

For further information, please contact:

Patricia Gastelumendi L.

CFO

Tel: (511) 626-4257

patricia.gastelumendi@ferreycorp.com.pe

Elizabeth Tamayo M.

Investor Relations

Tel: (511) 626-5112

elizabeth.tamayo@ferreycorp.com.pe

Liliana Montalvo V.

Investor Relations and Securities Manager

Tel: (511) 626-4163

liliana.montalvo@ferreycorp.com.pe

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

Fourth Quarter 2016

Lima, February 14, 2017. Ferreycorp S.A.A. and subsidiaries (BVL: FERREYC1), a leading corporation in the capital goods sector and complementary services, based in Peru and with presence in other Latin American countries, announces consolidated results for the fourth quarter and full year 2016.

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

MAIN HIGHLIGHTS FOR FULL YEAR 2016 RESULTS

- Consolidated net profit reached S/. 230 million compared to S/ 162 million in 2015, showing a 42% increase. The small variation of the exchange rate from January through December, allowed the company to obtain results without distortions, unlike 2015 when results were impacted by S/ 151.8 million foreign exchange loss.
- Consolidated sales for the year 2016 amounted to S/ 4,856 million, that represent 91.1% of 2015 consolidated sales of S/ 5,333 million mainly as a result of less economic growth driven by a reduction in investment levels, specially due to the contraction of the infrastructure sector. The machinery sales reached in the main sectors in which Ferreycorp operates, allowed to maintain a very high market share level in this line of business, consolidating the leadership of the corporation
- The gross margin reached to 24.3%, similar to the one achieved in 2015 as a result of an adequate mix of the different lines of business in total sales. On the other hand, operating margin amounted 8.7%, slightly lower than 9.2% in

2015. Both margins are remarkable considering the difficult business environment experienced during the year. During 2016 Other income amounted to S/ 40.9 million compared to S/ 18 million in 2015, led by the sale of investments by the subsidiary Inti.

- EBITDA as of December 31, 2016 reached S/ 583 million and allowed to maintain the last year's average EBITDA margin of 12%.
- Financial debt as of December 31, 2016 amounted to US\$ 521 million, showing an 11% reduction or US\$ 65 million decrease, if compared to US\$ 586 million reached during the same period last year. This result is led by the free cash flow generated during the year due to a reduction in working capital and an improvement in inventory turnover. Nevertheless, financial expenses increased from S/ 106.4 million to S/ 124.7 million mainly explained by the expenses incurred during international bond tender offer in June 2016. Leverage ratio – net debt/EBITDA – for the year ended 2016 is 2.78 compared to 2.64 for 2015.
- EPS as of December 31, 2016 reached to S/ 0.231, 45% higher than S/ 0.161 as of December 31, 2015. This result reflects the business activity without distortions, thanks to the exchange rate stability during 2016.
- As of December 31, 2016 the Free cash flow amounted to S/ 247 million, higher than S/ 140 million recorded during the same period last year led by a better inventory management and a lower CAPEX investment.

FOURTH QUARTER 2016 RESULTS

- Net profit reached S/ 66 million, showing an important growth of 71% if compared to fourth quarter 2015 net profit of S/ 38 million. This result reflects the exchange rate stability during this quarter, unlike same period 2015 when the dollar appreciation generated a S/ 54.3 million foreign exchange loss.
- Consolidated sales for the fourth quarter amounted to S/ 1,106 million and decreased by 13% if compared to the same period last year (S/ 1,273 million), mainly explained by lower demand from clients from the mining and construction sector, reflected by the lower growth rates that are still being experienced in the country.
- Gross margin during the fourth quarter reached 25.8% compared to 26.9% during the same period last year.
- Operating margin decreased from 10.8% in 4Q 2015 to 8.7% in 4Q 2016, as a result of the margin reduction explained above and the high percentage of expenses compared to total sales, led by lower sales. It should be noted that the expenses reduction rate was affected in the last quarter by the provision of accounts receivable made by some companies.
- EBITDA margin rose to 12%, compared to 14.2% recorded during same quarter last year.
- Fourth quarter 2016 Free cash flow is S/ 127 million, as a result of a reduction in Operating cash flow affected by receivables increase due to mining equipment invoices. In the same way, Free cash flow was also affected by the increase in financial expenses led by the premium payed to the bondholders during the International Bond Tender Offer.

FINANCIAL RESULTS

	Fourth Quarter			Accumulated		
	2016	2015	%Var.	2016	2015	%Var.
(In million soles except ratios per share)						
Net Sales US\$ (million)	\$325	\$383	-15.0%	\$1,439	\$1,673	-14.0%
Net Sales	S/. 1,106	S/. 1,273	-13.1%	S/. 4,856	S/. 5,333	-8.9%
Gross profit	S/. 285	S/. 343	-16.8%	S/. 1,181	S/. 1,292	-8.6%
Operating profit	S/. 96	S/. 138	-30.3%	S/. 425	S/. 490	-13.4%
Financial expenses	S/. -35	S/. -28	22.5%	S/. -125	S/. -106	17.3%
Gain (loss) to exchange rate	S/. 7	S/. -54		S/. 0	S/. -152	
Net Profit	S/. 66	S/. 38	71.1%	S/. 230	S/. 162	42.3%
EBITDA	S/. 133	S/. 180	-26.2%	S/. 583	S/. 667	-12.6%
EPS	0.067	0.038	74.7%	0.233	0.161	45.3%
EBITDA per share	0.134	0.179	-24.9%	0.591	0.662	-10.8%
Free cash flow	S/. 127	S/. 145	-12.4%	S/. 247	S/. 140	76.4%
Gross margin	25.8%	26.9%		24.3%	24.2%	
Operating margin	8.7%	10.8%		8.7%	9.2%	
Net margin	5.9%	3.0%		4.7%	3.0%	
EBITDA margin	12.0%	14.2%		12.0%	12.5%	
Leverage ratio				0.83	0.96	
Net debt / EBITDA				2.78	2.64	

MAIN HIGHLIGHTS

The Ranking “La Voz del Mercado” 2016, initiative lead by EY and the Lima Stock Exchange (BVL), distinguished Ferreycorp as the second company with best Corporate Governance practices among 27 most liquid issuer companies in the Peruvian stock market.

The ranking is the result of an anonymous survey conducted by GfK which involved more than 340 specialists, including institutional investors, financial analysts, risk agencies, corporate banking, regulators, business managers, academics and business journalists.

In this way, the perception of the main local and foreign capital market agents regarding the quality of the corporate governance practices of the companies that are being analyzed is gathered.

In addition, Ferreycorp was renowned with the second place in Leading Corporate Governance Category by Agenda Líderes Sustentables 2020, ALAS20. ALAS20 is the only Latin American venture which is held in Chile, Peru, Colombia, Mexico and Brazil that evaluates, qualifies and recognizes excellence in public disclosure of best practices in sustainable development, corporate governance, and investor relations, distinguishing companies, Investors and professionals.

1. COMMERCIAL MANAGEMENT

1.1 SALES BREAKDOWN ACCORDING TO CORPORATE ORGANIZATION

During 2016 consolidated sales of Ferreycorp S.A.A. and its subsidiaries amounted to S/ 4,856 million showing an 8.9% decrease if compared to last year results. During the fourth quarter of 2016 sales reached S/ 1,105 million, showing a 13% reduction if compared to fourth quarter 2015.

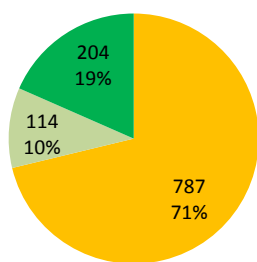
It is worth recalling that Ferreycorp divide its companies in three main groups:

Group I: subsidiaries which are Caterpillar dealers and represent allied brands in Peru (Ferreyros, Unimaq and Orvisa)

Group II: subsidiaries which are Caterpillar dealers and other businesses in Central America (Gentrac, Cogesa, Motored and Mercalsa).

Group III: subsidiaries aimed to offer capital goods and services that complement Caterpillar in different economic sectors in Peru and abroad (Motored, Soltrak, Trex, Motriza, Fargoline, Forbis Logistics, Fiansa and Sitech).

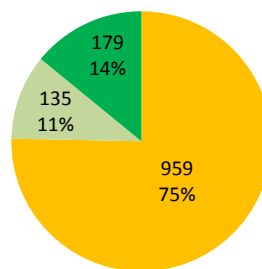
Sales composition in the fourth quarter 2016 compared to fourth quarter 2015 is showed below:



Sales 4Q 2016

(in million soles)

- Cat dealers in Peru
- CAT dealers and other businesses abroad
- Other businesses



Sales 4Q 2015

(in million soles)

- Cat dealers in Peru
- CAT dealers and other businesses abroad
- Other businesses

The detail of sales by group of companies:

Sales (\$/ million)	4Q 2016	%	4Q 2015	%	VAR %	As of Dec16	%	As of Dec 15	%	VAR %
Ferreyros	638	57.7%	793	62.4%	-19.6%	3,016	62.1%	3,447	64.7%	-12.5%
Unimaq	116	10.5%	119	9.3%	-1.9%	480	9.9%	540	10.1%	-11.0%
Orvisa	33	3.0%	47	3.7%	-28.2%	159	3.3%	181	3.4%	-12.2%
Total CAT dealers in Peru	787	71.2%	959	75.4%	-17.9%	3,655	75.3%	4,168	78.2%	-12.3%
Total CAT dealers and other businesses abroad	114	10.4%	135	10.6%	-15.1%	455	9.4%	520	9.7%	-12.6%
Soltrak (ex Mega Rep.)	67	6.0%	50	4.0%	32.7%	253	5.2%	192	3.6%	31.4%
Motored	54	4.8%	51	4.0%	6.0%	200	4.1%	199	3.7%	0.3%
Trex	32	2.9%	50	3.9%	-35.6%	102	2.1%	138	2.6%	-26.6%
Others (Fargoline, Motriza, Forbis, etc)	51	4.6%	28	2.2%	85.0%	192	4.0%	114	2.1%	68.2%
Total other businesses	204	18.4%	178	14.0%	14.1%	747	15.4%	645	12.1%	15.9%
TOTAL	1,106	100.0%	1,272	100.0%	-13.1%	4,856	100.0%	5,333	100.0%	-8.9%

According to the sales breakdown by group of companies, during the fourth quarter 2016 the first group of companies, **Caterpillar dealers in Peru**, reduced their sales by 17.9% if compared with the same period 2015, which was primarily led by the lower dynamism in the economic sectors, mainly mining and construction.

The second group of companies, **Caterpillar dealers and other businesses in Central America**, reported sales 15.1% lower than the ones recorded in fourth quarter 2015, due to sales drop to the construction sector.

Finally, sales of **other subsidiaries aimed to offer capital goods and services other than Caterpillar to different economic sectors in Peru and abroad**, increased by 14.0%. This variation is led mainly by Soltrak higher sales, company that represents Good Year tires, Exxon Mobil lubricants and 3M personal safety equipment. This group of companies has increased its share in total sales of the corporation to 18.4% and currently amounts to \$/ 204 million, explained by consumables growth and the subsidiaries that offer logistics services

1.2 SALES BREAKDOWN BY BUSINESS LINE

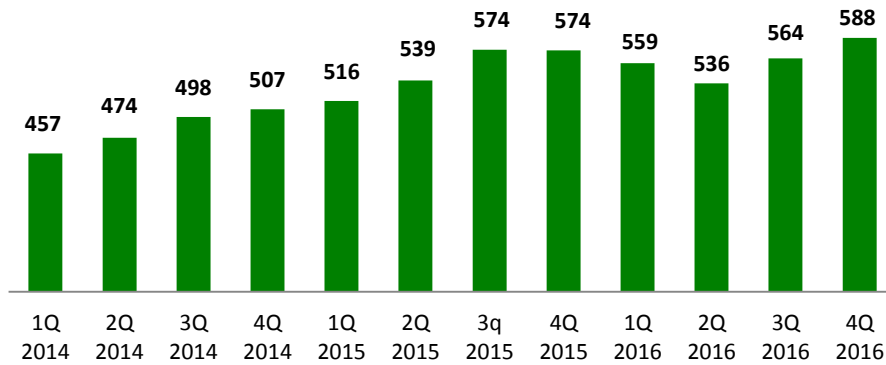
Sales (S/ In thousand)	4Q 2016	%	4Q 2015	%	Var %	As of 31.12.16	%	As of 31.12.15	%	Var %
Mining trucks and Caterpillar machines (GM)	38,631	3.5	93,961	7.4	-58.9	538,886	11.1	573,766	10.8	-6.1
Caterpillar machines and engines for others sectors(NGM)	133,672	12.1	222,368	17.5	-39.9	703,585	14.5	1,045,477	19.6	-32.7
Allied equipment	143,853	13.0	172,509	13.6	-16.6	563,718	11.6	666,901	12.5	-15.5
Rental and used	98,276	8.9	114,264	9.0	-14.0	359,351	7.4	465,655	8.7	-22.8
Spare parts and services	587,514	53.1	573,516	45.1	2.4	2,247,125	46.3	2,203,057	41.3	2.0
Other lines	103,592	9.4	96,017	7.5	7.9	443,619	9.1	377,664	7.1	17.5
TOTAL	1,105,538	100.0	1,272,635	100.0	-13.1	4,856,284	100.0	5,332,521	100.0	-8.9

When analyzing the results by business line as of December 31, 2016, Caterpillar mining trucks and equipment reduced its sales slightly in 6.1% over the same period in 2015. If we compare fourth quarter 2016, sales in this business line reduced by 59% compared to same period 2015. Likewise, Caterpillar engines and machines shrank on average 36% during the fourth quarter and also during full year 2016. These results are the consequence of the current environment where important investments in new projects have not yet been announced.

Moreover, allied equipment, rental and used equipment, decreased quarterly and accumulated sales on average by 16% and 18%, respectively impacted by the reduction of the construction sector. It is important to recall that the corporation has been able to resize the dimension of Ferreyros and Unimaq rental fleets.

Regarding the aftermarket revenues, spare parts and services sales continue to increase their share in total revenues from 41% to 46% during full year 2016. It is important to notice that sales of spare parts and services during the fourth quarter 2016 amounted record sales of S/ 588 million, a 2.4% increase over same period last year driven by machinery population sold in recent years in countries where Ferreycorp has presence, where its Caterpillar dealers keep a high market share. During the last years, the population of Caterpillar machinery has increased, dynamic that allows the sustainability of the business model.

Spare parts and services (S/. million)



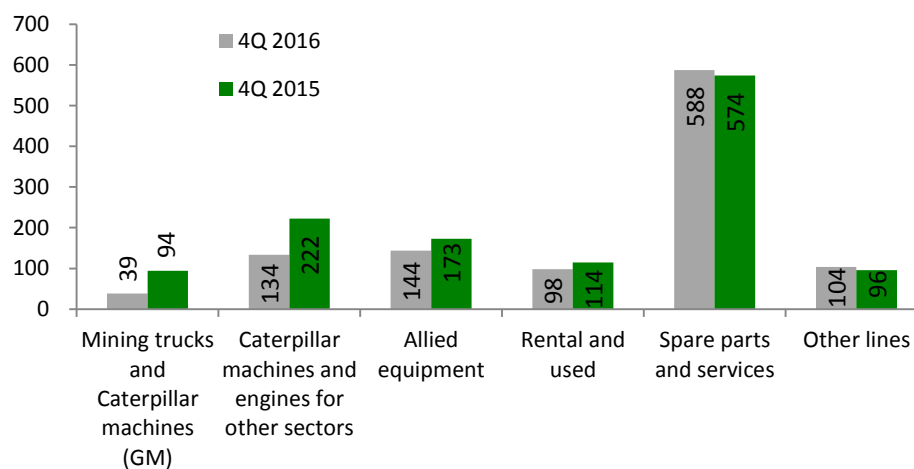
Spare parts and services is the business line that generates higher gross margin and more EBITDA to the corporation.

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

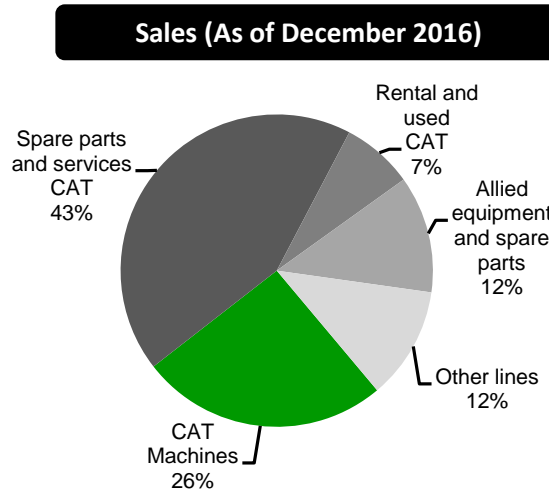
In this context of lower economic activity, this business line represents a high share of total sales which fluctuates between 40% and 50%, and allows a diversification in revenues.

Businesses grouped in "Other lines" showed an 8% increase, led by personal safety equipment, lubricants and tires which rose by 48%, 3% and 9%, respectively.

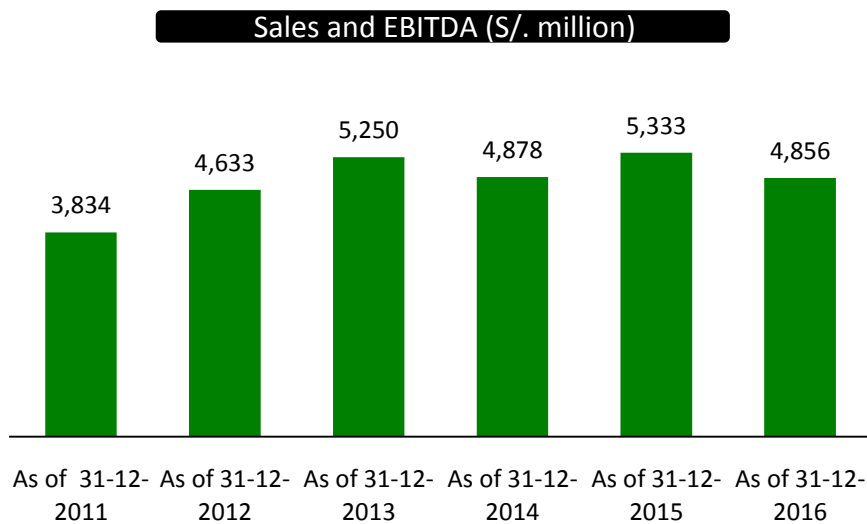
Sales by business line (S/ million)



As of December, 2016 sales from the Caterpillar line carried by Caterpillar dealers in Peru, Guatemala, El Salvador and Belize, accounted for 76% of total income, including machinery and equipment (new, used and rental units) as well as spare parts and services.



It is important to highlight that the EBITDA margin recorded as of December 31, 2016 is 12% as a result of the sales volume reached during the year, good gross and operating margins, expenses control and the follow up of commercial and financial indicators.



Ebitda margin	10.7%	10.0%	11.2%	10.7%	12.5%	12.0%
EBITDA (S/ MM)	411	461	588	522	667	583

EBITDA CAGR: 7.2% →

1.3 SALES BREAKDOWN BY ECONOMIC SECTORS

Regarding sales distribution by economic sectors, sales to open pit mining represented during full year 2016 38% of total revenues and increased its participation in total revenues in 2 points if compared to 2015. Meanwhile, construction represented 22% of total sales and reduced its share in 4 points led by lower dynamism in this sector. It is also worth noting the contribution of underground mining, Industry, commerce and services, transport; agriculture and forestry and government, which increased its share in total sales due to equipment tenders won during the period.

	4Q 2016	4Q 2015	As of Dec 16	As of Dec 15
Open pit mining	35.4%	39.8%	37.7%	35.5%
Construction	24.5%	29.6%	21.9%	26.1%
Underground mining	15.0%	6.3%	13.9%	13.4%
Government	0.9%	1.6%	3.0%	1.4%
Transport	4.8%	3.3%	4.3%	3.3%
Industry, commerce and services	11.1%	12.9%	10.8%	11.0%
Agriculture and forestry	3.9%	2.3%	3.5%	3.3%
Fishing and marine	1.8%	0.9%	2.2%	1.3%
Hydrocarbons and energy	1.1%	1.1%	1.4%	3.1%
Others	1.5%	2.3%	1.3%	1.5%
Total	100.0%	100.0%	100.0%	100.0%

2. ANALYSIS OF FINANCIAL INFORMATION

1. Sales

Million of nuevos soles	4Q16	4Q15	%Var.	As of Dec 2016	As of Dec 2015	%Var.
Sales	1,105.5	1,272.6	-13.1	4,856.3	5,332.5	-8.9

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

2. Gross profit

Million of nuevos soles	4Q16	4Q15	%Var.	As of Dec 2016	As of Dec 2015	%Var.
Gross profit	284.9	342.5	-16.8	1,180.9	1,292.1	-8.6
Gross margin	25.8%	26.9%		24.3%	24.2%	

During the fourth quarter 2016, gross profit was below the amount obtained in the same period 2015 as a result of lower sales recorded during that period. In percentage terms, 4Q 2016 gross margin reached to 25.8%, and decreased if compared to the one recorded in the 4Q15 but is higher than gross margin recorded during the first three quarters of the year of approximately 23%.

3. Selling and Administrative Expenses

Million of nuevos soles	4Q16	4Q15	%Var.	As of Dec 2016	As of Dec 2015	%Var.
Selling and administrative expenses	211.0	213.8	-1.3	796.8	819.8	-2.8
As % of sales	-19.1%	-16.8%		-16.4%	-15.4%	

Selling and administrative expenses during the fourth quarter 2016 slightly dropped by 1.3% compared to the same quarter last year. The effort to reduce expenses was impacted by some measures taken to adapt the structure to the new business environment which have an initial effect on expenses, as well as some provisions.

4. Financial Expenses

Million of nuevos soles	4Q16	4Q15	%Var.	As of Dec 2016	As of Dec 2015	%Var.
Financial expenses	34.6	28.2	22.5	124.7	106.4	17.3
As a % of sales	-3.1%	-2.2%		-2.6%	-2.0%	

Financial expenses for the fourth quarter of 2016 showed an increase of 22.5% compared to 4Q 2015. This result is basically explained by the S/ 14 million soles premium payed in the Tender Offer and registered during the third and fourth quarter. This premium will be recovered during the next three

years through the reduction of the cost of debt obtained to repurchase part of the bonds that is on average 2.95% compared to the bonds coupon of 4.875%. The savings in the next three years will be US\$ 7.3 million.

5. Foreign Exchange Gain/ Loss

Million of nuevos soles	4Q16	4Q15	%Var.	As of Dec 2016	As of Dec 2015	%Var.
Foreign Exchange gain/loss	6.5	-54.3	-112.0	0.5	-151.8	-100.3

As explained on previous occasions, the variation of the monthly exchange rate has temporary effects on Ferreycorp's results. The 2015 foreign exchange loss was partially recovered in that year, and the remaining during the first months of 2016. On the other hand, the exchange rate small variation during 2016 has generated less distortion throughout the year, with almost no cumulative effects.

However, the foreign exchange gain of S/ 6.5 million in 4Q16 was produced by a 1.26% nuevo sol appreciation against the dollar compared to the foreign exchange loss of S/ 54.3 million during 4Q15 (5.9% sol devaluation against the dollar). 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)

6. Net profit

Million of nuevos soles	4Q16	4Q15	%Var.	As of Dec 2016	As of Dec 2015	%Var.
Net profit	65.7	38.4	71.1	230.2	161.8	42.3

Net profit for the fourth quarter 2016 amounted to S/ 65.7 million, 71% higher if compared to S/. 38.4 million in 4Q 2015.

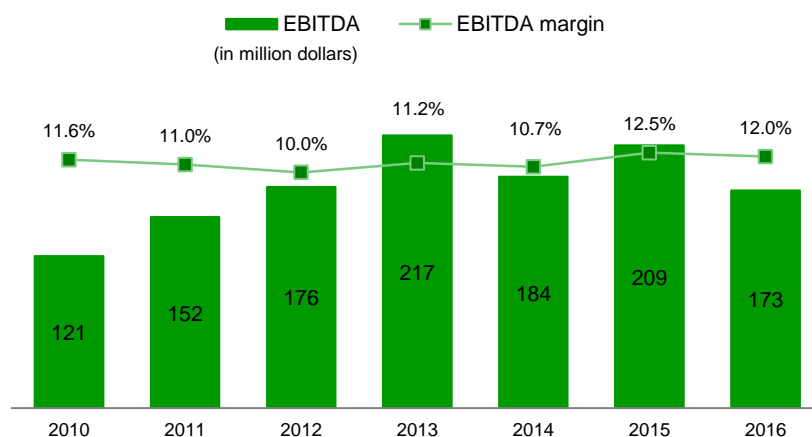
7. EBITDA

Million of nuevos soles	4Q16	4Q15	%Var.	As of Dec 2016	As of Dec 2015	%Var.
EBITDA	132.6	180.3	-26.5	582.8	666.9	-12.6
EBITDA margin	12.0%	14.2%		12.0%	12.5%	

As of December 31, 2016 83.3% 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, 11.1% of EBITDA is generated by Caterpillar dealers and other businesses abroad, while 5.6% comes from local and foreign subsidiaries aimed to offer capital goods and services for the different economic sectors, in accordance with sales distribution. Some of these companies 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.

EBITDA as of December 31, 2016 reached to S/. 582.8 million compared to S/. 666.9 million reported as of December 2015, which represents a decrease of 12.6% in line with lower sales.



ANALYSIS ACCORDING TO CORPORATE ORGANIZATION

(S/. Thousand)	Cat dealers in Peru		Cat dealers and other businesses abroad		Other businesses	
	2016	2015	2016	2015	2016	2015
Sales	3,654,749	4,167,970	454,570	519,826	746,966	644,725
Gross profit	923,175	1,039,940	120,701	130,899	136,987	121,300
Gross margin	25%	25%	27%	25%	18%	19%
Operating expenses	563,965	603,719	102,295	95,565	129,609	125,100
Operating margin	10%	10%	4%	7%	1%	-1%
Dep. and Amort	89,861	111,335	20,344	21,958	17,280	17,224
EBITDA	479,095	575,424	70,292	58,498	24,421	21,009
EBITDA margin	13%	14%	15%	11%	3%	3%

Note: This result does not include Ferreycorp individual.

3. ANALYSIS OF CONSOLIDATED FINANCIAL INFORMATION

Total assets as of December 31, 2016 amounted to S/ 4,807.8 million compared to S/ 4,945.9 million as of December 31, 2015, representing a decrease of S/ 138.1 million (2.8%). This variation was primarily due to i) S/ 146.4 million reduction of inventory led by asset management which is one of the main targets of the corporation in order to improve cash flow, and ii) due to fixed assets reduction from S/ 2,215.2 million in 2015 to S/ 2,152.9 million in 2016.

The inventory downsizing is related directly to the corporation financial debt reduction. Financial liabilities as of December 31, 2016 amounted to S/. 1,749.7 million or US\$ 521 million, which represent a decrease of 11.3% in dollars if compared to financial liabilities of US\$ 586 million as of December 31, 2015. This reduction was made with cash surpluses generated during the year.

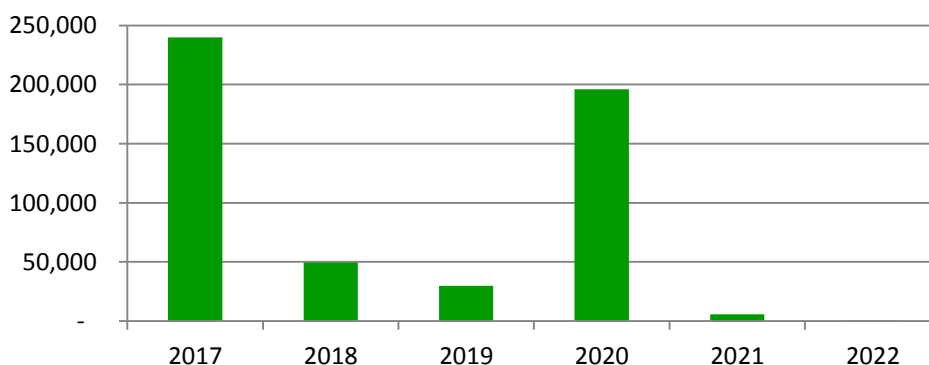
The percentage of financial liabilities corresponding to short-term debt and the current portion of the long term debt is 43% (S/. 779.7 million), while (S/. 970 million) is long-term debt

Given the context of low interest rates, the corporation kept the strategy to maintain large part of the debt in the short term; however, some of it will be refinanced during the year.

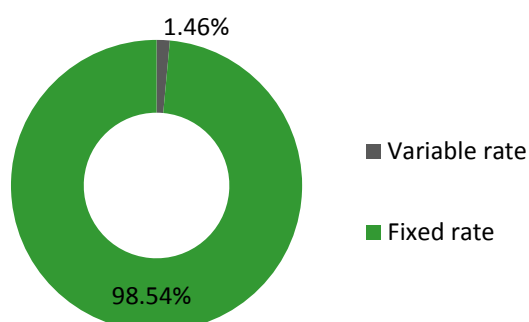
It is important to notice that the financial expenses (excluding the tender) maintained stable as a result of better interest rates and financial conditions that allow the corporation the possibility to prepay debt without penalties. As of December 31, 2016 the average cost of debt reduced to 4.12% compared to 4.63% during the same period last year. It is worth noting that Ferreycorp counts with available credit lines to afford future payments. The corporation has three sources of financing: capital market, local and foreign banks and Caterpillar Financial Services.

Below is the maturity structure of the consolidated liabilities, which is 71.3% in dollars. The nuevos soles and other currency debt belong to subsidiaries that have a percentage of their income in local currency or whose legislation does not allow it to maintain accounts receivable in dollars (Trex Chile). Likewise, 98.54% of total debt has been contracted at fixed rate, which cover us from possible increases in interest rates.

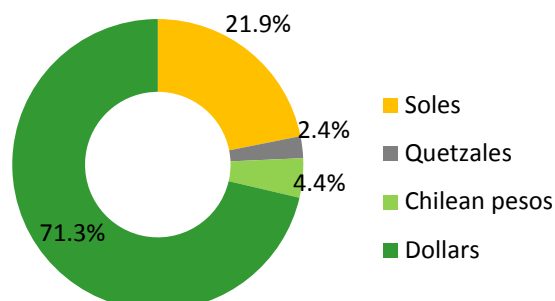
Maturity Structure of Liabilities (US\$ thousand)



Gross debt by rate



Gross debt by currency



Investment in Fixed Assets (CAPEX)

In million soles	As of Dec 2016	As of Dec 2015
Infrastructure (1)	57.1	94.9
Machinery and equipment	8.3	1.2
Rental fleet	-109.7	-5.1
Other (2)	9.0	9.9
Total S/.	-35.3	100.9
Total US\$	-10.6	29.6

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

Capital expenditures (CAPEX) as of December 31, 2016 amounted S/. -35.5 million (- US\$ 10.6 million), and showed a reduction if compared to the same period in 2015 (S/. 100.9 million or US\$ 29.6 million). Infrastructure includes mainly the purchase of a piece of land in La Joya (Arequipa) by Ferreyros, in addition to works in progress that are being executed in some subsidiaries. The CAPEX is negative as a result of the rental fleet reduction, in response to the new levels of demand, emphasizing that this is a semi fixed asset.

4. FINANCIAL RATIOS

	Dec 16	sep-16	Marc 16	Dec 15
Current ratio	1.62	1.59	1.66	1.85
Financial debt ratio	0.83	0.98	0.94	0.96
Indebtness ratio	1.48	1.62	1.78	1.69
Net debt / EBITDA ratio	2.86	2.76	2.25	2.64
Adjusted debt / EBITDA ratio	2.05	2.00	2.01	2.57
Financial expenses coverage ratio	4.55	4.99	6.18	6.28
Assets turnover	1.00	1.06	1.16	1.13
Inventory turnover	2.81	2.86	2.81	2.67
ROE	12.2%	11.8%	13.2%	9.4%
ROA	6.3%	7.1%	8.1%	7.5%
ROIC	11.9%	13.2%	16.0%	13.6%
Receivable days	67	72	56	56
Payable days	47	46	44	42
Cash cycle	148	152	140	149
Book value per share	1.97	1.76	1.66	1.83

Nota: Ver descripción de cada indicador en la sección: "Glosario de términos".

The current and the indebtness ratio are within the appropriate levels. The adjusted debt to Ebitda ratio considered in the international bond covenant shows a slight deterioration due to the EBITDA variation, but is still within the covenants limit.

According to profitability ratios, ROE as of December 31, 2016 shows an improvement if compared to same period last year as a result of higher net margin, even though the company recorded lower sales. ROA and ROIC were affected due to operating profit decline.

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: $\text{Current Assets} / \text{Current Liabilities}$.

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: $\text{Total Liabilities} / \text{Total Equity}$

3) **Indebtedness Ratio:**

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

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: $(\text{Total Financial Debt} - \text{Short Term debt related to inventories acquisition}) / \text{EBITDA}$

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: $\text{EBITDA} / \text{Financial expenses}$.

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: $\text{Sales} / \text{Average Assets}$

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: $\text{Cost of Goods Sold} / \text{Average Inventory}$.

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: $\text{Net Income} / \text{Shareholder's Equity}$.

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: $(\text{Operating profit} \times (1 - T)) / \text{Average Assets}$.

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: $\text{EBIT (last twelve months)} / \text{Average Invested Capital}$

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

Income statement (NOTE)

(\$/. In thousand soles)

	4Q 2016	%	4Q 2015	%	Var %	As of 31.12.16	%	As of 31.12.15	%	Var %
Net Sales	1,105,538	100.0	1,272,635	100.0	-13.1	4,856,284	100.0	5,332,521	100.0	-8.9
Cost of goods sold	-820,660	-74.2	-930,103	-73.1	-11.8	-3,675,421	-75.7	-4,040,382	-75.8	-9.0
Gross Profit	284,878	25.8	342,532	26.9	-16.8	1,180,863	24.3	1,292,139	24.2	-8.6
Selling and administrative expenses	-211,014	-19.1	-213,794	-16.8	-1.3	-796,813	-16.4	-819,847	-15.4	-2.8
Other Income (Expenses), net	22,108	2.0	9,032	0.7	144.8	40,870	0.8	18,198	0.3	124.6
Operating Profit	95,971	8.7	137,770	10.8	-30.3	424,920	8.7	490,490	9.2	-13.4
Financial Income	6,194	0.6	6,325	0.5	-2.1	26,092	0.5	21,315	0.4	22.4
Gain (loss) to exchange rate	6,501	0.6	-54,272	-4.3	-112.0	485	0.0	-151,812	-2.8	-100.3
Financial Expenses	-34,587	-3.1	-28,246	-2.2	22.5	-124,742	-2.6	-106,368	-2.0	17.3
Share in the net result of associated through the equity	2,168	0.2	1,239	0.1	75.0	7,284	0.1	5,889	0.1	23.7
Profit before income tax	76,247	6.9	62,816	4.9	21.4	334,039	6.9	259,514	4.9	28.7
Income tax	-10,520	-1.0	-24,410	-1.9	-56.9	-103,876	-2.1	-97,748	-1.8	6.3
Net Profit	65,727	5.9	38,406	3.0	71.1	230,163	4.7	161,766	3.0	42.3
Earnings Per Share (EPS)	0.067		0.038			0.233		0.161		
EBITDA	132,565	12.0	180,325	14.2	-26.5	582,805	12.0	666,937	12.5	-12.6

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 present to the SMV, the gross profit obtained from such operations is included in the operating profit.

FERREYCORP S.A.A. AND SUBSIDIARIES

Appendix 2

Estate of Financial Position

(S/. In Thousand of nuevos soles)

	As of Dec 2016	As of Dec 2015	Var%
Cash and Banks	128,982	233,322	-44.7
Account receivables - trade	1,080,058	956,964	12.9
Inventories	1,232,981	1,379,362	-10.6
Account receivables - other	190,276	140,887	35.1
Prepaid expenses	21,928	22,259	-1.5
Current Assets	2,654,225	2,732,794	-2.9
Long-term account receivables - trade	45,017	47,876	-6.0
Long-term account receivables - other	1,798	4,607	-61.0
Rental Fleet	440,654	547,777	-19.6
Other fixed assets	1,712,265	1,667,428	2.7
	2,152,919	2,215,205	-2.8
Accrued depreciation	-591,130	-592,810	-0.3
Property, plant and equipment, net	1,561,788	1,622,395	-3.7
Investment	78,156	93,512	-16.4
Intangible assets, net and goodwill	268,886	264,711	1.6
Deferred income tax	197,917	180,028	9.9
Non Current Assets	2,153,562	2,213,129	-2.7
Total Assets	4,807,787	4,945,923	-2.8
Short term debt	172,510	304,246	-43.3
Other current liabilities	1,505,562	1,175,916	28.0
Current Liabilities	1,678,072	1,480,162	13.4
Long term debt	955,988	1,410,147	-32.2
Other payables	372	719	-48.3
Minority interest	3,929	-	
Deferred Income Taxes	228,216	215,967	5.7
Total Liabilities	2,866,577	3,106,995	-7.7
Equity	1,941,210	1,838,928	5.6
Total Liabilities and Equity	4,807,787	4,945,923	-2.8
Other Financial information			
Depreciation	116,008	139,626	
Amortization	15,784	16,143	

FERREYCORP S.A.A. AND SUBSIDIARIES

Appendix 3

Net Sales

S/. In thousand nuevos soles

Sales (S/ In thousand)	4Q 2016	%	4Q 2015	%	Var %	As of 31.12.16	%	As of 31.12.15	%	Var %
Mining trucks and Caterpillar machines (GM)	38,631	3.5	93,961	7.4	-58.9	538,886	11.1	573,766	10.8	-6.1
Caterpillar machines and engines for others sectors(NGM)	133,672	12.1	222,368	17.5	-39.9	703,585	14.5	1,045,477	19.6	-32.7
Allied equipment	143,853	13.0	172,509	13.6	-16.6	563,718	11.6	666,901	12.5	-15.5
Rental and used	98,276	8.9	114,264	9.0	-14.0	359,351	7.4	465,655	8.7	-22.8
Spare parts and services	587,514	53.1	573,516	45.1	2.4	2,247,125	46.3	2,203,057	41.3	2.0
Other lines	103,592	9.4	96,017	7.5	7.9	443,619	9.1	377,664	7.1	17.5
TOTAL	1,105,538	100.0	1,272,635	100.0	-13.1	4,856,284	100.0	5,332,521	100.0	-8.9

FERREYCORP S.A.A. AND SUBSIDIARIES

Appendix 4

Total Liabilities as of December 2016

(In thousand of US\$ dollars)

	Total Liabilities	Current Liabilities	Long Term Liabilities		(A)
			Current	Long Term	Financial Liabilities
Local Banks (short term)	148,732	148,732	-	-	148,732
Foreign Banks (short term)	8,233	8,233	-	-	8,233
Local Banks (long term)	125,789	-	35,027	90,761	125,789
Foreign Banks (long term)	15,513	-	8,037	7,476	15,513
Local and Foreign Banks (long term) Leasing	5,623	-	4,126	1,497	5,623
Suppliers:					
Accounts payable to Caterpillar (invent)	42,639	42,639	-	-	-
Accounts payable to Caterpillar	14,513	14,513	-	-	14,513
Others	93,826	93,826	-	-	2,800
Corporate bonds	160,927	-	-	160,927	160,927
Caterpillar Financial	38,491	10,596	4,036	23,859	38,491
Other Liabilities	198,862	129,545	116	69,202	116
Total (US\$)	853,148	448,084	51,342	353,722	520,736
Total (S/.)	2,866,577	1,505,562	172,510	1,188,505	1,749,672

(A) Subject to interest payment

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

(In thousand of nuevos soles)

As of Dec 2016
Cash flow from operating activities

Collection to customers and third parties	4,814,642
Payment to suppliers	-3,752,506
Payment to employees and others	-409,637
Payment of taxes and income tax	-156,301

Net cash provided by operating activities	496,197
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Cash flow from investing activities

Acquisition of property, plant and equipment	-132,247
Share repurchase	-38,233
Intangible acquisitions	-13,497
Sale of investments	26,821
Sale of property, plant and equipment	2,871
Investments acquisitions	

Net cash used in investing activities	-154,285
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Cash flow from financing activities

Financial liabilities	2,085,619
Financial liabilities payed	-2,329,878
Interests payed	-120,212
Dividends payed	-87,279
Minority interests (Fiansa)	3,929

Net cash used in financing activities	-447,821
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Net increase in cash	-105,909
Cash at the begining of the year	233,322
Result in traslation	-4,448
Cash due to variation in exchange rate	6,017
Cash and cash equivalents at the end of the year	128,982