

**Elizabeth Tamayo:**

Good morning, everyone and welcome to Ferreycorp's Conference Call.

At this time, all participants are in a listen-only mode.

At the conclusion of our presentation and remarks, we will open the floor for a Q&A session. If any of you wish to make a question, please enter your name in the chat box and we will take questions one by one announcing your name.

Joining me on the call today is Ms. Mariela García, our Chief Executive Officer, and Ms. Patricia Gastelumendi, our Chief Financial Officer.

With that, I'd now like to turn the call over to Mariela García. Mariela, please, go ahead.

**Mariela:**

Thank you Lissi.

Good afternoon to all. Thanks for joining us and for your interest in the Company. We have organized this extraordinary third investor call to provide an update on our business as the COVID\_19 situation evolves. Let me reinforce that Ferreycorp is actively managing its operations to maintain business continuity while taking measures to protect the health and wellbeing of its employees and serve its customers. As many companies in Perú we are tracking covid infection and we have had a percentage of covid positive employees, similar to what the country averages are showing, however most of those cases were asymptomatic and are fully recovered.

We consider it is very important to keep this ongoing communication with the market during this challenging and constantly changing environment, in order to inform on the level of activity and business fundamentals evolution.

In first place I would like to comment the macro economic situation of the country. We have already mentioned in previous calls that measures of social isolation have caused an unprecedented severe contraction of global and local economic activity. In the first quarter of the year, GDP fell by 3.4 percent, with disruptions in all production sectors, together with a contraction in private spending. The extension of confinement in the second quarter, with a gradual and sectoral reopening of economic activities since May, led to a significant contraction of activity which is estimated in 12.5 percent for this year. However, Peru's macroeconomic fundamentals are strong. We remain confident on the future of the Peruvian economy.

A recovery started as from June, as a result of the reopening of the economy combined with the reforms aimed to achieve an adequate business environment to promote job creation and investment. This recovery is also supported by the expected rebound in commodity prices as well as promoted by the execution of government programs such as Arranca Perú and the Government to Government mechanism to speed up the development of national infrastructure. We are expecting more activity related to infrastructure creation and maintenance, both at the local and national levels, which we have already started to see.

Let me turn now to the company affairs. As we've stated before, the focus of the management in the early stages of the pandemic was: to keep contact with customers and strengthen the relationship, to constantly assess the business environment and outlook for months to come, and to preserve business continuity by controlling expenses, assuring access to cash and working capital management. Later on, when economic activities were reopen our focus was to reinstall

operations taking care of our employees, and to develop a strong and efficient coverage in order to detect all the market opportunities and keep our high market shares.

As we informed before, the return to operations was executed gradually, not only because of the challenges of returning all workers to their positions, especially those assigned to mining operations, but also because our clients had to organize their operations gradually. This gradual increase of operations was mainly related to the business lines and processes that require physical presence; either at our own facilities; or the product support activities at the customer sites; and delivery of machines and spare parts. As of today we have aprox 60% working in our facilities and all others mainly in back office, working from home, or in a combined scheme.

It is worth noting that revenues have been gradually increasing. Sales for August represented 85% of pre-covid levels and accumulated sales as of August reached S/ 2.7 billion soles, 26% below sales as of August 2019. Remember that sales for the first semester were 27% less than 2019. The main economic sectors that contributed to reach this result were mining and construction that represented 49% and 20% of total sales, compared to a share of 55% and 20%, respectively as of August 2019. It is worth noting that construction share in total sales improved from 18% as of June.

Regarding sales by business lines, spare parts and services as of August represented 46% of total sales while machinery reached 36%, while on August 2019 product support maintained a high share in total sales of 50% and machinery represented 32% of total sales.

We have started to see more activity in local governments to contract works, and small and medium size contractors are starting to win some bids. As of August, activities related to the construction sector operate at a 40%-50% capacity depending the size and region, while activities related to mining operate at a 75% capacity.

Still, we are cautious, and we will keep monitoring all the variables of the country that can impact our forecast and projections.

We responded to this expected reduction in sales with a control of SG&A expenses and a plan for immediate cost control. As we announced in previous calls, our projections as of December 2020 show a S/ 100 million soles reduction compared to December 2019. This reduction is derived from discretionary expenses including consulting, travel expenses, maintenance, consultancy training and events; an also, personnel expenses, employee pay reductions and provision for vacations.

As of august SG&A have reduced by S/ 50 million soles.

I want to update you in other measures that we took, like new borrowings and asset control.

In relation to access to financial resources, as you know, another measure the company took, was related to liquidity. The company's financial strategy, relies in access to various sources of financing: local & foreign banks, Caterpillar Financial Services and Capital Market. During the lockdown, Ferreycorp used all the available credit lines and kept an important amount as cash to face contingent liabilities. On April the liabilities reached to US\$ 863 million dollars. Since June, we started to prepay some financings and are returning to adequate levels.

As of August, we reached a cash balance of US\$ 141 million dollars and our estimate is to reach US\$ 65 million at the end of September mainly as a result of payments to Caterpillar.

During these months, the company generated positive operating cash flow and received an advance payment of US\$ 173 million dollars from a mining customer. These funds were used to repay debt, resulting in total debt of US\$543 million as of August.

Likewise, we can highlight that the strategy considered improving the average term of the debt. On July, Ferreycorp issued US\$ 90 million dollars through a private placement at an interest rate of 4.45% for seven amortizable years (with a three-year grace period). This allows us to improve the debt maturity schedule reducing the short-term debt to 40% of total debt, with a minimum impact in financial cost.

Regarding assets control, we have been very careful with inventories purchases.

During the last months we've received the inventory purchased during the first part of the year, mainly Caterpillar machines in order to deliver to mining customers.

We've taken strict measures for inventories purchase, reflected in August figures that dropped by S/ 212 million soles compared to June, and reached to 1,912 million soles.

We expect to keep this reduction in inventories levels in the following months, although some purchases need to be made in order to serve growing demand in certain product lines.

We want to touch basis also in FX impact. As you might know, our exchange rate has been fluctuating, impacting our P&L, in several months. Accumulated FX loss recorded as of August reached S/ 93 million soles and the inventory reserve is in the range of S/ 57 million soles.

To conclude this presentation, I would like to summarize by giving you confidence that we are constantly monitoring the situation, and besides having taken already several actions, we remain ready to adjust the strategy as the situation evolves. I need to positively acknowledge how our leaders and each individual employee is navigating this challenging situation, remaining committed to the company and its stakeholders, showing the passion to drive results for our customers and our stock holders.

**That concludes my presentation for today. Thank you for your time and now I'll be glad to take your questions.**

**Elizabeth Tamayo:**

- The first question today comes from Luis Pardo from Compass. Please Luis, go ahead.

Luis Pardo: I have a couple of questions. When you mentioned EBITDA for the last three months. If I understood correctly, given the sales number, between S/ 140 and S/ 150 million for the last three months?

Mariela García: Yes, we have mentioned an average of S/ 50 million soles in the last months and we are expecting the same levels for the months to come.

Luis Pardo: Ok, so that would mean that in the last six months of the year, as we have discussed in previous calls you will do S/ 300 million, which will bring you to S/ 500 million in EBITDA for the year, right?

Mariela García: That's our expectation as of now.

Luis Pardo: Perfect. And given the good levels of cash generation and very good inventory management and this good EBITDA. Could it be expected that you guys may pay the dividend before year end? Like in December for instance?

Mariela García: Yes, that's the intend. The intend is that if our estimates fulfill in the months to come: so sales similar to August with a 15% reduction from pre Covid levels which is much better than the 26% we saw accumulated as of August. So, if those sales continue to happen and EBITDA continues to be in the S/ 50 million soles monthly average - our recommendation to the Board will be to pay by the year end. This decision will be taken by the Board according to the authority that the shareholders meeting gave to the Board.

Luis Pardo: Right, I appreciate it. Thank you for the call as usual.

Elizabeth Tamayo: Mariela, there are no further questions at this time. Do you have any closing remarks?

Mariela García: I want to thank you for participating in our conference call and for your interest in Ferreyrcorp. It is very important for the company to get shareholders and investors interest in the company in these challenging times.