to the same period 2017, as a result of a 216.5% significant growth in Caterpillar mining equipment sales as a result of important deliveries to two mining customers, sales of spare parts and services that went up by 15.2%, and, due to a 54.9% increase in the line of Caterpillar equipment serving different markets other than large open pit mining.

It is important to point out that Unimaq sales were impacted throughout 2018 due to the lower dynamism of the construction sector which is the main market served by this subsidiary aimed to attend the light equipment segment with Caterpillar and other allied brands. Nevertheless, during this quarter Unimaq reported 18.9% higher sales. It is important to note that sales of this group of companies have been growing since last quarter 2017.

Sales of this group of companies have been growing in the last four quarters. The share of this first group of subsidiaries in total sales is 78%.

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

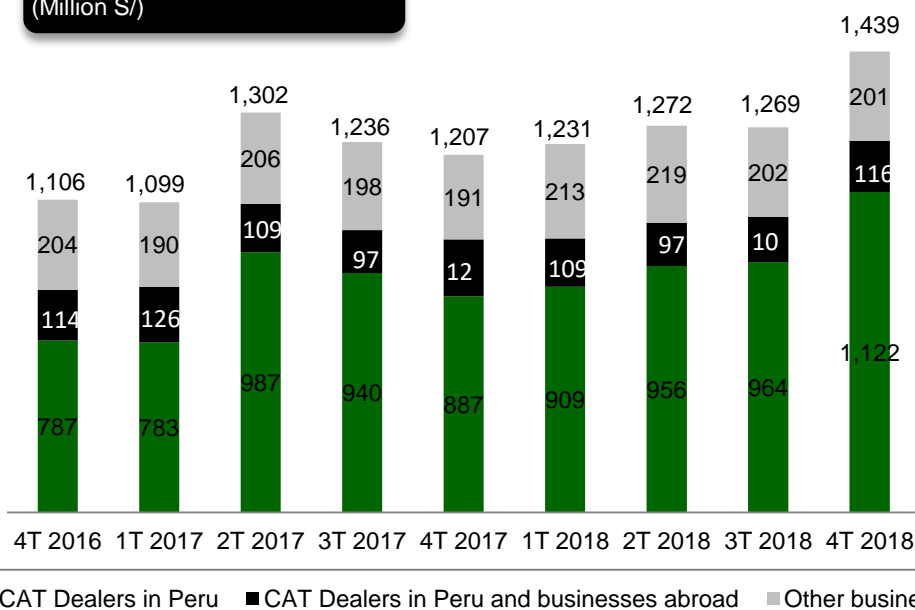
Sales of the second group of companies, with presence in Central America, decreased by 10.1% compared to the 4Q 2017, as a result of the complicated political-economic situation that Guatemala is going through that has derived in practically no investments in infrastructure and prevails the questioning of mining activities in the country.

The share of this group of companies in total sales is 8%.

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

This group of companies, which complement the supply of goods and services through equipment and vehicles, consumables and logistic solutions, among other lines, increased its sales by 5.6%. This result turns out from Trex higher sales, company that represents Terex and other allied brands in Chile, Perú, Ecuador and Colombia, that rose by 57.5% and, logistic services sales that grew 25.8%.

This group of companies boost its share in the corporation consolidated sales, which currently represents 14% of total sales

Sales by Group of Subsidiaries
 (Million S/)


The detail of sales by group of companies:

(In million S/)	4Q 18		3Q 18		2Q 18		1Q 18		4Q 17		3Q 17		2Q 17		1Q 17		% Var 4Q 18/3Q 18	% Var 4Q 18/4Q 17
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%		
Ferreyros	979	68	818	64	814	64	768	62	759	63	785	64	799	61	622	57	20	29
Unimaq	117	8	106	8	105	8	102	8	98	8	115	9	140	11	124	11	10	19
Orvisa	27	2	40	3	37	3	39	3	30	3	40	3	47	4	38	3	-33	-13
Total CAT distrib. In Peru	1,122	78	964	76	956	75	909	74	887	74	940	76	987	76	783	71	16	26
Total CAT distrib. In Peru and other businesses abroad	116	8	102	8	97	8	109	9	129	11	97	8	109	8	126	11	13	-10
Soltrak	53	4	54	4	50	4	65	5	64	5	68	5	66	5	63	6	-3	-17
Motored	33	2	41	3	60	5	54	4	44	4	52	4	53	4	46	4	-20	-25
Trex	68	5	59	5	68	5	47	4	43	4	36	3	39	3	36	3	16	57
Others (Fargoline, Motriza, Forbis, etc)	47	3	48	4	40	3	47	4	39	3	43	3	48	4	46	4	-2	21
Total other businesses	201	14	202	16	219	17	213	17	191	16	198	16	206	16	190	17	0	6
TOTAL	1,439	100	1,269	100	1,272	100	1,231	100	1,207	100	1,236	100	1,302	100	1,099	100	13	19

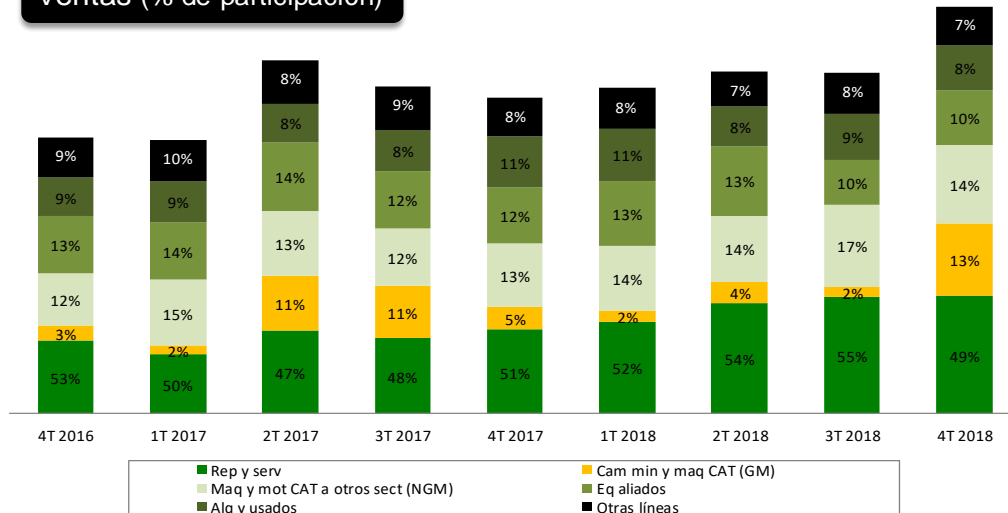
2. SALES BREAKDOWN BY BUSINESS LINE

Sales

(In million S/)

	4Q 2018	%	3Q 2018	%	2Q 2018	%	1Q 2018	%	4Q 2017	%	3Q 2017	%	2Q 2017	%	1Q 2017	%	% Var 4Q 2018/ 3Q 2018	% Var 4Q 2018/ 4Q 2017
CAT mining trucks and machines (GM)	186	13	27	2	54	4	26	2	59	5	134	11	138	11	23	2	581.2	216.5
CAT machines for other sectors (NGM)	200	14	210	17	168	13	168	14	161	13	148	12	165	13	167	15	-5.0	23.8
Allied equipment	141	10	111	9	178	14	164	13	142	12	147	12	177	14	149	14	26.6	-0.4
Rental and used	113	8	121	10	100	8	134	11	131	11	104	8	99	8	104	9	-6.4	-14.1
Spare parts and services	700	49	697	55	684	54	636	52	615	51	592	48	613	47	552	50	0.4	13.8
Other lines	100	7	102	8	88	7	104	8	99	8	111	9	110	8	105	10	-2.7	0.9
TOTAL	1,439	100	1,269	100	1,272	100	1,231	100	1,207	100	1,236	100	1,302	100	1,099	100	13.4	19.3

Ventas (% de participación)

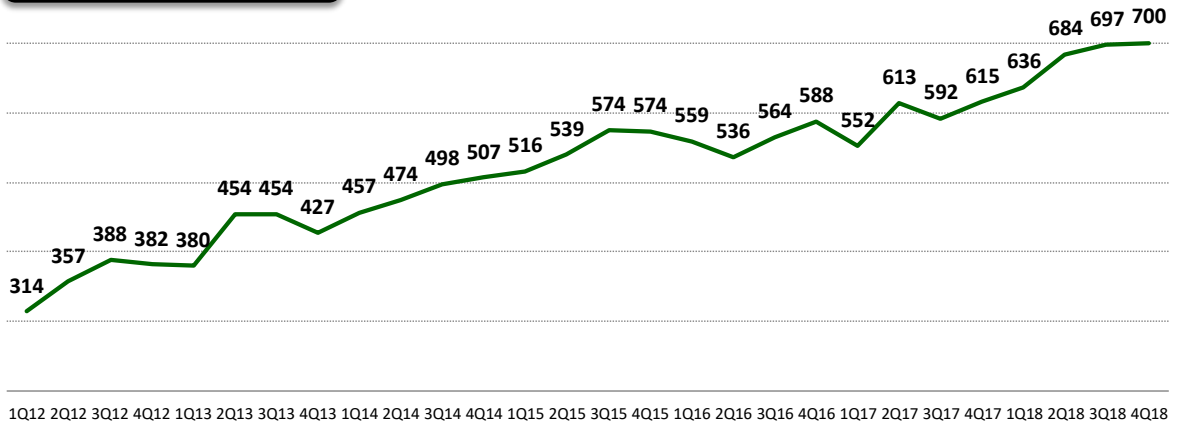


When analyzing the results by business lines during the fourth quarter 2018, Caterpillar mining equipment sales boost by 216.5% compared to same quarter 2017, as a result of the delivery of mining trucks due to businesses closed in previous months.

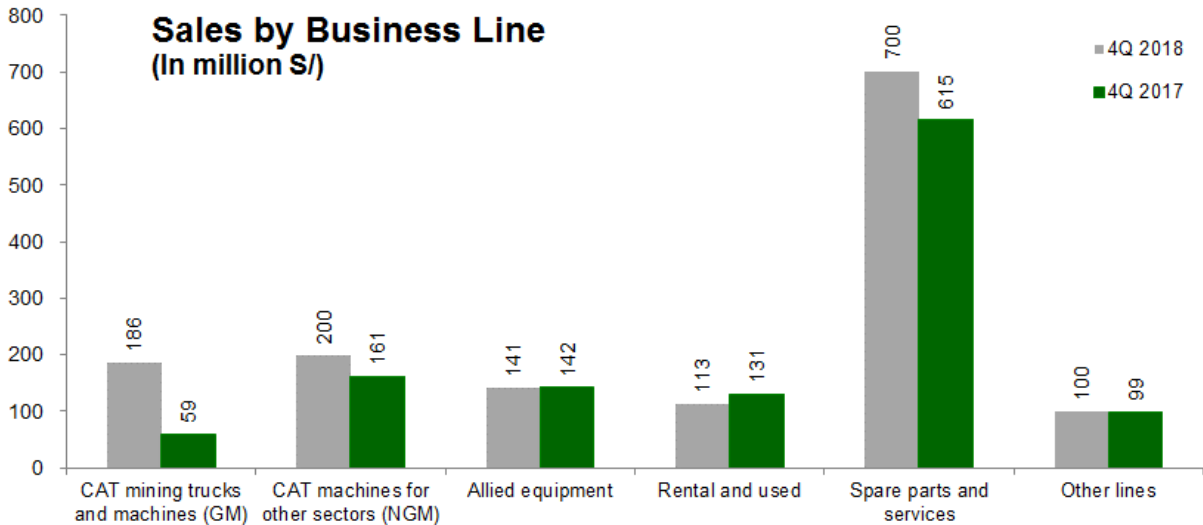
Caterpillar engines and machines for sectors other than mining posted a steady growth and rose by 23.8% compared to 4Q 2017.

As mentioned before, the strategy of the corporation is focused in increasing the aftermarket, for this reason, great efforts are deployed to deliver the best quality aftermarket support through locations near the customers. These capacities have allowed spare parts and services business line, both Caterpillar and allied brands, to keep the higher share in the composition of total sales (49%), reaching a record sale of S/ 700 million thru the fourth quarter, similar to the third quarter, and 13.8% higher compared to 4Q'17. The population of Caterpillar machinery has grown and continues to grow, dynamic that allows the sustainability of the business model.

Spare parts and services
(In million S/)

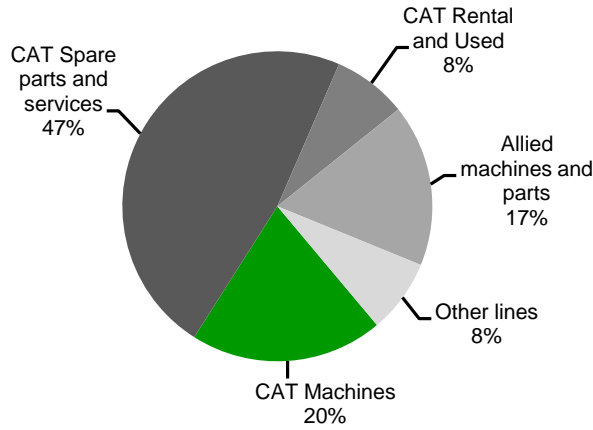


The after-market provided by Ferreycorp to its customers is recognized by high quality standards. Nevertheless, this world class service impacts the operating expenses because it requires investments in inventories of spare parts and components as well as in modernizing its workshops and selecting and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

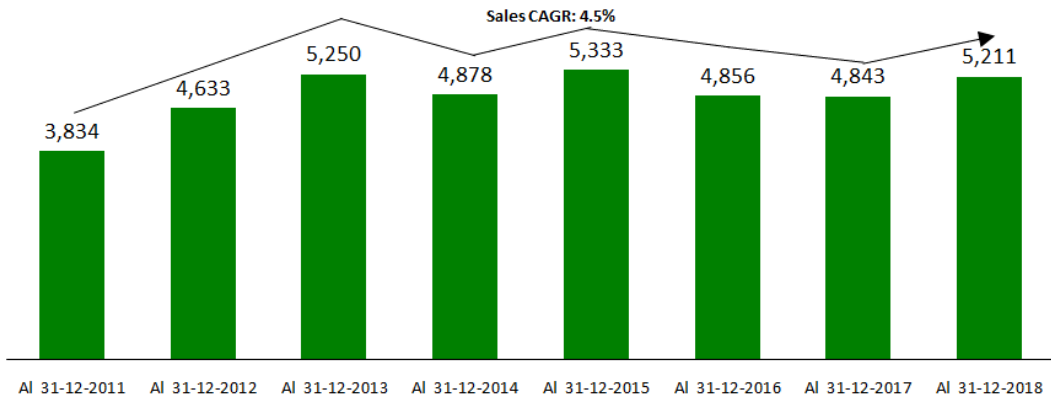


As of December 2018 sales of the Caterpillar brand carried by Caterpillar dealers in Peru, Guatemala, El Salvador and Belize, accounted for 75% of total sales, including machinery and equipment (new, used and rental units) as well as spare parts and services

Sales (As of December 2018)



Sales and EBITDA
(In million \$)



Year	EBITDA Margin	EBITDA (S/ MM)
AI 31-12-2011	10.7%	411
AI 31-12-2012	10.0%	461
AI 31-12-2013	11.2%	588
AI 31-12-2014	10.7%	522
AI 31-12-2015	12.5%	667
AI 31-12-2016	12.0%	583
AI 31-12-2017	11.7%	567
AI 31-12-2018	11.9%	619

EBITDA CAGR: 6.0%

3. SALES BREAKDOWN BY ECONOMIC SECTORS

Regarding sales distribution by economic sectors, sales to open pit mining represented, during the fourth quarter 2018, 47% of total sales compared to 50% during the fourth quarter last year. Meanwhile, construction represented 19% of total sales, higher than fourth quarter 2017 share of 11%.

	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017
Open pit mining	47.1%	39.6%	41.8%	34.9%	50.3%	37.8%	43.6%	31.9%
Construction	18.8%	23.1%	20.3%	20.0%	11.0%	22.9%	18.2%	24.1%
Underground mining	11.9%	11.9%	13.8%	20.7%	12.7%	12.7%	15.0%	17.4%
Government	1.7%	0.9%	0.6%	0.8%	2.5%	1.7%	1.3%	1.3%
Transport	2.5%	2.7%	5.0%	4.8%	3.1%	4.2%	4.2%	4.3%
Industry, commerce and service	11.6%	11.8%	13.0%	12.7%	11.6%	13.3%	8.7%	11.8%
Agriculture and forestry	1.9%	3.5%	2.4%	2.8%	3.2%	4.4%	4.4%	3.7%
Fishing and marine	2.3%	3.4%	1.0%	1.1%	1.9%	0.5%	3.0%	3.2%
Hydrocarbons and energy	0.8%	1.5%	0.5%	0.7%	0.8%	0.8%	0.8%	1.1%
Others	1.4%	1.7%	1.4%	1.5%	2.9%	1.7%	0.7%	1.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

II. ANALYSIS OF FINANCIAL INFORMATION

1. Sales

Million soles	4Q18	4Q17	%Var.	2018	2017	%Var.
Sales	1,439.4	1,206.7	19.3	5,211.5	4,843.4	7.6

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

2. Gross profit

Million soles	4Q18	4Q17	%Var.	2018	2017	%Var.
Gross profit	333.8	303.4	10.0	1,253.4	1,166.9	7.4
Gross margin	23.2%	25.1%		24.1%	24.1%	

In the fourth quarter of 2018, gross profit increased if compared to the one obtained in the same period of 2017. In percentage terms, 4Q 2018 gross margin reached to 23.2% below the one reached during similar quarter the previous year mainly due to a lower share of spare parts and services as a percentage of total sales as a result of higher sales of Caterpillar equipment.

3. Selling and Administrative Expenses

Million soles	4Q18	4Q17	%Var.	2018	2017	%Var.
Selling and administrative expenses	234.3	223.3	4.9	856.1	808.0	5.9
As a % of total sales	-16.3%	-18.5%		-16.4%	-16.7%	

Selling and administrative expenses during the fourth quarter 2018 increased by 4.9% compared to the same quarter last year, mainly due to variable expenses related to higher sales (19%) which increased in a lower rate than total sales. Therefore, SG&A as a percentage of total sales varied from 18.5% in the 4Q'17 to 16.3% in the 4Q'18.

4. Financial Expenses

Million soles	4Q18	4Q17	%Var.	2018	2017	%Var.
Financial expenses	22.0	27	-18.3	73.2	85.1	-14.0
As a % of total sales	-1.5%	-2.2%		-1.4%	-1.8%	

Financial expenses for the fourth quarter 2018 shrunk by 18.3% compared to 4Q 2017. Fourth quarter 2017 financial expenses include the cost of the international bond partial call (2.438% Premium of US\$ 1.5 million) and deferred transaction costs for S/ 3.7 million. If we exclude this effect, financial expenses should have rose by 19.9%, as a result of higher average financial liabilities (14.6%). Additionally, interest rates have been rising in the last months and turned into an average cost of debt of 3.76% in the fourth quarter 2018 compared to an 3.35% average cost of debt during the same period in 2017.

5. Foreign Exchange Gain/ Loss

Million soles	4Q18	4Q17	%Var.	2018	2017	%Var.
Foreign Exchange Gain/ Loss	-35.3	8.0		-58.7	25.1	

The foreign exchange loss in 4Q 2018 was led by devaluation of the currency not only in Perú, but also in Chile. In Perú, the Sol devaluation against the dollar was 2.33% (the exchange rate varied from S/ 3.302 in September 2018 to S/ 3.379 in December 2018), compared to 0.67% during similar quarter last year (the exchange rate varied from S/ 3.267 in September 2017 to S/ 3.245 in December 2017). In Chile, the peso reached a 5.2% devaluation.

As appointed before, it is important to recall that the company has a natural hedge considering that sales –as well as machinery import, invoicing to clients and financing– are made in foreign currency (US dollars).

As of December 2018, inventories have been recorded at an average exchange rate of S/ 3.308, while the debt at an exchange rate of S/ 3.379. The difference in favor results in a S/ 30 million reserve in the inventory that will be recovered in the following months as they are sold at a higher exchange rate.

6. Net profit

Million soles	4Q18	4Q17	%Var.	2018	2017	%Var.
Net profit	53.7	55.6	-3.3	224.9	267.0	-15.8
Net margin	3.7%	4.6%		4.3%	5.5%	

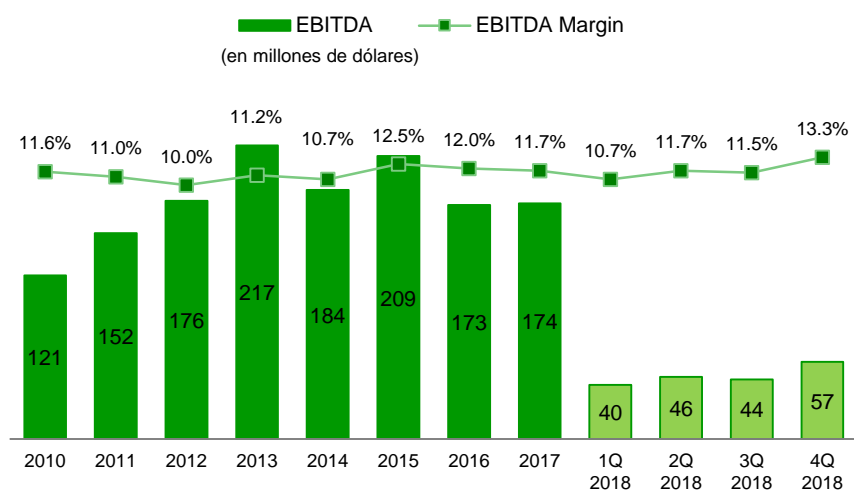
Net profit for the fourth quarter 2018 amounted to S/ 53.7 million showing a reduction compared to same quarter last year as a result of the explanation aforementioned.

7. EBITDA

Million soles	4Q18	4Q17	%Var.	2018	2017	%Var.
EBITDA	191.6	133.7	43.3	619.0	567.2	9.1
EBITDA margin	13.3%	11.1%		11.9%	11.7%	

During the fourth quarter 2018, 95.9% 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, 1.5% of EBITDA is generated by Caterpillar dealers and other businesses abroad, while 2.6% comes from local and foreign subsidiaries aimed to offer capital goods and services for the different economic sectors.

Fourth quarter 2018 EBITDA reached to S/. 191.6 million, higher the one reported in the fourth quarter 2017.



ANALYSIS ACCORDING TO CORPORATE ORGANIZATION

(In thousand S/)

	CAT Dealers in Peru		CAT Dealers and businesses abroad		Other businesses	
	2018	2017	2018	2017	2018	2017
Sales	3,951,973	3,598,131	423,886	460,778	835,594	784,539
Gross Profit	1,005,467	915,623	95,221	112,565	152,760	138,750
Gross Margin	25%	25%	22%	24%	18%	18%
Operation Expenses	609,251	557,999	89,621	92,352	149,324	151,600
Operation Margin	10%	10%	1%	5%	1%	-2%
Depreciation and Amortization	97,944	92,070	14,018	14,894	14,139	13,669
EBITDA	527,374	474,892	20,578	39,766	25,982	4,498
EBITDA Margin	13%	13%	5%	9%	3%	1%

Note: This results do not include Ferreycorp as individual nor INTI

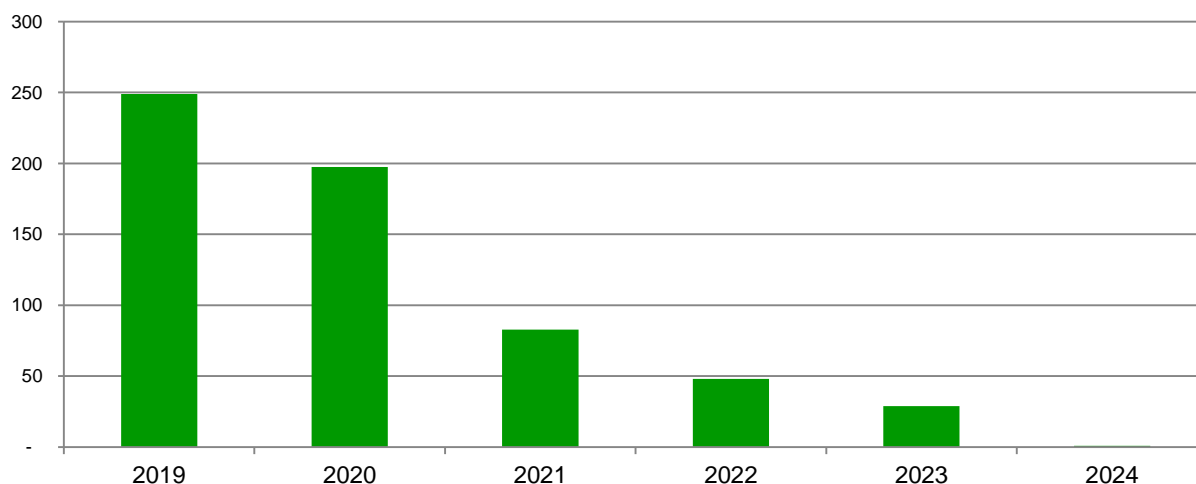
III. ANALYSIS OF CONSOLIDATED FINANCIAL INFORMATION

Total assets as of December 2018 amounted to S/ 5,394 million, 11.3% higher if compared to S/ 4,848.1 million as of December 2017. This variation is primarily due to the increase in inventory (S/ 378.7 million) and accounts receivables (S/ 106.8 million). The increase in inventories is explained by components in order to keep the mining trucks fleets in full operation; factory delays in the supply of spare parts and machines related to deliveries scheduled for the first semester 2019. Higher accounts receivables are related to mining equipment invoicing during December 2018.

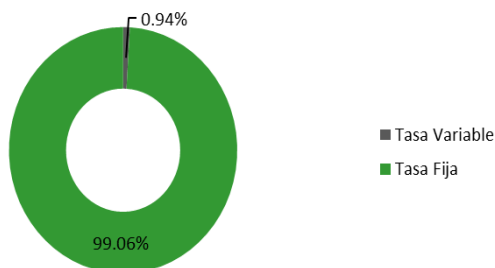
Financial liabilities as of December 2018 amounted to S/ 2,051.7 million (US\$ 607 million), and increased by 20.9% if compared to financial liabilities of S/ 1,630.4 million (US\$ 502 million) recorded during the same period last year. Current maturities account for 41% of total debt. During the fourth quarter, Ferreycorp and some subsidiaries took medium term loans for US\$ 140 million to increase the debt maturity.

Below is the maturity structure of the consolidated liabilities, which is 93.7% in dollars according to the strategy of the corporation to keep a natural hedge between its sales and financing. The local currency financing belongs to subsidiaries that have a percentage of their income in local currency. Likewise, 99.06% of total debt has been contracted at fixed rate, which cover us from

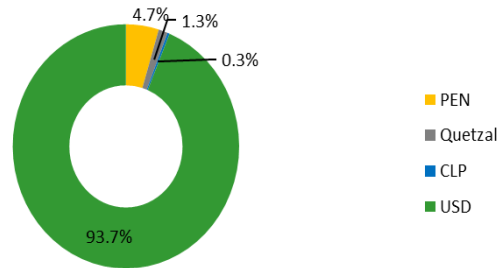
Debt Maturity (US\$ million)



Debt by rate



Debt by currency



Investment in Fixed Assets (Capex) and intangibles

As of December 2018 the investment in fixed assets and intangibles amounted S/ 184.5 million:

Infrastructure: in 2018 the corporation invested S/ 27 million to improve facilities and workshops, including La Joya Component Rebuilt Center and the construction of Ferreyros branch in Ica. Likewise, Ferreycorp built the machinery exhibition center in the piece of land that we own in Punta Negra.

Rental Fleet: Ferreyros invested S/ 56 million to replaced units in its rental fleet. However, the number of machines in the rental fleet decreased, as equipment was removed and transferred to inventory for sale.

Machinery and equipment: the investment for S/ 15 million is mainly explained by components for mining equipment.

Vehicles, furniture and equipment: the investment was S/ 10.5 million mainly for regular fixed asset purchases.

Intangibles: the investment in intangible assets reached S/ 76 million for the implementation of SAP platform during the first semester 2019 in the main companies of the corporation.

The fixed assets account in the estate of financial position shows some differences with respect the CAPEX due to deductions as a result of equipment transferred to the inventory and the sale of a piece of land in Cerro Colorado in Arequipa for S/ 68 million. Likewise, there were some adjustments explained by revaluation surplus for S/ 40 million due to the adjustment in the valuation of some facilities located in the industrial zone of Lima.

In this way, the balance sheet shows a decrease of - S/ 0.7 million (-US \$ 0.2 million) in fixed assets.

FINANCIAL RATIOS

Ratios	Dic-18	Sep-18	Jun-18	Mar-18	Dic-17
Current ratio	1.80	1.49	1.46	1.41	1.49
Financial debt ratio	0.93	0.85	0.82	0.80	0.75
Indebtness ratio	1.54	1.44	1.44	1.50	1.33
Net debt / EBITDA ratio	3.20	3.20	3.00	2.79	2.73
Adjusted debt / EBITDA	2.66	2.39	1.62	1.94	2.18
Financial expenses coverage ratio	8.46	8.36	8.73	9.33	6.66
Asset turnover	1.02	0.99	1.00	1.02	1.01
Inventory turnover	2.49	2.53	2.65	2.81	2.80
Inventory days	145	143	136	128	129
Receivable days	68	71	71	71	70
Payable days	53	57	59	55	54
Cash cycle	160	156	148	144	145
ROE	10.7%	11.0%	12.4%	13.9%	13.4%
ROA	6.4%	5.8%	6.0%	6.2%	6.2%
ROIC (6)	11.3%	10.5%	11.1%	12.0%	11.6%
Book value per share	2.18	2.17	2.12	2.06	2.13

Note: See description of each indicator in the section: "Glossary of Terms".

As shown in the chart above, the current ratio has increased due to higher levels of inventories and accounts receivables.

The indebtedness and leverage ratios rose as a result of the surge in long term debt. The leverage ratios considered within the covenants of the international bond show higher levels due to the debt increase.

The cash cycle rose during this quarter, showing 160 days, compared to the one obtained in the same period of 2017, affected by inventory turnover.

Profitability ratios were impacted by a reduction of the net profit during the quarter.

GLOSSARY OF TERMS

1) **Current Ratio:**

Evaluates the liquidity of the company to face its short- term liabilities with its short-term assets. It is calculated as follows: Current Assets / Current Liabilities.

2) **Equity debt**

Evaluates the company's level of debt. It shows the proportions of debt and capital that a company uses. It is calculated as follows: Total Liabilities / Total Equity

3) **Indebtedness Ratio:**

Indicates which assets of the company have been financed with debt, either short or long term. It is calculated as follows : Total Assets / Total Liabilities.

4) **Adjusted Financial Debt / EBITDA Ratio**

This ratio shows how many years Ferreycorp would take in order to pay its debt excluding its short term debt related to inventories. It is calculated as follows: (Total Financial Debt – Short Term debt related to inventories acquisition) / EBITDA

5) **Financial expenses coverage**

Indicates how many times the profit generated by the operations of the company are able to cover their financial expenses for the period. It is calculated as follows: EBITDA / Financial expenses.

6) **Assets turnover**

Ratio used as a performance indicator to measure how the company is using its assets to generate income. It is calculated as follows: Sales / Average Assets

7) **Inventory turnover:**

Shows the efficiency of the company to manage its inventory. It measures the number of times inventory is sold and replaced within a period of time. It is calculated as follows: Cost of Goods Sold / Average Inventory.

8) **Return On Equity - ROE**

This ratio measures the corporation's profitability in a period by revealing how much profit is generated with shareholders' investments. It is calculated as follows: Net Income / Shareholder's Equity.

9) **Return On Assets - ROA**

Measures the profitability of the company in a period based on the total assets of the corporation. It is calculated as follows: (Operating profit x (1 -T)) / Average Assets.

10) **Return On Invested Capital - ROIC**

This ratio is used by the company in order to make investment decisions and allocate resources. It is calculated as follows: EBIT (last twelve months) / Average Invested Capital

11) **Receivable days**

Establish the approximate time (in days) it takes for a company to carry out the collection of accounts receivables. It is calculated as follows: $360 * \text{Sales} / \text{Average Accounts Receivable}$.

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: $\text{Days of inventory} + \text{Accounts receivable days} - \text{Accounts payable days}$.

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: $\text{Equity} / \text{Number of shares}$.

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 1

Income Statement (Note)

(In thousand soles)

	4Q 2018	%	4Q 2017	%	Var %	As of dic 18	%	As of dic 17	%	Var %
Net sales	1,439,350	100.0	1,206,671	100.0	19.3	5,211,453	100.0	4,843,447	100.0	7.6
Cost of goods sold	-1,105,549	-76.8	-903,391	-74.9	22.4	-3,958,005	-75.9	-3,676,509	-75.9	7.7
Gross profit	333,801	23.2	303,280	25.1	10.1	1,253,448	24.1	1,166,938	24.1	7.4
Selling and administrative expenses	-234,255	-16.3	-223,320	-18.5	4.9	-856,051	-16.4	-807,986	-16.7	5.9
Other income (expenses), net	50,808	3.5	18,284	1.5	177.9	66,835	1.3	62,440	1.3	7.0
Operating profit	150,354	10.4	98,244	8.1	53.0	464,232	8.9	421,392	8.7	10.2
Financial income	5,683	0.4	5,083	0.4	11.8	21,600	0.4	18,122	0.4	19.2
Gain (loss) to exchange rate	-35,339	-2.5	8,045	0.7	-539.3	-58,712	-1.1	25,079	0.5	-334.1
Financial expenses	-22,045	-1.5	-26,990	-2.2	-18.3	-73,200	-1.4	-85,107	-1.8	-14.0
Share in the result of associated through the equity method	-4,420	-0.3	126	0.0	-3,607.9	1,010	0.0	7,708	0.2	-86.9
Profit before income tax	94,233	6.5	84,508	7.0	11.5	354,930	6.8	387,194	8.0	-8.3
Income tax	-40,488	-2.8	-29,003	-2.4	39.6	-129,994	-2.5	-120,181	-2.5	8.2
Net profit	53,745	3.7	55,505	4.6	-3.2	224,936	4.3	267,013	5.5	-15.8
EBITDA	191,562	13.3	133,708	11.1	43.3	619,005	11.9	567,151	11.7	9.1

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 2

Estate of Financial Position

(In thousand of soles)

	As of 31-12-2018	As of 31-12-2017	Var % dic18/dic17
Cash and cash equivalents	73,364	80,710	-9.1
Accounts receivables - trade	1,192,294	1,031,198	15.6
Inventories	1,772,000	1,393,334	27.2
Accounts receivables - other	293,961	196,120	49.9
Investment in shares	10,465	80,057	-86.9
Investment in securities	2,500		
Investment in real estate	-	14,599	-100.0
Prepaid expenses	31,617	22,433	40.9
Current Assets	3,376,201	2,818,451	19.8
Long-term account receivables - trade	25,501	79,795	-68.0
Long-term account receivables - other	272	459	-40.7
Rental fleet	445,189	407,654	9.2
Other fixed assets	1,572,175	1,610,431	-2.4
	2,017,364	2,018,085	-0.0
Accrued depreciation	-569,167	-553,542	2.8
Property, plant and equipment	1,448,197	1,464,543	-1.1
Investments	13,280	13,140	1.1
Intangible assets, net and goodwill	336,078	281,627	19.3
Deferred income tax	194,454	190,119	2.3
Non current Assets	2,017,782	2,029,683	-0.6
Total Assets	5,393,983	4,848,134	11.3
Short term debt	347,995	224,211	55.2
Other current liabilities	1,524,161	1,608,705	-5.3
Current Liabilities	1,872,156	1,832,916	2.1
Long term debt	1,210,437	737,763	64.1
Other payables	138	424	-67.5
Deferred income tax	187,199	196,885	-4.9
Total Liabilities	3,269,930	2,767,988	18.1
Equity	2,124,053	2,080,146	2.1
Total Liabilities and Equity	5,393,983	4,848,134	11.3
Other financial information			
Depreciation	115,512	110,848	
Amortization	17,660	16,789	

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 3

NET SALES

(In thousand nuevos soles)

	4Q 2018	%	4Q 2017	%	% Var 4Q 2018/ 4Q 2017	As of dic-18	%	As of dic-17	%	Var %
Mining trucks and Caterpillar machines (GM)	186,139	12.9	58,817	4.9	216.5	293,400	5.6	353,089	7.3	-16.9
Caterpillar machines and engines for other sectors (NGM)	199,790	13.9	161,395	13.4	23.8	754,874	14.5	641,500	13.2	17.7
Allied equipment	141,038	9.8	141,576	11.7	-0.4	585,575	11.2	614,099	12.7	-4.6
Rental and used	112,801	7.8	131,271	10.9	-14.1	467,545	9.0	437,950	9.0	6.8
Spare parts and services	700,063	48.6	614,957	51.0	13.8	2,716,523	52.1	2,371,796	49.0	14.5
Other lines	99,518	6.9	98,654	8.2	0.9	393,536	7.6	425,012	8.8	-7.4
Total	1,439,350	100.0	1,206,671	100.0	19.3	5,211,453	100.0	4,843,447	100.0	7.6

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 4

Total Liabilities as of December 2018

(In thousand US\$ dollars)

	Total Liabilities	Current Liabilities	Long term Liabilities		(A) Financial Liabilities
			Current	Long term	
Local banks (short term)	110,376	110,376	-	-	110,376
Foreign banks (short term)	20,044	20,044	-	-	20,044
Local banks (long term)	245,539	-	61,923	183,616	245,539
Foreign banks (long term)	65,012	-	23,766	41,246	65,012
Local and foreign banks (long term)	1,756	-	691	1,066	1,756
Suppliers:					
Accounts payable to CAT	49,569	49,569	-	-	-
Accounts payable to CAT	15,053	15,053	-	-	15,053
Others	101,339	101,339	-	-	519
Corporate bonds	100,000	-	-	100,000	100,000
Caterpillar Financial	44,741	-	15,456	29,286	44,741
Other Liabilities	214,291	154,687	1,152	58,452	4,162
Total (US\$)	967,721	451,069	102,988	413,665	607,204
Total (S/.)	3,269,930	1,524,161	347,995	1,397,774	2,051,741

(A) Subject to interest payments

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 5

CASHFLOW STATEMENT

(In thousand nuevos soles)

	As of 31-12-2018
Cashflow from operating activities	
Collection to customers and third parties	5,085,437
Payment to suppliers	-4,584,681
Payment to employees and others	-434,158
Payment of taxes and income tax	-127,742
Net cash provided by operating activities	-61,144
Cashflow from investing activities	
Acquisition of property, plant and equipment	-108,486
Acquisition of financial instruments (mutual funds)	-2,500
Intangible acquisitions	-75,550
Sale of property available for sale	15,159
Sale of property, plant and equipment	6,484
Net cash used in investing activities	-164,893
Cashflow from financing activities	
Financial liabilities	3,718,781
Payment of financial liabilities	-3,301,887
Interests paid	-62,296
Dividends paid	-132,171
Net cash provided by financing activities	222,426
Cash increase, net	-3,611
Cash at the beginning of the year	80,710
Result due translation	-796
Cash due to exchange rate variation	-2,939
Cash at the end of the year	73,364