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

Second Quarter 2020

Lima, July 27, 2020.- Ferreycorp S.A.A. (BVL: FERREYC1), a leading corporation 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 2020. The consolidated financial results have been prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in nuevos soles.

Business conditions under current circumstances

Since the second half of May, Ferreycorp subsidiaries with suspended activities derived from the health emergency, received the authorization from the Health and Production Ministry to restart their activities, adopting all the security measures that demands the current situation in the country.

The subsidiaries began the gradual recovery of their processes that required physical presence at their facilities; product support activities at the sites; and the delivery of machines and spare parts, emphasizing and promoting their digital channels among their customers.

We've drawn down US\$ 298 million since March 15th from local banks and from Caterpillar Financial. As a result, we have assured the financial strength of the corporation, cash and liquidity. As stated in the previous Press Release, this strategy was aimed to cover expenses, payments to local suppliers and importation of any required reposition of inventories, and to cover any contingency in the upcoming months.

As a result, financial debt went from US\$ 625 million as of March 2020 to US\$ 863 million as of May, keeping on average a US\$ 200 million cash balance. Once the company started operations and generated positive cash flow, these funds were used to prepay debt for US\$ 223 million which derived in a total debt of US\$ 669 million as of June 2020.

Regarding the maturity of the debt, it should be noted that in July Ferreycorp continue to decrease its financial liabilities below US \$ 600 million –See the section on Liquidity Management and Cash Generation– but rather that, the corporation and its subsidiaries settled a successful private placement of international bonds with the US insurer Prudential, through its PGIM division, for US \$ 90 million for seven amortizable years, which improve our debt structure.

For further information, go to the Main Highlights section.

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

The management is analyzing continuously the impact of Covid-19 pandemic and the main accounting effects on the financial statements estimates. As of today, the impact on our business and results has not been significant and is expected to continue this way until the year end.

The pandemic affected the following accounting aspects and estimates:

The operations halt led by the State of Emergency derived in some delays in customer payments. However, collections are returning to normal levels after economic reactivation and we do not expect a significant impact in the estimated loss related to accounts receivables.

After analyzing the impact of the Covid-19 pandemic, the Management does not identify uncertainty about the ability of the corporation subsidiaries to continue with their operations. Likewise, the corporation expects that the year-end results will be sufficient to meet short term obligations, which means there is no liquidity risk.

MAIN HIGHLIGHTS

SECOND QUARTER 2020 RESULTS

- Consolidated sales for the second quarter 2020 amounted to S/ 805 million and declined by 41% if compared to the same period 2019 (S/ 1,372 million) as a result of the operational halt following the declaration of state of emergency in Perú and in the other countries where the corporation operates, affecting almost all the business lines. However, it is worth mentioning the sales recovery through the months (April, S/ 157 million; May, S/ 275 million and in June, S/ 373 million), in line with the measures taken by the Government to reactivate the economy. Sales recorded on June represent approximately 75%-80% pre-Covid sales levels
- Gross profit (S/ 203 million) decreased by 42% compared to the second quarter 2019 (S/ 349 million) as a result of lower volumes of commercial operations. In turn, gross margin amounted to 25.2%, slightly lower than the one obtained during similar period of 2019 (25.5%).
- The operating margin for the second quarter 2020 amounted to 4.0% compared to 9.9% in 2Q2020, led by lower gross profit described above and despite expenses that decrease by 19%. SG&A as a percentage of sales represented 22.3%, compared to 16.0% in the same period 2019. It is worth noting the expenses reduction from S/ 220 million in the 1Q2020 to S/ 179 million in 2Q2020, due to lower operating expenses in training, consulting, travel, representation and personnel, as well as rentals, among others.
- EBITDA amounted to S/ 74 million and fell by 62% compared to same period the previous year (S/ 194 million), for the same reasons explained in the case of operating margin. EBITDA margin for the 2Q2020 reached 9.2% compared to 14.1% in the same quarter 2019.
- Consolidated net loss during the 2Q2020 amounted to S/ -4 million, while net profit during 1Q2019 reached S/ 81 million. The net loss during this quarter is derived from the lower operating profit, higher financial expenses, lower financial income and also attributed to the exchange loss for S/ 16 million registered during the quarter.

FIRST SEMESTER 2020 RESULTS

- Consolidated sales for the first semester 2020 amounted to S/ 1,984 million and declined by 27% compared to the same period last year (S/ 2,713 million) as a result of the operational halt following the declaration of state of emergency in Peru since March 16th, and in the other countries where the corporation operates, affecting almost all the business lines. Nevertheless, as mentioned in the previous page, there is a monthly gradual recovery of the second quarter sales, reflecting the economic measurements proposed by the government.
- Gross profit (S/ 496 million) decreased by 28% compared to the first semester 2019 (S/ 687 million). In turn, gross margin amounted to 25.0% almost similar to gross margin reached during the same period 2019 (25.3%).
- Operating margin in this first six-month period reached to 5.5% compared to 9.7% during 1S2019, led by lower gross profit and expenses that dropped by 9% compared to last year figures. SG&A as a percentage of total sales amounted to 20.1% from 16.1% as of June 2019.
- As of June 2020, EBITDA amounted to S/ 202 million and reduced by 46% compared to the 1S2019 (S/ 377 million). EBITDA margin for the 1S2020 reached 10.2% compared to 13.9% for the 1S2019.
- Consolidated net loss as of June 2020 amounted to S/ -25 million while net profit as of June 2019 reached to S/ 173 million. The net loss is derived from the lower operating profit and the exchange loss for S/ 96 million registered during the first six months of the year. It should be noted that the exchange loss is accounting wise since the inventory is registered in nuevos soles but will be sold in dollars, which will allow the loss recovery in the upcoming months. The inventory reserve is S/ 89 million

(in million, except for per share ratios)	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019	%Var. 2Q 2020/1Q 2020	%Var. 2Q 2020/2Q 2019
Net sales (US\$)	\$235	\$346	\$459	\$479	\$413	\$403	-32.3%	-43.2%
Net sales	S/. 805	S/. 1,179	S/. 1,545	S/. 1,601	S/. 1,372	S/. 1,341	-31.7%	-41.3%
Gross profit	S/. 203	S/. 293	S/. 336	S/. 353	S/. 349	S/. 338	-30.8%	-41.9%
SG&A expenses	S/. -179	S/. -219	S/. -255	S/. -225	S/. -220	S/. -216	-18.2%	-18.5%
Operating profit	S/. 32	S/. 77	S/. 74	S/. 124	S/. 136	S/. 127	-57.8%	-76.1%
Financial expenses	S/. -28	S/. -22	S/. -23	S/. -24	S/. -25	S/. -23	26.1%	13.7%
(Gain) Loss to exchange rate	S/. -16	S/. -80	S/. 16	S/. -50	S/. 9	S/. 24	-80.2%	
Net profit	S/. -4	S/. -21	S/. 41	S/. 32	S/. 81	S/. 92	-80.2%	
EBITDA	S/. 74	S/. 128	S/. 133	S/. 175	S/. 194	S/. 183	-42.1%	-61.8%
Profit per share	(0.004)	(0.021)	0.042	0.033	0.083	0.095	-80.2%	
EBITDA per share	0.076	0.131	0.136	0.179	0.199	0.188	-42.1%	-61.8%
Free cash flow	S/. 210	S/. 160	S/. 103	S/. -120	S/. -113	S/. 235	31.3%	
Gross margin	25.2%	24.9%	21.7%	22.1%	25.5%	25.2%		
SG&A expenses / sales	22.3%	18.6%	16.5%	14.0%	16.0%	16.1%		
Operating margin	4.0%	6.5%	4.8%	7.7%	9.9%	9.5%		
Net margin	-0.5%	-1.8%	2.6%	2.0%	5.9%	6.9%		
EBITDA margin	9.2%	10.8%	8.6%	10.9%	14.1%	13.6%		
Leverage ratio	0.97							
Net Debt / EBITDA	4.05							

LIQUIDITY MANAGEMENT AND CASH GENERATION

In the chart below is the debt balance of the subsidiaries since March 2020 that shows the impact of the health emergency.

As can be seen, in the months prior to the pandemic, the debt amounted to US \$ 625 million. As mentioned before, in order to cover operating and personnel expenses, purchases and imports, the corporation draw down its bank lines and those of Caterpillar Financial Services. As of April, total debt amounted to US \$ 864 million and an average cash balance of US \$ 200 million, which remained profitable in banks.

Once the company started operations and generated positive cash flow, these funds were used to prepay debt. As of June 2020, total debt decreased to US \$ 699 million. To evidence the current liquidity situation, it can be mentioned that as of July total debt decreased to US \$ 599 million.

Empresa	16/03/2020	31/03/2020	30/04/2020	31/05/2020	30/06/2020	17/07/2020
Ferreycorp	47,435	52,989	50,482	75,112	67,665	54,174
Ferreyros	290,502	354,502	504,811	487,659	338,159	269,950
Unimaq	81,365	84,826	82,464	66,741	65,970	49,137
Orvisa	23,311	23,238	22,971	22,566	22,421	22,815
Gentrac G	33,131	32,178	35,369	35,490	36,016	35,461
Cogesa	13,266	14,258	17,075	19,146	19,187	18,995
Transpesa	5,796	6,196	6,368	6,725	6,724	6,551
Trex	66,966	66,910	68,441	66,843	66,066	66,066
Motored	29,848	28,889	35,389	35,389	34,422	34,422
Motriza	10,550	10,411	13,152	14,152	15,511	15,352
Soltrak	12,623	12,420	17,367	17,411	16,887	16,887
Fargoline	10,240	10,166	9,999	9,806	9,638	9,425
Forbis USA	39	38	38	37	36	36
Total	625,073	697,021	863,924	857,075	698,703	599,270

Captación de recursos

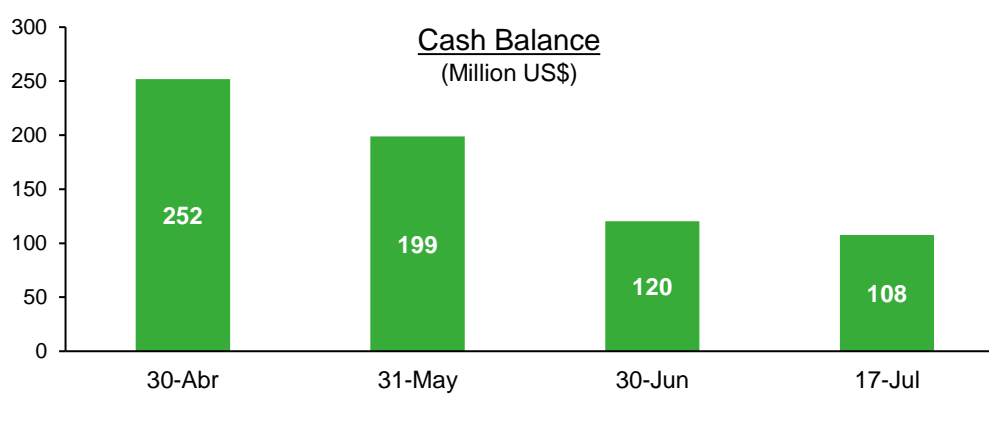


Evolución de la Deuda Financiera (Millones de US\$)



CASH BALANCE EVOLUTION

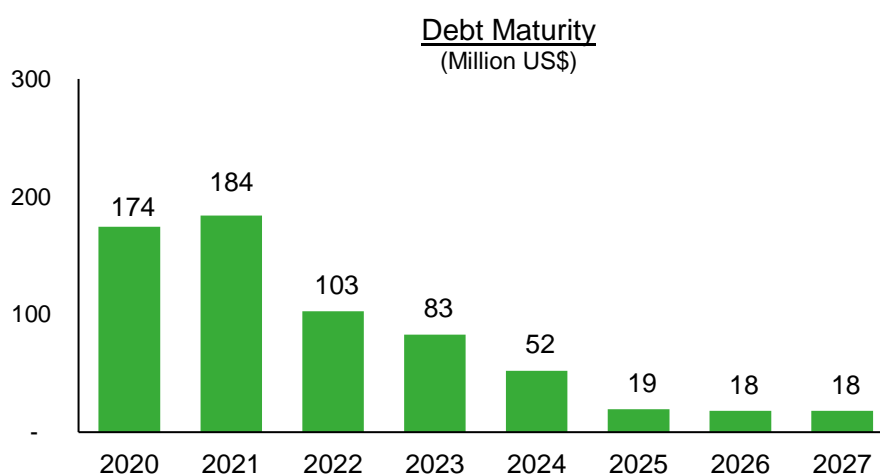
As shown below, cash balance as of April amounted to US\$ 252 million. This figure has reduced significantly. Bank balances are kept in case any situation arises in this uncertainty context in Peru.

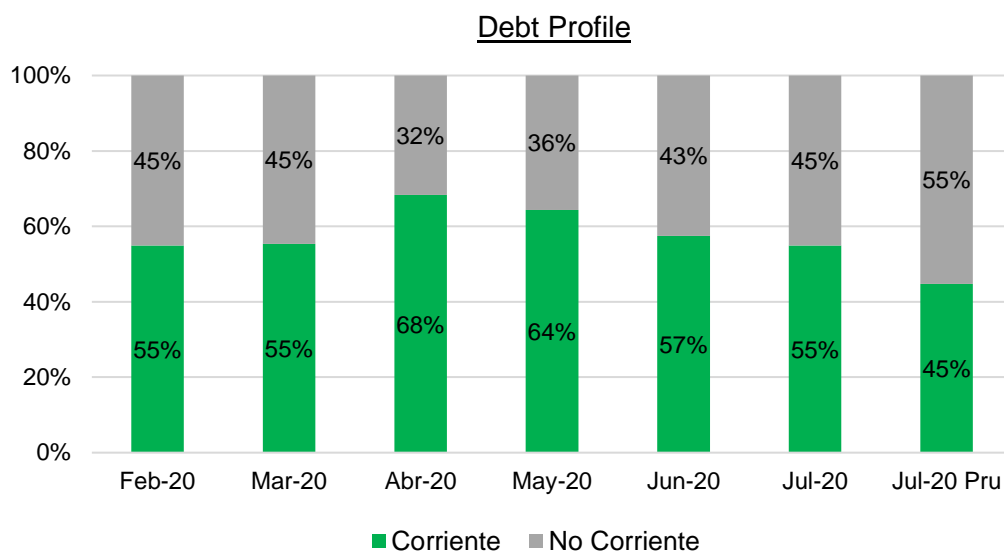


It is worth mentioning that the debt reduction derived by the cash balance that was not required, thus the corporation generated operating cash flow during this months led by customers that payed their receivables on time and also from a customer that payed in advance mining equipment that will be delivered in the following months.

The funds from this operation for US\$ 173 million were received between June and July 2020, recorded as cash and used to prepay debt (leaving a balance to pay to Caterpillar for US\$ 94 million between 2020 and 2021). In order to receive these advance payments, it was necessary to hire guarantee letters to ensure the delivery of the equipment

Additionally, in July we received the funds derived from a private placement through Prudential for US \$ 90 million, issued at an interest rate of 4.45% for seven amortizable years (with a three-year grace period). With these funds, the company will be able to achieve a better financial structure reducing the short-term debt to less than 50% of total debt, which will allow us to achieve adequate levels of liquidity, freed up credit lines for imports, as well as for financing operations.





MAIN HIGHLIGHTS

Call for Annual Mandatory General Shareholders Meeting Non Presential

In accordance with the article 5 of the Emergency Decree N°056-2020 and the article 5 of the Superintendent Resolution N° 050-2020-SMV/02, the shareholders of Ferreycorp S.A.A. are called to the Virtual Annual Mandatory General Meeting to be held on Thursday, July 30th, 2020 at 11:00 a.m. (Lima time), to address the following agenda:

1. Review and approval of the 2019 Annual Report, which includes the analysis and discussion of the financial statements as well as the corporate management.
2. Profits distribution.
3. Election of the Board of Directors for the period 2020-2023.
4. Appointment of external auditors for the fiscal year 2020.
5. Empowerment to sign public and/or private documents with respect to the resolutions adopted by this shareholders' meeting.

The Cisco Webex-Events platform will be used to hold the Annual Mandatory General Meeting.

In case the meeting is not held on the date indicated above due to the failure to reach the mandatory quorum, a second call shall be cited for Monday, August 3rd at the same time and through the same platform. Moreover, in case the meeting is not held on the second call, a third call shall be cited on Thursday, August 6th, 2020 at the same time and through the same platform.

This notice of meeting, the "Information Document on the Procedure for Virtual Mandatory Annual Shareholders' Meeting," as well as the information and documentation related to the matters to be discussed as required under the Regulations on Relevant Facts and Reserved Information, are published as a relevant fact and in the "Virtual Shareholders' Meetings and Bondholders' Meetings" section of the Securities Exchange Market Portal of the Peruvian Securities and Exchange Commission (SMV) (www.smv.gob.pe), and in the section Annual Shareholders Meeting 2020 at our website www.ferreycorp.com.pe.

Any other information and documentation related to the matters to be discussed at the meeting shall be available to the shareholders, as indicated in in the "Virtual Shareholders' Meetings and Bondholders' Meetings" section of the Securities Exchange Market Portal of the Peruvian Securities and Exchange Commission (SMV).

The “Information Document on the Procedure for Virtual Annual Shareholders’ Meeting” forms an integral part of this summons, which contains, among others, the procedures for accessing the virtual meeting, participating therein and exercising voting rights.

Shareholders with registered shares in the Register of Shares or in the Registry of CAVALI S.A. have the right to attend the meeting within 5 calendar days before the meeting is held. If you are unable to attend the meeting and to ensure that your shares are represented, we suggest that you grant a proxy to one of the company directors or to another individual who has expressed his/her decision to attend. If this is the case, we would appreciate if you could return the attached proxy form duly signed no later than 24 hours before the meeting. If you wish to attend the meeting, we would appreciate your RSVP by sending an email to junta2020@ferreycorp.com.pe.

Private placement for US\$ 90 million

Ferreycorp and its subsidiaries issued a successful private placement of international bonds for US\$ 90 million with the US insurer Prudential, through its PGIM division, which reflects the reliability in the business model and the fundamentals of the Corporation.

This private placement represents the return of Ferreycorp to the international capital market since 2013, which will allow its subsidiaries to have long-term resources and under advantageous conditions to support their management and contribute to their adequate financial structure.

This issue, with an annual rate of 4.45% - as mentioned above – allows longer terms for the debt, in line with the corporate strategy of diversifying sources of financing. The bonds have a maturity of seven years from the date of issue. It is vital to mention that Prudential as part of its risk analysis gave Ferreycorp an investment grade rating.

Continuity on donations to the front line against Covid-19

Ferreycorp continued donating personal protective equipment to help manage biosecurity for workers in the front line. The support reached to the Amazon region, where the Corporation delivered personal protective equipment to the Volunteer Firefighters of Peru in Iquitos and Puerto Maldonado, to the Regional Hospital of Iquitos and to the Apostolic Vicariate of Pucallpa, organization that consolidate donations in that city.

As of June 2020, Ferreycorp has contributed in various donations that include more than 3,100 safety suits, 2,300 N95 masks, more than a hundred reusable half-face and full-face respirators, 22,000 pairs of gloves, boots and safety goggles.

At the same time, Ferreyros made the donation of machinery for disinfection work in Piura, Chiclayo, Chincha and Ica, to help reduce the spread of Covid-19. For those campaigns, the subsidiary provided agricultural tractors from its represented brand Massey Ferguson, equipped with a Kuhn Twister sprayer.

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 second quarter 2020, sales shrunk by 49.8% compared to 2Q2019. However, it is important to point out that the recovery of this group of subsidiaries during June has been 45% (May, S/ 185 million; June, S/ 268 million). Spare parts and services as well as Caterpillar equipment that serve to other customers other than mining contributed to this recovery.

In turn, Orvisa and Unimaq sales dropped by 48% and 66%, respectively, while Ferreyros sales fell by 50%.

The share of this first group of subsidiaries in total sales during the second quarter is 66.1%.

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

Sales of the second group of companies, with presence in Central America, went down 23.5%. The operational halt in almost all the countries where these subsidiaries are located was not at 100%: several activities continued to operate at a smaller scale due to new security protocols implemented by governments in each of these countries.

Gentrac has been the most affected subsidiary. Despite this, Caterpillar equipment sales kept at the same levels as in 2Q2019. On the other hand, Cogesa, despite the decrease in almost all business lines, achieved a 55% increase in the Caterpillar equipment line.

This group of companies generated 9.8% of the total sales of the corporation.

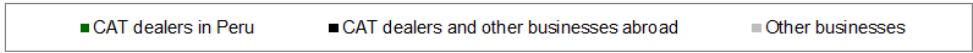
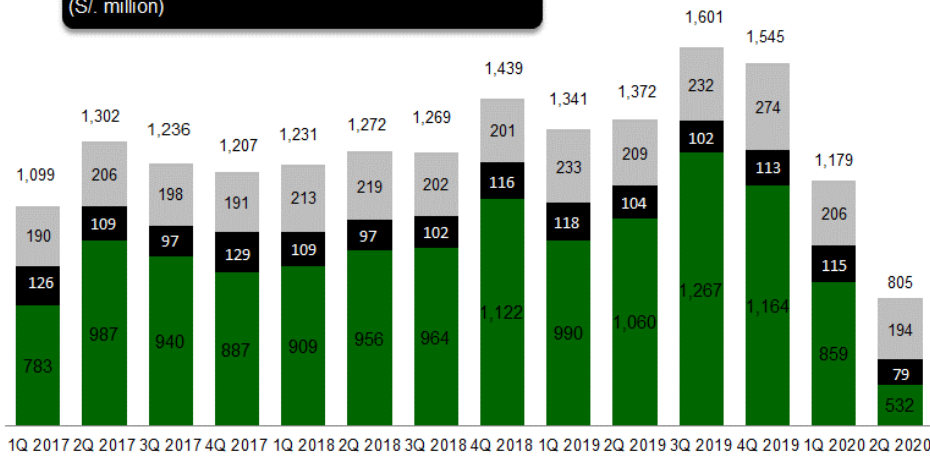
Group III - Other subsidiaries aimed to offer capital goods and services other than Caterpillar to different economic sectors in Peru and South America (Motored, Soltrak, Trex, Motriza, Fargoline, Forbis Logistics and Sitech).

This group of companies, which complements the supply of goods and services through equipment and vehicles, consumables and logistics solutions, among other lines, decreased sales by 7.2%. This result turns out from Trex outside Peru higher sales (78%) led by the delivery of equipment.

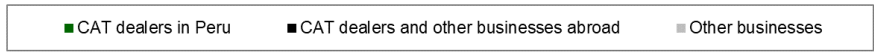
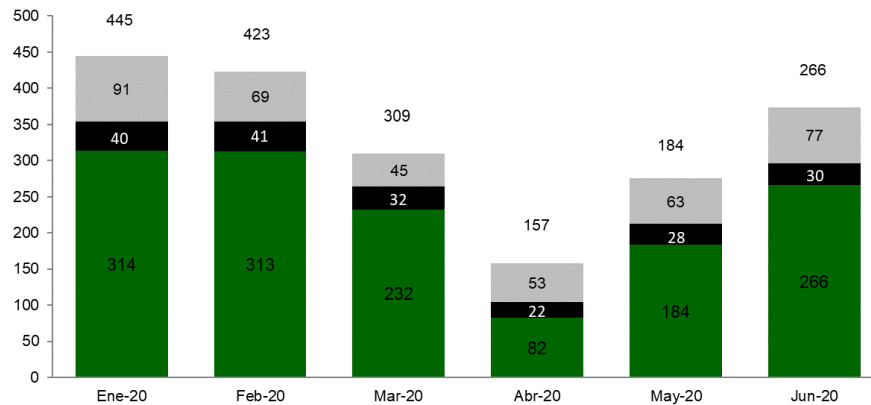
The subsidiaries in this group of companies that were most affected by the halt of operations in Peru are Motored (-68%) and Soltrak (-30%), although Soltrak has been able to realize significant sales in the Industrial Security line of business derived by the new security protocols adopted by companies.

This group of companies currently represents 24.1% of total sales.

Sales by Group of Subsidiaries
(S/. million)



Sales by group of companies
(S/. million)



The detail of sales by group of companies:

(S/ million)	2Q 2020	%	1Q 2020	%	4Q 2019	%	3Q 2019	%	2Q 2019	%	1Q 2019	%	% Var 2Q 2020/ 2020	% Var 2Q 2020/ 2Q 2019
Ferreyros	464	58	733	62	1,032	67	1,132	71	920	67	856	64	-36.7	-49.6
Unimaq	59	7	95	8	86	6	103	6	113	8	103	8	-37.7	-47.6
Orvisa	9	1	31	3	47	3	33	2	26	2	31	2	-70.6	-66.0
Total CAT dealers in Peru	532	66	859	73	1,164	75	1,267	79	1,060	77	990	74	-38.1	-49.8
Total CAT dealers and other businesses abroad	79	10	115	10	113	7	102	6	104	8	118	9	-30.9	-23.5
Motored	18	2	43	4	47	3	48	3	55	4	47	4	-58.9	-67.6
Soltrak	37	5	53	4	51	3	57	4	53	4	53	4	-29.4	-29.7
Trex (Chile)	88	11	56	5	93	6	77	5	50	4	74	6	58.5	77.9
Trex (Peru)	21	3	27	2	41	3	19	1	22	2	30	2	-22.3	-0.7
Fargo	19	2	20	2	21	1	20	1	19	1	21	2	-7.7	-2.0
Forbis	6	1	4	0	7	0	4	0	6	0	4	0	72.3	11.8
Others	4	1	2	0	8	1	6	0	5	0	4	0	76.4	-14.3
Total other businesses	194	24	206	17	267	17	232	14	209	15	233	17	-5.8	-7.2
TOTAL	805	100	1,179	100	1,545	100	1,601	100	1,372	100	1,341	100	-31.7	-41.3

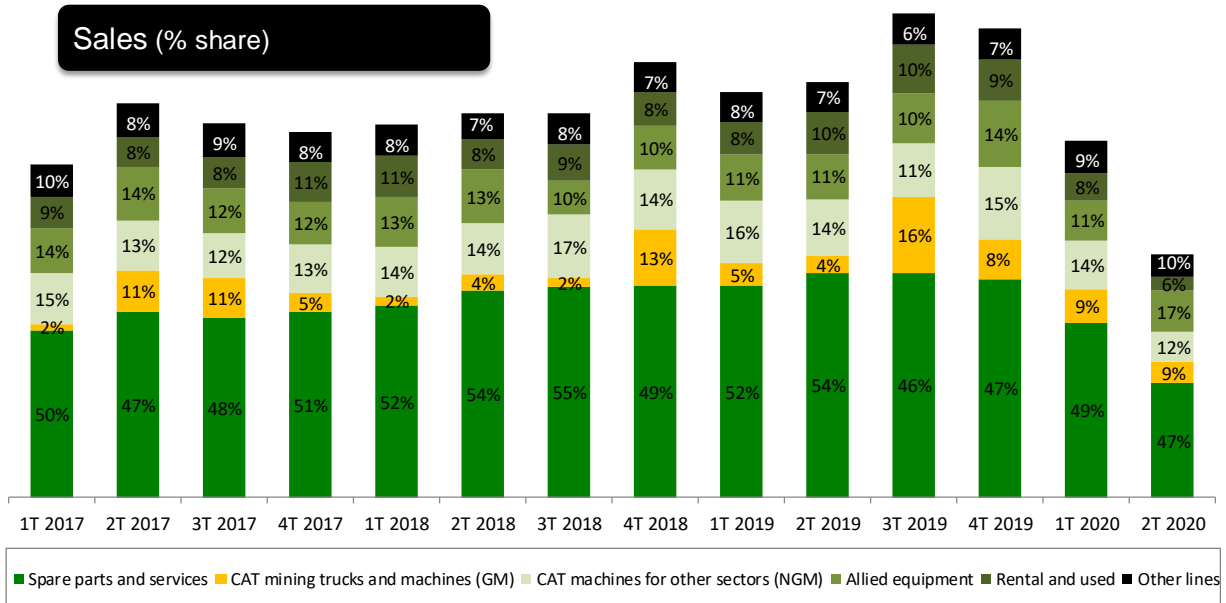
2. SALES BREAKDOWN BY BUSINESS LINE

(S/ million)	2Q 2020	%	1Q 2020	%	4Q 2019	%	3Q 2019	%	2Q 2019	%	1Q 2019	%	% Var 2Q 2020/ 2020	% Var 2Q 2020/ 2Q 2019
CAT mining trucks and machines (GM)	70	9	110	9	130	8	250	16	56	4.1	72	5.4	-36.6	24.5
CAT machines for other sectors (NGM)	99	12	162	14	239	15	178	11	189	13.8	208	15.5	-39.0	-47.7
Allied equipment	136	17	131	11	218	14	163	10	149	10.9	153	11.4	3.8	-8.7
Rental and used	45	6	91	8	137	9	162	10	138	10.1	105	7.8	-50.5	-67.4
Spare parts and services	378	47	578	49	720	47	743	46	742	54.1	701	52.3	-34.6	-49.1
Other lines	78	10	106	9	101	7	104	6	98	7.1	702	52.3	-26.4	-20.4
TOTAL	805	100	1,179	100	1,545	100	1,601	100	1,372	100	1,341	100	-31.7	-41.3

When analyzing the results by business lines during the second quarter 2020, almost all were affected by measures taken by governments to prevent the spread of Covid-19. As mentioned before, in mid-May the activities of the Peruvian companies gradually restarted reflected in a 75% sales recovery in May compared to April (May, S/ 275 million; April, S/ 157 million) and 35% recovery in June compared to May (June, S/ 372 million; May, S/ 275 million).

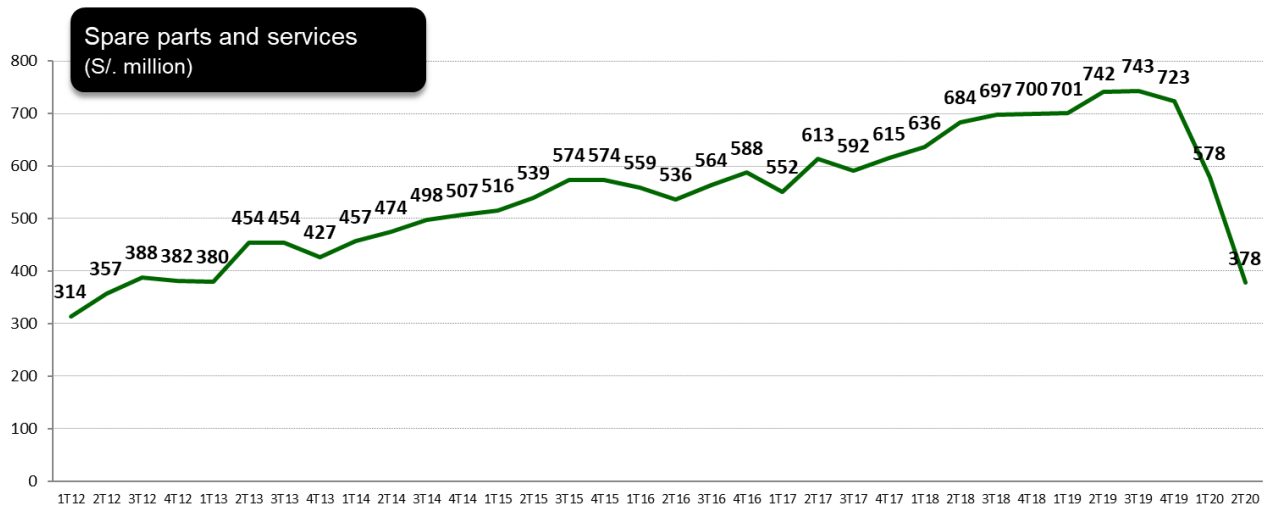
Among the business lines that have shown an increase in the last two months (May and June) are spare parts and services and Caterpillar engines and machines for sectors other than mining.

It is worth noting that sales of Caterpillar mining equipment rose 25% during the 2Q2020 due to machine deliveries to two important customers.

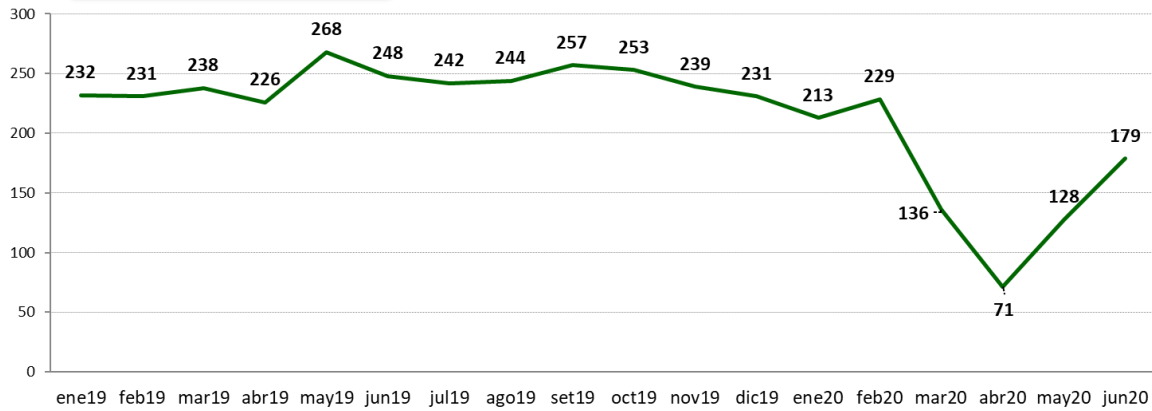


The strategy of the corporation is focused in serving the customers throughout the life of their equipment, for this reason, great efforts are deployed to deliver the best quality aftermarket support through locations near the customers.

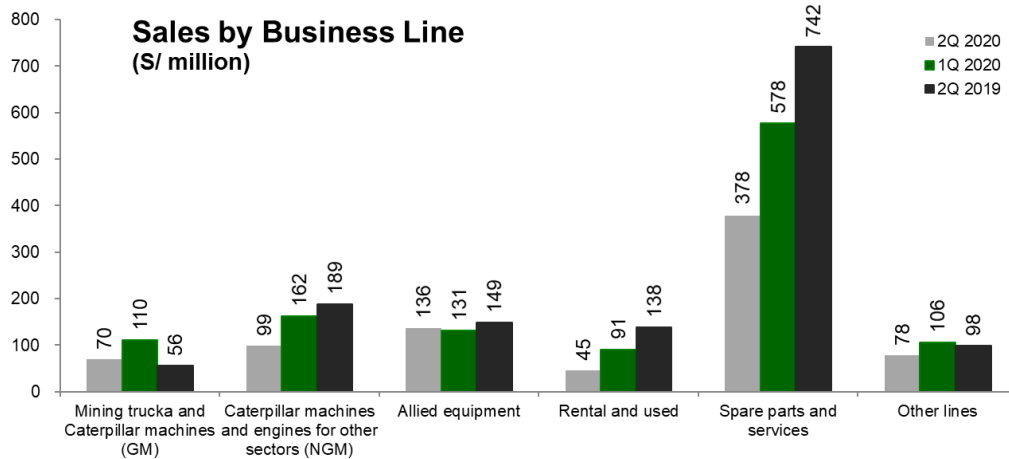
These capacities have allowed spare parts and services business line, both Caterpillar and allied brands, to keep the higher share in the composition of total sales (47%), reaching S/ 378 million thru the second quarter 2020 and dropped by 49.1% compared to 2Q'19 led by the halt of the operations during April and the first 15 days of May in the countries where the corporation has presence due to the health emergency and due to the subsequent volumes of activity, which will continue to show a reduction. It is important to highlight the recovery of this line on June, showing an increase of 40% (May, S / 128 million; June, S / 179 million).

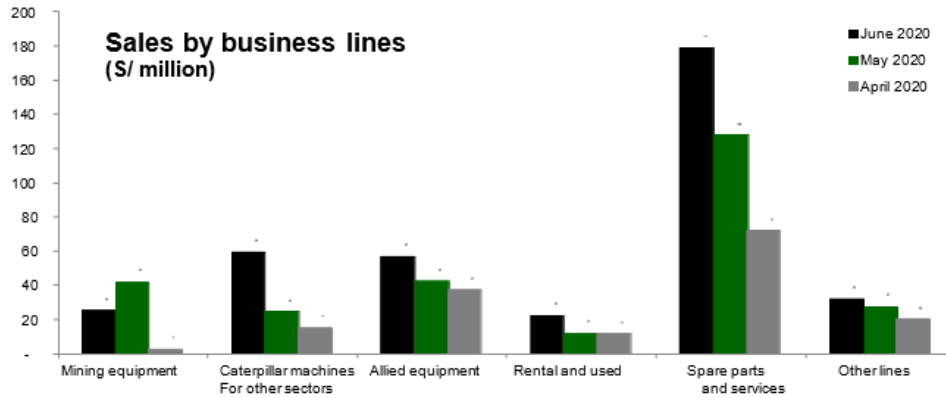


Spare parts and services
(S/. millones)



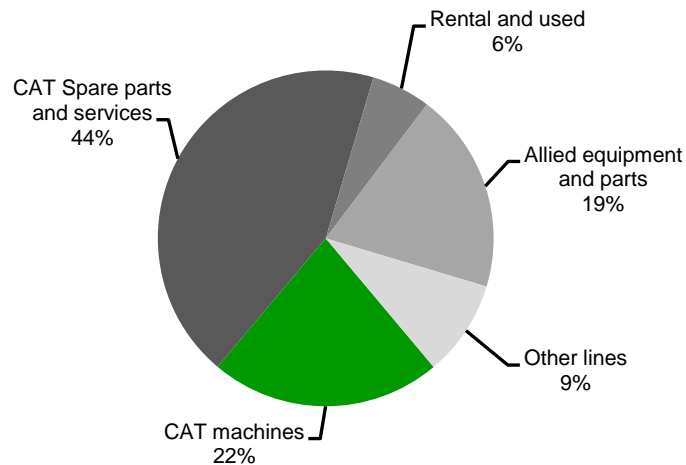
The after-market provided by Ferreycorp to its customers is recognized by high quality standards, a key difference from the competition. However, as mentioned before, all of the corporation's subsidiaries have gradually restarted their operations in service in shops, warehouses, branches and offices, within the mandatory security protocols and safeguarding in first instance the health of all employees and the other stakeholders with whom they interact. Employees in most subsidiaries are working in the following proportion: 50% presence in the office, 35% home office and 15% under leave with payment.

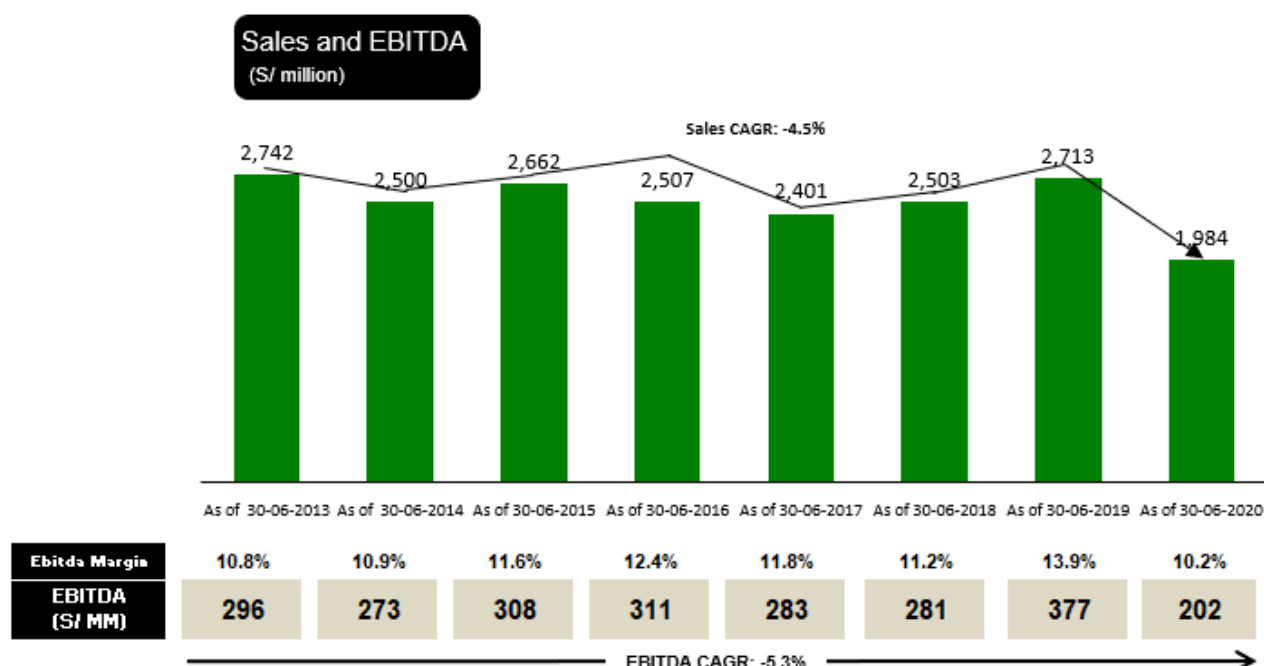




As of June 30, 2020, sales of the Caterpillar brand carried by Caterpillar dealers in Peru, Guatemala, El Salvador and Belize, accounted for 72% of total sales, including machinery and equipment (new, used and rental units) as well as spare parts and services.

Sales (As of June 2020)





3. SALES BREAKDOWN BY ECONOMIC SECTORS

Regarding sales distribution by economic sectors, sales to open pit mining represented, during the second quarter 2020, 44% of total sales compared to 43% during the second quarter last year. Meanwhile, underground mining accounted to 7% of total sales, below second quarter 2019 share of 15%.

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

ANALYSIS OF FINANCIAL INFORMATION

1. Sales

Million soles	2Q 2020	2Q 2019	%Var.	1Q 2020	1Q 2019	%Var.
Sales	804.8	1,371.9	-41.3	1,983.6	2,712.7	-26.9

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

2. Gross profit

Million soles	2Q 2020	2Q 2019	%Var.	1Q 2020	1Q 2019	%Var.
Gross profit	203.0	349.3	-41.9	496.4	687.0	-27.7
Gross margin	25.2%	25.5%		25.0%	25.3%	

In the second quarter 2020, gross profit decreased if compared the one obtained in the same period of 2019 led by the operations halt. In percentage terms, 2Q 2020 reached to 25.2% almost flat compared to 2Q 2019, led by an increase in allied equipment sales, which partially offset the decrease of spare parts and services share in total sales.

3. Selling and Administrative Expenses

Million soles	2Q 2020	2Q 2019	%Var.	1Q 2020	1Q 2019	%Var.
Selling and administrative expenses	179.1	219.8	-18.5	398.1	435.6	-8.6
As a % of total sales	-22.3%	-16.0%		-20.1%	-16.1%	

Selling and administrative expenses during the second quarter 2020 decreased by 18.5% compared to the same quarter 2019, mainly explained: i) lower personnel expenses driven by temporary salary adjustments, shorter working hours, vacation compensation, among others, ii) less discretionary expenses such as consulting, advertising, travel and events, among the most important; and iii) lower provision for profit sharing and remuneration to the board.

Expenses for the 2Q2020 are 18% lower than SG&A recorded for 1Q2020.

4. Financial Expenses

Million soles	2Q 2020	2Q 2019	%Var.	1Q 2020	1Q 2019	%Var.
Financial expenses	28.3	24.9	13.7	50.8	48.4	5.1
As a % of total sales	-3.5%	-1.8%		-2.6%	-1.8%	

Financial expenses during the second quarter 2020 increased by 13.7% compared to the same quarter 2019. During the second quarter, there was an increase in debt with slightly lower rates. The debt has increased because the corporation privileged liquidity in order to improve the financial position – to meet any working

capital needs during quarantine by Covid-19. Consequently, the average financial liabilities went from US\$ 624 million as of June 2019 to US\$ 722 million as of June 2020, showing an increase of 16%.

5. Foreign Exchange Gain/Loss

Million soles	2Q 2020	2Q 2019	%Var.	1Q 2020	1Q 2019	%Var.
Foreign Exchange Gain/Loss	-15.9	8.8		-96.2	33.0	

During the second quarter 2020, an exchange loss was recorded as a result of exchange rate devaluations in Peru. The nuevo sol devaluation against the dollar was 2.88% (went from S/ 3.442 in March 2020 to S/ 3.541 in June 2020). During similar period 2019, the nuevo sol appreciated in 0.93% (went from S/ 3.321 in March 2019 to S/ 3.290 in June 2019). In the second quarter 2020, the Chilean peso appreciated against the dollar in 3.61%, while in the second quarter 2019 a 0.09% devaluation was recorded.

As appointed before, it is important to mention that the company has a natural hedge considering that sales – as well as machinery import, invoicing to clients and financing – are made in foreign currency (US dollars). Therefore, exchange loss recorded will be recovered in part through the sale of the inventory which is registered at a lower exchange rate.

6. Net profit

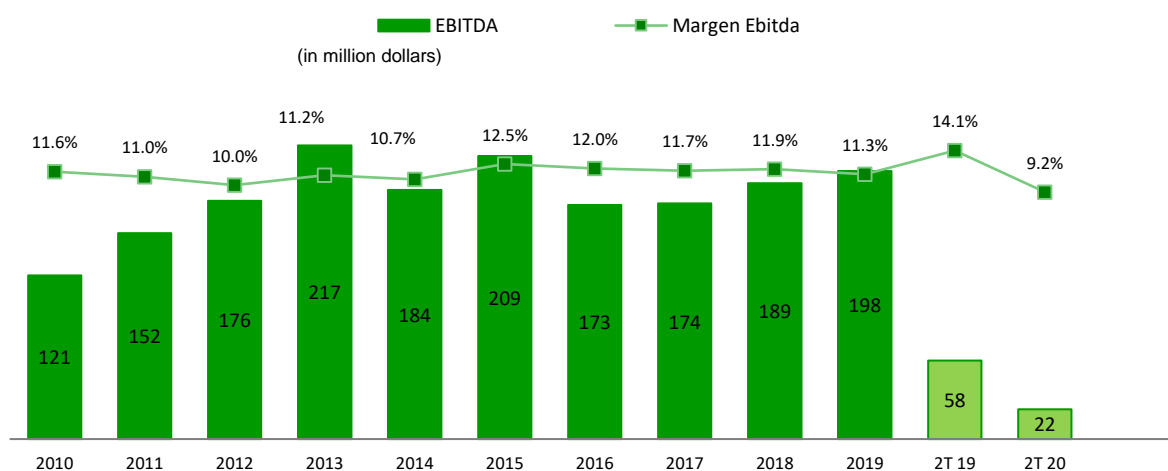
Million soles	2Q 2020	2Q 2019	%Var.	1Q 2020	1Q 2019	%Var.
Net profit	-4.1	80.9	-105.1	-24.9	173.2	-114.4
Net margin	-0.5%	5.9%		-1.3%	6.4%	

Net loss for the second quarter 2020 amounted to S/ -4.1 million, mainly due to less gross profit (as explained before) and a S/ -15.9 million exchange loss led by the devaluation of the local currency against the dollar. It is worth noting that part of the exchange loss is accounting wise and will be recover in the upcoming months when the reserve in the inventory that is registered in soles is sold (S/ 89 million)

7. EBITDA

Million soles	2Q 2020	2Q 2019	%Var.	1Q 2020	1Q 2019	%Var.
EBITDA	74.1	193.9	-61.8	201.9	376.9	-46.4
EBITDA margin	9.2%	14.1%		10.2%	13.9%	

Second quarter 2020 EBITDA dropped 61.8% compared to EBITDA reported in the second quarter 2019 due to a reduction in operating profit, which was also affected by lower sales and gross margin.



ANALYSIS ACCORDING TO CORPORATE ORGANIZATION

(S/ thousand)

	CAT Dealers in Peru		CAT Dealers and other businesses abroad		Other businesses	
	2020	2019	2020	2019	2020	2019
Sales	1,390,640	2,049,641	193,748	221,441	400,643	441,573
Gross profit	364,531	542,376	46,173	56,010	85,680	88,631
Gross margin	26%	26%	24%	25%	21%	20%
SG&A	299,527	323,580	33,747	38,582	61,942	70,264
Operating margin	5%	11%	7%	8%	6%	5%
Depreciation and amortization	42,667	62,651	11,470	10,806	26,504	25,769
EBITDA	122,075	293,741	26,076	29,829	53,912	49,743
EBITDA margin	9%	14%	13%	13%	13%	11%

Note: this results do not include Ferreycorp and Inti.

ANALYSIS OF CONSOLIDATED FINANCIAL INFORMATION

As of June 30, 2020, total assets amounted to S/ 6,217.0 million, 9.9% higher if compared to S/ 5,654.6 million as of June 30, 2019. This variation is primarily explained by:

First, the increase in cash and cash equivalents in S/ 368 million, due to the strategy adopted by the corporation to assure liquidity to meet its operational and financial cash flow needs, foreseeing the extension of the operations halt.

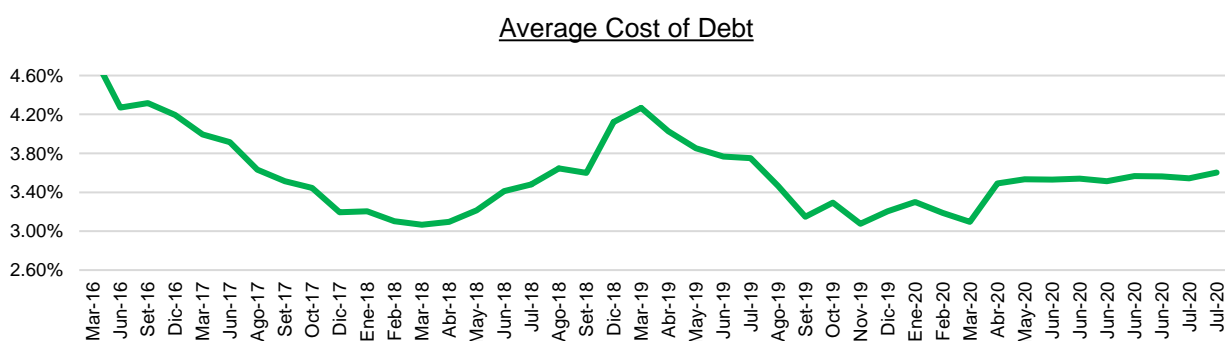
In second place, the increase in inventories of machinery and spare parts that were acquired with an S/ 188 million investment to support sales during the first semester of the year. As explained, this increase in inventories is related to lower sales than projected as a result of lower activity. We expect to achieve a reduction in inventories as the company already has the stock to serve future demand throughout the year, with progressive deliveries to customers, in line with the ongoing recovery of the economy.

Financial liabilities as of June 2020 amounted to S/ 2,519.7 million (US \$ 712 million) and increased by 7.1%, compared US \$ 664 million recorded during the same period last year, led by higher assets mainly driven by the increase in cash balance. Current maturities account for 54% of total debt.

As of June 2020, the financial debt / EBITDA ratio reached a historical record of 4.05x. However, if adjusted by debt related to inventory, the ratio is 3.22x, below the 3.5x covenant in our medium-term credit contracts.

It is important to recall that financial liabilities include S/ 151.8 million (US \$ 42.9 million) related to IFRS16 application that points out that lease contracts must be turned into a liability with its related asset (right of use), recording also the financial expense derived from bringing this obligation to present value using a discount rate (average cost of debt).

The chart below shows the average cost of debt that increased by 30 pbs in the last months derived from higher interest rates recorded during the quarantine. Likewise, financial expenses related to total sales went from 1.8% to 2.6% as of June 2020 explained by the interest rates increase but mainly by higher debt levels.



INVESTMENT IN FIXED ASSETS (CAPEX) AND INTANGIBLES

As of June 30, 2020, the investment in fixed assets amounted S/ 61.3 million:

Rental Fleet

Rental fleet units were replaced with a net investment of S/ 17.4 million (Ferreyros S/ 10.7 million, Gentrac S/ 7.3 million).

Machinery and equipment for workshops

The net investment was S/ 6.4 million (Ferreyros S/ 5.8 million).

Work in progress

Ferreyros is carrying out additional works in CRC La Joya and the ceiling construction of its main warehouse (CDR) (S/ 11.4 million).

Intangibles

The investment in intangible assets reached S/ 28.5 million, mainly for the implementation of ERP SAP S/4 HANA platform that will "go 100% live" in the second half of 2020 in the main companies of the corporation to improve their process, information and reports. From that date, we will start to record the corresponding amortization according to the deadlines established by current regulations. As of June 2020, the total invested in this implementation amounts to S/ 212.1 million (2016: S/ 7.4 million; 2017: S/ 38.2 million; 2018; S/ 69.2 million; 2019: S/ 68.6 million y 2020: S/ 28.5 million).

There is a difference between the fixed assets account recorded in the Statement of Financial Position as of June 2020 and the capital expenditures (CAPEX) related to additions derived from the recognition of leased assets (locations, rental fleet, vehicles fleet, among the most important) as fixed assets according IFRS 16 for S/ 36.6 million.

In this way, the balance sheet shows a fixed asset increase of S/ 81.9 million (US\$ 23.2 million) compared to December 2019.

FINANCIAL RATIOS

Indicadores	Jun-20	Mar-20	Dic-19	Set-19	Jun-19	Mar-19
Current ratio	1.40	1.37	1.42	1.40	1.41	1.69
Financial debt ratio	0.97	1.02	1.04	1.03	0.98	0.87
Indebtedness ratio	1.93	1.79	1.66	1.65	1.64	1.60
Net debt / EBITDA	4.05	3.43	3.29	3.03	2.92	2.73
Adjusted debt / EBITDA	3.22	2.50	2.17	1.87	1.84	2.31
Financial expenses coverage ratio	3.97	5.69	7.13	7.59	7.80	7.81
Asset turnover	0.86	0.99	1.04	1.05	1.01	1.01
Inventory turnover	1.93	2.26	2.39	2.42	2.32	2.41
Inventory days	187	159	150	149	155	149
Receivable days	64	56	62	64	63	67
Payable days	52	47	48	52	55	53
Cash cycle	198	169	165	161	163	163
ROE	2.3%	6.3%	11.5%	12.1%	13.3%	12.2%
ROA	3.6%	5.1%	5.8%	6.9%	6.9%	6.7%
ROIC	5.2%	6.8%	7.3%	8.5%	8.7%	8.8%
Book value per share	2.18	2.17	2.21	2.23	2.20	2.17

Note: See the description of each ratio in the section: "Glossary of terms".

It is important to mention that all ratios are impacted by the operations halt since March 15th.

The leverage ratios considered within the covenants of the Medium-term loans, in particular, the adjusted debt to ebitda ratio show higher levels affected by lower EBITDA generation impacted by sales reduction.

The cash cycle rose during this quarter to 198 days, compared to the one obtained in the same period of 2019, affected by inventory increase.

GLOSSARY OF TERMS

1) **Current Ratio:**

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

2) **Equity debt**

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

3) **Indebtedness Ratio:**

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

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

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

5) **Financial expenses coverage**

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

6) **Assets turnover**

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

7) **Inventory turnover**

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

8) **Return on Equity - ROE**

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

9) **Return on Assets - ROA**

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

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

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

11) **Receivable days**

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

12) **Payable days**

Establish the approximate time (in days) it takes the business to pay its payable accounts. The ratio is calculated as follows: $360 * \text{Cost of Sales} / \text{Average Accounts Payable}$.

13) **Cash cycle**

Is the difference between the operating cycle and payment cycle. It is a rough calculation that measures how long it takes the company to convert its cash resources. It is calculated as follows: Days of inventory + Accounts receivable days - Accounts payable days.

14) **Book value per share**

It is the net value of equity divided by the number of shares issued by the company. The calculation is: Equity / Number of shares.

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 1

Income Statement

(In thousand soles)

	2Q 2020	%	2Q 2019	%	Var %	As of jun20	%	As of jun19	%	Var %
Net sales	804,824	100.0	1,371,882	100.0	-41.3	1,983,636	100.0	2,712,655	100.0	-26.9
Cost of goods sold	-601,857	-74.8	-1,022,595	-74.5	-41.1	-1,487,252	-75.0	-2,025,638	-74.7	-26.6
Gross profit	202,967	25.2	349,287	25.5	-41.9	496,384	25.0	687,017	25.3	-27.7
Selling and admin expenses	-179,146	-22.3	-219,764	-16.0	-18.5	-398,105	-20.1	-435,649	-16.1	-8.6
Other income (expenses), net	8,676	1.1	6,614	0.5	31.2	11,176	0.6	12,023	0.4	-7.0
Operating profit	32,497	4.0	136,137	9.9	-76.1	109,455	5.5	263,391	9.7	-58.4
Financial income	4,020	0.5	5,690	0.4	-29.3	8,081	0.4	10,538	0.4	-23.3
Gain (loss) to exchange rate	-15,927	-2.0	8,787	0.6	-281.3	-96,180	-4.8	33,027	1.2	-391.2
Financial expenses	-28,342	-3.5	-24,922	-1.8	13.7	-50,809	-2.6	-48,350	-1.8	5.1
Participation in the results of associates	1,005	0.1	529	0.0	90.0	1,296	0.1	1,598	0.1	-18.9
Profit before income tax	-6,747	-0.8	126,221	9.2	-105.3	-28,157	-1.4	260,204	9.6	
Income tax	2,631	0.3	-45,337	-3.3		3,256	0.2	-86,975	-3.2	
Net profit	-4,116	-0.5	80,884	5.9	-105.1	-24,901	-1.3	173,229	6.4	
EBITDA	74,050	9.2	193,921	14.1	-61.8	201,891	10.2	376,909	13.9	-46.4

NOTE: Some amounts have been reclassified in this document, to include the allocation of the gross profit of purchase orders, such as sale and cost of sale. In the Income Statement presented to the SMV, only the gross profit obtained in various operations is shown in the heading of other operating income.

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 2

Statement of Financial Position

(In thousand soles)

	As of 30-06-2020	As of 30-06-2019	Var %
Cash and cash equivalents	458,523	90,109	408.9
Accounts receivables - trade	990,823	1,076,151	-7.9
Inventories	2,124,363	1,936,181	9.7
Accounts receivables - other	231,847	235,061	-1.4
Investment in shares	13,863	-	
Investment in securities	-	4,995	
Prepaid expenses	41,747	39,860	4.7
Current assets	3,861,166	3,382,357	14.2
Long term account receivables - trade	28,319	28,648	-1.1
Long term account receivables - other	33,797	5,031	571.8
Rental fleet	582,504	519,822	12.1
Property	1,137,100	1,117,904	1.7
Machinery and equipment	463,616	390,825	18.6
Other fixed assets	153,391	207,150	-26.0
	2,336,611	2,235,701	4.5
Accrued depreciation	-692,950	-577,783	19.9
Property, plant and equipment	1,643,661	1,657,918	-0.9
Investments	17,645	15,096	16.9
Intangible assets, net and goodwill	420,842	361,805	16.3
Deferred income tax	211,554	203,758	3.8
Non current assets	2,355,818	2,272,256	3.7
Total Assets	6,216,984	5,654,613	9.9

	As of 30-06-2020	As of 30-06-2019	Var %
Short term debt	455,773	374,672	21.6
Liabilities derived from leases (IFRS1)	56,968	43,797	30.1
Other current liabilities	2,240,809	1,985,663	12.8
Current liabilities	2,753,550	2,404,132	14.5
Long term debt	1,057,590	807,381	31.0
Other payables	895	159	462.9
Liabilities derived from leases (IFRS1)	94,837	106,691	-11.1
Deferred income tax	185,112	194,169	-4.7
Total Liabilities	4,091,984	3,512,532	16.5
Equity	2,125,000	2,142,081	-0.8
Total Liabilities and Equity	6,216,984	5,654,613	9.9
Other financial information			
Depreciation	67,845	94,572	
Amortization	3,747	8,408	

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 3

NET SALES

(In thousand nuevos soles)

	2Q 2020	%	1Q 2020	%	2Q 2019	%	% Var 2Q 2020/ 2020	% Var 2Q 2020/ 2019	As of jun20	%	As of jun19	%	Var %
CAT mining trucks and machines (GM)	69,747	8.7	110,243	9.4	55,781	4.1	-36.7	25.0	179,990	9.1	127,845	4.7	40.8
CAT machines for other sectors (NGM)	98,880	12.3	162,432	13.8	188,834	13.8	-39.1	-47.6	261,312	13.2	397,011	14.6	-34.2
Allied equipment	135,838	16.9	131,358	11.1	148,787	10.8	3.4	-8.7	267,196	13.5	301,837	11.1	-11.5
Rental and used	45,149	5.6	91,132	7.7	138,111	10.1	-50.5	-67.3	136,281	6.9	243,552	9.0	-44.0
Spare parts and services	377,665	46.9	577,546	49.0	742,023	54.1	-34.6	-49.1	955,210	48.2	1,442,554	53.2	-33.8
Other lines	77,545	9.6	106,102	9.0	98,345	7.2	-26.9	-21.2	183,647	9.3	199,857	7.4	-8.1
TOTAL	804,424	100.0	1,178,812	100.0	1,371,882	100.0	-31.7	-41.3	1,983,636	100.0	2,712,655	100.0	-26.9

FERREYCORP S.A.A. AND SUBSIDIARIES

APPENDIX 4

Total Liabilities as of June 2020

(In thousand US\$)

	Total Liabilities	Current Liabilities	Long term Liabilities		Financial Liabilities
			Current	Long term	
Local banks (short term)	170,163	170,163	-	-	170,163
Foreign banks (short term)	72,272	72,272	-	-	72,272
Local banks (long term)	242,321	-	71,902	170,419	242,321
Foreign banks (long term)	119,660	-	21,913	97,747	119,660
Local and foreign banks (Leasing Fin)	791	-	344	447	791
Suppliers:					
Accounts payable to Caterpillar	63,950	63,950	-	-	-
Accounts payable to Caterpillar	14,587	14,587	-	-	14,587
Others	82,091	82,091	-	-	404
Corporate bonds	-	-	-	-	-
Caterpillar Financial	48,523	-	18,466	30,057	48,523
Liabilities derived from leases (IFRS16)	42,871	-	16,088	26,783	42,871
Other Liabilities	298,373	245,843	-	52,530	-
Total (US\$)	1,155,601	648,906	128,713	377,982	711,591
Total (S/.)	4,091,984	2,297,777	455,773	1,338,434	2,519,743

(A) Subject to interest payment

FERREYCORP S.A.A. AND SUBSIDIARIES
APPENDIX 5
Cash Flow Statement

(In thousand of nuevos soles)

	2Q 2020	As of 30-06-2020
Cashflow from operating activities		
Collection from customers and third parties	807,252	2,161,671
Payment to suppliers	-416,072	-1,388,717
Payment to employees and others	-90,515	-203,178
Payment of taxes and income tax	-2,391	-39,151
Net cash provided by operating activities	298,274	530,625
Cashflow from investing activities		
Acquisition of property, plant and equipment	-17,265	-40,086
Acquisition of assets by right in use (IFRS16)	-26,397	-36,624
Acquisition of financial instruments (mutual funds)	-	9,303
Intangible acquisitions	-15,918	-28,483
Net cash used in investing activities	-59,580	-95,890
Cashflow from financing activities		
Financial liabilities	1,021,406	1,780,421
Payment of financial liabilities	-1,115,584	-1,737,610
Payment of lease liabilities	-1,375	-13,121
Interests paid	-28,932	-55,271
Dividends paid	-	-
Share repurchase	-665	-22,627
Cash from financing activities	-125,150	-48,209
Cash increase, net	113,545	386,526
Cash at the beginning of the year	-	84,433
Result due transaction	-	979
Cash due to exchange rate variation	-12,150	-13,415
Cash at the end of the year	101,395	458,523