

For further information, please contact:

Patricia Gastelumendi L.
CFO
Telf: (511) 626-4257
patricia.gastelumendi@ferreycorp.com.pe

Elizabeth Tamayo M.
Head of Investor Relations
Tel: (511) 626-5112
elizabeth.tamayo@ferreycorp.com.pe

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

Third Quarter 2018

Lima, October 31, 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 third 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

ACCUMULATED RESULTS AS OF SEPTEMBER 2018

- En dólares, las ventas ascendieron a US\$ 1,156 millones, mayores en 4% en relación al mismo periodo del año anterior. Con estos resultados, la corporación logra mantener altos volúmenes de negocios, a pesar de la coyuntura político-económica del Perú y de otras regiones donde operan las subsidiarias, así como su sólido liderazgo en el mercado, con su principal representada Caterpillar.
- Consolidated sales in this first nine-month period amounted to S/ 3,772 million and increased by 4% compared to the same period last year (S/ 3,637 million). This result is mainly explained by the greater dynamism of spare parts and services business line as a result of the aging population of machinery spread all over the country, and, due to Caterpillar machinery for economic sectors other than mining. In dollars, sales reached to US\$ 1,156 million, 4% higher if compared as of September 2017. With these results, the corporation has been able to keep high business volumes, despite the

political-economic situation in Peru and other regions where our subsidiaries carry out their business, as well as its leadership in the market with Caterpillar brand.

- Ferreycorp keeps a positive long-term vision regarding economic sectors such as construction and mining. Although there are delays in the execution of infrastructure projects, the corporation trusts that such projects will be developed in order to close the existing infrastructure gap, and values signals such as the delivery of land for the expansion of the country's main airport. Regarding mining, it is important to remark the existing portfolio of mining projects for US\$ 58 billion. It is worth mentioning the announcement of machine delivery from Ferreyros to Mina Justa Project (which is explained in the section "Main Highlights").
- During the first nine months of the year, gross margin reached to 24.4%, higher than 23.7% during the first nine months of 2017. Such result was driven by the greater share of spare parts and services in total sales (from 48% in 2017 to 54% as of September 2018).
- Operating margin as of September 30, 2018 dropped to 8.3%, slightly lower compared to 8.9% as of September 30, 2017 due to a reduction in other income. Sales and administrative expenses as a percentage of total sales remained stable in 16%.
- Financial expenses for the first nine-month period 2018 showed an important reduction of 12% compared to similar period last year and amounted to S/ 51 million, despite the increase in interest rates in recent months.
- Consolidated net profit as of September 2018 amounted to S/ 171 million and dropped by 19% compared to net profit reached as of September last year mainly impacted by a S/ -40 million variation due to exchange rate (S/ -23 million foreign exchange loss during 2018 and S/ 17 million foreign exchange gain during 2017). Net margin reached 4.5% compared to 5.8% recorded as of September 2017.
- EBITDA as of September 30, 2018 reached S/ 427 million, similar as of the one reached as of September last year (S/ 433 million). EBITDA margin as of September 2018 amounted to 11.3% compared to 11.9% as of September 2017.

THIRD QUARTER 2018 RESULTS

- During the third quarter 2018, consolidated sales reached to S/ 1,269 million, 3% higher if compared to S/ 1,236 million in 3Q2017. These results reflect the leadership of Ferreycorp and its main represented brand, Caterpillar, and were achieved despite a lower dynamism of the economy, low levels of investment and delays in the execution of new mining and infrastructure projects. However, as pointed out above, Ferreycorp keeps its positive long-term view for both economic sectors. During the first three quarters of the year, there have been no major deliveries of large mining equipment. Important deliveries will be carried out during the last quarter 2018, expecting that large mining equipment sales will not exceed those of 2017.
- In the third quarter, spare parts and services reached record sales of S / 697 million, 18% higher than the same period 2017.
- Gross profit (S / 319 million) increased compared to the third quarter of the previous year (S / 290 million). In turn, gross margin amounted to 25.2%, higher than the one reached during the same period of 2017 (23.5%), as a result of a greater share of spare parts and services in the composition of total sales (55%).

- Operating margin reached to 8.5% in 3Q2018, compared to 9.2% during 3Q2017, impacted mainly by a reduction in other income.
- Consolidated net profit during 3Q2018 amounted to S/ 52 million and decreased by 30% compared to net profit reached during 3Q2017 (S/ 74 million). This result is in part attributed to the S/ -13 million exchange loss recorded during the 3Q18.
- Net margin reached 4.1% during 3Q18 compared to 6% recorded during 3Q17. EBITDA margin for the third quarter amounted 11.5% compared to 12.1% during similar quarter last year.

(In million soles except for share ratios)	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	%Var. 3Q18/2Q18	%Var. 3Q18/ 3Q17	Acum Set 2018	Acum Set 2017	%Var.
Net Sales (US\$)	\$385	\$390	\$380	\$372	\$381	\$399	\$334	-1.3%	1.2%	\$1,156	\$1,113	3.8%
Net Sales	S/. 1,269	S/. 1,272	S/. 1,231	S/. 1,207	S/. 1,236	S/. 1,302	S/. 1,099	-0.2%	2.7%	S/. 3,772	S/. 3,637	3.7%
Gross profit	S/. 319	S/. 312	S/. 289	S/. 303	S/. 290	S/. 310	S/. 264	2.5%	10.2%	S/. 920	S/. 864	6.5%
SG&A expenses	S/. -215	S/. -207	S/. -199	S/. -224	S/. -204	S/. -200	S/. -185	4.0%	5.5%	S/. -622	S/. -585	6.4%
Operating profit	S/. 108	S/. 111	S/. 94	S/. 98	S/. 114	S/. 126	S/. 83	-2.7%	-5.1%	S/. 314	S/. 323	-2.9%
Financial expenses	S/. -19	S/. -18	S/. -14	S/. -27	S/. -18	S/. -19	S/. -20	5.2%	3.3%	S/. -51	S/. -58	-12.0%
Gain (loss) to exchange rate	S/. -13	S/. -18	S/. 7	S/. 8	S/. -1	S/. -4	S/. 22			S/. -23	S/. 17	
Net profit	S/. 52	S/. 54	S/. 65	S/. 55	S/. 74	S/. 75	S/. 62	-3.6%	-29.9%	S/. 171	S/. 212	-19.1%
EBITDA	S/. 147	S/. 149	S/. 132	S/. 133	S/. 150	S/. 163	S/. 120	-1.9%	-2.4%	S/. 427	S/. 433	-1.4%
EPS	0.053	0.055	0.067	0.056	0.076	0.077	0.064	-3.6%	-30.2%	0.175	0.218	-19.4%
EBITDA per share	0.150	0.153	0.135	0.137	0.154	0.167	0.123	-1.9%	-2.8%	0.438	0.446	-1.8%
Free cash flow	S/. -79	S/. 57	S/. -71	S/. 42	S/. -2	S/. 64	S/. 77			S/. -93	S/. 139	
Gross margin	25.2%	24.5%	23.5%	25.1%	23.5%	23.8%	24.0%			24.4%	23.7%	
SG&A expenses / sales	17.0%	16.3%	16.2%	18.5%	16.5%	15.4%	16.8%			16.5%	16.1%	
Operating margin	8.5%	8.7%	7.7%	8.1%	9.2%	9.7%	7.6%			8.3%	8.9%	
Net margin	4.1%	4.2%	5.3%	4.5%	6.0%	5.7%	5.7%			4.5%	5.8%	
EBITDA margin	11.5%	11.7%	10.7%	11.0%	12.1%	12.5%	10.9%			11.3%	11.9%	
Leverage ratio										0.85	0.79	
Net debt / EBITDA										3.20	2.83	

MAIN HIGHLIGHTS

Delivery of equipment to Mina Justa

The main subsidiary Ferreyros, leading company in heavy machinery and services in Peru, will deliver a fleet of more than 50 CAT machines worth in more than US\$ 100 million for the new mining project Mina Justa from Marcobre.

We can highlight the delivery of 26 CAT 793D mining trucks, with capacity to carry 250 tons, as part of this fleet.

It should be noted that the delivery of equipment will take place mostly during the last quarter 2018 and next year.

Ferreycorp in the Dow Jones Sustainability Index (DJSI)

For second consecutive year, Ferreycorp takes part of the Dow Jones Sustainability Index (DJSI) for the MILA-Pacific Alliance region.

DJSI announced by S&P Dow Jones Index and RobecoSAM is comprised of 42 companies that stand out in sustainability matters and that are registered in the Pacific Alliance Stock Exchanges (Mexico, Chile, Colombia and Peru).

The index assessment methodology includes an analysis of good corporate governance practices, enforcement of a code of conduct, human capital development, transparency, respect and care for the environment and corporate citizenship, among others.

Ferreyros, among the top five companies in Perú with the best reputation

Ferreyros, main subsidiary of Ferreycorp, was recognized among the five Peruvian companies with the best reputation in the country and the best in the Industry sector, according to the corporate reputation monitor Merco.

The company is placed again in fourth position in this prestigious ranking, which this year collected the perception of more than 20,000 respondents.

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 third quarter 2018, sales increased by 2.6% if compared to the same period 2017, as a result of higher sales of spare parts and services that went up by 20% with a share of 66% in total sales of this group of companies, and, due to a 33% increase in the line of Caterpillar equipment serving different markets other than large open pit mining, standing out the medium size mining.

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 three quarters. The share of this first group of subsidiaries in total sales is 76%.

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

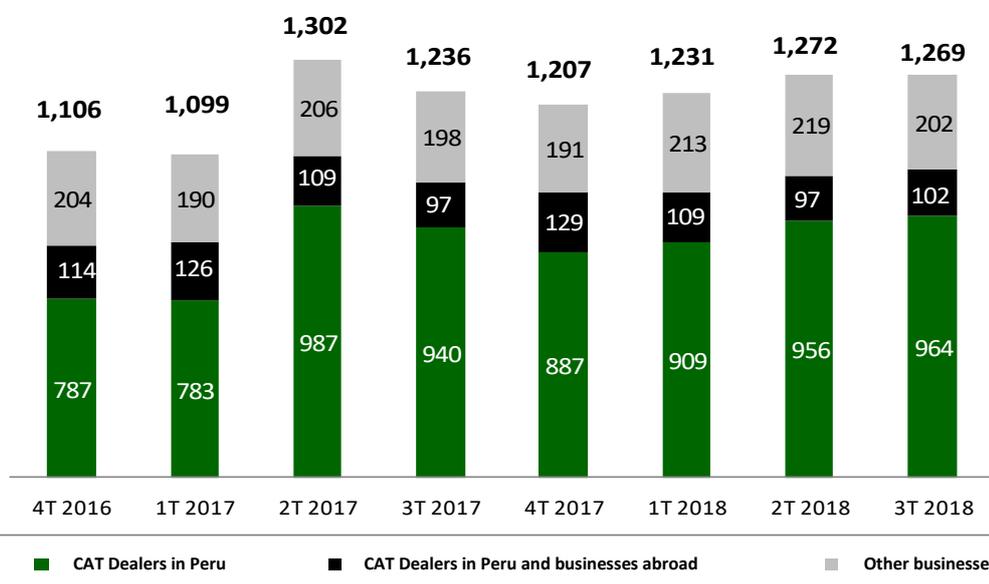
Sales of this second group of companies, with presence in Central America, rose by 5.4% compared to the 3Q 2017, in spite of the complicated political-economic situation that Guatemala is going through that has derived in practically no investments in infrastructure and prevails the questioning of mining activities in the country.

The share of this group of companies in total sales is 8.1%.

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 2%. 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 15.9% of total sales

Sales by Group of Subsidiaries (Million S/)


The detail of sales by group of companies:

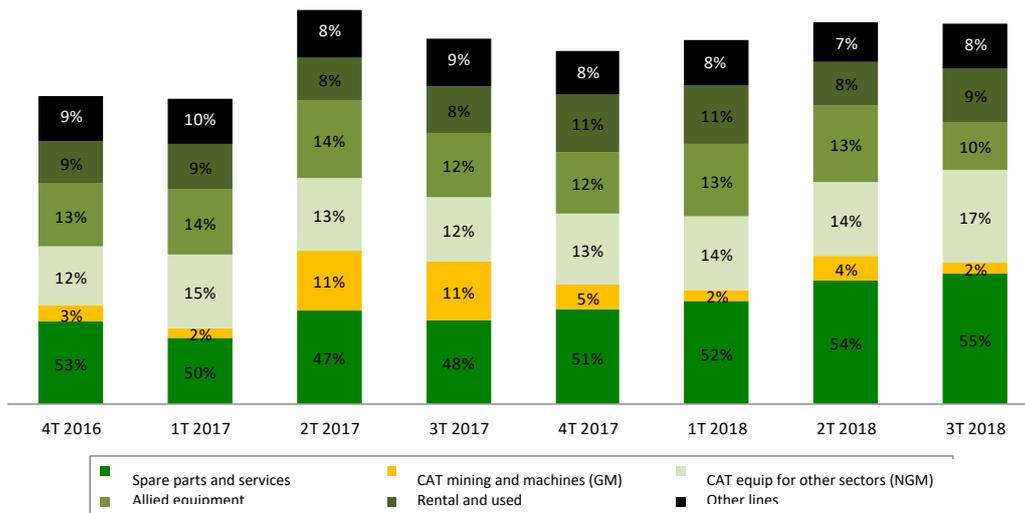
(S/ million)	3T18		2T18		1T18		4T17		3T17		2T17		1T17		% Var 3T18/2T18	% Var 3T18/3T17
		%		%		%		%		%		%		%		
Ferreyros	818	64	814	64	768	62	759	63	785	64	799	61	622	57	1	4
Unimaq	106	8	105	8	102	8	98	8	115	9	140	11	124	11	2	-8
Orvisa	40	3	37	3	39	3	30	3	40	3	47	4	38	3	6	-1
Total CAT distrib. In Peru	964	76	956	75	909	74	887	74	940	76	987	76	783	71	1	3
Total CAT distrib. In Peru and other businesses abroad	102	8	97	8	109	9	129	11	97	8	109	8	126	11	5	5
Soltrak	54	4	50	4	65	5	64	5	68	5	66	5	63	6	8	-20
Motored	41	3	60	5	54	4	44	4	52	4	53	4	46	4	-32	-20
Trex	59	5	68	5	47	4	43	4	36	3	39	3	36	3	-14	63
Others (Fargoline, Motriza, Forbis, etc)	48	4	40	3	47	4	39	3	43	3	48	4	46	4	21	12
Total other businesses	202	16	219	17	213	17	191	16	198	16	206	16	190	17	-8	2
TOTAL	1,269	100	1,272	100	1,231	100	1,207	100	1,236	100	1,302	100	1,099	100	0	3

2. SALES BREAKDOWN BY BUSINESS LINE

(million S/)

	3T 2018	%	2T 2018	%	1T 2018	%	4T 2017	%	3T 2017	%	2T 2017	%	1T 2017	%	%Var 3T 2018/2T 2018	% Var 3T 2018/3T 2017
CAT mining trucks and machines (GM)	27	2	54	4	26	2.1	59	5	134	11	138	11	23	2	-49.5	-79.6
CAT machines for other sectors (NGM)	210	17	168	13	168	13.6	161	13	148	12	165	13	167	15	24.9	42.4
Allied equipment	111	9	178	14	164	13.3	142	12	147	12	177	14	149	14	-37.3	-24.2
Rental and used	121	10	100	8	134	10.9	131	11	104	8	99	8	104	9	20.4	15.8
Spare parts and services	697	55	684	54	636	51.7	615	51	592	48	613	47	552	50	2.0	17.8
Other lines	102	8	88	7	104	8.4	99	8	111	9	110	8	105	10	16.0	-7.9
TOTAL	1,269	100	1,272	100	1,231	100.0	1,207	100	1,236	100	1,302	100	1,099	100	-0.2	2.7

Sales (% share of total sales)

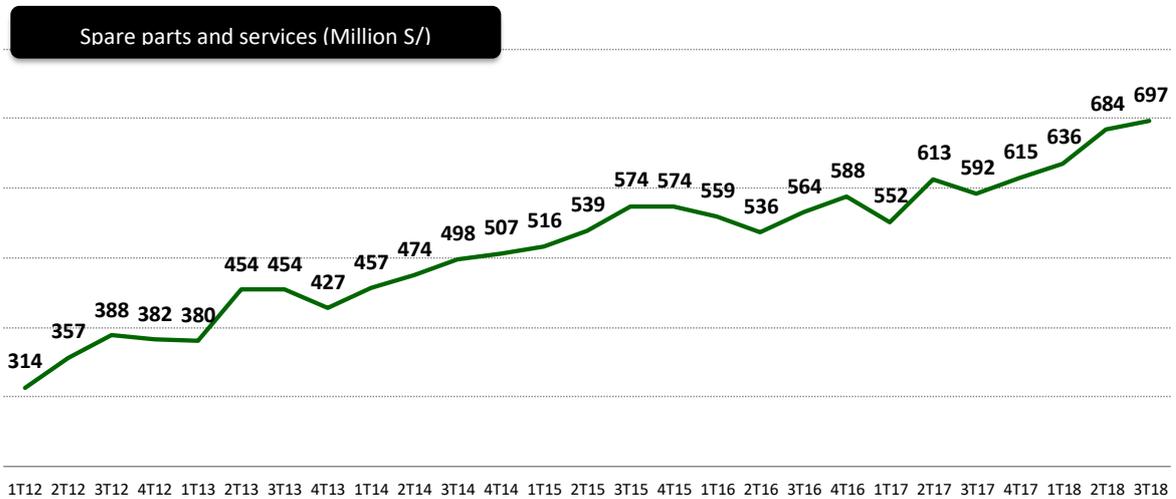


When analyzing the results by business lines during the third quarter 2018, Caterpillar engines and machines for sectors other than mining posted a steady growth and rose by 42% compared to 3Q 2017 and increased by 25% if compared to 2Q 2018.

Likewise, rental and used equipment sales increased by 20% compared to 2Q 2018 and by 16% compared to same quarter last year, as a result of higher sales in Ferreyros and Trex (Chile).

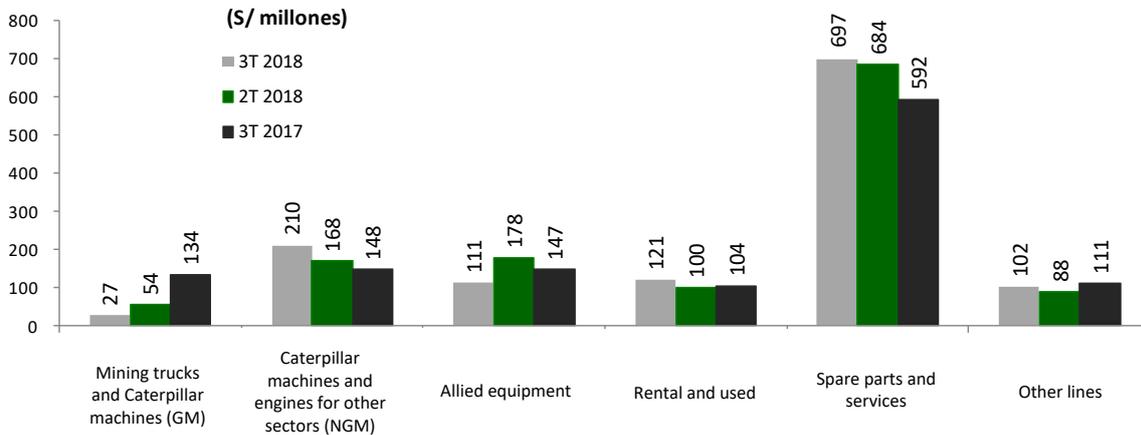
As mentioned before, the strategy of the corporation is focused in increasing the aftermarket, for this reason, great efforts are deployed to deliver the best quality aftermarket support through locations near the customers. These capacities have allowed spare parts and services business line, both Caterpillar and allied brands, to keep the higher share in the composition of total sales (55%), reaching a record sale of

S/ 697 million thru the third quarter and 18% higher compared to 3Q'17. The population of Caterpillar machinery has grown and continues to grow, dynamic that allows the sustainability of the business model.



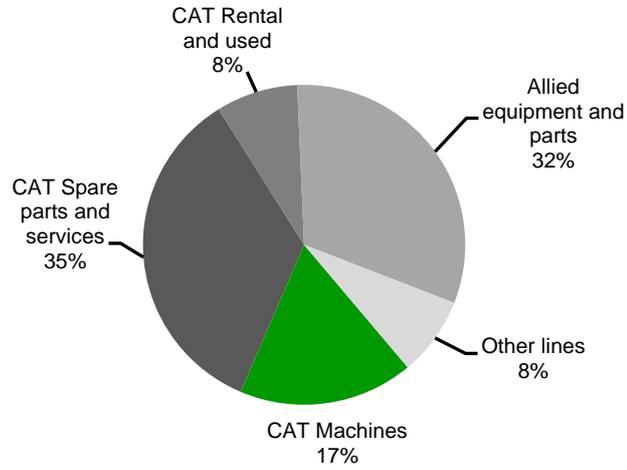
The after-market provided by Ferreycorp to its customers is recognized by high quality standards. Nevertheless, this world class service impacts the operating expenses because it requires investments in inventories of spare parts and components as well as in modernizing its workshops and selecting and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

Sales by Business Line

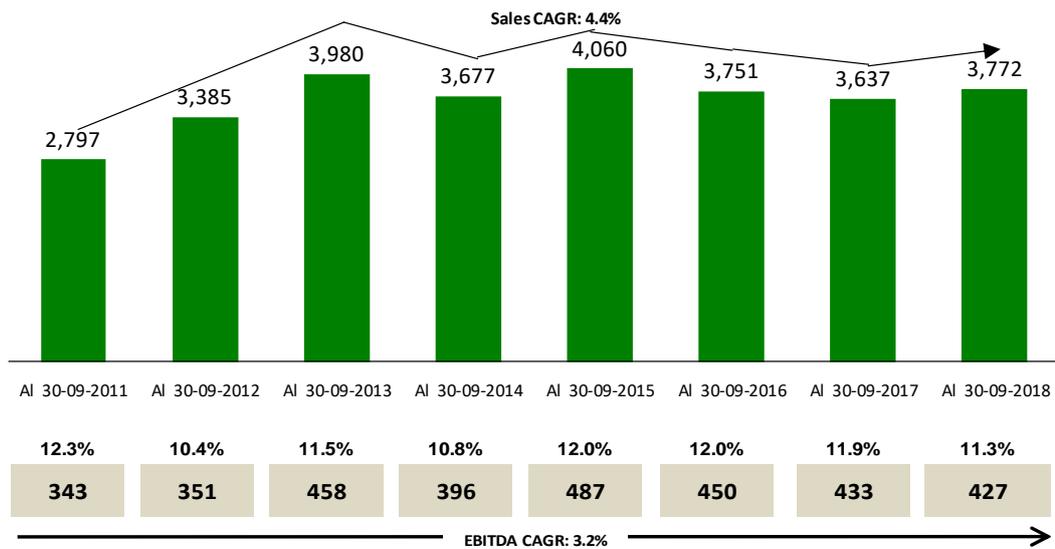


As of September 2018 sales of the Caterpillar brand carried by Caterpillar dealers in Peru, Guatemala, El Salvador and Belize, accounted for 60% of total sales, including machinery and equipment (new, used and rental units) as well as spare parts and services

Sales (As of September 2018)



Sales and EBITDA (Million S/)



3. SALES BREAKDOWN BY ECONOMIC SECTORS

Regarding sales distribution by economic sectors, sales to open pit mining represented, during the third quarter 2018, 40% of total sales compared to 38% during the third quarter last year. Meanwhile, construction represented 23% of total sales, almost similar to third quarter 2017 but higher to the second quarter this year.

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

II. ANALYSIS OF FINANCIAL INFORMATION

1. Ventas

Million soles	3Q18	3Q17	%Var.	As of Set 18	As of Set 17	%Var.
Sales	1,269.0	1,235.6	2.7	3,772.1	3,636.8	3.7

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

2. Gross profit

Million soles	3Q18	3Q17	%Var.	As of Set 18	As of Set 17	%Var.
Gross profit	319.3	289.8	10.2	919.6	863.7	6.5
Gross margin	25.2%	23.5%		24.4%	23.7%	

In the third quarter of 2018, gross profit increased if compared to the one obtained in the same period of 2017. In percentage terms, 3Q 2018 gross margin reached to 25.2% above the one reached 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 soles	3Q18	3Q17	%Var.	As of Set 18	As of Set 17	%Var.
Selling and administrative expenses	215.4	199.7	7.8	621.8	584.7	6.4
As a % of total sales	-17.0%	-16.2%		-16.5%	-16.1%	

Selling and administrative expenses during the third quarter 2018 increased by 7.8% 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 16.2% in the 3Q'17 to 17.0% in the 3Q'18.

4. Financial Expenses

Million soles	3Q18	3Q17	%Var.	As of Set 18	As of Set 17	%Var.
Financial expenses	19.0	18.4	3.3	51.2	58.1	-12.0
As a % of total sales	-1.5%	-1.5%		-1.4%	-1.6%	

Financial expenses for the third quarter 2018 rose by 3.3% compared to 3Q 2017 as a result of higher average financial liabilities that grew by 2.5%. Even though interest rates have been rising in recent months, we've been able to keep almost the same rate levels compared to the third quarter 2017.

5. Foreign Exchange Gain/ Loss

Million soles	3Q18	3Q17	%Var.	As of Set 18	As of Set 17	%Var.
Foreign Exchange Gain/ Loss	-12.8	-0.5		-23.4	17.0	

The foreign exchange loss in 3Q 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 0.86% (the exchange rate varied from S/ 3.274 in June 2018 to S/ 3.302 in September 2018), compared to 0.37% Sol devaluation during similar quarter last year (the exchange rate varied from S/ 3.255 in June 2017 to S/ 3.267 in September 2017). In Chile, the peso reached a 5.6% 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). 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 soles	3Q18	3Q17	%Var.	As of Set 18	As of Set 17	%Var.
Net profit	52.0	74.2	-29.9	171.2	211.5	-19.1
Net margin	4.1%	6.0%		4.5%	5.8%	

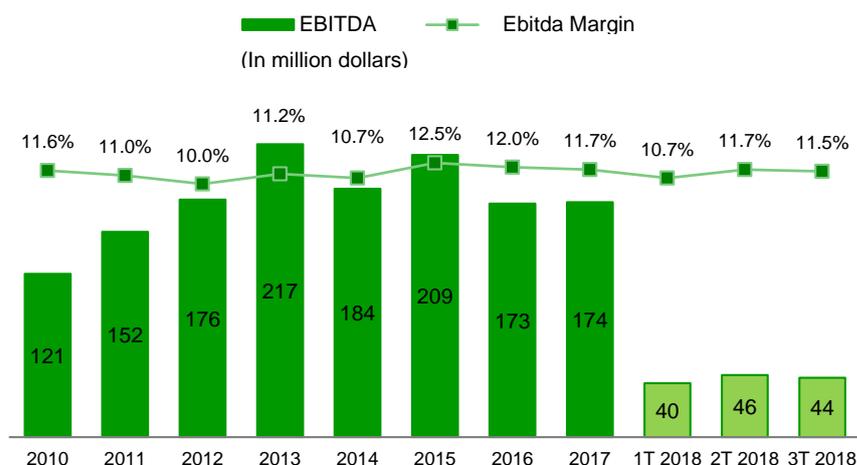
Net profit for the third quarter 2018 amounted to S/ 52 million showing an important reduction compared to same quarter last year as a result of the explanation aforementioned.

7. EBITDA

Million soles	3Q18	3Q17	%Var.	As of Set 18	As of Set 17	%Var.
EBITDA	146.5	150.1	-2.4	427.4	433.4	-1.4
EBITDA margin	11.5%	12.1%		11.3%	11.9%	

During the third quarter 2018, 87.6% of the corporation's EBITDA is generated by Caterpillar dealers and allied brands in Peru (Ferreyros, Unimaq and Orvisa), which are the businesses contributing more to sales and profit in the corporation. On the other hand, 5.8% of EBITDA is generated by Caterpillar dealers and other businesses abroad, while 6.6% 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.

Third quarter 2018 EBITDA reached to S/. 146.5 million, below the one reported on the third quarter 2017.



ANALYSIS ACCORDING TO CORPORATE ORGANIZATION

S/ Thousand	CAT Dealers in Peru		CAT Dealers and businesses abroad		Other businesses	
	as set 18	as set 17	as set 18	as set 17	as set 18	as set 17
Sales	2,829,482	2,710,686	308,294	332,156	634,327	593,935
Gross Profit	730,657	673,192	72,533	83,768	116,457	106,698
Gross Margin	26%	25%	24%	25%	18%	18%
Operation Expenses	449,445	403,943	60,685	67,297	106,330	106,907
Operation Margin	10%	10%	4%	6%	2%	0%
Depreciation and Amortization	71,530	67,308	9,928	12,666	10,330	11,855
EBITDA	377,126	348,052	23,827	32,110	27,644	14,408
EBITDA Margin	13%	13%	8%	10%	4%	2%

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

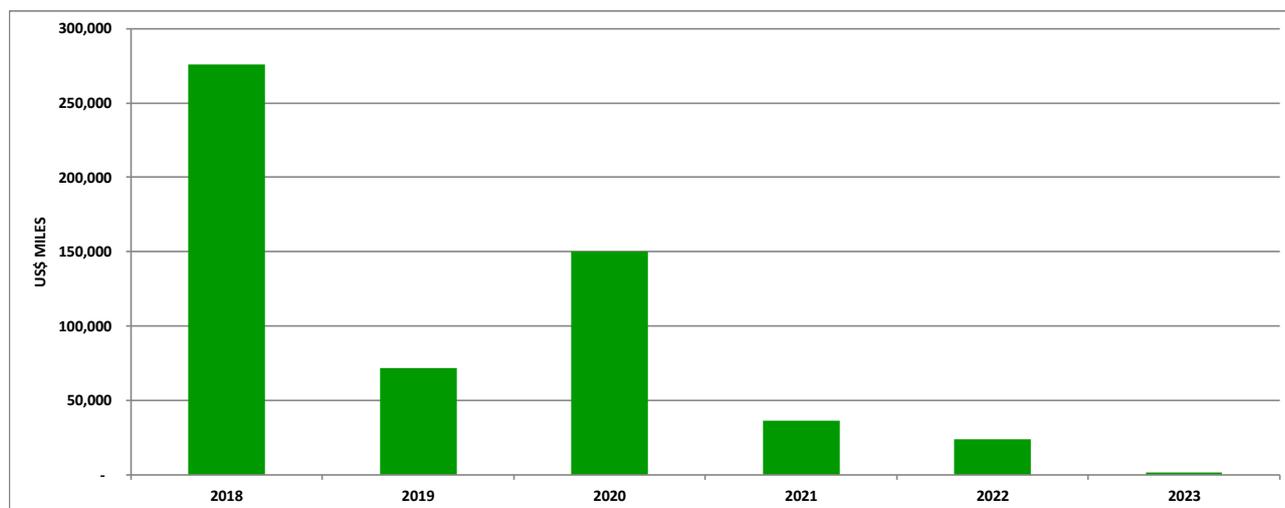
III. ANALYSIS OF CONSOLIDATED FINANCIAL INFORMATION

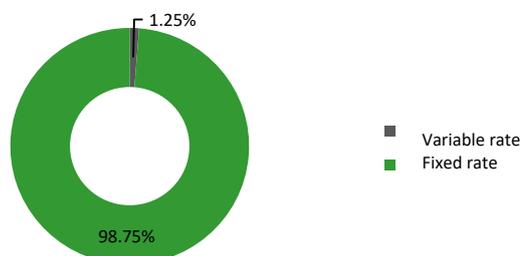
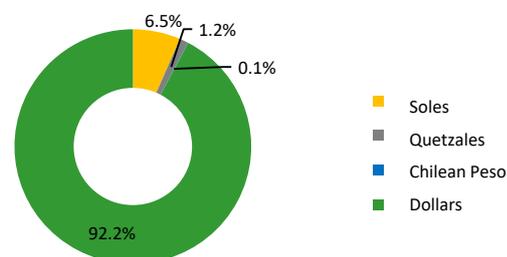
Total assets as of September 2018 amounted to S/ 5,171.4 million, 6.0% higher if compared to S/ 4,879.3 million as of September 2017. This variation is primarily due to the increase in inventory (S/ 448.5 million), and as explained in previous reports, is led by: components in order to keep the mining trucks fleets in full operation; factory delays in the supply of spare parts and machines related to a forecast of increasing demand due to expectations of a growing market, especially in copper mining.

Financial liabilities as of September 30, 2018 amounted to S/ 1,847.0 million (US\$ 559 million), and increased by 3.2% if compared to financial liabilities of US\$ 542 million recorded during the same period last year. The percentage of financial liabilities with current maturities is 58%, while S/ 784.2 million are financial liabilities with long term maturities.

Below is the maturity structure of the consolidated liabilities, which is 92.2% 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, 98.79% 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

Capital expenditure (capex)

As of September 30, 2018 the investment in fixed assets was:

S/ In million soles	Additions	Deductions	Total S/	Total US\$
Infrastructure	15.6	-26	-10.4	-3.1
Machinery and workshop equipment	56	-7.6	48.5	14.7
Rental fleet	110.6	-157.5	-46.9	-14.2
Vehicles, furniture and equipment	7.4	-3.2	4.2	1.3
	189.6	-194.2	-4.6	-1.4
Investment in Intangibles	50.4	-5.8	44.6	13.6

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 September 2018 capex reached S/ -4.6 million (US\$ -1.4 million), and dropped if compared to S/ 72.3 million or US\$ 22.2 million invested as of September last year.

The investment in intangible assets reached US\$ 13.6 million dollars, particularly for the implementation of SAP platform during the first quarter 2019 in the main companies of the corporation.

IV. FINANCIAL RATIOS

	sep-18	jun-18	mar-18	dic-17	sep-17
Current ratio	1.49	1.46	1.41	1.54	1.48
Financial debt ratio	0.85	0.82	0.8	0.75	0.79
Indebtness ratio	1.44	1.44	1.5	1.33	1.42
Net debt / EBITDA ratio	3.2	3	2.79	2.73	2.83
Adjusted debt / EBITDA	2.39	1.62	1.94	2.05	2.25
Financial expenses coverage ratio	8.36	8.73	9.33	6.66	7.46
Asset turnover	0.99	1	1.02	1.01	0.99
Inventory turnover	2.53	2.65	2.81	2.8	2.85
Inventory days	143	136	128	129	126
Receivable days	71	71	71	70	77
Payable days	57	59	55	54	51
Cash cycle	156	148	144	145	152
ROE	11.0%	12.4%	13.9%	13.4%	14.6%
ROA	5.8%	6.0%	6.2%	6.2%	6.2%
ROIC	10.5%	11.1%	12.0%	11.6%	11.6%
Book value per share	2.17	2.12	2.06	2.14	2.08

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 156 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)

	3Q18	%	3Q17	%	Var %	As of Sept 2018	%	As of Sept 2017	%	Var %
Net sales	1,268,954	100.0	1,235,556	100.0	2.7	3,772,103	100.0	3,636,777	100.0	3.7
Cost of goods sold	-949,635	-74.8	-945,787	-76.5	0.4	-2,852,456	-75.6	-2,773,119	-76.3	2.9
Gross profit	319,319	25.2	289,769	23.5	10.2	919,647	24.4	863,658	23.7	6.5
Selling and administrative expenses	-215,363	-17.0	-199,718	-16.2	7.8	-621,796	-16.5	-584,666	-16.1	6.4
Other income (expenses), net	4,289	0.3	23,966	1.9	-82.1	16,027	0.4	44,156	1.2	-63.7
Operating profit	108,245	8.5	114,016	9.2	-5.1	313,878	8.3	323,148	8.9	-2.9
Financial income	4,695	0.4	3,578	0.3	31.2	15,917	0.4	13,039	0.4	22.1
Gain (loss) to exchange rate	-12,767	-1.0	-542	-0.0	2,257.7	-23,373	-0.6	17,034	0.5	-237.2
Financial expenses	-18,991	-1.5	-18,388	-1.5	3.3	-51,155	-1.4	-58,117	-1.6	-12.0
Share in the result of associated through the equity method	-338	-0.0	3,914	0.3	-108.6	5,430	0.1	7,582	0.2	-28.4
Profit before income tax	80,844	6.4	102,579	8.3	-21.2	260,697	6.9	302,686	8.3	-13.9
Income tax	-28,796	-2.3	-28,373	-2.3	1.5	-89,506	-2.4	-91,178	-2.5	-1.8
Net profit	52,048	4.1	74,206	6.0	-29.9	171,191	4.5	211,508	5.8	-19.1
Earnings per share	0.053		0.076			0.175		0.141		
EBITDA	146,506	11.5	150,074	12.1	-2.4	427,443	11.3	433,443	11.9	-1.4

FERREYCORP S.A.A. AND SUBSIDIARIES

ANEXO 2

Estate of Financial Position

(In Thousand of soles)

	As of Sept'18	As of Sept'17	Var % set18/ set17
Cash and cash equivalents	52,289	171,203	-69.5
Accounts receivables - trade	1,079,856	1,099,090	-1.7
Inventories	1,709,205	1,260,743	35.6
Accounts receivables - other	195,472	179,505	8.9
Investment in shares	82,292	-	
Investment in securities	16,041	-	
Prepaid expenses	36,821	33,280	10.6
Current assets	3,171,976	2,743,821	15.6
Long-term account receivables - trade	32,095	93,592	-65.7
Long-term account receivables - other	305	532	-42.7
Rental fleet	360,711	410,530	-12.1
Other fixed assets	1,652,759	1,703,186	-3.0
	2,013,470	2,113,716	-4.7
Accrued depreciation	-559,501	-618,273	-9.5
Property, plant and equipment	1,453,969	1,495,443	-2.8
Investments	20,927	88,456	-76.3
Intangible assets, net and goodwill	319,911	286,222	11.8
Deferred income tax	172,172	171,235	0.5
Non current Assets	1,999,379	2,135,480	-6.4
Total Assets	5,171,355	4,879,301	6.0
Short term debt	227,849	197,502	15.4
Other current liabilities	1,841,155	1,653,590	11.3
Current Liabilities	2,069,004	1,851,092	11.8
Long term debt	784,197	815,737	-3.9
Other payables	230	411	-44.0
Minority interest	-	-	
Deferred income tax	196,085	195,620	0.2
Total Liabilities	3,049,516	2,862,860	6.5
Equity	2,121,839	2,016,441	5.2
Total Liabilities and Equity	5,171,355	4,879,301	6.0
Other financial information			
Depreciation	84,636	84,640	
Amortization	13,012	12,616	

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 3

VENTAS NETAS

(En miles de nuevos soles)

	3Q18	%	3Q17	%	% Var 3Q 2018/3Q 2017	As of Sept 2018	%	As of Sept 2017	%	Var %
Mining trucks and Caterpillar machines (GM)	27,327	2.2	133,765	10.8	-79.6	107,261	2.8	294,272	8.1	-63.6
Caterpillar machines and engines for other sectors (NGM)	210,324	16.6	147,689	12.0	42.4	555,084	14.7	480,105	13.2	15.6
Allied equipment	111,441	8.8	147,101	11.9	-24.2	444,537	11.8	472,523	13.0	-5.9
Rental and used	120,575	9.5	104,116	8.4	15.8	354,743	9.4	306,680	8.4	15.7
Spare parts and services	696,968	54.9	591,841	47.9	17.8	2,016,459	53.5	1,756,839	48.3	14.8
Other lines	102,319	8.1	111,046	9.0	-7.9	294,019	7.8	326,358	9.0	-9.9
TOTAL	1,268,954	100.0	1,235,556	100.0	2.7	3,772,103	100.0	3,636,777	100.0	3.7

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 4

Total Liabilities as of September 2018

(In thousand US\$ dollars)

(A)

	Total Liabilities	Current Liabilities	Long term Liabilities		Financial Liabilities
			Current	Long term	
Local banks (short term)	207,942	207,942	-	-	207,942
Foreign banks (short term)	25,030	25,030	-	-	25,030
Local banks (long term)	140,575	-	40,881	99,694	140,575
Foreign banks (long term)	13,829	-	8,819	5,011	13,829
Local and foreign banks (long term)	1,898	-	841	1,058	1,898
Suppliers:					
Accounts payable to CAT	73,053	73,053	-	-	-
Accounts payable to CAT	19,703	19,703	-	-	19,703
Others	102,965	102,965	-	-	180
Corporate bonds	99,955	-	-	99,955	99,955
Caterpillar Financial	45,426	-	16,873	28,553	45,426
Other Liabilities	193,159	128,895	1,591	62,674	4,811
Total (US\$)	923,536	557,588	69,003	296,945	559,350
Total (S/)	3,049,516	1,841,155	227,849	980,512	1,846,974

(A) Subject to interest payments

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 5

Cashflow Statement

(In thousand nuevos soles)

As of Sept18
Cashflow from operating activities

Collection to customers and third parties	3,782,880
Payment to suppliers	-3,313,340
Payment to employees and others	-327,469
Payment of taxes and income tax	-70,225

Net cash provided by operating activities 71,846
Cashflow from investing activities

Acquisition of property, plant and equipment	-75,281
Acquisition of financial instruments (mutual funds)	-16,041
Intangible acquisitions	-50,361
Sale of property available for sale	15,159
Sale of property, plant and equipment	6,007

Net cash used in investing activities -120,517
Cashflow from financing activities

Financial liabilities	2,392,871
Payment of financial liabilities	-2,193,782
Interests payed	-44,321
Dividends payed	-132,171

Net cash provided by financing activities 22,597

Cash increase, net	-26,074
Cash at the begining of the year	80,710
Result due traslation	-1,255
Cash due to exchange rate variation	-1,092
Cash at the end of the year	52,289