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

Second Quarter 2018

Lima, July 25, 2018.-. 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 second 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

FIRST SEMESTER 2018 RESULTS

- Consolidated sales for the first semester 2018 amounted to S/ 2,503 million and increased by 4% compared to the same period last year (S/ 2,401 million). This result is mainly explained by the delivery of spare parts and services due to the aging population of machinery all over the country, and due to greater activity in the used and rental business. In dollars, sales reached to US\$ 770 million, 5% higher if compared to 1S17. The corporation remains confident that this business volume will keep during the upcoming quarters of the year.
- Operating margin in this first six-month period reached to 8.2% compared to 8.7% during 1S2017, impacted by SG&A expenses increase during the semester.
- Financial expenses for the first semester showed an important reduction of 19% compared to similar period last

year and amounted to S/ 32 million. It is important to notice that financial expenses have decreased steadily since last year mainly driven by the prepayment of part of the international bond carried out during 2016 and 2017 that allowed an average interest rate reduction of 73 bps.

- Consolidated net profit during 1S2018 amounted to S/ 119.1 million and dropped by 13% compared to net profit reached during 1S2017 mainly impacted by a S/ -28.2 million variation due to exchange rate (S/ -10.6 million foreign exchange loss during the 1S2018 and S/ 17.6 million foreign exchange gain during the 1S2017). It should be noted that without considering the foreign exchange distortion, net profit for the first semester 2018 would amount to S/ 130 million, above net profit of S/ 119 million in the first semester last year. Net margin reached 4.8% compared to 5.7% recorded during 1S17.
- EBITDA for the first semester 2018 reached S/ 281 million, similar as of the one reached as of June last year (S/ 283 million). EBITDA margin as of June 2018 amounted to 11.2% compared to 11.8% during the 1S2017.

SECOND QUARTER 2018 RESULTS

- During the second quarter 2018, consolidated sales reached to S/ 1,272 million and dropped by 2% compared to S/ 1,302 million in 2Q2017. Nevertheless, these sales levels are greater than the ones registered in the last three previous quarters, in an environment of lower dynamism of the economy, reduction of investment levels and delays in the execution of new mining and infrastructure projects. During the first two quarters of the year there have been no major deliveries of large mining equipment, which will be carried out during the second half of the year. Nevertheless, these deliveries will not exceed 2017.
- In the 2Q2018, spare parts and services amounted record sales of S/ 684 million greater by 11.4% than 2Q2017.
- Gross profit for the second quarter 2018 (S/ 312 million) posted a slightly growth compared to the gross profit for the second quarter last year (S/ 310 million). Gross margin amounted to 24.5%, higher if compared to 23.8% during the 2Q2017, evidence of a major share of spare parts and services in total sales.
- Operating margin reached to 8.7% in 2Q2018, compared to 9.7% during 2Q2017, impacted by the aforementioned operating expenses that increased by 4% and a reduction of S/ 9.5 million in other income.
- Consolidated net profit during 2Q2018 amounted to S/ 54 million and decreased by 28% compared to net profit reached during 2Q2017 (S/ 75 million). This result is in part attributed to the S/ -17.5 million exchange loss recorded during the 2Q18.
- Net margin reached 4% during 2Q18 compared to 6% recorded during 2Q17. EBITDA margin for the second quarter amounted 11.7% compared to 12.5% during similar quarter last year.
- The cash cycle remained stable in 148 days compared to the second quarter 2017.

(In million soles, except for share ratios)	2Q'18	1Q'18	4Q'17	3Q'17	2Q'17	1Q'17	%Var. 2Q'18/1Q'18	%Var. 2Q'18/2Q'17	Acum Jun 2018	Acum Jun 2017	%Var.
Net sales (US\$)	\$390	\$380	\$372	\$381	\$399	\$334	2.6%	-2.2%	\$770	\$733	5.1%
Net sales	S/. 1,272	S/. 1,231	S/. 1,207	S/. 1,236	S/. 1,302	S/. 1,099	3.3%	-2.3%	S/. 2,503	S/. 2,401	4.2%
Gross profit	S/. 312	S/. 289	S/. 303	S/. 290	S/. 310	S/. 264	7.9%	0.6%	S/. 600	S/. 574	4.6%
SG&A expenses	S/. -207	S/. -199	S/. -224	S/. -204	S/. -200	S/. -185	3.9%	3.6%	S/. -406	S/. -385	5.5%
Operating profit	S/. 111	S/. 94	S/. 98	S/. 114	S/. 126	S/. 83	17.8%	-11.7%	S/. 206	S/. 209	-1.7%
Financial expenses	S/. -18	S/. -14	S/. -27	S/. -18	S/. -19	S/. -20	27.9%	-6.6%	S/. -32	S/. -40	-19.0%
Gain (loss) to exchange rate	S/. -18	S/. 7	S/. 8	S/. -1	S/. -4	S/. 22		302.6%	S/. -11	S/. 18	
Net profit	S/. 54	S/. 65	S/. 55	S/. 74	S/. 75	S/. 62	-17.1%	-27.8%	S/. 119	S/. 137	-13.2%
EBITDA	S/. 149	S/. 132	S/. 133	S/. 150	S/. 163	S/. 120	13.4%	-8.5%	S/. 281	S/. 283	-0.9%
EPS	0.055	0.067	0.056	0.076	0.077	0.064	-17.1%	-27.9%	0.122	0.141	-13.2%
EBITDA per share	0.153	0.135	0.137	0.154	0.167	0.123	13.4%	-8.5%	0.288	0.290	-0.9%
Free cash flow	S/. 57	S/. -71	S/. 42	S/. -2	S/. 64	S/. 77	-180.3%	-11.5%	S/. -14	S/. 141	-109.9%
Gross margin	24.5%	23.5%	25.1%	23.5%	23.8%	24.0%			24.0%	23.9%	
SG&A expenses / sales	16.3%	16.2%	18.5%	16.5%	15.4%	16.8%			16.2%	16.0%	
Operating margin	8.7%	7.7%	8.1%	9.2%	9.7%	7.6%			8.2%	8.7%	
Net margin	4.2%	5.3%	4.5%	6.0%	5.7%	5.7%			4.8%	5.7%	
EBITDA margin	11.7%	10.7%	11.0%	12.1%	12.5%	10.9%			11.2%	11.8%	
Leverage ratio									0.82	0.83	
Net debt / EBITDA									3.00	2.89	

MAIN HIGHLIGHTS

Ferreycorp awarded by the Lima Stock for Corporate Governance for six time

Ferreycorp was awarded with "The Lima Stock Exchange Key" for six time and recognized as the issuer with best corporate governance practices in Perú because of its compliance with the Principles of Corporate Governance; by the liquidity of its share; and for being among the top five companies in "La Voz del Mercado".

With this award the corporation is conferred with this recognition in the years 2018, 2017, 2013, 2012, 2011 and 2008.

Simultaneously, Ferreycorp celebrated eleven years as part of The Lima Stock Exchange Good Corporate Governance Index (IBGC) and has been incorporated every year in this prestigious index since its launch in 2008.

Ferreyros among the best companies to attract and retain talent in Peru

For fifth consecutive year, the prestigious Merco Talento ranking recognized Ferreyros, the main subsidiary of the corporation, as one of the 10 Best Companies to Attract and Retain Talent in Peru and as the leader company in its sector.

This recognition brought together more than 16,000 local respondents. Ferreyros was assessed according to three reputation values: job quality, employer brand and internal reputation. The survey involved workers, human resources experts, headhunters and human resources managers, alumni from business schools, university students and public in general.

Susidiaries recognized with the distinction Socially Responsible Company

Ferreyros, Orvisa, Unimaq, Motored, Fargoline and Soltrak were recognized with the distinction as "Socially Responsible Company", awarded by Peru 2021, due to their commitment with a socially responsible management as part of their culture and business strategy.

This recognition was awarded after a rigorous auto diagnosis process that evaluates company's performance, based on three sustainable core ideas: values and organizational culture; environmental development; and risk and impacts management.

I. COMMERCIAL MANAGEMENT

1. SALES BREAKDOWN ACCORDING TO CORPORATE ORGANIZATION

Ferreycorp divide 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 second quarter 2018, sales dropped by 3.1% if compared to the same period 2017, as a result of lower sales of Caterpillar mining equipment and a reduction in allied equipment deliveries. This result was in part offset by higher sales of spare parts and services (15%).

It is important to point out that Unimaq sales were impacted throughout 2017 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.

However, sales of this group of companies have been growing in the last two quarters by 5% and 8%, respectively. The share of this first group of subsidiaries in total sales is 75.2%.

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

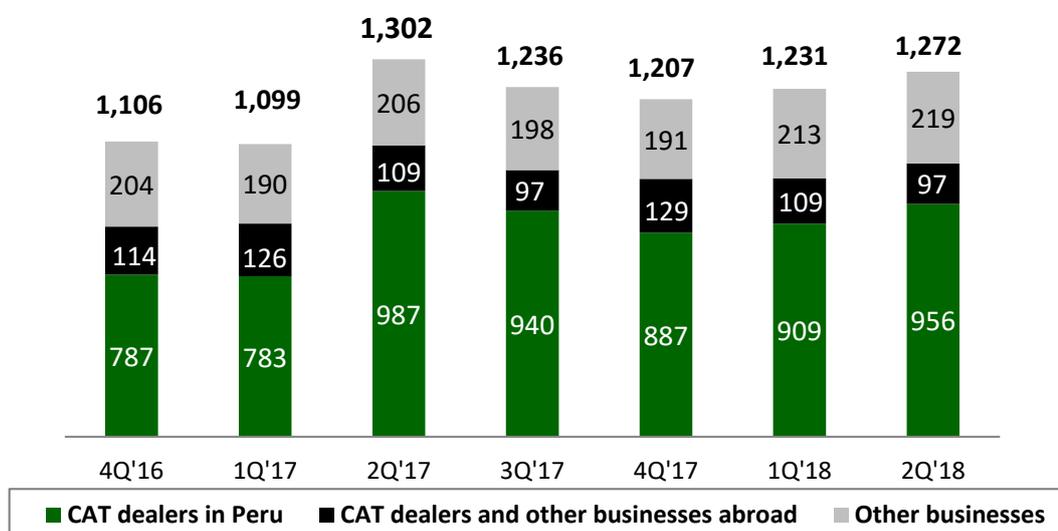
Sales of this second group of companies, with presence in Central America, shrank by 11.1% compared to the 2Q 2017, in great part due to the complicated political-economic situation that Guatemala is going through that has derived in practically no investments in infrastructure. This situation, combined with the questioning of mining activities in the country due to environmental considerations, resulted in the paralyzation of two mining projects that were served by Gentrac Guatemala.

The share of this group of companies in total sales is 7.6%.

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 6.3%. This result turns out from Trex higher sales: company that represents Terex and other allied brands in Chile, Perú, Ecuador and Colombia.

This group of companies boost its share in the corporation consolidated sales, which currently represents 17.2% of total sales

Sales by group of companies (S/. million)


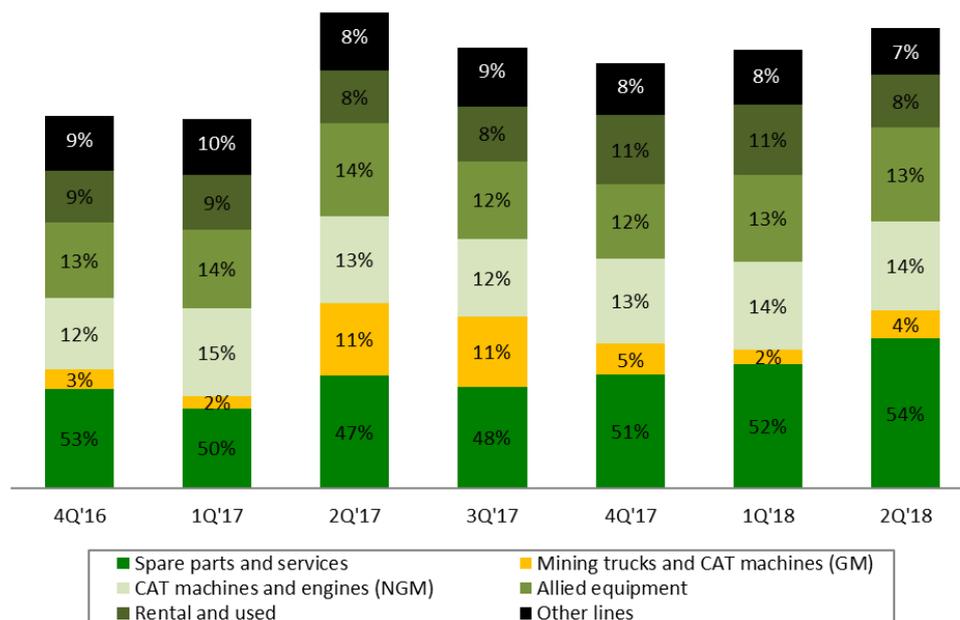
The detail of sales by group of companies:

(S/ million)	2Q'18	%	1Q'18	%	4Q'17	%	3Q'17	%	2Q'17	%	1Q'17	%	% Var 2Q18/ 1Q18	% Var 2Q18/ 2Q17
Ferreyros	814	64	768	62	759	63	785	64	799	61	622	57	6	2
Unimaq	105	8	102	8	98	8	115	9	140	11	124	11	3	-25
Orvisa	37	3	39	3	30	3	40	3	47	4	38	3	-5	-22
Total CAT dealers in Peru	956	75	909	74	887	74	940	76	987	76	783	71	5	-3
Total CAT dealers and other businesses abroad	97	8	109	9	129	11	97	8	109	8	126	11	-11	-11
Soltrak	50	4	65	5	64	5	68	5	66	5	63	6	-23	-24
Motored	60	5	54	4	44	4	52	4	53	4	46	4	12	14
Trex	68	5	47	4	43	4	36	3	39	3	36	3	44	77
Others (Fargoline, Motriza, Forbis, etc)	40	3	47	4	39	3	43	3	48	4	46	4	-16	-16
Total Other businesses	219	17	213	17	191	16	198	16	206	16	190	17	3	6
TOTAL	1,272	100	1,231	100	1,207	100	1,236	100	1,302	100	1,099	100	3	-2

2. SALES BREAKDOWN BY BUSINESS LINE

Sales	2Q'18	%	1Q'18	%	4Q'17	%	3Q'17	%	2Q'17	%	1Q'17	%	%Var 2Q18/1Q18	%Var 2Q18/2Q17
(S/ million)														
Mining Trucks and Caterpillar machines (GM)	54	4	26	2	59	5	134	11	138	11	23	2	109.1	-60.8
Caterpillar machines and engines for other sectors (NGM)	168	13	168	14	161	13	148	12	165	13	167	15	0.3	2.0
Allied equipment	178	14	164	13	142	12	147	12	177	14	149	14	8.3	0.5
Rental and used	100	8	134	11	131	11	104	8	99	8	104	9	-25.2	1.5
Spare parts and services	684	54	636	52	615	51	592	48	613	47	552	50	7.5	11.4
Other lines	88	7	104	8	99	8	111	9	110	8	105	10	-14.8	-19.8
TOTAL	1,272	100	1,231	100	1,207	100	1,236	100	1,302	100	1,099	100	3.3	-2.3

Sales (% share in total sales)

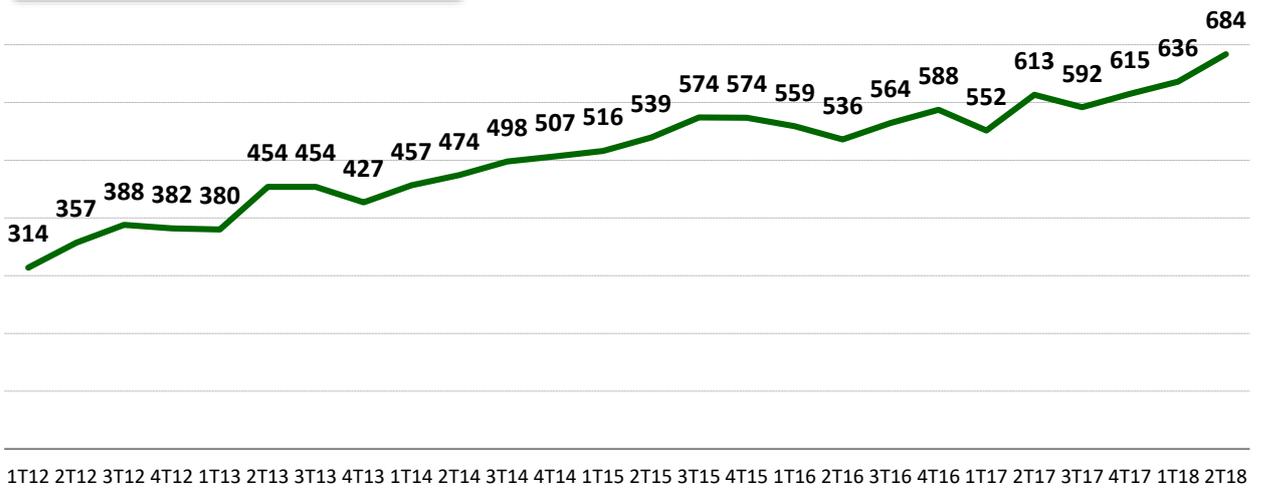


When analyzing the results by business lines during the second quarter 2018, Caterpillar engines and machines for sectors other than mining posted a slight increase of 2% compared to 2Q2017, recovering at a slow pace during recent months.

Likewise, allied equipment line of business is showing signs of recovery driven by cranes and automotive which showed a slight increase compared to the second quarter 2017, following a positive trend that started in the fourth quarter last year driven by higher sales of Motored and Trex (Chile).

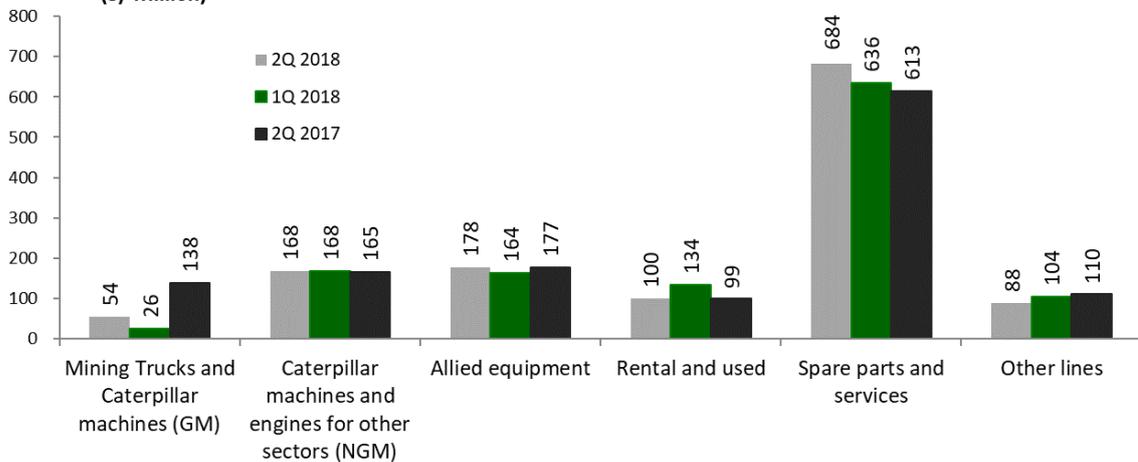
As mentioned before, the strategy of the corporation is focused in increasing the aftermarket, for this reason, great efforts are deployed to deliver the best quality aftermarket support through locations near the customers. These capacities have allowed spare parts and services business line, both Caterpillar and allied brands, to keep the higher share in the composition of total sales (53%), reaching a record sale of S/ 684 million thru the second quarter and the 11.4% higher compared to 2Q'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 (S/. million)



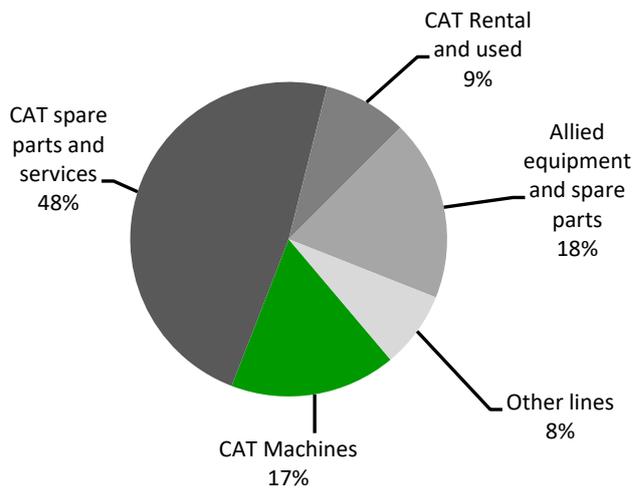
The after-market provided by Ferreycorp to its customers is recognized by high quality standards. Nevertheless, this world class service impacts the operating expenses because it requires investments in inventories of spare parts and components as well as in modernizing its workshops and selecting and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

Sales by Business Line (S/ Million)

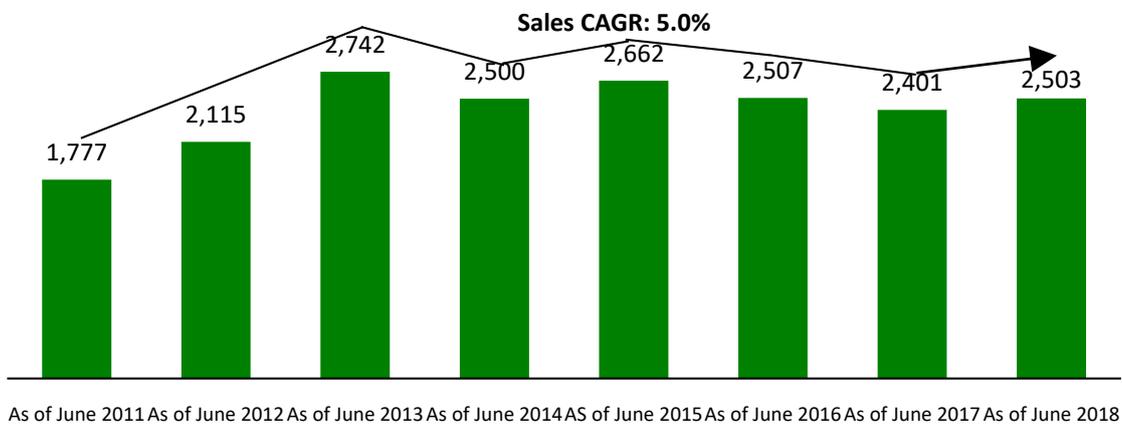


As of June 2018 sales of the Caterpillar brand carried by Caterpillar dealers in Peru, Guatemala, El Salvador and Belize, accounted for 74% of total sales, including machinery and equipment (new, used and rental units) as well as spare parts and services

Sales as of June 2018



Sales and EBITDA (S/. million)



Margen Ebitda	12.9%	10.0%	10.8%	10.9%	11.6%	12.4%	11.8%	11.2%
EBITDA (S/ MM)	228	212	296	273	308	311	283	281

EBITDA CAGR: 3.0%

3. SALES BREAKDOWN BY ECONOMIC SECTORS

Regarding sales distribution by economic sectors, sales to open pit mining represented during the second quarter 2018 42% of total sales compared to 44% during the second quarter last year. Meanwhile, construction represented 20% of total sales, above 18% during second quarter 2017 but similar to the first quarter this year.

It is worth noting that we've been able to keep the share in other economic sectors such as Industry, Commerce and Services, as a result of the corporation diversification strategy.

	2T 2018	1T 2018	4T 2017	3T 2017	2T 2017	1T 2017
Open pit mining	41.8%	34.9%	50.3%	37.8%	43.6%	31.9%
Construction	20.3%	20.0%	11.0%	22.9%	18.2%	24.1%
Underground mining	13.8%	20.7%	12.7%	12.7%	15.0%	17.4%
Government	0.6%	0.8%	2.5%	1.7%	1.3%	1.3%
Transport	5.0%	4.8%	3.1%	4.2%	4.2%	4.3%
Industry, commerce and service	13.0%	12.7%	11.6%	13.3%	8.7%	11.8%
Agriculture and forestry	2.4%	2.8%	3.2%	4.4%	4.4%	3.7%
Fishing and marine	1.0%	1.1%	1.9%	0.5%	3.0%	3.2%
Hydrocarbons and energy	0.5%	0.7%	0.8%	0.8%	0.8%	1.1%
Others	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%

II. ANALYSIS OF FINANCIAL INFORMATION

1. Sales

Million of nuevos soles	2Q18	2Q17	%Var.	1S18	1S17	%Var.
Sales	1,272.0	1,301.9	-2.3	2,503.1	2,401.2	4.2

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

2. Gross profit

Million of nuevos soles	2Q18	2Q17	%Var.	1S18	1S17	%Var.
Gross profit	311.6	309.7	0.6	600.3	573.9	4.6
Gross margin	24.5%	23.8%		24.0%	23.9%	

In the second quarter of 2018, gross profit posted a slightly growth if compared to the one obtained in the same period of 2017. In percentage terms, 2Q 2018 gross margin reached to 24.5% above the one obtained during similar quarter the previous year mainly due to a greater share of spare parts and services as a percentage of total sales.

3. Selling and Administrative Expenses

Million of nuevos soles	2Q18	2Q17	%Var.	1S18	1S17	%Var.
Selling and administrative expenses	207.1	199.9	3.6	406.4	385.2	5.5
As a % of total sales	-16.3%	-15.4%		-16.2%	-16.0%	

Selling and administrative expenses during the second quarter 2018 increased by 3.6% compared to the same quarter last year, mainly due to higher expenses related to product support. Therefore, SG&A as a percentage of total sales varied from 15.4% in the 2Q'17 to 16.3% in the 2Q'18.

4. Financial Expenses

Million of nuevos soles	2Q18	2Q17	%Var.	1S18	1S17	%Var.
Financial expenses	18.1	19.3	-6.6	32.2	39.7	-19.0
As a % of total sales	-1.4%	-1.5%		-1.3%	-1.7%	

Financial expenses for the second quarter 2018 decreased by 7% compared to 2Q 2017 as a result of the prepayment of the international bond carried out in 2017.

5. Foreign Exchange Gain/ Loss

Million of nuevos soles	2Q18	2Q17	%Var.	1S18	1S17	%Var.
Foreign Exchange Gain/ Loss	-17.5	-4.4	302.6	-10.6	17.6	-160.3

The foreign exchange loss in 2Q 2018 was led by devaluation of the currency not only in Perú, but also in Chile. In Perú, the Nuevo sol devaluation against the dollar was 1.39% (the exchange rate varied from S/ 3.229 in March 2018 to S/ 3.274 in June 2018), compared to 0.18% Nuevo sol sol devaluation during similar quarter last year (the exchange rate varied from S/ 3.249 in March 2017 to S/ 3.255 in June 2017)

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). However, as inventories are recorded in local currency, a devaluation of the nuevo sol results in higher debt (its equivalent in local currency), which will be recovered when inventories are sold.

6. Net profit

Million of nuevos soles	2Q18	2Q17	%Var.	1S18	1S17	%Var.
Net profit	54.0	74.8	-27.8	119.1	137.3	-13.2

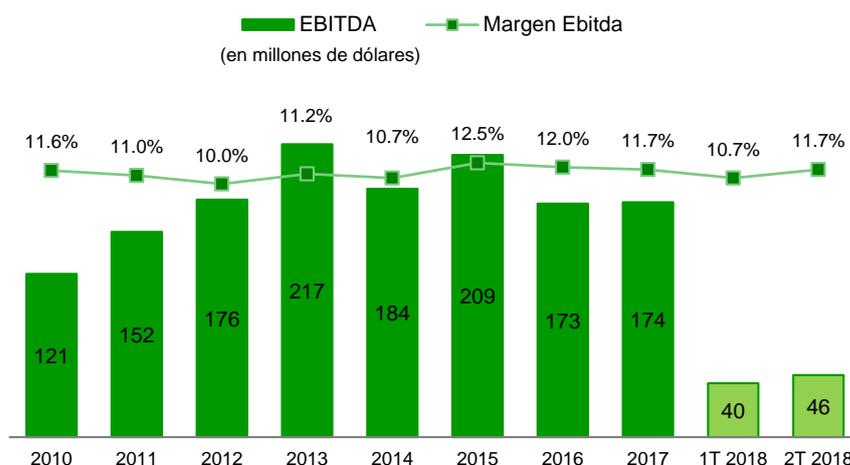
Net profit for the second quarter 2018 amounted to S/ 54 million showing an important reduction compared to same quarter last year as a result of the explanation aforementioned.

7. EBITDA

Million of nuevos soles	2Q18	2Q17	%Var.	1S18	1S17	%Var.
EBITDA	149.3	163.2	-8.5	280.9	283.4	-0.9
EBITDA margin	11.7%	12.5%		11.2%	11.8%	

As of June 30, 2018 89.4% 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, 5.3% of EBITDA is generated by Caterpillar dealers and other businesses abroad, while 6.3% comes from local and foreign subsidiaries aimed to offer capital goods and services for the different economic sectors. Some of the companies from the third group are still young and have been affected by the market contraction of the last two years, without being able to adjust their expenses because they are still in a phase of market penetration. In other cases, these are businesses with different expectations of profitability that will gradually benefit from synergies with other companies of the corporation.

Second quarter 2018 EBITDA reached to S/. 149.3 million, compared to S/. 163.2 million reported on second quarter 2017 but higher to the one reached during the first quarter this year.



ANALYSIS ACCORDING TO CORPORATE ORGANIZATION

(S/ thousands)	CAT dealers in Peru		CAT Dealers and other businesses abroad		Other businesses	
	2018	2017	2018	2017	2018	2017
Sales	1,865,049	1,770,528	206,037	235,225	432,063	395,468
Gross Profit	475,554	439,665	48,666	58,911	76,108	75,312
Gross Margin	25%	25%	24%	25%	18%	19%
Operating Expenses	293,417	262,158	41,498	59,020	68,648	69,449
Operating Margin	10%	10%	4%	6%	2%	2%
Dep. and Amort.	45,926	44,011	7,951	9,692	7,038	8,291
EBITDA	246,104	228,000	16,992	24,986	19,057	16,666
EBITDA Margin	13%	13%	8%	11%	4%	4%

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

III. ANALYSIS OF CONSOLIDATED FINANCIAL INFORMATION

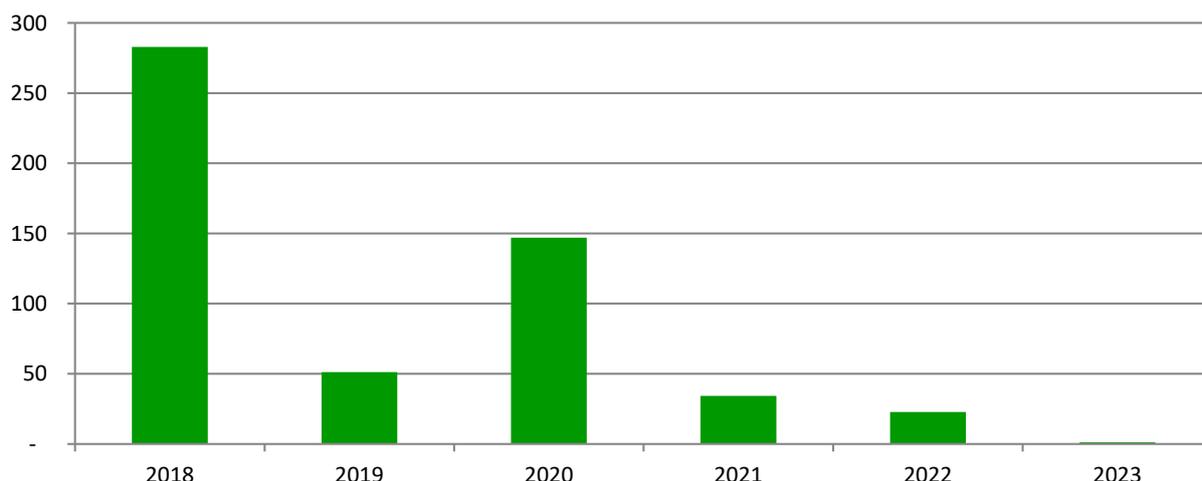
Total assets as of June 30, 2018 amounted to S/ 5,048.0 million, 5.1% higher if compared to S/ 4,803.9 million as of June 30, 2017. This variation is primarily due to the increase in inventory (S/306.2 million) led by: components in order to keep the mining trucks fleets in full operation; factory delays in the supply of spare parts that turned into more inventory in process for repairs; machines related to a forecast of increasing demand due to expectations of a growing market, especially in copper mining; and, Motored that carried out during the first quarter an important purchase of trucks as a result of a commitment with the represented brand.

Financial liabilities for the first semester 2018 amounted to S/ 1,764.4 million (US\$ 539 million), almost flat if compared to financial liabilities of US\$ 538 million recorded during the same period last year. The percentage of financial liabilities with current maturities is 58% (S/ 1,016.6 million), while S/ 747.8 million are financial liabilities with long term maturities (this amount includes the outstanding of the international bonds for S/ 327 million)

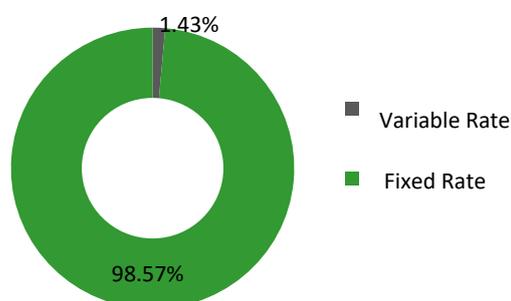
In order to achieve an adequate financial structure, the corporation has begun to refinance the short term debt with the purpose to take it to no more than 50% of total financial liabilities.

Below is the maturity structure of the consolidated liabilities, which is 93.2% 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, 98.58% of total debt has been contracted at fixed rate, which cover us from interest rates risks

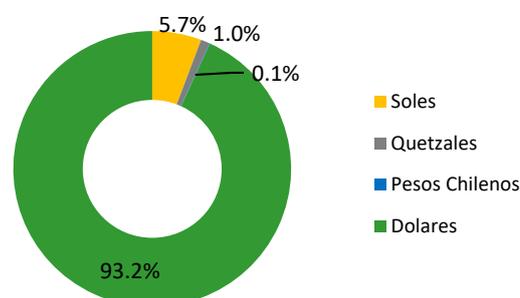
Maturity Structure of Liabilities (US\$ million)



Gross debt by rate



Gross debt by currency



Investment in Fixed Assets (CAPEX)

As of June 2018 the investment in fixed assets was:

In million Soles	Acquisitions	Deductions	Total S/	Total US\$
Infrastructure	9.6	-25.7	-16.1	-4.9
Machinery and equipment	46.1	-6.9	39.2	12
Rental Fleet	71.2	-110.7	-39.5	-12.1
Vehicles, furniture and fixtures	6.4	-0.9	5.5	1.7
	133.4	-144.3	-10.9	-3.3
Investment in intangibles	26.1	-6	20.1	6.1

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

As of June 2018 capex reached S/ -10.9 million (US\$ -3.3 million), and dropped if compared to S/ -2.5 million (US\$ -0.8 million) invested as of June last year. This result is due to the fact that this year there have been no investments in new facilities and the corporation continue with the reduction of the rental fleet as a result of lower demand of equipment for the construction sector.

The investment in intangible assets reached US\$ 6.1 million dollars, particularly for the implementation of SAP platform during the first quarter 2019 in the main companies of the corporation.

IV. FINANCIAL RATIOS

	Jun-18	Mar-18	Dec-17	Sept-17	Jun-17
Current ratio	1.46	1.44	1.54	1.48	1.52
Financial debt ratio	0.82	0.80	0.75	0.79	0.83
Indebtness ratio	1.44	1.50	1.33	1.42	1.49
Net debt / EBITDA ratio	3.00	2.79	2.73	2.83	2.89
Adjusted debt / EBITDA	1.62	1.94	2.05	2.25	2.32
Financial expenses coverage ratio	8.73	9.33	6.66	7.46	7.13
Asset turnover	1.00	1.02	1.01	0.99	1.01
Inventory turnover	2.65	2.81	2.80	2.85	2.81
Receivable days	71	71	70	77	70
Payable days	59	55	54	51	54
Cash cycle	148	144	145	152	145
ROE	12.4%	13.9%	13.4%	14.6%	12.8%
ROA	6.0%	6.2%	6.2%	6.2%	6.1%
ROIC	11.1%	12.0%	11.6%	11.6%	11.5%
Book value per share	2.12	2.06	2.14	2.08	1.97

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

As shown in the chart above, current and indebtedness ratios are within the appropriate levels. The leverage ratios considered within the covenants of the international bond show an increase due to the reduction of EBITDA.

The cash cycle rose during this quarter, showing 148 days, compared to the one obtained in the same period of 2017, affected by inventory turnover.

ROE and ROIC 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)

	2Q18	%	2Q17	%	Var %	Acum a jun18	%	Acum a jun17	%	Var %
Net sales	1,271,983	100.0	1,301,902	100.0	-2.3	2,503,149	100.0	2,401,221	100.0	4.2
Cost of goods sold	-960,431	-75.5	-992,214	-76.2	-3.2	-1,902,821	-76.0	-1,827,333	-76.1	4.1
Gross profit	311,552	24.5	309,688	23.8	0.6	600,328	24.0	573,888	23.9	4.6
Selling and administrative expenses	-207,059	-16.3	-199,934	-15.4	3.6	-406,433	-16.2	-385,181	-16.0	5.5
Other income (expenses), net	6,717	0.5	16,240	1.2	-58.6	11,738	0.5	20,424	0.9	-42.5
Operating profit	111,210	8.7	125,994	9.7	-11.7	205,633	8.2	209,131	8.7	-1.7
Financial income	6,270	0.5	4,481	0.3	39.9	11,222	0.4	9,461	0.4	18.6
Gain (loss) to exchange rate	-17,529	-1.4	-4,354	-0.3	302.6	-10,606	-0.4	17,576	0.7	-160.3
Financial expenses	-18,050	-1.4	-19,328	-1.5	-6.6	-32,164	-1.3	-39,729	-1.7	-19.0
Share in the net result or associated through the equity method	1,319	0.1	165	0.0	699.4	5,768	0.2	3,668	0.2	57.3
Profit before income tax	83,220	6.5	106,958	8.2	-22.2	179,853	7.2	200,106	8.3	-10.1
Income tax	-29,210	-2.3	-32,113	-2.5	-9.0	-60,710	-2.4	-62,805	-2.6	-3.3
Net Profit	54,010	4.2	74,845	5.7	-27.8	119,143	4.8	137,301	5.7	-13.2
Earnings per Share	0.055		0.077			0.122		0.141		
EBITDA	149,311	11.7	163,186	12.5	-8.5	280,937	11.2	283,369	11.8	-0.9

NOTE: Some figures have been reclassified in this document to include the assignment in gross profit of purchase orders transferred by CAT to Ferreyros, as sales and cost of goods sold. In the Income Statement presented to the SMV shows the gross profit from those deals in the other operating income line.

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 2

Estate of Financial Position

(En thousand nuevos soles)

	As of June'18	As of June'17	Var % jun18/ jun17
Cash and cash equivalents	67,745	150,538	-55.0
Accounts receivables - trade	1,101,869	1,103,179	-0.1
Inventories	1,566,678	1,260,518	24.3
Accountes receivables - other	197,898	192,630	2.7
Investment in shares	82,291	-	
Investment in securities	2,161	-	
Prepaid expenses	38,794	33,649	15.3
Current Assets	3,057,436	2,740,514	11.6
Long-term account receivables - trade	33,965	69,948	-51.4
Long-term account receivables - other	327	628	-47.9
Rental fleet	368,178	372,833	-1.2
Other fixed assets	1,639,016	1,667,306	-1.7
	2,007,194	2,040,139	-1.6
Accrued depreciation	-549,496	-598,078	-8.1
Property, plant and equipment	1,457,698	1,442,061	1.1
Investments	21,265	82,796	-74.3
Intangible assets, net and goodwill	299,827	279,361	7.3
Deferred income tax	177,453	188,605	-5.9
Non Current Assets	1,990,535	2,063,399	-3.5
Total Assets	5,047,971	4,803,913	5.1
Short term debt	225,196	190,559	18.2
Other current liabilities	1,809,489	1,608,508	12.5
Current Liabilities	2,034,685	1,799,067	13.1
Long term debt	747,773	861,262	-13.2
Other payables	131	781	-83.2
Minority interest	-	3,441	
Deferred income tax	194,908	210,217	-7.3
Total Liabilities	2,977,497	2,874,768	3.6
Equity	2,070,474	1,929,145	7.3
Total Liabilities and Equity	5,047,971	4,803,913	5.1
Other financial information			
Depreciation	55,759	55,905	
Amortization	8,323	8,873	

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 3

SALES

(In thousand nuevos soles)

	2Q18	%	2Q17	%	% Var 2Q 2018/2Q 2017	Acum a jun18	%	Acum a jun17	%	Var %
Mining Trucks and Caterpillar machines (GM)	54,072	4.3	137,916	10.6	-60.8	79,934	3.2	160,507	6.7	-50.2
Caterpillar machines and engines for other sectors (NGM)	168,351	13.2	165,052	12.7	2.0	344,759	13.8	332,416	13.8	3.7
Allied equipment	177,641	14.0	176,808	13.6	0.5	333,096	13.3	325,422	13.6	2.4
Rental and used	100,185	7.9	98,727	7.6	1.5	234,169	9.4	202,564	8.4	15.6
Spare parts and services	683,560	53.7	613,453	47.1	11.4	1,319,492	52.7	1,164,998	48.5	13.3
Other lines	88,175	6.9	109,947	8.4	-19.8	191,699	7.7	215,313	9.0	-11.0
TOTAL	1,271,983	100.0	1,301,902	100.0	-2.3	2,503,149	100.0	2,401,221	100.0	4.2

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 4

Total Liabilities as of June 2018

(In thousand US dollars)

	Total Liabilities	Current Liabilities	Long Term Liabilities		(A) Financial Liabilities
			Current	Long Term	
Local Banks (Short Term)	203,016	203,016	-	-	203,016
Foreign Banks (Short Term)	19,809	19,809	-	-	19,809
Local Banks (Long Term)	139,559	-	47,323	92,236	139,559
Foreign Banks (Long Term)	9,049	-	3,280	5,769	9,049
Local and Foreign banks (long term) Leasing	2,172	-	931	1,241	2,172
Suppliers:					
Accounts payable to Caterpillar (inventory)	73,833	73,833	-	-	-
Accounts payable to Caterpillar	18,815	18,815	-	-	18,815
Others	114,482	114,482	-	-	105
Corporate bonds	100,000	-	-	100,000	100,000
Caterpillar Financial	45,160	-	16,009	29,151	45,160
Other Liabilities	183,542	122,729	1,240	59,572	1,240
Total (US\$)	909,437	552,684	68,783	287,969	538,925
Total (S/.)	2,977,497	1,809,489	225,196	942,812	1,764,442

(A) Subject to interest payment

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 5

Cashflow Statement

(In thousand nuevos soles)

As of June'18
Cashflow from operating activities

Collection to customers and third parties	2,556,150
Payment to suppliers	-2,221,902
Payment to employees and others	-208,927
Payment of taxes and income tax	-47,737

Net cash provided by operating activities 77,583
Cashflow from investing activities

Acquisition of property, plant and equipment	-50,013
Intangible acquisitions	-26,191
Sale of property, plant and equipment	15,159

Net cash used in investing activities -61,045
Cashflow from financing activities

Financial liabilities	1,831,701
Payment of financial liabilities	-1,697,175
Interests payed	-30,733
Dividends payed	-132,171

Net cash provided by financing activities -28,378

Cash increase, net -11,840

Cash at the beginning of the year 80,710

Result due traslation -1,146

Cash due to exchange rate variation 21

Cash at the end of the year 67,745