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

### Second Quarter 2015

**Lima, July 24, 2015.** Ferreycorp S.A.A. and subsidiaries (BVL: FERREYC1), a leading corporation in the capital goods sector and complementary services, with presence in Peru, Chile, Guatemala, El Salvador, Nicaragua and Belize, announces consolidated results for the second quarter 2015. The consolidated financial results have been prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in nuevos soles.

#### MAIN HIGHLIGHTS

- During the second quarter, consolidated sales amounted to S/. 1,327 million, showing a 4% increase if compared to same period last year (S/. 1,272 million). In this first semester total sales reached S/. 2,662 million, 7% higher compared to first semester 2014 (S/. 2,500 million).

- In the same way, gross profit in 2Q 2015 increased by 12% (S/. 313 million), meanwhile gross margin reached 23.6% higher than 22.0% obtained in the second quarter 2014. First semester gross profit reached S/. 618 million and gross margin increased to 23.2% from 22.4% in the 1S2014.

- During the second quarter 2015, EBITDA reached S/. 156 million, 21% higher if compared to S/. 129 million reported the previous year, as a result of an improvement in operating profit. For the six months ended June 30, 2015 EBITDA grew by 13%. EBITDA

margin of 2Q 2015 was 11.7%, higher if compared to 10.1% reported the previous year and similar to the EBITDA margin reached during the first semester 2015 (11.6%)

- In the second quarter 2015, operating profit grew by 36% due to greater gross margin as a result of sales mix where aftermarket represented 41% of total sales, the recover of exchange loss registered during 2014 and 2015 and expenses control. As of June 2015, operating profit increased 24% as a result of greater gross margin.
- Consolidated net profit reached S/. 38 million in 2Q 2015, a 17% decrease if compared to the same period 2014 (S/. 46 million), as a result of a foreign exchange loss of S/. 35 million during the quarter if compared to S/. 5 million foreign exchange gain in 2Q 2014 due to nuevo sol appreciation during that period. For the six months ended June 30, 2015 net profit reached S/. 69 million compared to S/. 96 million during the first semester 2014 (S/. 78 million exchange loss during first semester 2015 compared to only S/. 1 million exchange loss during first semester 2014). However, despite this result, it is necessary to recall that net profit has showed a positive trend from the first quarter of the year 2015 (S/. 31 million).
- EPS in the 2Q 2015 declined to S/. 0.037 per share from S/. 0.045 per share in 2Q 2014 as a result of lower net profit impacted by foreign exchange loss. EPS during the first semester 2015 reached S/. 0.068 per share compared to S/. 0.095 per share as of June 2014. Second quarter 2015 EBITDA per share rose from S/. 0.127 per share to S/. 0.154 per share. As of June 2015, EBITDA per share reached S/. 0.304 per share compared to S/. 0.269 the same period last year. In both periods the number of shares has maintained in 1,014,326,324 shares.
- Second quarter 2015 free cash flow was S/ - 40.0 million affected by the increase of accounts receivables as a result of mining equipment for S\$ 46 million that was invoiced to a mining customer and will be collect in July. For the first six month period, free cash flow was S/. -54 million affected by the strategic acquisition of a piece of land during the first quarter this year.

**FINANCIAL RESULTS**

	2Q15	2Q14	%Var.	As of June 2015	As of June 2014	%Var.
Net sales US\$ (million)	422	455	-7.3%	858	892	-3.9%
Net sales S/.	1,327	1,272	4.4%	2,662	2,500	6.5%
Gross profit S/.	313	279	12.2%	618	559	10.5%
Operating profit S/.	111	82	35.7%	224	182	23.6%
Financial expenses S/.	(27)	(26)	3.4%	(52)	(50)	3.9%
Gain (loss) to exchange rate S/.	(35)	5	-843.6%	(78)	(1)	5674.2%
Net profit S/.	38	46	-17.2%	69	96	-28.2%
EBITDA S/.	156	129	20.8%	308	273	12.8%
EPS	0.037	0.045	-17.2%	0.068	0.095	-28.2%
Free cash flow	(40)	(33)	20.1%	(54)	202	-126.5%
Gross margin	23.6%	22.0%		23.2%	22.4%	
Operating margin	8.4%	6.4%		8.4%	7.3%	
Net margin	2.9%	3.6%		2.6%	3.8%	
EBITDA margin	11.7%	10.1%		11.6%	10.9%	
Leverage ratio				1.22	1.07	
Net debt/ EBITDA				3.52	3.05	

## **MAIN HIGHLIGHTS**

### **Leadership Changes**

In June, Ferreycorp's CEO announced changes in the organization as part of the corporation's consolidation plan that started in 2012 with the establishment of Ferreycorp S.A.A. as the holding company.

In line with the development of Ferreycorp's businesses, it was considered appropriate to carry out the transition of senior management within the Corporation and some of its subsidiaries.

Mrs. Mariela Garcia de Fabbri, actually Ferreycorp and Fereyros CEO, will fully lead the Corporation's management since January 2016, including the supervision of all subsidiaries. As a result, since that date, Mrs. García will leave her position of Ferreyros CEO. Ferreycorp's General Management will keep greater focus on Caterpillar dealers in Peru (Ferreyros, Unimaq and Orvisa). In that sense, Corporate Business Managers have been designated in Ferreycorp S.A.A. to focus on the Peruvian non-Caterpillar subsidiaries. Mr. Oscar Rubio Rodriguez has been designated as Corporate Business Manager in Ferreycorp S.A.A., who will focus on a group of subsidiaries of the Corporation, as well as on the growth of the relationship with represented allied brands. Mr Rubio will leave Unimaq's General Management at the end of year 2015. At the same time, Mr. Luis Bracamonte Loayza has been designated as Corporate Business Manager in Ferreycorp S.A.A., and will focus on another group of subsidiaries of the Corporation.

There were also some appointments made in some subsidiaries of the corporation:

Mr. Gonzalo Diaz Pro has been promoted as Ferreyros S.A. CEO since January 2016. He has assumed the position of Ferreyros Deputy General Manager since July 2015, as part of a succession process.

Mr. Alberto Parodi de la Cuadra has been promoted as General Manager of Unimaq S.A. since January 2016. He has assumed the position of Deputy General Manager of the company since July 2015, as part of a succession process.

These changes will allow better supervision of the business of the corporation and are part of long term succession plans.

### **Acquisition Highlights**

Ferreycorp expanded its current operations in El Salvador with the acquisition of "Transportes Pesados S.A. de C.V.", leader in the commercialization of heavy transport spare parts, with 35 years in the market and eight branches, with an investment of US\$ 9 million. Therefore, Ferreycorp complements its activities in El Salvador, where it has presence since 2010 with its Caterpillar dealer subsidiary "Compañía General de Equipos S.A. – Cogesa".

The acquisition was fulfilled through "INTI Inversiones Interamericanas Corp.", a subsidiary of Ferreycorp S.A.A. In this sense, the Corporation has renewed its commitment to Central America's capital goods sector, as part of its purpose to create value and consolidate its presence in the countries

where it operates. In this region, Ferreycorp currently has operations in El Salvador, Guatemala, Nicaragua and Belice.

Ferreycorp took control of the acquired company since July 1, 2015.

### **Ferreyros, one of the 10 best companies to work for in Peru**

Ferreyros, was recognized for second consecutive year as one of the 10 best companies to work for in the country, according to the ranking “Merco Personas – Empresas con Talento Peru 2015”. The company, with a team of 3,600 employees, held the 8th position in the list.

Ther ranking “Merco Talento Perú” collects the perception of which are the most attractive companies to work for in the country. It is based on more than 9,300 workers’ surveys, human resources experts and headhunters, human resources management in companies, former students from business schools, universities and general public, considering three reputation values: quality of employment, employer’s brand and internal reputation.

Merco (“Monitor Empresarial de Reputación Corporativa”) is a reputation assessment instrument, which initiated in 2000 and is present in eleven countries: Spain, Colombia, Argentina, Chile, Ecuador, Bolivia, Brasil, Mexico, Peru, and is in process to open in Central America (Costa Rica and Panama).

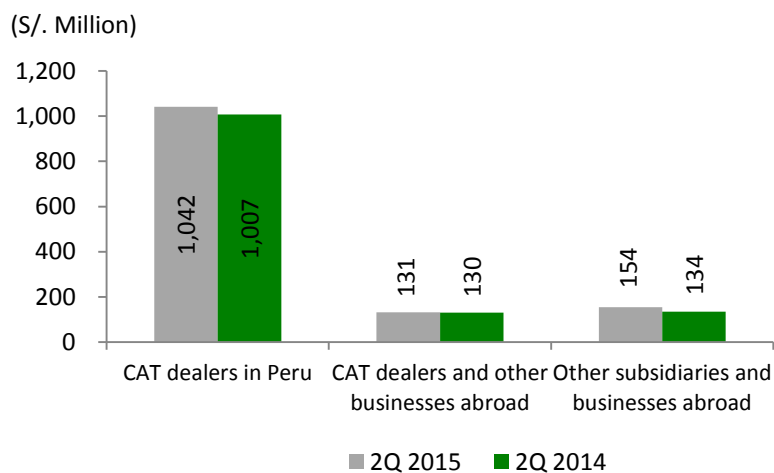
### **Ferreycorp in the Peruvian Stock Exchange Good Corporate Governance Index**

Ferreycorp is part of the Good Corporate Governance Index of the Lima Stock Exchange for eighth consecutive year and has been part of this index since its inception in 2008.

The Good Corporate Governance Index is a capitalization index composed by nine listed companies that adequately meet the Principles of Good Corporate Governance and also considers the liquidity levels of their shares.

## COMMERCIAL MANAGEMENT

### SALES BREAKDOWN ACCORDING TO CORPORATE ORGANIZATION



Consolidated sales of Ferreycorp S.A.A. and its subsidiaries in Peru, Chile, Guatemala, El Salvador, Nicaragua and Belize, amounted to S/. 1,327 million during the second quarter of 2015, showing an increase of 4.4% compared to the second quarter of 2014.

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

Sales (S/. million)	2Q 2015	%	2Q 2014	%	Var %
CAT dealers in Peru	1,042	78.5	1,007	79.2	3.5
CAT dealers and other businesses abroad	131	9.9	130	10.2	0.7
Other subsidiaries and businesses abroad	154	11.6	134	10.6	14.6
<b>TOTAL</b>	<b>1,327</b>	<b>100.0</b>	<b>1,272</b>	<b>100.0</b>	<b>4.4</b>

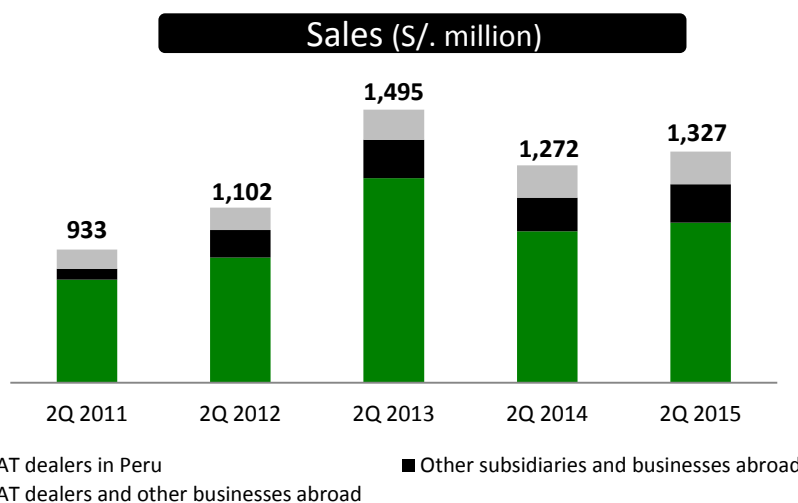
According to the sales breakdown by group of companies, during the second quarter 2015 **Caterpillar dealers in Peru** increased their sales by 3.5% if compared with the same period 2014, which was primarily led by Ferreyros as the result of higher sales to large mining customers.

**Caterpillar dealers in Central America and other businesses abroad** reported during this period sales almost flat (increase 0.7%) if compared to 2014. It is important to recall that even though total sales remained almost flat, rental and used business as well as lubricants rose by 86% and 19%, respectively.

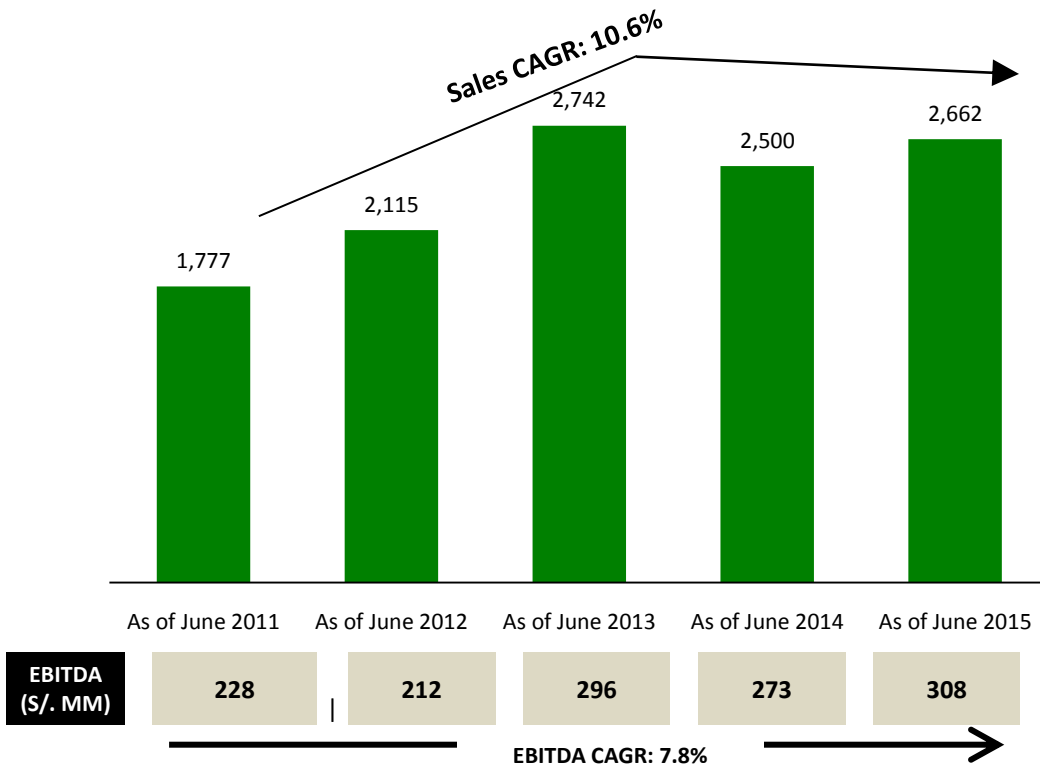
Finally, sales of **other subsidiaries aimed to offer capital goods and services other than Caterpillar to different economic sectors in Peru and abroad**, increased in 14.6%. This variation includes the Chilean subsidiary TREX, which compensates in part Motored and Fiansa lower sales affected by slowdown in the economic sectors they attend.

This reflects the diversification strategy adopted by the corporation, in selling various product lines, with attention to different economic sectors and presence in different countries.

Sales	2Q 2015	%	2Q 2014	%	VAR %
(S/. Million)					
Ferreyros	840	63.3%	808	63.5%	4.0%
Unimaq	158	11.9%	145	11.4%	9.2%
Orvisa	44	3.3%	54	4.3%	-19.5%
<b>CAT dealers in Peru</b>	<b>1,042</b>	<b>78.5%</b>	<b>1,007</b>	<b>79.2%</b>	<b>3.5%</b>
<b>CAT dealers and other businesses abroad</b>	<b>131</b>	<b>9.9%</b>	<b>130</b>	<b>10.2%</b>	<b>0.7%</b>
Motored	45	3.4%	49	3.8%	-8.2%
Mega Representaciones	47	3.5%	47	3.7%	-1.8%
Trex	34	2.6%	5	0.4%	522.0%
Otras (Fargoline, Cresko, Fiansa, etc )	29	2.2%	33	2.6%	-11.9%
<b>Other subsidiaries and businesses abroad</b>	<b>154</b>	<b>11.6%</b>	<b>134</b>	<b>10.6%</b>	<b>14.6%</b>
<b>TOTAL</b>	<b>1,327</b>	<b>100.0%</b>	<b>1,272</b>	<b>100.0%</b>	<b>4.4%</b>

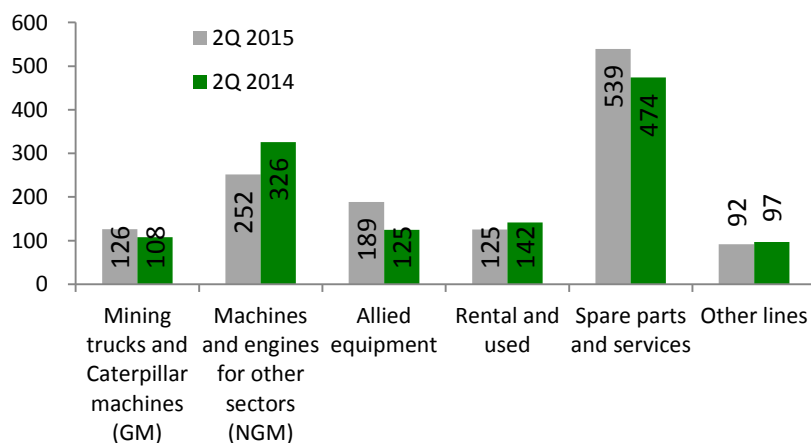


**Sales and EBITDA (S/. million)**



**SALES BREAKDOWN BY BUSINESS LINE**

S/. Million





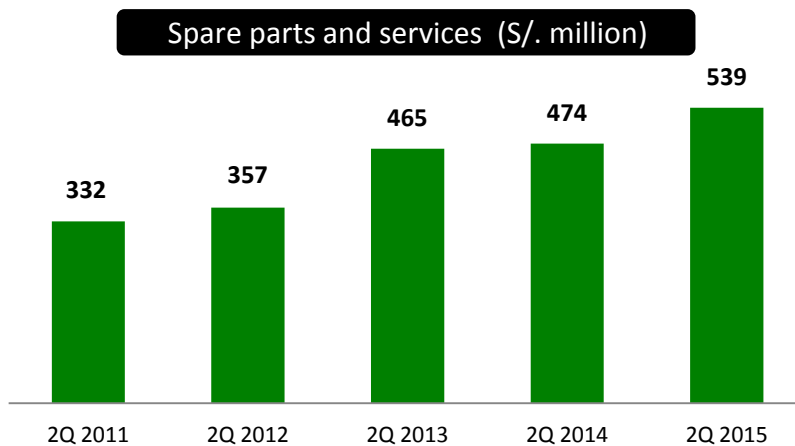
When analyzing the results by business line during the second quarter, we should highlight the increase of 17% related to Caterpillar equipment sales to large mining customers, mainly led by the delivery of 14 mining trucks and 2 shovels to mining customers.

Other lines, with smaller share in total sales, also contributed to the corporation sales and showed important increases such as allied equipment, which rose by 51% basically due to the incorporation of Trex that provided S/. 32 million to total sales during the quarter .

Other lines show a 1% slight decrease compared to 2Q 2014. This result was offset by the increase in Lubricants, logistic services and safety equipment which rose by 14%, 42% and 9%, respectively.

It is important to notice that the logistic business is closely related to the capital goods imports. As importers of equipment from different countries, it is vital to count with a very efficient logistic chain that allows to serve the customers on time, according to their expectations. These logistic businesses, that at the beginning used to serve the corporation subsidiaries, have diversified their customer base.

Regarding the aftermarket revenues, spare parts and services sales continued to showed an increase of 14% over the same period in 2014, driven by machinery population sold in recent years in countries where Ferreycorp has presence, where its Caterpillar dealers keep a high market share.



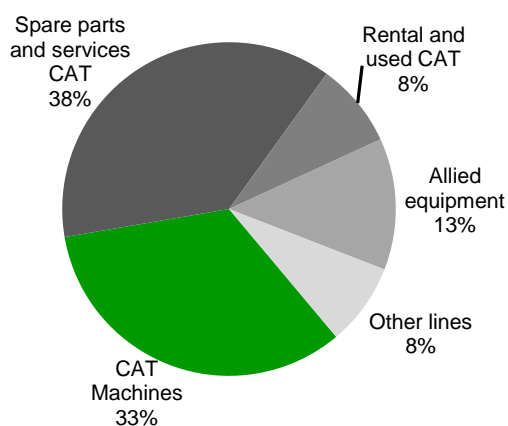
It is important to notice that sales of spare parts and services continue to represent 41% of total sales, being the business line that generates higher margins, to cover distribution costs, and generate more EBITDA to the corporation.

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

Sales (\$/ million)	2Q 2015	%	2Q 2014	%	Var %	1S 2015	%	1S 2014	%	Var %
Mining trucks and Caterpillar machines (GM)	126	9.5	108	8.5	16.9	360	13.5	261	10.4	37.9
Machines and engines for other sectors (NGM)	252	19.0	326	25.6	-22.8	530	19.9	604	24.2	-12.3
Allied equipment	189	14.3	125	9.8	51.2	312	11.7	276	11.0	13.2
Rental and used	125	9.5	142	11.1	-11.5	218	8.2	244	9.7	-10.6
Spare parts and services	539	40.8	474	37.3	13.7	1,055	39.6	931	37.2	13.4
Other lines	92	6.9	97	7.6	-5.2	187	7.0	184	7.4	1.4
<b>TOTAL</b>	<b>1,323</b>	<b>100.0</b>	<b>1,272</b>	<b>100.0</b>	<b>4.1</b>	<b>2,662</b>	<b>100.0</b>	<b>2,500</b>	<b>100.0</b>	<b>6.5</b>

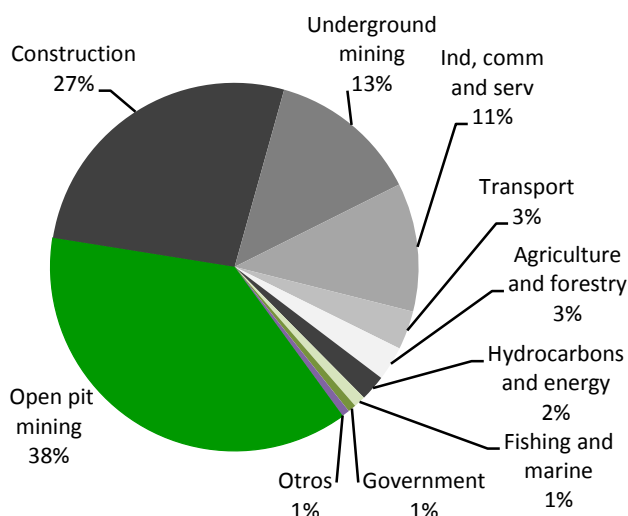
As of June 2015 sales from the Caterpillar line accounted for 79% of total income, including machinery and equipment (new, used and rental units) as well as spare parts and services.

#### Sales by business line as of June 2015



#### SALES BREAKDOWN BY ECONOMIC SECTORS

Regarding sales distribution by economic sector, sales to the open pit mining and construction sectors as of June 30, 2015 continued to record the largest sales volume, with shares of 38% and 27% of total sales, respectively. As of June 30, 2014 open pit mining sales represented 26% of total sales, an increase of 12 points as a result of higher sales to mining customers as explained before.



## ANALYSIS OF FINANCIAL INFORMATION

### Sales

Million of nuevos soles	2Q15	2Q14	%Var.	1S15	1S14	%Var.
Sales	1,327.3	1,271.7	4.4	2,662.1	2,499.8	6.5

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

### Gross Profit

Million of nuevos soles	2Q15	2Q14	%Var.	1S15	1S14	%Var.
Gross profit	313.2	279.2	12.2	617.7	559.1	10.5

During the second quarter 2015 gross profit increased from the amount obtained in the same period 2014. In percentage terms, gross margin reached 23.6%, higher than 22.0% reported during the second quarter of 2014. This result is explained by:

- Sales mix: increase of spare parts and services share in total sales (2Q 2015: 40.6%; 2Q 2014: 37.3%), which have greater margin than other business lines impacted by the lower margin carried by the mining equipment sold.
- 2Q 2015 exchange loss recovery of S/. 35 million. During the second quarter the average exchange rate was S/. 3.145, while in 2Q 2014 the average exchange rate was S/. 2.793 which represents a variation of 12.6%. As of June 2015 the exchange loss recovery is S/. 90 million.

### Selling and Administrative Expenses

Million of nuevos soles	2Q15	2Q14	%Var.	1S15	1S14	%Var.
Selling and administrative expenses	204.0	197.1	3.5	398.8	383.4	4.0

Selling and administrative expenses rose by 3.5% compared to the second quarter 2014, lower than sales increase.

Operating expenses increased basically due to the incorporation of new business TRES, with operations in Chile. Excluding this effect, operating expenses were similar to 2Q 2014. In that sense, selling and administrative expenses accounted for 15.4% of total sales in the first quarter of 2015, compared to 15.5% in the first quarter of 2014.

### Financial Expenses

Million of nuevos soles	2Q15	2Q14	%Var.	1S15	1S14	%Var.
Financial expenses	26.7	25.8	3.4	52.2	50.2	3.9

Financial expenses for the second quarter of 2015 showed a variation of 3.4% compared to the second quarter of 2014. It is important to mention that Ferreycorp financial debt is taken in dollars and has maintained stable, US\$ 660 million as of June 2015 compared to US\$ 669 million as of June 2014. Nevertheless, the increase due to the accounting registration and, therefore, in the financial expenses is explained by higher exchange rate (1S 2015: S/. 2,099.0 million; 1S 2014: S/. 1,869.4 million). The stability in Ferreycorp's debt reflects the corporation effort regarding asset management.

### Foreign Exchange Gain/Loss

Million of nuevos soles	2Q15	2Q14	%Var.	1S15	1S14	%Var.
Foreign Exchange gain/loss	-35.4	4.8		-78.3	-1.4	5,674.2

The exchange loss in 2Q 2015 was produced by a devaluation of the sol against the dollar of 2.65%. On the contrary, during the 2Q 2014 there was an appreciation of the Nuevo Sol against the dollar of 0.46%.

It is important to highlight that the company has a natural hedge, considering that sales –as well as machinery import, invoicing to clients and financing– are made in foreign currency (US dollars). The net currency position is widely covered by inventories, which are recorded in US dollars but registered in the balance sheet using the exchange rate at the date of acquisition. As of June 30, 2015 the inventory was registered at an average exchange rate of S/. 3.015 while liabilities were registered at an exchange rate of S/. 3.179. The difference generated a reserve in inventory of S/. 70 million that will be recover in the upcoming months when these inventories are invoiced at a higher exchange rate to which they were registered when they were acquired.

If we add second semester 2014 exchange loss (S/. 98 million) to the first semester exchange loss of S/. 78 million the result is S/. 176 million exchange loss. We estimate that the corporation has already recover S/. 90 million, leaving a S/. 70 million reserve only from inventory.

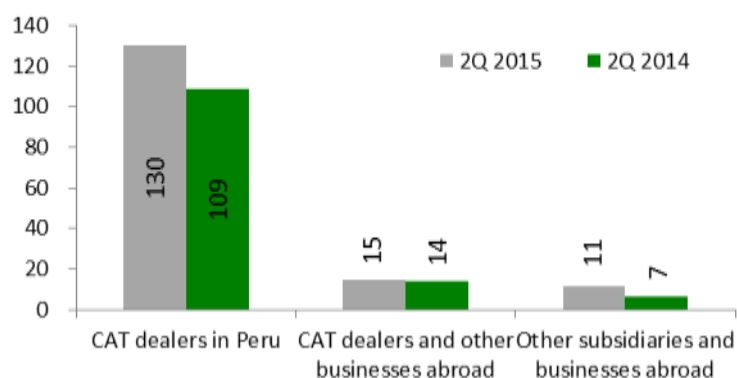
### Net Profit

Million of nuevos soles	2Q15	2Q14	%Var.	1S15	1S14	%Var.
Net profit	37.9	45.7	-17.2	68.9	96.0	-28.2

As explained above, the net profit during the quarter was impacted by the exchange loss, which should be recover in the upcoming moths, as has been recovered during the quarter great part of the exchange loss generated during the last months.

### EBITDA

Million of nuevos soles	2Q15	2Q14	%Var.	1S15	1S14	%Var.
EBITDA	155.8	129.0	20.8	308.3	273.3	12.8

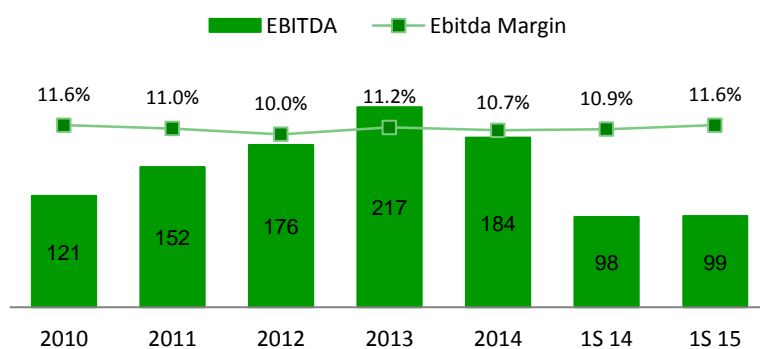


82% of the corporation's EBITDA is generated by Caterpillar dealers and allied brands in Peru (Ferreyros, Unimaq, Orvisa and Ferrenergy), which are the businesses contributing more to sales and profit in the corporation. On the other hand, 10% of EBITDA is generated by Caterpillar dealers and other businesses abroad, while 8% comes from local and foreign subsidiaries aimed to offer capital goods and services for the different economic sectors, in accordance with sales distribution.

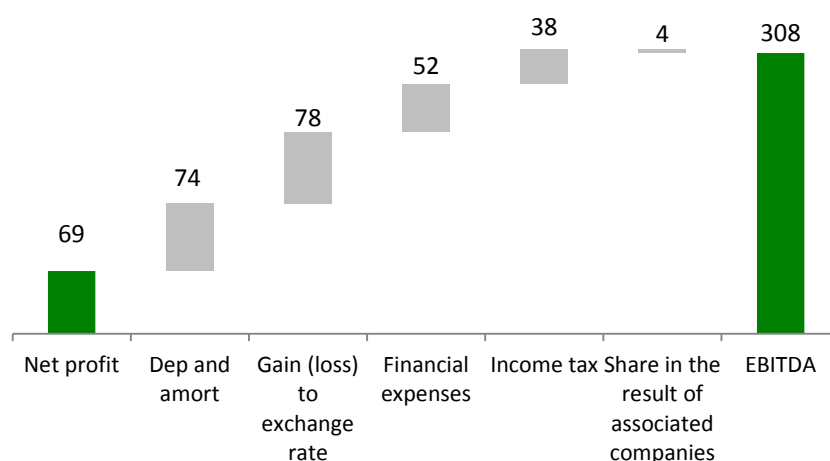
EBITDA (S/. Million)	2015		2014	
	2Q	1Q	2Q	1Q
Consolidated	155.8	152.5	129.0	144.2
CAT dealers in Perú	129.9	124.2	108.5	121.9
CaT dealers and other businesses abroad	14.6	15.7	13.8	11.3
Other subsidiaries and businesses abroad	11.3	12.5	6.7	11.0

EBITDA Margin	2015		2014	
	2Q	1Q	2Q	1Q
Consolidated	11.7%	11.4%	10.1%	11.7%
CAT dealers in Perú	12.5%	11.7%	10.8%	12.7%
CaT dealers and other businesses abroad	11.4%	10.7%	10.6%	9.3%
Other subsidiaries and businesses abroad	7.4%	9.2%	5.0%	7.5%

The second quarter 2015 EBITDA reached to S/. 156 million compared to S/. 129 million reported in the second quarter of 2014, a 20.8% increase primarily due to the improvement of the operating profit. In foreign currency, the increase equals to 7.2%, from US\$ 46 million in the 2Q14 to US\$ 50 million in the 2Q15. EBITDA margin rose from 10.1% in 2Q14 to 11.7% in 2Q15.



EBITDA as of June 2015 (S/. million)



## **ANALYSIS OF CONSOLIDATED FINANCIAL INFORMATION**

As shown in Appendix 2, total assets as of June 30, 2015 amounted to S/. 4,650.5 million, compared to S/. 4,338.6 million as of June 30, 2014, representing an increase of S/. 312.0 million (7.2%).

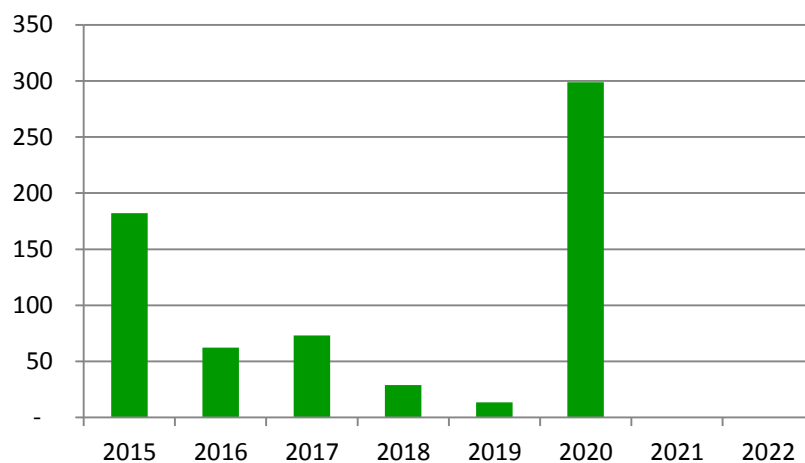
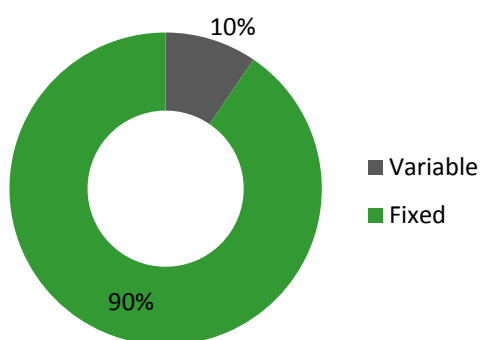
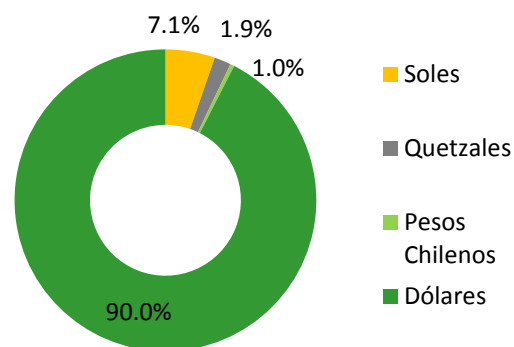
This variation was primarily due to: i) an increase of S/. 162.5 million in accounts receivables primarily due to the invoicing of large mining equipment for US\$ 46 million, ii) an increase of S/. 68.4 million in inventories explained by the purchase of machinery and equipment for future sales; and iii) S/. 47.0 million increase in fixed assets explained mainly by the purchase of land in Punta Negra that will allow better coverage and attention to our customers. This land has been acquired at a lower cost per square meter than what is expected to be in the future, and at an average cost of the others corporation properties.

Financial liabilities as of June 30, 2015 amounted to S/. 2,099.0 million, or US\$ 660 million, which represented an increase of 12.3% in soles and a reduction of 1.2% in dollars if compared to the debt of S/. 1,869.4 million or US\$ 669 million as of June 30, 2014.

The percentage of financial liabilities corresponding to short-term debt is 33.6% (S/. 704.6 million), while (S/. 1,394.4 million) is long-term debt.

The debt that matures in 2015 is US\$ 182 million. This amount could be considered high if compared to the debt that matures during the following years, except of the international bonds that mature in 2020. The corporation has followed a short term financing strategy in order to make more flexible the funding and take advantage of better market conditions, in Perú and abroad. This strategy allows the corporation to improve the interest rates and reduce the effect in the financial expenses. These credits will be canceled with the corporation resources and with available credit lines. The corporation has more than US\$ 700 million of available credit lines in local and foreign banks, Caterpillar Financial Services and the line for inventory financing from Caterpillar.

Below is the maturity structure of the consolidated liabilities, which is 90.0% in dollars. The nuevos soles funding belongs to subsidiaries financing that have a percentage of their income in nuevos soles. 90% of total debt has been contracted at fixed rate, which cover us from possible increases in interest rates.

**Maturity Structure of Liabilities (US\$ MM)**

**Gross debt by rate**

**Gross debt by currency**

**Investment in Fixed Assets (CAPEX)**

In million soles	1S 2015	2S 2014
Infraestructure (1)	68.9	17.0
Machinery and equipment	14.7	21.4
Rental fleet	(40.0)	41.1
Other (2)	4.9	8.8
Total	48.5	88.3

Note: In the Financial Statements reported to the Superintendencia del Mercado de Valores (Superintendency of Securities Market. SMV, in Spanish), the items above have the following nomenclature:

- (1) Buildings and other constructions
- (2) Transport units, furniture and appliances

Capital expenditures (CAPEX) as of June 30, 2015 amounted S/. 48.5 million (US\$ 15 million), 46% lower if compared to the same period in 2014 (S/. 88.3 million or US\$ 32 million). The amount is divided as follows: 142% on infrastructure, 30% on machinery and equipment, 10% on other items and -83% (net) in rental fleet.



**RESULTS ANALYSIS ACCORDING TO CORPORATE ORGANIZATION**

The detail of sales according to group of companies and the lines of business are as follows:

Sales 2Q 2015					
(S/. million)	CAT dealers in Peru	CAT dealers and other businesses abroad	Other subsidiaries and businesses abroad	Consolidated	%
Mining trucks and Caterpillar machines (GM)	126	-	-	126	10
Caterpillar machines and engines for other sectors (NGM)	216	36	-	252	19
Allied equipment	124	2	63	189	14
Rental and used	97	26	2	125	9
Spare parts and services	479	33	28	539	41
Other lines	-	34	62	96	7
<b>TOTAL</b>	<b>1,042</b>	<b>131</b>	<b>154</b>	<b>1,327</b>	<b>100</b>

Ventas 2Q 2014					
(S/. million)	CAT dealers in Peru	CAT dealers and other businesses abroad	Other subsidiaries and businesses abroad	Consolidated	%
Mining trucks and Caterpillar machines (GM)	108	-	-	108	9
Caterpillar machines and engines for other sectors (NGM)	270	54	2	326	26
Allied equipment	82	2	41	125	10
Rental and used	127	14	0	142	11
Spare parts and services	419	34	21	474	38
Other lines	-	-	70	70	6
<b>TOTAL</b>	<b>1,007</b>	<b>130</b>	<b>134</b>	<b>1,272</b>	<b>100</b>

Sales as of June 2015	CAT dealers in Peru	CAT dealers and other businesses abroad	Other subsidiaries and businesses abroad	Consolidated	%
(S/. million)					
Mining trucks and Caterpillar machines (GM)	360	-	-	360	14
Caterpillar machines and engines for other sectors (NGM)	438	92	-	530	20
Allied equipment	199	6	107	312	12
Rental and used	169	44	4	218	8
Spare parts and services	931	72	53	1,055	40
Other lines	-	61	126	187	7
<b>TOTAL</b>	<b>2,097</b>	<b>275</b>	<b>290</b>	<b>2,662</b>	<b>100</b>

Sales as of June 2014	CAT dealers in Peru	CAT dealers and other businesses abroad	Other subsidiaries and businesses abroad	Consolidated	%
(S/. million)					
Mining trucks and Caterpillar machines (GM)	261	-	-	261	10
Caterpillar machines and engines for other sectors (NGM)	508	94	2	604	24
Allied equipment	164	5	107	276	11
Rental and used	212	31	0	244	10
Spare parts and services	825	66	41	931	37
Other lines	-	56	129	184	7
<b>TOTAL</b>	<b>1,970</b>	<b>252</b>	<b>278</b>	<b>2,500</b>	<b>100</b>

### CAT dealers in Perú

The Caterpillar dealers in Perú consist of the following subsidiaries: Ferreyros, Unimaq, Orvisa and Ferrenergy. The main economic sectors attended by these subsidiaries are mining and construction.

(S/. Thousand)	2Q15	2Q14	1S15	1S14
Sales	1,041,895	1,006,905	2,096,512	1,970,251
Gross profit	250,066	220,759	491,593	445,431
Gross margin	24%	22%	23%	23%
Operating expenses	151,585	148,245	297,483	290,215
Operating margin	9%	7%	9%	8%
Dep. and amort	28,176	33,255	51,654	65,384
EBITDA	129,874	108,528	254,112	230,411
EBITDA margin	12%	11%	12%	12%

### Caterpillar dealers in Central America and other businesses abroad

The Caterpillar dealers and other businesses abroad consist on the following subsidiaries: Gentrac Guatemala, Gentrac Belice, Cogesa (El Salvador), Mercalsa (Nicaragua) y Forbis Logistics (USA). The main economic sectors attended by these subsidiaries are construction, mining, commerce and services.

(S/. Thousand)	2Q15	2Q14	1S15	1S14
Sales	131,209	130,288	275,129	251,879
Gross profit	31,238	29,584	62,971	57,614
Gross margin	24%	23%	23%	23%
Operating expenses	22,870	21,325	44,359	41,684
Operating margin	6%	6%	7%	6%
Dep. and amort	5,775	3,922	11,419	7,405
EBITDA	14,592	13,780	30,329	25,098
EBITDA margin	11%	11%	11%	10%

### Other businesses in Peru and abroad

The subsidiaries aimed to other businesses in Perú and abroad are: Motored, Mega Representaciones, Fargoline, Trex (Chile), Cresko, Fiansa, Forbis Peru and Inmobiliaria CDR. The main economic sectors attended by these subsidiaries are: construction, mining, transport, industry, commerce and services.

(S/. Thousand)	2Q15	2Q14	1S15	1S14
Sales	154,159	134,462	290,460	277,615
Gross profit	31,897	28,823	63,152	56,015
Gross margin	21%	21%	22%	20%
Operating expenses	29,549	27,578	56,984	51,521
Operating margin	2%	1%	2%	2%
Dep. and amort	5,857	4,129	11,186	7,922
EBITDA	11,349	6,716	23,842	17,748
EBITDA margin	7%	5%	8%	6%

**FINANCIAL RATIOS**

	2015	2014
Current ratio	1.81	1.91
Financial Debt ratio(1)	1.22	1.07
Indebtedness ratio (2)	1.88	1.72
Net debt/ EBITDA ratio (3)	3.52	3.05
Adjusted debt / EBITDA ratio (4)	2.60	2.43
Financial expenses coverage ratio (5)	5.91	5.44
Assets turnover	1.12	1.18
Inventory turnover	2.76	2.81
ROE	4.0%	12.1%
ROA	1.4%	4.3%
ROIC (6)	10.6%	11.5%
Receivable days	59	56
Payable days	38	37
Cash cycle	152	147
Book value per share	1.59	1.58

(1) Financial debt net of cash/equity

(2) Total liabilities/equity

(3) Net cash of cash

(4) Short-term debt related to inventory financing is excluded

(5) EBITDA/financial expenses

(6) EBIT / Equity + Net debt

- Both, ROE and ROA have declined over the same period last year, mainly affected by the exchange loss that impacted the corporation results in the last twelve months. The exchange loss was recorded more accented since the second semester 2014 (S/. 98 million in the second semester 2014 and S/. 78 during the second semester 2015).
- ROIC as June 2015 reduced if compared to the same period last year, due the increase in financial debt, mainly impacted by the rise in the exchange rate that affected the debt in functional currency.

## GLOSSARY OF TERMS

### **1) Net Financial Debt**

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

### **2) Compound Annual Growth Rate (CAGR)**

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

### **3) Adjusted Financial Debt / EBITDA Ratio**

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

### **4) Adjusted Financial Expenses Coverage Ratio**

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

### **5) Return On Equity - ROE**

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

### **6) Return On Invested Capital - ROIC**

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

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

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

### **8) Net Debt / EBITDA Ratio**

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

### 9) Free Cash Flow

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

## FERREYCORP S.A.A. AND SUBSIDIARIES

ANEXO 1

**Income Statement** (NOTE)

(In thousand of nuevos soles)

	2Q2015	%	2Q2014	%	Var %	As of June 2015	%	As of June 2014	%	Var %
Net sales	1,327,263	100.0	1,271,661	100.0	4.4	2,662,101	100.0	2,499,751	100.0	6.5
Cost of goods sold	-1,014,062	-76.4	-992,495	-78.0	2.2	-2,044,385	-76.8	-1,940,692	-77.6	5.3
<b>Gross profit</b>	<b>313,201</b>	<b>23.6</b>	<b>279,166</b>	<b>22.0</b>	<b>12.2</b>	<b>617,716</b>	<b>23.2</b>	<b>559,059</b>	<b>22.4</b>	<b>10.5</b>
Selling and administrative expenses	-204,004	-15.4	-197,148	-15.5	3.5	-398,826	-15.0	-383,420	-15.3	4.0
Other income (expenses), net	2,085	0.2	-33	(0.0)	-6,418.2	5,436	0.2	5,923	0.2	-8.2
<b>Operating profit</b>	<b>111,282</b>	<b>8.4</b>	<b>81,985</b>	<b>6.4</b>	<b>35.7</b>	<b>224,326</b>	<b>8.4</b>	<b>181,562</b>	<b>7.3</b>	<b>23.6</b>
Financial income	4,725	0.4	5,734	0.5	-17.6	9,698	0.4	10,961	0.4	-11.5
Gain (loss) to exchange rate	-35,353	-2.7	4,754	0.4		-78,298	-2.9	-1,356	-0.1	5,674.2
Financial expenses	-26,690	-2.0	-25,819	-2.0	3.4	-52,205	-2.0	-50,222	-2.0	3.9
Share in the net result of associated through the equity method	2,058	0.2	2,100	0.2	-2.0	3,818	0.1	4,120	0.2	-7.3
<b>Profit before income tax</b>	<b>56,022</b>	<b>4.2</b>	<b>68,754</b>	<b>5.4</b>	<b>-18.5</b>	<b>107,339</b>	<b>4.0</b>	<b>145,065</b>	<b>5.8</b>	<b>-26.0</b>
Income tax	-18,160	-1.4	-23,040	-1.8	-21.2	-38,456	-1.4	-49,103	-2.0	-21.7
<b>Net Profit</b>	<b>37,862</b>	<b>2.9</b>	<b>45,714</b>	<b>3.6</b>	<b>-17.2</b>	<b>68,883</b>	<b>2.6</b>	<b>95,962</b>	<b>3.8</b>	<b>-28.2</b>
Earning per share (EPS)	0.037		0.045			0.068		0.095		
<b>EBITDA</b>	<b>155,815</b>	<b>11.7</b>	<b>129,024</b>	<b>10.1</b>	<b>20.8</b>	<b>308,283</b>	<b>11.6</b>	<b>273,257</b>	<b>10.9</b>	<b>12.8</b>

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. This assignment was part of the purchase agreement of the former Bucyrus business acquired from Caterpillar. In the Income statement presented to the SMV, the gross profit obtained from such operations is included in other operating profit



## FERREYCORP AND SUBSIDIARIES

## APPENDIX 2

**Statement of Financial Position**

(In thousand of nuevos soles)

	As of June 2015	As of June 2014	VAR%
Cash and banks	136,883	139,599	-1.9
Accounts receivables - trade	1,001,843	846,834	18.3
Inventories	1,426,571	1,358,212	5.0
Accounts receivables - other	128,181	137,821	-7.0
Prepaid expenses	24,459	19,667	24.4
<b>Current Assets</b>	<b>2,717,937</b>	<b>2,502,133</b>	<b>8.6</b>
Long-term account receivables - trade	40,698	33,182	22.7
Long-term account receivables - other	5,411	6,014	-10.0
Rental fleet	517,428	600,768	-13.9
Other fixed assets	1,439,370	1,296,180	11.0
	1,956,798	1,896,948	3.2
Accrued depreciation	-563,117	-550,321	2.3
Property, plant and equipment, net	1,393,681	1,346,627	3.5
Investment	86,057	78,528	9.6
Intangible assets, net and goodwill	251,711	245,028	2.7
Deferred income tax	155,087	127,044	22.1
<b>Non current assets</b>	<b>1,932,645</b>	<b>1,836,423</b>	<b>5.2</b>
<b>Total Assets</b>	<b>4,650,582</b>	<b>4,338,556</b>	<b>7.2</b>
Short term debt	192,684	233,321	-17.4
Other current liabilities	1,313,014	1,073,461	22.3
<b>Current liabilities</b>	<b>1,505,698</b>	<b>1,306,782</b>	<b>15.2</b>
Long term debt	1,394,390	1,286,493	8.4
Other payables	1,050	1,835	-42.8
Deferred income taxes	136,006	159,497	-14.7
<b>Total liabilities</b>	<b>3,037,144</b>	<b>2,754,607</b>	<b>10.3</b>
<b>Equity</b>	<b>1,613,438</b>	<b>1,583,949</b>	<b>1.9</b>
<b>Total liabilities and equity</b>	<b>4,650,582</b>	<b>4,338,556</b>	<b>7.2</b>
<b>Other financial information</b>			
Depreciation	66,698	74,809	
Amortization	7,561	5,901	

## FERREYCORP S.A.A AND SUBSIDIARIES

## APPENDIX 3

**SALES**

(In thousand of nuevos soles)

Sales (S/. thousand)	2Q 2015	%	2Q 2014	%	Var %	As of June 2015	%	As of June 2014	%	Var %
Mining trucks and Caterpillar machines (GM)	126,388	9.5	108,086	8.5	16.9	359,710	13.5	260,936	10.4	37.9
Machines and engines for other sectors (NGM)	251,727	19.0	325,903	25.6	-22.8	530,058	19.9	604,073	24.2	-12.3
Allied equipment	188,845	14.3	124,891	9.8	51.2	312,192	11.7	275,742	11.0	13.2
Rental and used	125,295	9.5	141,580	11.1	-11.5	217,823	8.2	243,696	9.7	-10.6
Spare parts and services	539,348	40.8	474,315	37.3	13.7	1,055,369	39.6	930,928	37.2	13.4
Other lines	91,894	6.9	96,886	7.6	-5.2	186,949	7.0	184,375	7.4	1.4
<b>TOTAL</b>	<b>1,323,496</b>	<b>100.0</b>	<b>1,271,661</b>	<b>100.0</b>	<b>4.1</b>	<b>2,662,101</b>	<b>100.0</b>	<b>2,499,751</b>	<b>100.0</b>	<b>6.5</b>

**SALES DISTRIBUTION BY ECONOMIC SECTORS**

	2Q 2015	2Q 2014	As of June 2015	As of June 2014
Open pit mining	33.8%	18.3%	37.5%	26.1%
Construction	30.2%	38.8%	26.8%	29.3%
Underground mining	12.6%	15.9%	13.3%	18.8%
Government	0.9%	0.7%	0.7%	2.0%
Transport	3.7%	5.0%	3.4%	4.7%
Industry, commerce and serv	11.9%	8.6%	11.3%	8.8%
Agriculture and forestry	3.4%	4.0%	3.0%	3.4%
Fishing and marine	1.2%	3.8%	1.0%	2.7%
Hydrocarbons and energy	1.2%	3.2%	2.3%	2.6%
Others	1.0%	1.6%	0.7%	1.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## FERREYCORP S.A.A. AND SUBSIDIARIES

## Appendix 4

**Total Liabilities as of June 2015**

(In thousand of US\$ dollars)

	Total Liabilities	Current Liabilities	Long term liabilities		Financial Liabilities
			Current	Long term	
Local banks (short term)	91,388	91,388	-	-	91,388
Foreign banks (short term)	39,194	39,194	-	-	39,194
Local banks (long term)	48,837	-	14,074	34,763	48,837
Foreign banks (long term)	55,240	-	16,785	38,455	55,240
Local and foreign banks (long term) lease	3,427	-	1,578	1,849	3,427
<b>Suppliers:</b>					
Accounts payable to Caterpillar (inve	30,858	30,858	-	-	-
Accounts payable to Caterpillar	28,573	28,573	-	-	28,573
Others	83,069	83,069	-	-	1,865
Corporate bonds	295,942	-	-	295,942	295,942
Caterpillar Financial	91,801	-	28,174	63,627	91,801
Other liabilities	187,047	139,944	-	47,103	3,990
<b>Total (US\$)</b>	<b>955,377</b>	<b>413,027</b>	<b>60,612</b>	<b>481,738</b>	<b>660,258</b>
<b>Total (S/.)</b>	<b>3,037,144</b>	<b>1,313,014</b>	<b>192,684</b>	<b>1,531,446</b>	<b>2,098,960</b>

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

(In thousands of nuevos soles)

**As of June 2015**
**Cash flows from operating activities**

Trade accounts receivables	2,528,023
Suppliers	-2,119,514
Employees and others	-212,012
Taxes	-84,537

<b>Net cash provided by operating activities</b>	<b>111,960</b>
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**Cash flow from investing activities**

Acquisition of property, machinery and equipment	-115,654
Intangible acquisitions	-5,202
Sale of property, machinery and equipment	161

<b>Net cash used in investing activities</b>	<b>-120,695</b>
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**Cash flow from financing activities**

Financial liabilities	932,253
Financial liabilities payed	-775,216
Interests payed	-50,191
Dividends payed	-61,577
Own shares	-3,942

<b>Net cash used in financing activities</b>	<b>41,327</b>
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Net increase in cash	32,592
Cash at the begining of the year	89,949
Result in traslation	12,603
Cash due to variation in exchange rate	1,739
<b>Cash and cash equivalentes at the end of year</b>	<b>136,883</b>