Ferreyros

2007 annual report

NEW
SPACES
NEW
SOLUTIONS

STATEMENT OF RESPONSIBILITY

This document contains truthful and sufficient information regarding the commercial performance of Ferreyros S.A.A. during 2007.

Without prejudice to the issuer's responsibility, the undersigned shall be held responsible for the contents hereof, in accordance with the applicable legal provisions.

Óscar Espinosa Bedoya	Víctor Astete Palma
General Manager	Head of the Comptrollership Office

Lima, February 28, 2008

NEW SPACES NEW SOLUTIONS

Ferreyros

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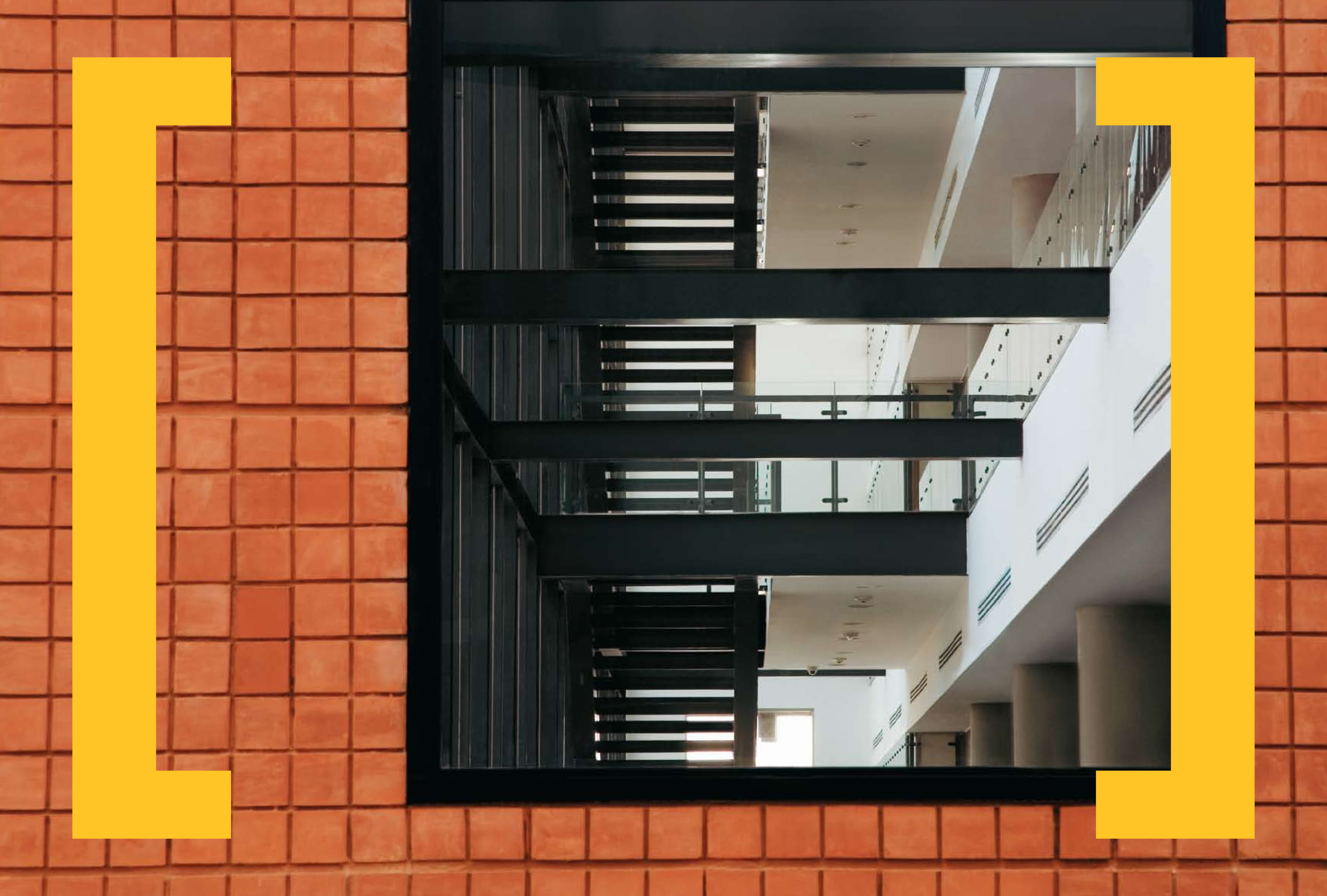

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REPORT OF THE BOARD OF DIRECTORS ON THE COMPANY'S PERFORMANCE

GENERAL INFORMATION

At the end of year 2006, we had an optimistic perception of the challenges that we would face in 2007. We were confident that, upon completing 85 years of existence, our company would continue growing and thriving, with integrity, social responsibility and good corporate governance. On the other hand, our vision presented us with the challenge of achieving a sales turnover of US$500 million and a net profit of US$30 million for 2010, in addition to the challenge of being recognized as the best Caterpillar dealer in Latin America owing to the quality and efficiency of our services, the satisfaction of our customers and our market share.

In 2007, we exceeded such aspiration and largely surpassed our goals. Sales increased by 27.8% to US$534 million in 2007 as compared to 2006 and the net profit stood above US$42 million. Once more, the growth of both indicators has been steady and accompanied by leadership in all markets where our company trades its products and services.

On the other hand, our subsidiaries Orvisa, Unimaq, Fiansa, Megacaucho, Ferrenergy and Depósitos Efe have made a significant contribution to the performance of Ferreyros throughout 2007. The sales record set by our company, added to that set by such subsidiaries, reveals a consolidated level of US$619 million, 40% above the figure reported in 2006.

In spite of an active and renewed competition in all our product lines, our market share, measured in official figures of imports in values, has continued growing, thus accentuating our leadership. This privileged position has improved in all businesses, particularly in the field of machinery for heavy construction and mining, which allows us to affirm that Ferreyros has provided 88% of the off-highway trucks acquired by the mining sector during 2007. In this manner, the Caterpillar mining truck fleet in Peru has reached a total of 237 units.

We should also highlight the increased dynamism in the construction sector in 2007, resulting from the commencement of important construction works, both private and public. At the same time, the market has registered an increase in equipment rental by construction and mining contractors. The rental fleet went from 13 units in 2006 to 157 units by the end of 2007, with an investment of US$15 million approximately.

All in all, the company has sold a total of more than 800 units this year between earthmoving machinery and Caterpillar mining hauling trucks to the construction sector and to both the open pit and the underground mining sectors.

The favorable expectations deriving from the recent approval of the Free Trade Agreement (FTA) between Peru and the United States by the American Congress, open up opportunities in the Peruvian market for companies like Ferreyros, which after 85 years of operation has specialized in areas that include the import and selling of capital goods. In fact, this was our fourth year in a row as the number one importer of capital goods in the country according to official figures provided by the customs authority. Capital good imports in the country as of the close of 2007 amounted to US$6,345 million. Ferreyros and its subsidiaries jointly imported a total of US$425 million in that period.

Given our permanent concern about availability of equipment, productivity and return on our customers' investment, we have improved our post-sale service adjusting it to the need to serve an increasingly big fleet of machines.

Our inventories of protection components and spare parts of the different brands that our company trades totaled about US$46 million in 2007, which allowed us to attend to 93% of the orders of our customers. The balance, that is, the remaining 7%, was attended to through emergency orders to the supplier.

The post-sale service has been equally crucial to meet the demands of our customers for high quality products. As to plant technical support, some characteristics of the efforts made during 2007 to satisfy our customers are: the thirteen shops we have throughout the country with an area of more than 46,000 m2; the more than 40 stations equipped for repairs; the specialized tools and high technology; the presence of excellent support staff at different work sites; the services at the principal mining and infrastructure projects and a considerable stock of spare parts and components available in our own or consignment warehouses.

In order to complement the sustainable growth of our sales, we undertook a program of infrastructure investments, couching and training for our personnel both in Lima and in our branches around the country.

To clear some space at our traditional branch on Avenida Industrial and thereby increase the number of shop and spare part warehouse areas, we moved our administrative and commercial offices to our new facilities in Monterrico. The movement was completed in October 2007 and the inauguration of the new headquarters coincided with the celebration of our 85th anniversary, where customers, shareholders, suppliers and personnel shared a special moment for our company.

In the financial field, although increased indebtedness was needed to support our sales expansion and main assets, our achievements have brought along important positive results. The return on equity was 34.3%, while the added economic value was US$24 million, understood as the earnings generated by the company for the shareholder, in addition to the expected return on capital. In general, the solid financial infrastructure of our company has translated into adequate financial ratios, an active participation in the capital market and equity growth via capitalization of profits.

Our financial management has been acknowledged by the market with an increase in the market capitalization, which amounted to US$ 644'702,847 by the end of the fiscal year, 92% higher than the percentage obtained in December 31, 2006.

BUSINESS PERFORMANCE

The mining market

The mining market behavior was influenced by the sustained upward trend shown by gold in 2007. The basic metals relevant for Peru displayed mixed behaviors: copper price went up in the first semester and went down in the second, while zinc price, even though it dropped in the second semester, is still high.

Hence, the decision of our customers in the large-scale mining segment in 2007 once again was to maintain their fleet fully operative, renew it and even migrate towards hauling equipment of higher tonnage in order to optimize production. This translated into both the sale of machines for large-scale mining, where we grew by 9% in contrast to the previous year, and the sale of spare parts, given the component buying strategy adopted by our customers to maximize operating capacity. The latter contributed to an increase by 6% in the sales of spare parts on consignment, also in contrast to the previous year.

On the other hand, in coordination with Caterpillar and our customers, we have continued implementing several initiatives to improve operation and maintenance processes and practices so as to keep decreasing the cost per ton as a relevant indicator in this industry. In many cases, we have established global alliances fostered by Caterpillar in order for our customers to maximize the efficiency of their operations by using Caterpillar products, along with Ferreyros' local support and services. We have carried out these initiatives both independently and with each customer, using either the Six Sigma or the "continuous improvement" approach.

Our leading position in the hauling machinery and auxiliary fleet markets has been reaffirmed in 2007. Our market share in the segment of machinery for large-scale miming, measured in units, continued growing. At the same time, we attained a high share of the off-highway truck market. Hence, the large-scale mining market still stands as the biggest business generator at Ferreyros.

The supply of warranty services for new equipment or repairs, the handling of consignments, diagnoses and other technical services in this market in 2007 resulted in employment for an average of 365 people distributed among our branch in Lima and the nine mining operations, 191 of which are technicians of different specializations.

Based on this experience, our company expects the approval and execution of the investments in open pit projects currently being studied in the country, many of which are in the hands of global mining companies that are currently our customers.

Our position in the mid-scale mining market was a leading one in 2007, particularly because of the trading of low-profile loaders, which have the largest capacity in Latin America.

Our focus has remained on maximizing the operating capacity and reliability of the machinery and equipment supplied. Therefore, we constantly improve the post-sale coverage and support, in both the supply of spare parts and in the trading of maintenance, repair and comprehensive services in general. For that purpose, we have signed numerous fleet administration agreements.

The construction market

2007 has been a year of growth for the construction market, where new highway construction projects started, large road projects continued and the demand in the mining sector for the subcontracting of construction projects for mine preparation increased significantly. In addition, new water and drainage projects emerged, along with some infrastructure projects. All this, added to the sustained economic growth and excellent projection for the coming years, has encouraged our customers to increase their fleets and renew their equipment, which has allowed us to increase our sales by 54% as compared to 2006 and have an important market share.

To serve this market, we have reinforced our rental fleet, which in 2007 increased by 144 units. We have proven the production capacity of our products, which forces us to continue committing to the rental of equipment in the coming years.

For our customers' large projects, we have installed our own facilities in the field to supply spare parts on consignment as well as technical and commercial personnel at the work site.

The power and fishing markets

The company maintained its leadership position in the power and fishing sectors, where the Caterpillar engines (including generating sets and marine engines) held the largest market share.

In the industrial fishing sector, the market has experienced a consolidation stage and has registered merges and acquisitions involving an important group of fishing companies and the consequent fleet concentration. Within this dynamic framework, we participate in the re-powering of a significant number of vessels of up to 1,600 Hp with more efficient, less polluting electronic Caterpillar engines.

In the small-scale fishing business, we maintained an active participation and started the introduction of electronic engines of up to 600 Hp with good results. In addition, the construction of tugboats at the local shipyard has increased in 2007, which has allowed us to carry out several engine supply operations.

As for the energy market, we have successfully continued selling and renting mobile encased generating sets of up to 2 MW each. Additionally, we closed the sale of several of those generating sets for the operations of oil customers. On the other hand, through our subsidiary Orvisa, we started the construction of the Steam Power Plant of Iquitos, a project of about US$15 million, with two 7.5 MW Caterpillar engines each, which should be completed by the third quarter of 2008.

The automotive market

Ferreyros represents Kenworth and Iveco, two major brands of trucks and buses. The sales of these units experienced a significant growth of 192% with respect to the previous year, and thus exceeded the general market growth – 76% as per market growth data – registered for the categories in which the units we trade are classified. The higher growth achieved by Ferreyros in 2007 was the result of a steadily increasing dynamism in the transportation sector and the mining and construction markets, and the introduction of the chassis line for Iveco buses, which we started commercializing in 2007 with promising results.

The sales of Kenworth trucks increased by over 260% compared to 2006. It is important to highlight here the sale of 75 Kenworth trucks with Caterpillar engines to a major customer in the cement sector. Consequently, our share in the tractor trailer truck market was consolidated by going from 7% to 13% between 2006 and 2007.

Iveco, the other truck and bus brand we have represented since the second semester of 2005, consolidated mainly in the mining and construction markets in 2007. The sales increased by 201% from 231 units to 108 units in 2006. The Trakker dump trucks for mining and construction purposes recorded the highest demand with 140 units, which account for 70% of our sales in this segment. According to the information provided by Araper, Iveco maintained the 8% share achieved in 2006 in the P4 segment.

The agricultural and forest markets

In 2007, the non-traditional agricultural exports sector grew 20% and exceeded US$2,141 million, a panorama whose continuity for 2008 seems to be guaranteed by the approval and enactment of the Free Trade Agreement with the United States.

In the agricultural sector, Ferreyros distributes Massey Ferguson farm tractors and Tatu and Montana implements, as well as Zaccaría rice mills, and Comil grain silos and driers.

In 2007 we sold 223 Massey Ferguson tractors and reaffirmed our commercial leadership, with a high market share thanks to the technological advances that improved the productivity and efficiency levels of these machines in 2007.

With regards to forestry products, besides the Caterpillar machines we sell through Orvisa, we represent Benecke wood driers, Omil woodmoldings and Mendes timber sawmills, registering a sales turnover of US$ 692 thousand.

The post-sale service

The post-sales service is a critical activity for our company. In fact, it has become a factor that distinguishes us from the competition. We offer a wide range of efficient and professional services which allow us to execute the manufacturer's warranty and ensure optimal operation during the service life of all the machines our customers acquire.

To provide this important service we have a Component Repair Center (CRC, Spanish acronym) in Lima, the Component Rebuilding Shop, several specialized machine shops, camps and repair shops at the operation sites of major projects and shops at branch offices nationwide.

The Component Repair Center carries out projects similar to those of an assembly plant with the highest international quality standards. In 2007, Caterpillar granted it the "world class" shop certification in component repair. This evaluation was carried out by Caterpillar Global Mining using tools designed to asses the performance of shops serving mining companies around the world.

The total number of components repaired at the CRC in 2007 was 3,817, 75% of which corresponds to major equipment components for customers of the large-scale mining sector (engines, transmissions, final drives, among others). These components were repaired in line with the quality control and efficiency demands that characterize the service we render to our customers.

In order to achieve this high level of service and obtain the corresponding certifications, we have made significant investments in shop infrastructure and equipping, which allows us to offer better working conditions to our technical personnel, guarantee adequate temperature and humidity levels, and control contamination better.

In 2006, Caterpillar granted the five-star contamination control certification to our repair shops in Lima and to the branch offices of Arequipa, Cajamarca and Piura, and a three-star certification to the repair shop of the Trujillo branch office. This year, the repair shops of Chimbote and Huaraz were granted the five-star and four-star certifications, respectively. With these certifications, Ferreyros remains as the Caterpillar dealer with the greatest number of certified repair shops in Latin America.

In order to complement our offer of integral services to our customers, we have expanded our offer of piece reconditioning jobs in our Rebuilding Shop through the acquisition of specialized machinery, which has allowed us to attract non-traditional customers requesting major and highly specialized jobs, including customers abroad. In addition, our several specialized shops continue offering different kinds of repair services such as piece rebuilding, machining and metallization, hydraulics, tracks and hoses, having constructed a rebuilding, track and hydraulics shop at the Cajamarca branch office and installed a dynamometer in Piura. Finally, we have strengthened the areas that enable us to provide preventive maintenance services such as condition monitoring, flaw analysis, fluid analysis and analysis of the conditions in which the equipment is used.

Besides the repairs performed in our shops, our team of mechanics, who go where the equipment breaks down, carry out minor repairs in our customers' operation centers. This service becomes permanent when it comes to the mid-scale mining sector, where we have more than 188 technicians assigned to different operations to take charge of repairs and maintenance of our customers' fleets. We also have teams that serve the large-scale mining sector.

Sales of Caterpillar spare parts in 2007 amounted to US$163 million thanks to our considerable stock of spare parts nationwide, which totaled almost US$40 million at the end of 2007. The availability of spare parts has allowed us to meet our customers' need to maintain their equipment in operating conditions. In 2007, we attended to about 4,000 customers in 14 different markets, which have a Caterpillar machine fleet of over 8,500 units. 70% of the sales was in the large-scale mining sector, while the remaining 30% was in the construction, mid-scale mining, fishing and power sectors, among others.

Spare part sales are attended to from both our Spare Parts Distribution Center located in Lima, and the warehouses at our branch offices nationwide. It is important to note that we have consignments in some mining and construction projects in order to promptly serve customers despite the remoteness or the difficulty in access to the operation.

Training Programs

In order to provide focused, specialized training, we have intensified the training programs for current and future technicians.

"Think Big" is a two-year professional training program that was launched in 2002, in collaboration with Tecsup and Caterpillar. The fourth graduating class completed the program in September 2007, with 19 technicians who are already working at Ferreyros. The fifth and sixth graduating classes, with 24 technicians each, are currently pursuing these studies.

Moreover, we have implemented another program to train new technicians, called ABC (Accelerated Basic Courses), which consists of four months of training courses given by Tecsup-Arequipa, with the active participation of Ferreyros. The first graduating class is composed of 23 members and started the training program in late September 2007.

At the core of the development of our technical personnel's career line is Service Pro, a program which is based on the certification of representative work skills and the merit-based promotion for all the technical personnel nationwide in the mining operations as well as in branch offices and repair shops.

In order to meet the expectations of our customers, we are training our most qualified technicians so that they may obtain the Caterpillar Technical Certification in several programs. We can mention the 15 technicians certified in Mining and Heavy Machinery in Tucson, Arizona, who achieved 72 technical certifications, as well as the technical and operating instructors certified by Caterpillar, which number has increased.

On the other hand, the Supervisor Training Program (Human Resources Management) conducted by the Universidad del Pacífico has continued, with 360 hours of class provided to a total of 30 participants.

Branch Offices

Ferreyros S.A.A. has 10 branch offices and 2 offices located in the country's major cities and a subsidiary, Orvisa S.A., which complements nationwide coverage, with 3 branch offices and 4 offices in the Jungle. Some of these branch offices have established points of service and spare parts at strategic locations within their territories to keep up with the market demand trends and ensure a quick customized attention of our customers at their place of operations. Among these centers are those established in the Cerro Corona Project (Cajamarca), in Talara (Piura), in Pacasmayo (Trujillo), in Yauri (Huancayo), and in Electro-Oriente in the Jungle.

In 2007, sales through branch offices and the subsidiary Orvisa registered a 85% growth versus the prior year, thanks to the noteworthy performance of the medium-scale mining business, contractors of the large-scale mining, construction, agricultural and transportation sectors.

FINANCIAL MANAGEMENT

In the wake of the significant and sustained growth of sales turnover achieved in 2007, the ratios for return on sales and return on the capital invested by shareholders remained high. This year, net profits increased to over US$42 million from the US$30.5 million recorded in 2006, which represents a 30.5% growth, a return on sales of 7.7% and a return on equity of 34.3%.

In order to continue enjoying the preference of our customers, offering them integral solutions, we have provided financial and logistics services additional to the post-sale services, to the permanent availability of stocks of capital goods and to the availability of spare parts at different locations nationwide. Thus, in the field of financing, we have offered direct credits or have given advice on the different options available in the financial market.

DIRECTORS

Hernán Barreto Boggio

Aldo Defilippi Traverso

Óscar Espinosa Bedoya

Carlos Ferreyros Aspíllaga

Eduardo Montero Aramburú

Juan Manuel Peña Roca

Juan Manuel Prado Bustamante

Andreas Von Wedemeyer Knigge

Accordingly, our financial management has endeavored to seek the equilibrium between the need to maintain high levels of investment in assets, such as stocks and infrastructure allowing prompt customer attention, and the impact of such investments on our finances, where we intend to maintain adequate stocks and rotation to avoid placing strains on financial costs.

Logistics management

During 2007, a year of great world demand, the restrictions in the supply from the factories producing the different brands we trade continued, which was worsened by the internal growing demand for machines and spare parts to supply the larger machinery fleet. To cope with this, we requested stocks in advance throughout the whole year.

In order to optimize costs and increase efficiency, the Logistics Management was reinforced, promoting an integral logistics for all the lines we trade (machines, engines, equipment, vehicles and spare parts), from the placement of orders and the import process to the dispatch of the goods and the issuance of invoices to customers.

In 2007, stocks grew by 58%, on average, which not only called for financial resources, which resulted in an increased indebtedness, but also required an investment in some additional 20,000 m2 of land for warehouses and deposits. All this cargo movement from the different ports around the world generated a higher demand for international air and maritime transportation means. It was even necessary to charter a ship for the exclusive transportation of heavy machinery as well as an aircraft for the transportation of spare parts and engines from the United States to the cities of Lima and Iquitos, respectively.

Regarding spare parts, there was a 15% increase in the stock levels of all the lines, placing strains on all rotation indexes. Nonetheless, the attention and rotation level indicators have remained within the best standards of similar companies in the region.

Concerning imports, it is important to stress that Ferreyros has once more been ranked first among the importers of capital goods and, considering the imports of its affiliates, it experienced a growth of 71% compared to 2006, according to the Comex reports prepared with SUNAT's information.

NAME	2006	2007	VAR. %
Ferreyros S.A.A.	224,263.41	372,442.57	66.07
Unimaq S.A.	12,244.05	28,128.48	129.73
Orvisa S.A.	11,451.98	24,831.56	116.83
Cresko S.A.		499.80	
Ferrenergy S.A.C.	160.21	25.92	(83.82)
TOTAL (THOUSANDS OF US$))	248,119.66	425,928.33	70.80

Financial services for customers

To meet the financing requirements of our customers, we give them advice on finding sources of financing in local and foreign financial institutions. While direct financing is part of our offer, we have attempted to arrange for third party financing in favor of our customers, given the higher cost of our credit. Caterpillar Financial has played an important role in this process. In addition, we managed to reduce the investment in accounts receivable and the risks expressed in the provision for doubtful accounts.

Although our participation in the medium-term customer financing transactions is being increasingly cut down, the trade accounts receivable portfolio increased by 9%, chiefly due to the 29% increase in the sales of machinery, spare parts, services and rentals with short-term credits. This increase is explained by the granting of short-term credits, which are necessary to formalize the machinery and equipment financing transactions carried out through banks or other institutions, or with the customers' own capital, as well as by the sales of spare parts and services with 30-day commercial credits.

On the other hand, the 30-day default rate of the current portfolio was 1.39%. The allowance for receivables went up from US$1 million in 2006 to US$2.8 million in 2007. This is explained by the provision for doubtful accounts; most debts are not yet due.

Investments in Infrastructure

Optimistic about the future, we made significant investments to modernize our infrastructure and enhance the service provided to our customers.

In order to release space for shops in our premises located in the industrial area, where the Lima headquarters of Ferreyros operated before, we decided to start in January 2007 the construction of the new corporate and sales headquarters, consisting of a five-story building, covering an area of 7,500 m2 approximately. The new premises were delivered within the scheduled term and the administrative operations were transferred in November, without altering their normal development.

Also this year, the Component Repair Center (CRC) was remodeled in order to remain at the forefront of Peruvian and Latin American shops and to keep the five-star contamination control certification granted by Caterpillar, renewable annually.

In view that we had to return a part of the land we had leased in the Av. Industrial area, where the pre-delivery shop operated, we acquired a new property, with an extension of 14,000 m2, located at Av. Argentina, where we will be able to deliver, in shorter terms, a higher number of machines for 2008.

On the other hand, we started the construction of the Chiclayo offices in the outskirts of the city, as the downtown premises were not appropriate for the business, which were consequently sold.

The sources of financing

The growth of our assets, both stocks and accounts receivable, was basically financed with Ferreyros' own resources. During 2007, cash flow levels were maintained primarily with the profits earned that year and the income resulting from cash payments made by our customers. Profit capitalization after distribution of cash dividends, as agreed by the Shareholders' Meeting in March 2007, was S/.51.5 million.La buena situación de caja y los descuentos por pronto pago otorgados por proveedores extranjeros permitieron generar un nivel de ingresos financieros superiores en 35% a los del 2006.

The good cash flow and prompt payment discounts granted by foreign suppliers generated financial income 35% higher than 2006's figure.

Our financial debt went from US$117 million in December 2006 to US$181 million at December 31, 2007 due to the higher stock and appropriate working capital levels. A substantial percentage of such amount came from the capital market and US$68 million from local and foreign banks.

We maintained a financial strategy which consisted of securing loans with fixed interest rates, given their competitive level in the local market and in order to avoid taking unnecessary risks. Our strategy also considered the use of foreign currency in financing transactions in order to pay the resulting obligations with income expressed in the same currency, thus avoiding exchange risks.

Based on the approval, by the Shareholders' Meeting held in March 2006, of the first mixed program of debt instruments for up to US$90 million, we successfully placed US$40 million throughout the year. The placements consisted of bond issues for three and four year terms. No short-term placements were made.

Due to the increased financial debt incurred to meet the growing stock requirements, the financial expenses in 2007 amounted to S/.38.2 million.

At the end of the year, our company showed a 1.60 debt-to-equity ratio, which was higher than that attained at the close of 2006 (1.49).

On the other hand, as of December 31, 2007, the current ratio was 1.51, higher than that recorded as of December 31, 2006 (1.46). The interest coverage ratio was 7.10 times.

The consolidation of the financial situation and the good results of the year were perceived by the market as positive signs. Thus, in May 2007, Ferreyros' stock quote in the Lima Stock Exchange was as high as S/.9.00. However, the subsequent situation that the Stock Exchange had to face affected such quote, which closed at S/.6.40 as of December 31, 2007.

AFFILIATES

An important part of our growth strategy is the development of subsidiaries, which must contribute to increasing the sales turnover and profits of the organization. As they are related to infrastructure development in different economic sectors that experienced substantial growth throughout the year, affiliates have seen an increase in the demand for the goods and services they provide.

This prompted us to make investments in several subsidiaries during the year, in the amount of US$8.8 million, including the acquisition of a business related to the supply of tires and the provision of tire services to the underground mining companies.

This year the affiliates met their budgets, generating appropriate profit levels.

The behavior of some of them should be highlighted. The information about all the affiliates is detailed in the General and Operations Report contained in this Annual Report.

Orvisa S.A. reported, as of the close of year 2007, a sales turnover in excess of US$33 million in businesses primarily targeted at the forest, river transportation and oil exploitation sectors. Most sales resulted from the renewal of a comprehensive maintenance contract with a major customer of the petroleum sector, operated by its affiliate Orvisa Servicios Técnicos S.A.C. The profits recorded in the year amounted to US$2.3 million.

The customers' preference for the products and services it distributes has positioned Orvisa as a leading company in the distribution of capital goods in the Amazon Region and as one of the companies with the greatest operations volume in the area.

Fiansa S.A., our subsidiary in charge of serving the metalworking market, achieved sales for US$13 million, which represents a 65% growth with respect to 2006. Those sales comprise the construction of the metal bridges for customer contractors in the infrastructure works of the Vía de Evitamiento in Lima (Santa María and Habich, of 65 and 250 meters of light, respectively); the execution of metal and electric works in Pacasmayo; and the manufacture and assembly of metal structures in department stores in northern Peru and indirect businesses in the energy and agricultural sectors, through Ferreyros.

Furthermore, in 2007 commercial formalities were carried out in the pursuit of strategic alliances with the main construction companies which should allow Fiansa to complement their main business lines by seeking a higher participation in comprehensive projects. As to the financial aspect, Fiansa has reported appropriate gross margins as a consequence of the administrative restructuring performed and of the restructuring of its processes, mainly in the area of operations and control systems. On the other hand, it significantly reduced its bank debt. It closed the year with a profit of US$0.8 million.

Mega Caucho & Representaciones S.A.C., which acquisition was completed in January 2007, has recorded sales for US$10.5 million during its first year of operation in the organization. Its line of business is the sale of tires, particularly for mining equipment, and the rendering of specialized maintenance services to such companies. Accordingly, the business in the mining sector accounts for 65% of its invoicing. Other sectors in which the company is making significant investments in services are cargo transportation and construction, which account for 16% and 7% of its invoicing, respectively. Among the most important opportunities that Mega Caucho has to increase its sales is the existence of Ferreyros' infrastructure nationwide, both in branch offices and in the mining projects it serves.

Unimaq S.A., a company specializing in serving the general construction sector through the sale and rental of light equipment, achieved in 2007 a sales turnover of US$51.4 million, 74% higher than 2006's sales. This increase was due to the growth of the economy and the adoption of the light construction line that Ferreyros served until 2006, including the rental business Rentando Cat Rental Store. As from this year, Unimaq manages the Caterpillar line, oriented to urban and light construction, as well as another important group of allied lines.

It should be stressed that, in 2007, Unimaq increased its capital stock through a capital contribution by Ferreyros from S/.7.5 million to S/.30.9 million, to support its growth in the new businesses it had started and to renew its rental fleet. It recorded profits for US$3 million.

Ferrenergy, a company incorporated in 2006, is engaged in the sale and supply of thermal energy for the industrial activity. Ferreyros' share of the company's capital stock is 50%; the remaining 50% is owned by Energy International, a company dedicated to the integral development of energy projects.

The first project undertaken by the company is the steam power plant of Guayabal, which generates electric power for the sale of energy to a prestigious oil company under a five-year contract. The power plant, which has a 18 MW capacity, started to generate energy in July 2007, having invoiced US$2 million during such period.

CORPORATE GOVERNANCE

In 2007, the company continued its endeavors to comply with the good corporate governance practices.

These endeavors were rewarded by the awarding of the Special Good Corporate Governance Prize for Year 2007. Said prize is awarded by Procapitales and the Universidad de Ciencias Aplicadas to the company that showed best progress on the implementation of good corporate governance practices during the year. In 2006, we were awarded the prize for the category "Best Shareholder Treatment". Furthermore, the company was named finalist in the categories "Best Shareholder Treatment", "Best Board of Directors' Policies", "Best Annual Report" and "Best Web Page as a Communication Instrument", as well as for the Special Prize of the Lima Stock Exchange.

The treatment of our shareholders generated significant attention within the priorities of Ferreyros during 2007. Thus, in order to protect the shareholders' rights, the Shareholders' Meeting held on March 28, 2007 was called with sufficient time in advance through notices published in the main newspapers of national circulation, the web page, letters and e-mails. During the Meeting, all the resolutions were unanimously adopted and are summarized in the minutes available in our web page.

With respect to the equitable treatment of shareholders, the company is recognized for having a single type of share -the common share-, which confers the same rights to shareholders.

On the other hand, the company maintained an information transparency and communication policy to answer the inquiries and/or meet the requirements of the shareholders through its Securities Department. Thus, in June 2007, the Good Corporate Governance web page was launched; it allows the company to inform the market, in a broad and systematic manner, about its practices in this field.

The permanent revision of its processes relating to good corporate governance practices earned the company the recognition of the market, evidenced by the increased number of investors that acquired our shares, which represents a total number of 1,345 shareholders, and by the high demand for the US$40 million of corporate bonds placed during the year through the capital market. In addition, it gained the recognition of local institutions, evidenced by the awarding of the above-mentioned prizes.

OPPORTUNITIES AND CHALLENGES FOR 2008

A number of factors will converge to make year 2008 another year of great opportunities for Ferreyros. Estimations made by Apoyo Consultoría reveal that the mining sector will continue demanding capital goods in significant proportions. Mining investments will exceed US$14,000 million between 2007 and 2012. Added to this is the expansion of public investment mainly in transportation infrastructure, for which the Ministry of Transportation and Communications will destine around US$ 400 million only in 2008.

On the other hand, the large projects of road, port and airport development undertaken in the previous years have called for investments of about US$2,200 million throughout the entire period of concession to the private sector. The promotion of private investment in infrastructure for public use will continue through an active State agenda for projects scheduled to be granted in concession amounting to over US$2,100 million.

The projections of the evolution of capital good imports also show that this sector will experience an expansion higher than 25% in 2008, a trend that will continue until year 2011.

In an environment like the one described above, we face huge opportunities and big challenges to maintain our market share vis-à-vis the growing competition, owing to the loyalty of our customers who know our products and to the constant efforts we make to enhance service. In addition, we must be prepared to tackle the impact that a potential reduction in the prices of some metals could have on the company, which if materialized would affect one of our main markets.

One of our primary objectives for 2008 will be the consolidation of our presence in the markets that we already serve through the strengthening of the existing relations with current customers and the active involvement in the new projects. The preference of our customers will enable us to maintain our leadership position and a growing market share.

Hand in hand with this goal is our pursuit of excellence in promptly meeting the demands in our sales and post-sales service, placing emphasis on the value of what we offer. We wish to offer integral solutions and generalize a customer service culture.

Our human resources will stand as our greatest competitive advantage to face 2008 challenges. We are aware that we need to continue strengthening the technical capacities and applying adequate personnel recruitment, development and retention policies.

Before ending this introduction, we cannot forget to mention that this has been the 85th anniversary of our foundation and the 65th year as representatives of Caterpillar in Peru. We assume both milestones with renewed energy to continue betting on Peru and building a better future. We find encouragement in the preference of our customers and the stimulus given by suppliers.

In its third year of operation, the Board of Directors wishes to express its gratitude to the shareholders for their trust, to the clients for having honored our company with their preference and to our suppliers and personnel for the support received during this time. The Board would like to give a special thanks to Caterpillar for awarding our company the "Excellence Prize" for the third consecutive year as a result of having obtained the highest score among all Latin American distributors.

We are pleased to submit to the shareholders general information on the company and detailed information on the operations, as well as an analysis and discussion of our financial statements, pursuant to Conasev Resolution 141.98.EF/94.10, issued by the Peruvian Securities and Exchange Commission (Conasev) on the presentation of annual reports. The mandatory statement of responsibility is also included.

NEW SOLUTIONS

→ LOOKING FOR WAYS TO OUTGROW OUR CLIENTS' EXPECTATIONS IS ONE OF OUR MOST CHALLENGING GOALS. AS IT ALSO IS IMPROVING THE QUALITY OF OUR WORK ON A CONSTANT BASIS.→ THESE ARE SOME SOLUTIONS THAT WE HAVE OFFERED THROUGHOUT 2007 IN IMPORTANT BUSINESS AREAS.→ SOLUTIONS THAT MAKE THE DIFFERENCE AND ADD VALUE TO WHAT WE DO, BOOSTING THUS OUR LEADERSHIP.→ A WAY TO HONOR THAT CONFIDENCE PLACED ON US.

SOLUTION (1)

CLOSER TO THE CUSTOMER

While Ismael Huillca, in Lima, feels how autumn arrives outside his workshop, Manuel Urbina faces the legendary northern heat in Piura. At the same time, in Huaraz, Jesús Serin has to endure the heart-piercing cold weather. In a country where the weather is just an example of our diversity, Ferreyros is everywhere: from our branches and offices, located in the main cities of Peru, to the most complex and far away mining and infrastructure projects in the hinterlands. In 2007, a team of nearly 2,000 workers made Ferreyros' leadership possible. From Tumbes to Tacna, at the heart of the business.

[2]

GENERAL AND OPERATIONS INFORMATION

1. GENERAL INFORMATION OF THE COMPANY

1.1. 1.1 Name and registered office

Name	Ferreyros S.A.A.
Type of corporation	Publicly Held Corporation
Tax ID Number (R.U.C.)	20100027292
Registered Office	Jr. Cristóbal de Peralta Norte 820 Monterrico, Santiago de Surco Lima, Perú
Telephone	511-6264000
Fax	511-6264504
Web page	www.ferreyros.com.pe
Telephone line for customers	511-6265000
Telephone line for shareholders	80013372

1.2. Incorporation and registration with the Public Records Office

Ferreyros was incorporated under the original name of "Enrique Ferreyros y Compañía Sociedad en Comandita" by public notarial instrument dated September 14, 1922, executed before Agustín Rivero y Hurtado, Attorney-at-Law and Notary Public in and for Lima. It was recorded on Entry 1, Page 299, Volume 15 of the Registry of Companies in and for Lima. Such company was then dissolved, as shown on Entry 10, Page 296, Volume 30 of the Registry of Companies in and for Lima.

Enrique Ferreyros y Compañía S.A. took over the assets and liabilities of the previous company by public notarial instrument dated September 21, 1931, executed before Agustín Rivero y Hurtado, Attorney-at-Law and Notary Public in and for Lima, recorded on Entry 1, Page 457, Volume 31 of the Registry of Companies in and for Lima. Its name was changed to Enrique Ferreyros S.A. by notarial public instrument dated November 23, 1981, executed before Jorge Orihuela Iberico, Attorney-at-Law and Notary Public in and for Lima, recorded on Entry N° 11007355 of the Registry of Legal Entities.

The change of name to Ferreyros S.A. was carried out by public notarial instrument dated May 6, 1996, executed before Jorge Orihuela Ibérico, Attorney-at-Law and Notary Public in and for Lima, recorded on Entry 2B, Card 117502 of the Book of Companies of the Registry of Legal Entities. On March 24, 1998, the Shareholders' Meeting resolved to change the name of the company to Ferreyros S.A.A., recorded on Entry N° 11007355 of the Registry of Legal Entities.

1.3 Economic group

Ferreyros' interest in the capital stock of the subsidiaries in which it holds shares as of December 31, 2007 must be recorded under "assets". According to the definition of economic group established by the Peruvian Securities and Exchange Commission (CONASEV), Ferreyros forms an economic group with the following subsidiaries:

Subsidiary	Interest
Orvisa S.A.	99.00%
Unimaq S.A.	99.99%
Fiansa S.A. acciones comunes	99.44%
Depósitos Efe S.A.	99.86%
Motorindustria S.A.	99.99%
Domingo Rodas S.A.	99.89%
Ferrenergy S.A.C.	50.00%
Megacaucho Representaciones S.A.	99.99%
Cresko S.A.	99.99%

Description of the main companies that make up the economic group

Orvisa S.A.

Founded in 1974, it has established itself as the largest trading company dealing in capital goods in the Peruvian Amazon Region. From its headquarters in Iquitos and its branch offices in Tarapoto, Pucallpa, Puerto Maldonado, Huaypetue and Bagua, it provides the same lines of equipment and brands offered by Ferreyros to the agricultural, transportation, forest and hydrocarbon sectors. Due to its location in the Jungle, Orvisa currently enjoys certain tariff and tax advantages.

In 2004, Orvisa created an affiliate under the name of Orvisa Servicios Técnicos S.A. to supply services to the oil sector. Such affiliate is based in Andoas, Loreto and specializes in the maintenance and repair of generating sets.

Unimaq S.A.

It started operations in 1999. Its business is focused on trading goods and services and on the rental of light equipment for the construction, mining, industry and fisheries sectors. Since it was created, it has represented leading product lines of excellent quality, such as Mitsubichi-Cat hoists, Wacker compaction equipment, Lincoln Electric welding equipment, Olympian Cat generating sets, Amida light towers, Enerpac hydraulic tools, Compair compressors. In almost all these lines, Unimaq has maintained its leadership position in the local market.

This year Ferreyros redefined the role of this subsidiary for it to become the unit of the organization in charge of serving the urban or light construction sector, without neglecting the aforementioned lines and markets. To this effect, Unimaq assumed the trading of the Caterpillar light equipment line, which is basically targeted at the urban construction sector and which was previously offered to the market by Ferreyros. On the other hand, Ferreyros transferred its business unit Rentando - Cat Rental Store to Unimaq; in this manner, the rental of equipment was added to its sales portfolio to make an integral offer to its customers, including the sale of new and used equipment, the rental service and the post-sale service.

Fiansa S.A.

Founded in 1968, it is a company engaged in the execution of metal-mechanic and electric works. At present, it mainly serves the construction, mining and industrial sectors. It has wide experience in the engineering and construction of steel structures for buildings, bridges, storage tanks, hydraulic systems, industrial plants and infrastructure in general, as well as in the construction of hydroelectrical power stations, transmission lines, power substations and industrial electrical installations.

The industrial plant, which has an area of 10,000 m2, is located in the city of Trujillo.

Depósitos Efe S.A.

Founded in 1983, this affiliate is engaged in the sale of simple or field bonded warehousing services. Field warehousing is carried out when the customers generate a warrant operation with their merchandise.

It stores goods such as machinery, equipment, spare parts, textiles, telecommunication equipment, and bulk chemicals. The company is properly equipped to develop its logistics operations with quality and efficiency.

The company recorded a total sales turnover of US$ 700,000, 17% higher than 2006's figure. This increase was chiefly duly to the increase in liquid warehousing, the consolidation of operations with customers and the incorporation of potential customers from the textile, mining and oil sectors. Net profits amounted to US$143,000, 43% higher than last year's net profits.

The great demand for logistics operations generated in the country as a result of the growth of exports and imports and the signing of the Free Trade Agreement (FTA) with the United States shall enable the company to increase its operations.

Domingo Rodas S.A.

It is an aquiculture company that was founded in 1979. It is located in the province of Tumbes, Playa Hermosa beach resort, on the left bank of Tumbes River, and is dedicated to the growing, culture and export of prawns. It currently has 250.97 ha of production and has achieved an annual production of 700 tons of prawns.

In order to consolidate its operations and tackle the external variables that may affect its outcomes, the company decided to diversify its operations by expanding its business to the extraction, processing and export of products for direct human consumption.

In 2007, the company's sales turnover grew by 34% to US$3.9 compared to 2006. This increase is essentially explained by the enhanced efficiency in the cultivation of the crops, which resulted in a higher productivity in kilograms per hectare. Nonetheless, owing to the sharp decline in international prices - around 15% - and to the 6.2% revaluation of the Nuevo Sol, the company was not able to reach adequate profitability levels as of the close of the year. Despite this, the company continues to seek improved efficiency through the reduction of its operating costs, to which end this year it made investments for US$300,000 to transform the water pumping systems installed at all its fields from diesel to electricity. Such transformation will allow the company to save around US$150,000 per year in the next few years.

Cresko S.A.

It commenced operations in October 2007 to offer specialized products not covered by Ferreyros and Unimaq to the industrial, construction, mining and agricultural markets. In its four months of operation, it achieved a sales turnover of almost S/.1 million. It is the first company of the organization to make incursions in the trading of products of Asian origin. The initial investment made by Ferreyros in this company amounts to US$1.5 million.

Its line of business will comprise the trading of chemical inputs, capital goods and used equipment for the industrial, construction and mining sectors. These products will be marketed through four clearly defined business units, additionally offering a non-specialized post-sale service.

Motorindustria S.A.

Founded in 1987, its original line of business was the development of the terminal industrial activity of motor vehicle production and the sale of spare parts and services. In 1998, the Shareholders' Meeting resolved to modify Its activities and thus the company started machining operations for the recovery of machinery components. Its management was closely linked to the Component Remanufacturing Center of Ferreyros and, hence, in 2006 the operations of Motorindustria S.A. were incorporated to Ferreyros S.A.A. through a spin-off process. Motorindustria has not developed any economic activity this year.

Ferrenergy S.A.C.

This company was incorporated in 2006 by its shareholders Ferreyros S.A.A. and Energy International Corporation, each of which has a 50% interest.

The primary purpose of the company is the sale and supply of energy, as well as the purchase/sale, import and export of goods and articles in general, among others. Presently, Ferrenergy has a plant with 18 MW capacity and has entered into a contract for the supply of power and electric energy with an oil company for a period of five years.

Mega Caucho & Representaciones S.A.C.

It is a company that represents and distributes Goodyear tires and Mobil lubricants. It was incorporated to the organization by acquisition in January 2007.

The company has applied the strategy of using its strengths and orienting its activities to the industrial business, which requires much technical support and a significant deal of specialization, having concentrated its sales and services on the mining, transportation, construction and industrial sectors.

It has entered into several shop administration and service contracts with the leading underground mining companies in the country, achieving an important leadership position in this sector of the market.

1.4 Other investments

The company maintains investments in the following companies:

Companies	Number of shares	Interest
La Positiva Seguros y Reaseguros	15'703,626.00	13.7928%
La Positiva Vida Seguros y Reaseguros	2'240,136.00	3.5143%
Transacciones Plurales S.A.	1'661,753.00	16.1305%
Transacciones Especiales S.A.	223,526.00	0.5165%

1.5 Capital stock, shares and shareholding structure

As of December 31, 2007, the capital stock of Ferreyros is represented by 305'226,504 common shares with a par value of S/.1.10 each, fully subscribed and paid-up, out of which 85.05% corresponds to Peruvian investments and 14.95% to foreign investments.

The opening quote of the year was S/.3.94 and the closing quote S/. 6.40, having recorded a maximum quote of S/.9.00 in May and a minimum one of S/.3.94 in January. The average price of a share in 2007 was S/.6.32. (Annex 1).

The shareholders who have an interest of 5% or more in the capital stock of the company are:

Shareholders	%	Origin
La Positiva Vida Seguros y Reaseguros S.A.	9.78	Peruvian
RI-FONDO 3 (Prima)	8.32	Peruvian
Horseshoe Bay Limited	6.46	Foreign
IN-FONDO 3 (Integra)	6.32	Peruvian
HO- FONDO 2 (Horizonte)	6.31	Peruvian

Voting shares are distributed as follows:

Shareholding	N° of shareholders	N° of shares	% interest
Less than 1%	1,326	59,465,324	19.48
Between 5% and 1%	14	132,269,410	43.33
Between 10% and 5%	5	113,491,770	37.19
More than 10%	0	0	0
Total	1,345	305,226,504	100.00

2. DESCRIPTION OF THE OPERATIONS AND DEVELOPMENT

2.1 Corporate purpose

In accordance with the bylaws of Ferreyros S.A.A., its corporate purpose is the purchase/sale of national and international goods and products; the import and export of goods and articles in general; the provision of services, the making of investments and earning of commissions.

2.2 Term of existence and ISIC category under which the company is classified

It has perpetual existence and its line of business is classified within Group 5150, Division 51 of the International Standard Industrial Classification (ISIC) of the United Nations Organization (UNO).

2.3 Evolution of the issuer's operations

In 1922, the company "Enrique Ferreyros y Compañía Sociedad en Comandita" was founded in Lima on the initiative of Enrique Ferreyros Ayulo and three shareholders, to engage in the trading of consumption products.

In 1942, Ferreyros obtained the representation of Caterpillar Tractor, which constituted a total change in the company's activity. In 1965, it started a decentralization process and established offices in provinces as well as several affiliates.

In 1971, it was decided to register Ferreyros with the Lima Stock Exchange, from which time it had a widespread shareholding structure.

During the 80's, Ferreyros abandoned the business of consumption goods and decided to focus its efforts on its main line of business, i.e. capital goods. To this end, it acquired new representations to complement the Caterpillar product line. In this manner, it was able to better serve its customers from diverse production sectors of the economy.

In the 90's, the company started the business of equipment rental and used machinery sale and prepared to take the challenge of meeting the demands that the large-scale mining sector would have after the start of the privatization process and the entrance of new production agents to the economy. As from 1995, the company made considerable investments to improve the infrastructure of offices and shops and to train its service personnel so that they could meet the maintenance and repair services contracts for the large mining equipment. Likewise, the company decided to make incursions into the sale of machinery for underground mining.

In response to the growth experienced, in 1997 the company made a successful share placement both in Peru and abroad, which increased its equity by US$ 22 million.

The sudden deceleration of the economy's growth during the period 1998-2001 had an adverse effect on the company's sales. Nevertheless, as from 2001, this situation was overcome, consolidating its finances, with a consistent increase of its sales and profits over the last years.

In 2007, on the 85th anniversary of its foundation, Ferreyros moved its corporate offices to the Monterrico area, in the district of Surco, in order to implement a program for the expansion of its shops located at Av. Industrial due to the increase in sales, which carries with it a more intensive post-sale service.

As of December 31, 2007, total assets amounted to S/.1,302.6 million. The main assets are: i) inventories for the amount of S/.529.5 million, ii) real property, machinery and equipment (net) for the amount of S/.279.7 million, iii) trade accounts receivable, including short and long terms, amounted to S/.295.7 million, iv) investments in securities amounted to S/.132.2 million and v) other assets amounting to S/.65.5 million.

It is worth mentioning that mortgages have been established on the Company's real property for US$11.5 million to secure obligations to Caterpillar Financial Services for US$70 million.

2.4 Economic sectors

Ferreyros, recognized as the foremost distributor of capital goods in Peru, targets its activities at different economic sectors of the country, such as mining, construction, fisheries, agriculture, hydrocarbons, energy, industry and transportation.

It is the only distributor of Caterpillar in Peru, which it has represented since 1942.

In addition to Caterpillar new and used machines and engines, Ferreyros trades a wide variety of products of other quality brands such as Kenworth, Iveco, Massey Ferguson, Atlas Copco Drilling Solution, among others. In order to serve those customers that need to rent rather than buy, Ferreyros has an important fleet of Caterpillar machines to meet the equipment needs basically in infrastructure projects.

To provide the post-sale service to its customers, the company has a large network of shops located all around the Peruvian territory, which are fitted with high technology equipment operated by skilled technicians who receive permanent training.

Furthermore, in order to guarantee the supply of spare parts for all the product lines it distributes, the company has warehouses and spare part distribution centers in all its branches as well as in strategic locations where its major customers carry out their activities.

2.5. Competition

Due to the wide range of product lines distributed by Ferreyros, the company competes in several segments with a great number of suppliers representing several brands. Thanks to the preference of its customers, Ferreyros is leader in almost all the market segments in which it participates.

As to off-highway trucks for the large-scale mining sector, Ferreyros competes with Komatsu and Terex. In earthmoving machinery, its main competitors are Komatsu, Volvo, Hyundai, Case, JCB, Daewoo and John Deere.

In machinery to serve the mining and construction sectors, the competitors of Caterpillar are JCB, Volvo, John Deere and Komatsu

In diesel engines, Ferreyros competes with Detroit Diesel, Cummins, FG Wilson and Volvo. In heavy fuel engines, it competes with Wartsila and Man. In gas engines, it competes with Wartsila and Waukesha.

As regards the agricultural product line, Ferreyros distributes Massey Ferguson tractors and among its main competitors are John Deere and Ford New Holland. As to farm implements, it distributes Tatu and Montana equipment.

In portable air compressors, its competitor is Atlas Copco. In drills for mining, the line of drills represented by Ferreyros competes with Sandvik, Drilltech, Reeddrill and Bucyrus.

The Caterpillar underground mining loaders compete with Atlas Copco and Sandvik Tamrock. With regard to trucks, in the market of dump trucks and tractor trailer trucks, Ferreyros participates with its brands Kenworth and Iveco and competes with Volvo, Scania, Mercedes Benz y Freightliner, and Volkswagen.

Concerning the lines of spare parts of the diverse brands it trades, Ferreyros competes with entities distributing non-genuine spare parts in small market segments.

2.6 Sources of financing

The company finances its activities with retained earnings, credits from local and foreign banks, and investments in the capital market.

The sources of financing are selected based on the best conditions and terms.

2.7 Share in the capital market

Corporate bonds

The total amount invested in previous years in the capital market under the First Corporate Bond Program in force since December 2007 was US$32.5 million.

First Corporate Bond Program

	Conasev Resolution N° 028-2004-EF/94.11
Class	Registered and indivisible on account in CAVALI ICLV S.A.
Par value	US$ 1,000 each
Series	One or more
Maximum amount of issue	US$ 50'000,000
Series	One or more
Term	2 years renewable
Payment of interest	End of quarter

Series registered in the First Program		Characteristics of placements in force as of December 2007					
Issues of the First Program	Amount of issue	Balance	Term (years)	Rate of Placement	Date of Issue	Redemption Date	Amortization
FERRE1BC1A	15,000		3	6.4400%	15/11/2004	15/11/2007	100% of the capital at 3rd year
FERRE1BC2B	15,000		4				100% of the capital at 4th year
FERRE1BC3C	10,000	7,500,000	5	6.1175%	21/10/2005	21/10/2010	16 semiannual payments1 free year
FERRE1BC4D	10,000	15,000,000	3	5.8125%	21/09/2005	21/09/2008	100% of the capital at 3rd year
FERRE1BC4B	10,000	10,000,000	3	6.0625%	28/02/2006	28/02/2009	100% of the capital at 3rd year
		32,500,000					

First Program of Debt Instruments of Ferreyros

The First Program of Debt Instruments was registered with the Public Registry of the Securities Market by CONASEV Resolution N° 055-2007-EF/94.11, for up to a total outstanding amount of US$90´000,000 (ninety million US Dollars) or its equivalent in Nuevos Soles.

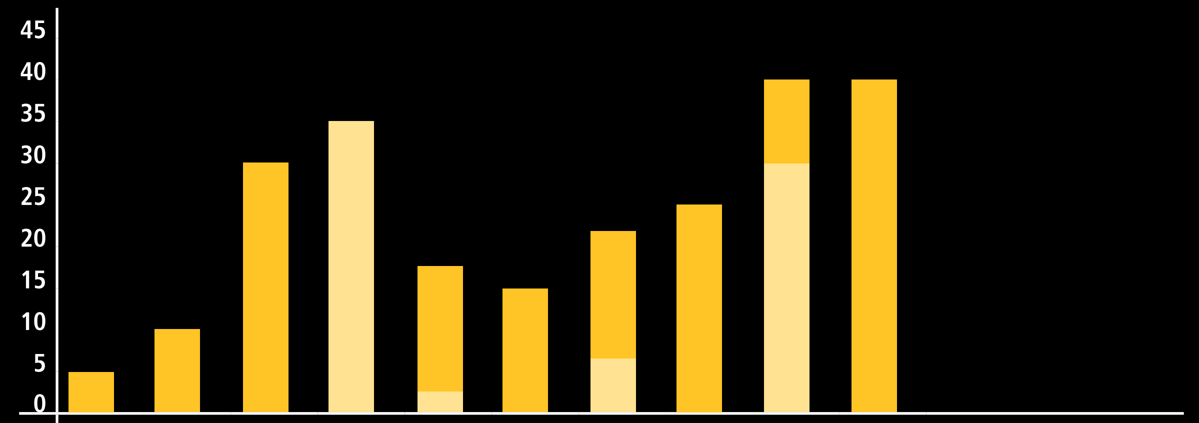
As of December 2007, the total amount placed in the capital market under the First Program of Debt Instruments was US$ 40 million.

First Program IRD

	Conasev Resolution N° 055-2007 EF/94.11
Class	Registered and indivisible on account in CAVALI ICLV S.A.
Par value	US$ 1,000 each
Series	One or more
Maximum amount of issue	US$ 90´000,000
Term	2 years renewable
Payment of interest	End of quarter

Series registered in the First Program		Characteristics of placements in force as of December 2007					
Issues of IRD	Amount of issue	Balance	Term (years)	Rate of Placement	Date of Issue	Redemption Date	Amortization
First Bond Issue	90,000,000	15,000,000	3	5.8125%	09/05/2007	10/05/2010	100% of capital at redemption
Second Bond Issue	90,000,000		5				16 quarterly payments 1 free year
Third Issue of Short-Term Instruments	90,000,000		5				100% of capital at redemption
Fourth Issue of Series A Bonds	90,000,000	15,000,000	4	6.2500%	21/09/2007	21/09/2011	100% of capital at redemption
Fourth Issue of Series B Bonds	90,000,000	10,000,000	4	6.1300%	09/11/2007	09/11/2011	100% of capital at redemption
		40,000,000					
Capital Market at dec 2007		72,500,000					

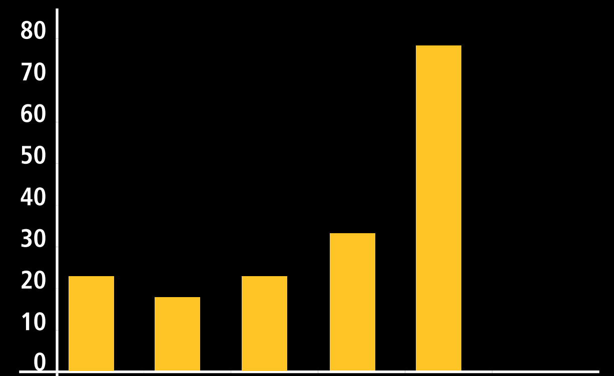
Summary of placements of corporate bonds and commercial papers by year of issue



	1994	1996	1999	2001	2002	2003	2004	2005	2006	2007
Bonds	5	10	30		15	15	15	25	10	40
Commercial Papers				35	3		6		30	

Note: Annex 1 shows the price of the bonds of Ferreyros throughout year 2007, as per information provided by the Lima Stock Exchange.

Placements in effect by maturity date as of December 31, 2007



	2008	2009	2010	2011	Total
Bonds	17.50	12.50	17.50	25.00	72.50

2.8 Guarantees, sureties and securities granted

As of December 31, 2007, the company has granted sureties and bank guarantees to the companies of the group and customers to back their obligations with bank and financial entities. Furthermore, it has granted bank guarantees for the participation in public and private biddings and tenders for the total amount of US$29.1 million, which accounts for 17.5% of the equity.

Bank guarantees

As of December 31, 2007, the bank guarantee facilities used by Ferreyros to secure diverse transactions, mainly bids in public biddings and the receipt of advance payments, amounted to US$2.5 million, representing a US$1 million increase as compared to 2006.

Sureties for subsidiaries

The company has granted sureties in favor of subsidiaries to secure their obligations to bank institutions, in the amount of US$6.4 million, which is lower than the US$16 million authorized by the Board of Directors in its meeting held on September 26, 2006. In 2007, arrangements were carried out with the banks to reduce the sureties that Ferreyros is required to provide for the subsidiaries that secure their own credits. In this manner, negotiations were entered into with several bank institutions to eliminate the surety requirements for the subsidiaries Orvisa and Unimaq, being replaced by comfort letters. Thus, the amount guaranteed from December 2006 to December 2007 was reduced from US$13.1 million to US$ 6.4 million.

Sureties for customers

For the development of its operations and sales, the company provides direct financing to customers or acts as surety before financial institutions. The Board of Directors of the company expressly approves these transactions.

During 2007, the balance of sureties for customers corresponded to those granted to customers to secure their obligations to Caterpillar International Services del Peru or Caterpillar Financial Services.

As of the close of 2007, sureties for customers amounted to US$20.1 million, which are supported by the respective guarantees of the customers and/or cash flow trusts. The US$4.5 million increase with respect to 2006 is due to the greater number of sales to customers, particularly to a consortium of which Ferreyros is a member.

Guarantees on assets

As of December 31, 2007, the company has furnished security interests for US$11.5 million on some real property to back mortgage credits before Caterpillar Financial Services. Such loans were negotiated during 2005 to reduce the Libor rate + 4.5% at a fixed rate of 7%. The debt balance is US$ 7.3 million.

Medium-term operations with local bank institutions amount to US$4.6 million and are guaranteed at 30% by customers' bills of exchange endorsed in favor of the bank.

2.9 Contingencies

As of December 31, 2007, the Company has the following contingencies:

a. In April 2003, the company received income tax and valued added tax assessments from the tax authority for year 2000 in the total amount of S/.6.4 million, including penalties and interest. An appeal was filed before the Tax Court.

b. In December 2005, the company received income tax and value added tax assessments from the tax authority for year 2001 in the total amount of S/.22.9 million, including penalties and interest. An appeal in dispute of tax assessment was filed before the SUNAT.

c. In June 2006, the company received income tax and value added tax assessments for years 2002 and 2003 in the amounts of S/.34.4 million and S/.5.6 million, respectively, including penalties and interest. An appeal in dispute of tax assessment was filed before the SUNAT.

d. As of December 31, 2006, the company received penalty orders for the withholding of the income tax on services rendered by non-domiciled parties in years 2004 to 2006, in the total amount of S/.1.2 million, including penalties and interest. An appeal was filed before the SUNAT.

Based on the opinion of its legal and tax advisors, the company's management considers that such assessments and lawsuits are inadmissible and that the final result would be favorable to the company. Therefore, it did not deem necessary to make a provision for these proceedings.

As regards the inspection processes based on which the aforementioned tax assessments were issued, the SUNAT, following the established procedures and prior to the issue of the respective report, informed the company about the outcome of each inspection, granting it a specific term to evaluate and correct the omissions and violations allegedly incurred. In this connection, the company corrected the omissions and violations and paid for them the total sum of S/.6.3 million, which were considered correct after a thorough evaluation performed along with the tax advisors.

2.10 Legal proceedings

The company has become a party to certain legal proceedings that arouse in the ordinary course of its business, most of which may not be considered important either individually or collectively. Nonetheless, it should be mentioned that, as of the close of the year, the company is subject to six lawsuits seeking the payment of a compensation for tort liability, filed by third parties, in the amount of US$1.2 million; such lawsuits are in the stage of resolving on the claims filed. The General Management, based on the opinion of its legal advisors, considers that these lawsuits are inadmissible and that the final result will be favorable to the company.

3. INSTITUTIONAL ASPECTS

3.1 The Board of Directors

The Board of Directors of Ferreyros consists of eight directors elected by the Shareholders' Meeting in accordance with the Business Corporations' Act and in compliance with Section 32 of the company's bylaws. The current board of directors was appointed in the Annual Shareholders' Meeting held on March 22, 2006 for the period 2005-2008. It is composed of the following members:

Carlos Ferreyros Aspíllaga
Eduardo Montero Aramburú
Hernán Barreto Boggio
Aldo Defilippi Traverso
Juan Manuel Peña Roca
Juan Manuel Prado Bustamante
Andreas von Wedemeyer Knigge
Oscar Espinosa Bedoya

In the first meeting held on March 30, 2005, the members of the Board of Directors designated Carlos Ferreyros Aspíllaga as Chairman and Eduardo Montero Aramburú as Vice-Chairman.

As set forth in the "Good Corporate Governance Principles for Peruvian Companies", the company has independent directors to ensure that independent judgment shall be exercised in matters with the potential of creating conflicts of interest and to guarantee a plurality of opinions.

The company's directors who are considered independent directors due to the fact that they do not have any degree of kinship with the company's administration or with the majority shareholders are:

Eduardo Montero Aramburú
Hernán Barreto Boggio
Aldo Defilippi Traverso
Juan Manuel Prado Bustamante

Degrees of kinship

As of December 31, 2007, there is no degree of kinship -by affinity or consanguinity- among the directors or between them and the management personnel.

Messrs. Carlos Ferreyros Aspíllaga, Oscar Espinosa Bedoya, Juan Manuel Peña Roca and Andreas von Wedemeyer Knigge are directors of La Positiva Compañía de Seguros y Reaseguros, a shareholder of Ferreyros that owns 10.1% of the capital stock.

Messrs. Oscar Espinosa Bedoya, Juan Manuel Peña Roca and Andreas Von Wedemeyer Knigge are directors of AFP Profuturo, a pension fund management company and a shareholder of Ferreyros owning more than 5% of the capital stock.

Special bodies created within the Board of Directors

The Board of Directors has three committees:

General Steering and Corporate Governance Committee.
Audit Committee.
Organizational Development and Human Resources Committee.

Each committee consists of a minimum of three directors, at least one of which is an independent director, as established in Corporate Governance Principle V, Item e.1. The Chairman, the Vice-Chairman and the General Manager participate in all the committees.

The committees meet on a quarterly basis.

The General Steering and Corporate Governance Committee replaces the Board of Directors Committee, created in July 1993, and its core function is to act as an advisory body to the Management for the general running of the company and the administration of the operations within the limits set by the Board of Directors. Other functions include developing and recommending to the Board of Directors the Good Corporate Governance policies. Its members are Carlos Ferreyros Aspíllaga, Eduardo Montero Aramburú, Oscar Espinosa Bedoya, Juan Manuel Peña Roca and Hernán Barreto Boggio.

The core function of the Audit Committee is to oversee the integrity of the accounting systems, analyze the report of the external auditors on the financial statements, ensure their independence and assist the Board of Directors with the internal control processes. Its members are Carlos Ferreyros Aspíllaga, Eduardo Montero Aramburú, Oscar Espinosa Bedoya, Andreas von Wedemeyer Knigge and Juan Manuel Prado Bustamante.

The Organizational Development and Human Resources Committee has the function of giving advice to the Management on the adoption of general human resources policies, particularly the policy on salaries.

Its members are Carlos Ferreyros Aspíllaga, Eduardo Montero Aramburú, Oscar Espinosa Bedoya and Aldo Defilippi Traverso.

3.2 The Management

Professional experience of the top executives

Oscar Espinosa Bedoya

General Manager of Ferreyros since 1983, he joined the company in 1981. Civil engineer graduated from the Universidad Nacional de Ingeniería. Master's degree from the North Carolina State University and the Harvard University, with postgraduate diplomas from the ISVE, Italy, CEO Management Program of the Kellog School of the Northwestern University, and PAD of the Universidad de Piura in engineering, economics and business administration studies. He has held executive and management positions in Cofide, the World Bank, the Banco Internacional del Perú and other financial entities. Currently, he is a member of the boards of directors of several companies, among which are La Positiva Compañía de Seguros y Reaseguros and AFP Profuturo, and of business associations. He is a member of the Board of Directors of Tecsup, the Vice-President of Asociación Pro Universidad del Pacífico, and a member of the Board of the Universidad Ruiz Montoya. He was awarded the 1999 IPAE Prize.

Mariela García Figari de Fabbri

Deputy General Manager of Ferreyros since January 2005. She joined the company in 1988 and held several positions in the finance division. She was Finance Manager -the last position she performed- from 2001 to January 2005. She graduated in Economics from Universidad del Pacífico and earned her MBA from the Universities of Incae and Adolfo Ibañez. At present, she is a member of the Board of Directors of the American Chamber of Commerce of Peru (Amcham), the company Cosapi S.A., the Consulting Committee of OWIT, and a representative of Ferreyros to the Companies Circle. She was a member of the Board of Directors of Procapitales and Chairman of its Corporate Governance Committee until the end of year 2006, as well as director of IPAE from 2002 to 2004. Before that, she worked as researcher and member of the editorial committee of Consorcio La Moneda.

Hugo Sommerkamp Molinari

Central Manager of Systems and Finance Management Control since July 2001. He joined the company in 1985 and held the position of Manager of Comptrollership of affiliate companies until 1990. From 1990 to 1996 he worked in Paraguay as Financial Director of the different subsidiaries of the ECOM Group (Lausanne. Switzerland). He reincorporated to Ferreyros in 1996 as Manager of the Finance and Administration Division, a position he performed until 2001. He is a certified public accountant graduated from the Universidad Católica del Perú, with specialization studies in Peru and abroad.

José Miguel Salazar Romero

Central Marketing Manager since 2004. He joined the company in 1969 and held several positions in commercial and financial areas until 1990. In 1988, he was appointed Manager of the Finance Division. From 1990 and 1995 he performed similar positions in other companies of the sector. He reincorporated to Ferreyros in 1996 as General Manager of Matreq Ferreyros S.A., an exclusive distributor of Caterpillar in Bolivia and a subsidiary of Ferreyros until April 2003. From 2001 to 2004 he was the Manager of the Mining Division. He took several courses in the country as well as seminars organized by Caterpillar, including the "Caterpillar Leading for Growth and Profitability" program, given at the Kenan-Flagler Business School of the University of North Carolina.

Gonzalo Díaz Pro

Chief Operating Officer since 2007. Previously, he served as Manager of the Mining Division of Ferreyros since July 2006. He joined the company in August 2004 holding the position of Commercial Manager of the Mining Division. Civil engineer graduated from the Pontificia Universidad Católica del Perú and MBA from the Universities of Incae and Adolfo Ibañez, having pursued several specialization courses in Peru and abroad. 15 years of experience in the management and development of construction, open pit mining and energy projects both in Peru and Chile. He held several positions in the Cosapi group, including the Commercial Management of the affiliate in Chile.

Luis Bracamonte Loayza

Central Branch manager. Previously, he was Division Manager since October 2005. He joined the company in 1980 and held several positions, such as the Assistant Management of Credits and Collections, the Management of the Branch Offices Division. Subsequently, he was designated as the Manager of the Agricultural Division. At present, he is in charge of the supervision of the branch offices. He pursued university studies at the Universidad de Lima and was awarded postgraduate diplomas in the School of Business Administration (ESAN) and in the top management program of the INCAE Institute in Costa Rica.

José López Rey Sánchez

Manager of the Product Support Division since 2001. He joined the company in 1981. He served as Services Manager from 1994 to 1998 and as Spare Parts and Services Manager from 1999 to 2001. He graduated in Mechanical Engineering from the Universidad Nacional de Ingeniería and has taken administration and managerial accounting courses in ESAN, the "Managing Managers" Program (PAD) in the Universidad de Piura and in 2007 the "Caterpillar Leading for Growth and Profitability" Program delivered by the Kenan-Flagler Business School of the University of North Carolina.

Patricia Gastelumendi Lukis

Manager of the Administration and Finance Division since January 2005. She joined the company in 1987. After serving in different roles in the credits and collections area, she was designated as Credits Manager in 1998. She graduated in Business Administration from the Universidad de Lima; has taken several specialization courses at ESAN; and is a Master in Business Administration (MBA) graduated from the INCAE Business School in Costa Rica and the Universidad Adolfo Ibáñez from Chile. In 2007, she participated in the "Caterpillar Leading for Growth and Profitability" Program, given at the Kenan-Flagler Business School of the University of North Carolina. She is a member of the Board of Directors of IPAE.

Víctor Astete Palma

Manager of the Comptrollership Division since 1996. He joined the company in 1977 and has held several positions in the accounting, budget, accounting advice and investment comptrollership managements. He is a certified public accountant graduated from the Universidad Nacional Mayor de San Marcos and has taken several specialization courses in Peru and abroad.

Andrés Gagliardi Wakeham

Manager of the Human Resources Division since 1986. From 1973 to 1980 he was Assistant Manager and Manager of Industrial Relations in "Laboratorios Efesa", during the time it was an affiliate of Ferreyros. He has held similar positions in other prestigious companies. He is a graduate in industrial relations from the Universidad San Martín de Porres and has taken several courses and programs within such special field of study.

Raúl Vásquez Erquicio

Manager of the Internal Audit Division since he joined the company in 1978. Previously, he was Administrative – Financial Manager of Cía. Pesquera Estrella del Perú and Auditing Manager of Arthur Andersen y Co. He is a bachelor of economic and commercial sciences and a certified public accountant, and pursued doctoral studies at the Universidad Nacional Mayor de San Marcos. He was the President of the Institute of Internal Auditors of Peru, District Director for Latin America of the Institute of Internal Auditors (USA), President of the Latin-American Federation of Internal Auditors (FLAI, Spanish acronym), and President of the Ethics Committee of FLAI. At present, he is a member of the Professional Issues Committee of the Institute of Internal Auditors and an international lecturer on internal audit issues.

Carlos Dongo Vásquez

Manager of the Component Repair Center since 2005 and General Manager of Motorindustria S.A. since 2002. He joined the company in 1979 and has held several positions in the commercial and services areas. He was Manager of Spare Parts Sales and Services and Manager of the Machines and Engines Division. He is a mechanical engineer graduated from the Universidad Católica del Perú. In 2007, he pursued the "Caterpillar Leading for Growth and Profitability" Program delivered at the Kenan-Flagler Business School of the University of North Carolina.

Alberto Parodi de la Cuadra

Heavy Construction and power Systems Division Manager since February 2007. He joined the company in 1995. He was Commercial Manager of Construction and Mid-Scale Mining from January 2006 to January 2007 and Commercial Post-Sales Manager from July 2002 to December 2005. Industrial engineer graduated from the Universidad Ricardo Palma. Master in Strategic Business Administration graduated from CENTRUM Católica. He pursued a specialization course at the Kenan Flagler Business School of the University of North Carolina (UNC). He pursued other specialization courses in Peru and abroad.

Jorge Durán Cheneaux

Manager of the Mining Division of Ferreyros since February 2007. He joined the company in 1994 as Field Service Engineer in charge of the Cerro Verde mining operation. Subsequently, he was named to the position of Head of Service – South Region, covering seven departments from the Arequipa branch office. In 1999, he was transferred to Lima to take over the Service Management nationwide. In 2001, he took office as Manager of the Component Repair Center (CRC) and repair shops in Lima. In 2004, he was appointed as Account Manager for Antamina and Barrick and, subsequently, as Manager of Mining Operations. He pursued studies in Sciences, majoring in Mechanical Engineering, at the Pontificia Universidad Católica del Perú. He has participated in several specialization courses and forums organized by Caterpillar and has been certified as Black Belt in the Six Sigma continuous improvement program. In 2007, he pursued the "Caterpillar Leading for Growth and Profitability" program delivered at the Kenan-Flagler Business School of the University of North Carolina.

Eduardo Ramírez del Villar Lopez de Romaña

He has been Legal Manager since he joined the company in 1999. Attorney-at-law graduated from the Universidad Católica del Perú, with master studies (Master in Law) in the George Washington University (Fulbright Scholarship). He was responsible for the legal area of the Vice-Presidency of Finance of the Andean Development Corporation (CAF, Spanish acronym) in the office located in Caracas, Venezuela. He was responsible for the debit transactions of such international organization and, previously, he served as attorney in the Legal Advice Area, supporting the financing operations for the public and private sectors of Perú and the structuring of large projects at a regional level. Before that, he was the Legal Manager of Cosapi Organización Empresarial, being in charge of giving advice on issues related to the construction business. He has pursued specialization courses both in Peru and abroad. In 2007, he participated in the "Caterpillar Leading for Growth and Profitability" Program delivered at the Kenan-Flagler Business School of the University of North Carolina.

Oscar Rubio Rodriguez

Manager of the Light Construction Business Division. In addition, he is the General Manager of the subsidiaries UNIMAQ S.A., Domingo Rodas S.A. and Cresko S.A. He joined the company in 1975 and has held several managerial positions since 1983. Presently, he the President of the Asociación Langostinera del Perú. Economist graduated from the Department of Economics of the Universidad Nacional Mayor de San Marcos. He has pursued several courses in Peru and abroad. He was awarded postgraduate diplomas at ESAN, IPAE and Universidad La Salle of Argentina.

Compensation of the members of the Board of Directors and the managerial staff

As per Ferreyros' financial statements, the total amount of the compensation paid to the members of the Board of Directors and the Managerial Staff accounts for 1.18% with respect to gross income.

3.3 Human resources

All aspects related to the administration of the company's personnel are handled by the Human Resources Management. At the end of 2007, the company had a total workforce of 1,912 permanent workers both in the head office and in provinces, which represents a 28% increase compared to the previous year.

The variations in such personnel over the last three years were as follows:

	2007	2006	2005	2004
Officers	50	37	35	34
Employees	890	712	594	584
Technical personnel and Laborers	972	738	503	641
	1,912	1,487	1,132	1,259
Trainees	70			
Eventual workers	20			
	2,063			

One of the causes of the increase in personnel between 2005 and 2007 was the take-over of the company Motorindustria S.A., besides the personnel requirements due to the growth in sales and especially the need for technical personnel to carry out repairs nationwide.

ANALYSIS AND DISCUSSION BY THE MANAGEMENT ABOUT THE FINANCIAL STATEMENTS

Following is an explanation of the reasons that caused the main variations between the company's financial statements as of December 31, 2007 and December 31, 2006. For this purpose, some figures have been reclassified in the Income Statement shown herein below to include sales by direct order in the net sales and the cost of sales.

Analysis of the balance sheet

Balance Sheet (In millions of Nuevos Soles)

	As 31-12-07	As 31-12-06	Variation Amount	%
Assets				
Current Assets				
Cash and deposits	28.2	34.6	-6.4	-18.5
Trade accounts receivable:				
Third parties	239.1	274.8	-35.7	-13.0
Affiliates	10.0	9.4	0.6	6.0
Other accounts receivable:				
Affiliates	4.6	2.3	2.3	101.6
Other	11.2	4.5	6.7	149.3
Inventories	529.5	334.8	194.7	58.2
Prepaid expenses	0.8	1.6	-0.8	-50.6
Total current assets	**823.4**	**662.0**	**161.4**	**24.4**
Long-term trade accounts receivable	**46.6**	**36.2**	**10.4**	**28.6**
Investments in securities	**132.2**	**81.7**	**50.5**	**61.8**
Property, plant and equipment	**279.7**	**218.2**	**61.5**	**28.2**
Deferred income tax and workers' profit sharing	**13.7**	**7.4**	**6.3**	**85.8**
Other assets	**6.9**	**0.3**	**6.6**	**2,211.3**
Total	1,302.6	1,005.8	296.8	29.5

	As of 12-31-07	As of 12-31-06	Variation Amount	%
Current liabilities and net stockholders' equity				
Current liabilities				
Bank overdrafts and loans	191.7	141.6	50.1	35.4
Trade accounts payable:				
Third parties	173.8	125.7	48.1	38.2
Affiliates	3.5	2.5	1.0	39.7
Other accounts payable:				
Taxes payable	7.8	22.9	-15.1	-65.9
Salaries payable	44.0	31.3	12.7	40.6
Affiliates		0.1	-0.1	-100.0
Other accounts payable	33.6	47.7	-14.1	-29.5
Current portion of long-term debt	91.4	81.4	10.0	12.3
Total current liabilities	**545.8**	**453.2**	**92.6**	**20.4**
Long-term debt	**248.8**	**143.2**	**105.6**	**73.7**
Total Liabilities	**794.6**	**596.4**	**198.2**	**33.2**
Deferred income	**10.1**	**10.2**	**-0.1**	**-0.7**
Net stockholders' equity				
Capital stock	335.7	284.2	51.6	18.1
Revaluation surplus	15.9	15.9	0.0	0.0
Legal reserve	19.1	9.3	9.8	104.9
Retained earnings	127.1	89.7	37.3	41.6
Total Net Stockholders' Equity	**497.8**	**399.2**	**98.6**	**24.7**
Total	1,302.6	1,005.8	296.8	29.5

As of December 31, 2007, total liabilities amounted to S/.794.6 million as compared to S/. 596.4 million as of December 31, 2006, which represents an increase of S/.198.2 million. On the other hand, as of December 31, 2007, total assets were S/.1,302.6 million as compared to S/.1,005.8 million as of December 31, 2006, representing a net increase of S/.296.8 million. The main variations in the asset accounts that explain such increase are detailed below:

a. Net increase in Inventories by S/.194.7 million, explained by: i) an increase of S/.216.7 million for the purchases made during the period to meet the growing sales and to make up for the lack of supply from the different factories as a result of the considerable world demand, which has increased the restocking time from 3 to 5 months on average; ii) a net reduction of S/.18.0 million due to the transfer of rental equipment and replacement components from inventories to fixed assets; and iii) a decrease of S/.4.0 million resulting from the increase in the provision for impairment of inventories.

b. Net increase in Fixed Assets by S/. 61.5 million, explained by: i) an increase of S/. 56.4 million due to the purchase of equipment for the rental fleet; ii) an increase of S/. 51.2 million resulting from the purchase of other fixed assets (S/.24.1 for the construction of the new premises, S/.7.2 for the purchase of shop machinery and equipment, S/.6.0 for the renovation of CRC repair shops, S/.4.8 for the purchase of premises to store machinery and S/.9.1 for the purchase of other fixed assets); iii) a net increase of S/.18.0 million due to the transfer of rental equipment and replacement components from inventories to fixed assets; iv) a decrease of S/.17.3 million for the sale of fixed assets; v) a reduction of S/.33.4 million due to the higher accumulated depreciation; vi) a decrease of S/.16.2 due to the transfer of premises and rental fleet to a subsidiary through capital contribution; and vii) an increase of S/.2.8 million resulting from the lower provision for impairment of fixed assets.

c. Net increase of S/.50.5 million in Investments in Securities, explained by: i) an increase of S/.32.8 million for the profits of subsidiaries recognized using the equity method; ii) an increase of S/.2.1 million due to the purchase of shares from a company engaged in the sale, distribution and servicing of tires; iii) an increase of S/.19.8 million for capital contribution to a subsidiary engaged in the trading of light equipment; iv) a reduction of S/.6.2 due to the greater provision for impairment of investments in a subsidiary engaged in prawn breeding and sale; v) an increase of S/.4.9 for capital contribution to a new subsidiary; and vi) other decreases for S/. 2.9 million.

Liquidity

As of December 31, 2007, the current ratio is 1.51, higher than the current ratio of 1.46 as of December 31, 2006.

As of December 31, 2007, the financial leverage ratio is 1.09 as compared to 0.94 as of December 31, 2006. For the calculation of this ratio, the liabilities with suppliers that do not generate any financial expenses have been excluded.

Analysis of the financial performance

Income Statement (in million of nuevos soles)

	2007		2006		Variation
	Amount	%	Amount	%	%
Net Sales	1,655.3	100	1,302.0	100	27.1
Cost of Sales	1,314.5	79.4	1,008.4	77.5	30.3
Gross Profit	**340.8**	**20.6**	**293.6**	**22.5**	**16.1**
Selling and Administrative Expenses	218.7	13.2	177.5	13.6	23.2
Operating Income	**122.1**	**7.4**	**116.0**	**8.9**	**5.2**
Other income (expenses)					
Financial income	42.3	2.6	31.7	2.4	33.3
Financial expenses	-38.2	-2.3	-28.6	-2.2	33.6
Foreign exchange gain (loss)	23.8	1.4	17.3	1.3	37.7
Share in the results of subsidiaries and affiliates	32.8	2.0	9.0	0.7	263.2
Other, net	0.0	0.0	5.8	0.4	-100.4
	60.6	**3.7**	**35.2**	**2.7**	**72.1**
Income before workers' profit sharing and income tax	**182.6**	**11.0**	**151.2**	**11.6**	**20.8**
Workers' profit sharing	-12.5	-0.8	-12.1	-0.9	3.6
Income tax	-43.1	-2.6	-41.6	-3.2	3.6
Net Income	**127.1**	**7.7**	**97.6**	**7.5**	**30.2**

Net Sales

The company's sales in years 2007 and 2006 were as follows, in millions of Nuevos Soles:

	2007	2006	Variation %
Caterpillar equipment	763.9	540.4	41.1
Used equipment	68.9	65.0	6.0
	832.8	**605.4**	**37.6**
Agricultural equipment	34.9	22.2	57.2
Motor units	151.7	48.5	212.8
	1,019.4	**676.1**	**50.8**
Rental of equipment	24.1	19.1	26.2
Spare parts and services	611.8	606.8	0.8
Total	1,655.3	1,302.0	27.1

Net sales in 2007 amounted to S/.1,655.3 million, as compared to S/.1,302.0 million in the same period of the previous year, which represents a 27.1% increase. As a whole, the sales of main products (machines, engines, equipment, vehicles and used units) were 50.8% higher than in the prior year (S/.1,019.4 million in 2007; S/. 676.1 million in 2006), due to the following:

- 37.6% increase in the sale of new and used Caterpillar equipment (S/.832.8 million in 2007 versus S/.605.4 million in 2006), explained by significant sales of Caterpillar equipment to customers of the construction sector and to contractor companies executing works for the medium-scale mining sector as well as by significant sales of Caterpillar mining trucks to customers of the large-scale mining sector.
- 57.2% increase in the sale of agricultural equipment (S/.34.9 million in 2007 versus S/.22.2 million in 2006), primarily due to the higher demand for such units by farmers engaged in rice production as a result of the rise in the price of said product in the local market. In addition, the approval of the Free Trade Agreement (FTA) with the United States has brought about increased investments by agricultural export companies, which expect to achieve greater production volumes in the next few months.
- 212.8% increase in the sales of the automotive product line (S/.151.7 million in 2007 versus S/.48.5 million in 2006), explained by the growing dynamism of the transportation sector and the mining and construction markets.

On the other hand, in 2007 the sales of spare parts and services were slightly higher than the 0.8% reported in the prior year (S/.611.8 million in 2007 against S/.606.8 million in 2006), chiefly due to the fact that the number of components repaired in 2007 for a major customer of the large-scale mining sector was significantly lower than in 2006. This reduction was offset by increased sales to other customers, which allowed the sales in this line to remain almost invariable from one period to another.

Furthermore, in 2007 income from rental of equipment grew 26.2% with respect to last year (S/.24.1 million in 2007 as compared to S/.19.1 million in 2006), which is explained by the higher demand for rental heavy equipment particularly by the customers of the construction sector. This increase in income was achieved despite the fact that the light equipment rental business was transferred to a subsidiary in early 2007.

Sales income

Sales income in 2007 amounted to S/.340.8 million, as compared to S/.293.6 million in the prior year, representing a 16.1% increase, mainly generated by a 27.1% rise in sales. In percentage terms, 2007 gross margin is slightly lower than that registered in the prior year (20.6% in 2007 against 22.5% in 2006). The decrease in the percentage gross margin is due to: i) an increased share of main products sales in the company's total sales (the gross profit for main products is substantially lower than that for spare parts and services), and ii) a significant drop in the exchange rate, which caused a reduction in the sales prices expressed in Nuevos Soles, thereby affecting the gross margins. Nevertheless, this drop in the exchange rate was offset by the higher foreign exchange gain.

Selling and administrative expenses

Selling and administrative expenses amounted to S/.218.7 million in 2007, as compared to S/.177.5 million in the previous year, representing a 23.2% net increase, mainly explained by a rise in variable expenses resulting from the significant growth of sales and the greater fixed expenses, attributable to: i) the increase in salaries to compensate for the loss of purchasing power caused by inflation; ii) the hiring of technical personnel to meet the future demand for maintenance and repair services; iii) the increase in the provision for doubtful accounts; and iii) expenses incurred in moving to the new premises located in Monterrico.

In 2007, the selling and administrative expenses accounted for 12.3% of the sales, as compared to 13.6% in the prior year.

Financial income

In 2007, the financial income amounted to S/.42.3 million against S/.31.7 million in the prior year, representing a 33.3% increase, explained by the rise in interest from medium-term accounts receivable as well as by the increased discounts for prompt payment granted by foreign suppliers (purchases of main products were higher than in the prior year as a result of the sharp rise in sales).

Financial expenses

Financial expenses amounted to S/.38.2 million in 2007 as compared to S/.28.6 million in the prior year, which represents a 33.6% increase, chiefly caused by an increase of S/.178.1 million in the average interest-bearing liabilities (S/.546.9 million in 2007 versus S/.368.8 million in 2006). The rise in the average liabilities is explained by the greater purchases of inventory due to the significant growth of sales and the need to maintain a larger stock to compensate for the delay in the supply of products by the different factories as a result of the increased demand for its products worldwide. In addition, the rise in financial expenses was driven by a slight increase in the interest rate on US Dollars debts to Peruvian financial institutions. This increase was partially covered with the reduced payment in Nuevos Soles of interest agreed in US Dollars as a consequence of the drop in the exchange rate.

Foreign exchange gain (loss)

In 2007, the foreign exchange gain amounted to S/.23.8 million versus S/.17.3 million in the prior year, representing a 37.7% increase. In both periods, the foreign exchange gain was the result of the appreciation of the local currency with respect to the US Dollar (6.3% in 2007 compared to 6.9% in 2006). In the case of the company, monetary assets in US Dollars are lower than the monetary liabilities in the same currency.

Share in the results of subsidiaries and affiliates

This account records the earnings of subsidiaries and affiliates recognized under the equity method. Income for this item amounted to S/.32.8 million in 2007, as compared to S/.9.0 million in the same period of the prior year, representing a 263.2% increase, explained by: i) higher profits registered by an associate from the insurance sector; and ii) an increase in the profits of most subsidiaries.

Other, net

In 2007, there were net expenses for S/.0.0 million, as compared to the net income of S/.5.8 million reported in last year. In 2007, this account comprised: i) a S/.6.2 million expense resulting from the provision for impairment of investments; ii) a S/.0.7 million income from contract termination; iii) a S/.0.6 million income from rental of properties; and iv) a S/.2.0 million income from diverse services rendered to a mining company, and v) other net income for S/.2.9 million. In 2006, this account comprised the following items: i) a S/.1.5 million income from contract termination; ii) a S/.0.5 million income from rental of properties; iii) a S/.1.3 million income from services rendered to a mining company, and iv) a net income of S/.2.5 million for other items.

Workers' profit sharing and income tax

Workers' profit sharing and income tax for 2007 and 2006 have been calculated pursuant to the tax and accounting regulations in effect.

Net profit

In 2007, the net profit was S/.127.1 million versus S/.97.6 million in the same period of the prior year, representing a 30.2% increase. This result is attributed to the gross profit, financial income, foreign exchange gain and profits earned by subsidiaries and affiliates. This has made it possible to cover the rise in selling and administrative expenses, diverse expenses and financial expenses, and to increase the net profits by S/.29.5 million with respect to those obtained in the prior year.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

In 2007, EBITDA amounted to S/.230.0 million versus S/.191.9 million in 2006, representing a 19.9% increase.

Changes in the parties responsible for the preparation and revision of the financial information

During 2007 and 2006 there were no changes in the parties responsible for the preparation and revision of the company's financial information.

Exhibit 1. Quotation of the share and bonds of Ferreyros in 2007, as per the publication made by the Lima Stock Exchange.

Equity Securities

ISIN Code	Mnemonic	Year - Month	Quotations 2007				Average
			Opening S/.	Closing S/.	Maximum S/.	Minimum S/.	Price S/.
PEP736001004	FERREYC1	2007-01	3.94	4.95	5.10	3.94	4.68
PEP736001004	FERREYC1	2007-02	4.95	5.14	5.35	4.91	5.03
PEP736001004	FERREYC1	2007-03	5.14	5.75	6.20	5.14	5.67
PEP736001004	FERREYC1	2007-04	5.75	6.95	7.05	5.75	6.06
PEP736001004	FERREYC1	2007-05	7.00	7.35	9.00	6.60	7.51
PEP736001004	FERREYC1	2007-06	7.50	7.70	7.90	7.50	7.70
PEP736001004	FERREYC1	2007-07	7.70	7.40	7.85	7.30	7.71
PEP736001004	FERREYC1	2007-08	7.35	6.60	7.40	6.00	6.53
PEP736001004	FERREYC1	2007-09	6.60	6.10	6.60	5.19	6.03
PEP736001004	FERREYC1	2007-10	6.10	6.64	6.84	6.10	6.53
PEP736001004	FERREYC1	2007-11	6.63	6.30	6.64	5.55	6.04
PEP736001004	FERREYC1	2007-12	6.30	6.40	6.60	6.20	6.42

Fixed-Income Securities

ISIN Code	Mnemonic	Year - Month	Quotations 2007				Average
			Opening %	Closing %	Maximum %	Minimum %	Price %
PEP73600M090	FERR1DBC1A	2007-12	100.5533	100.5533	100.5533	100.5533	100.5533
PEP73600M116	FERR1DBC4B	2007-11	99.9341	99.8983	99.9341	99.8983	999.9281
PEP73600M041	FERRE1BC1A	2007-02	100.3611	100.3433	100.3611	100.1000	100.2881
PEP73600M041	FERRE1BC1A	2007-03	100.1467	100.1467	100.1467	100.1467	100.1467
PEP73600M041	FERRE1BC1A	2007-04	100.1329	100.1329	100.1329	100.1329	100.1329
PEP73600M041	FERRE1BC1A	2007-05	100.0000	100.0000	100.0000	100.0000	100.0000
PEP73600M041	FERRE1BC1A	2007-06	100.0198	100.0198	100.0198	100.0198	100.0198
PEP73600M058	FERRE1BC1B	2007-01	100.0000	100.2616	100.2616	100.0000	100.1383
PEP73600M058	FERRE1BC1B	2007-02	99.9730	100.0389	100.2969	99.9730	100.1337
PEP73600M058	FERRE1BC1B	2007-03	100.0000	99.9651	100.2716	99.9651	100.1489
PEP73600M058	FERRE1BC1B	2007-04	100.1436	100.1425	100.1436	100.0091	100.0899
PEP73600M058	FERRE1BC1B	2007-05	99.9537	99.9537	99.9537	99.9537	99.9405
PEP73600M058	FERRE1BC1B	2007-06	99.9975	100.0342	100-0342	99.9975	100.0147
PEP73600M074	FERRE1BC3A	2007-02	100.3336	100.3336	100.3336	100.3336	100.3336
PEP73600M074	FERRE1BC3A	2007-04	100.0000	100.0000	100.0000	100.0000	100.1295
PEP73600M074	FERRE1BC3A	2007-05	99.8504	99.8504	99.8504	99.8504	99.8503
PEP73600M074	FERRE1BC3A	2007-06	100.6432	100.6432	100.6432	100.6432	100.6432
PEP73600M074	FERRE1BC3A	2007-07					100.6550

SOLUTION (2)
MORE VALUE AT THE WORKSHOPS

During a machine's lifespan, customers need real support, which they can find at the Ferreyros' workshops. In 2007, our Component Repair Center (CRC) obtained a world class rating, while we consolidated ourselves as the Caterpillar distributor with the largest number of workshops with contamination control certificates in Latin America. We built a new workshop at the Cajamarca branch, strengthened our preventive maintenance areas and expanded – with the acquisition of new specialized machinery – the spare parts rehabilitation works, among other achievements. The work continues.

SOLUTION (3)
MORE AVAILABILITY

The promise of improving our service capacity on an ongoing basis has yielded new benefits for our company. In 2007, we delivered more than 800 Caterpillar units for the construction and mining sector – both open pit and underground mining. The customers' operations were fully supported by an inventory of spare parts and components of nearly $46 million. At our facility on Argentina Avenue, a new 14,000 m2 machinery warehouse is being built, which will shelter an important number of equipment and a pre-delivery workshop to optimize our service. Service also means availability.

FINANCIAL STATEMENTS

[3]

PRICEWATERHOUSECOOPERS

Dongo-Soria Gaveglio y Asociados
Sociedad Civil
Firma Miembro de PricewaterhouseCoopers
Av. Canaval y Moreyra 380
Lima 27, Perú
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(Free translation from the original in Spanish)

REPORT OF INDEPENDENT AUDITORS

February 25, 2008

To the Stockholders and Board of Directors
Ferreyros S.A.A.

We have audited the accompanying financial statements of **Ferreyros S.A.A.** which comprise the balance sheets as of December 31, 2007 and December 31, 2006 and the statements of income, of changes in net stockholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Peru. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Peru. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Partida No. 11028527
Registro de Personas Jurídicas de Lima
Capital pagado S/. 1,045,000.00

PRICEWATERHOUSECOOPERS

February 25, 2008
Ferreyros S.A.A.

Opinion

In our opinion, the accompanying financial statements referred to above, present fairly, in all material respects, the financial position of **Ferreyros S.A.A.** as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Peru.

Emphasis paragraph on a certain situation

Without qualifying our report, we draw attention to the following:

The separate financial statements of **Ferreyros S.A.A.** were prepared in compliance with regulations currently in force in Peru for the presentation of financial information and they reflect the value of the investments in its subsidiaries under the equity method (Note 2-g) and not on a consolidated basis. These financial statements should be read together with the consolidated financial statements of **Ferreyros S.A.A.** and its subsidiaries, which are presented separately and on which we issued an unqualified opinion in our report of this date.

Dongo Soria Gaveglio

Countersigned by

-----------------------(partner)
Arnaldo Alvarado L.
Peruvian Public Accountant
Registration No.7576

BALANCE SHEET (NOTES 1, 2, 3, 4 AND 26)

Assets

	As of December 31	
	2007	2006
	S/.000	S/.000
Current Assets		
Cash and deposits (Note 5)	28,182	34,610
Trade accounts receivable:		
Third parties (Note 6)	239,141	274,840
Affiliates (Note 7)	9,963	9,357
Other accounts receivable:		
Affiliates (Note 7)	4,637	2,344
Other (Note 8)	11,217	4,457
Inventories (Note 9)	529,505	334,797
Prepaid expenses	790	1,585
Total current assets	823,435	**661,990**
Long-term trade accounts receivable (Note 6)	**46,571**	**36,171**
Investments in securities (note 10)	**132,182**	**81,721**
Property, plant and equipment (note 11)	**279,702**	**218,227**
Deferred income tax and workers' profit sharing (note 12)	**13,749**	**7,382**
Other assets	**6,934**	**296**
	1,302,573	1,005,787

Las notas que se acompañan de la página 64 a la 95 forman parte de los estados financieros.

Liabilities and Net Stockholders' Equity

	As of December 31	
	2007	2006
	S/.000	S/.000
Current Liabilities		
Bank overdrafts and loans (Note 13)	191,724	141,598
Trade accounts payable:		
Third parties (Note 14)	173,766	125,669
Affiliates (Note 7)	3,492	2,482
Other accounts payable:		
Taxes payable	7,810	22,912
Salaries payable	44,020	31,344
Affiliates (Note 7)	-	71
Other accounts payable (Note 15)	33,608	47,703
Current portion of long-term debt (Note 16)	91,429	81,396
Total current liabilities	**545,849**	**453,175**
Long-Term Debt (Note 16)	**248,800**	**143,205**
Deferred Income	**10,131**	**10,245**
Net Stockholders' Equity (Note 17)		
Capital stock	335,749	284,196
Revaluation surplus	15,937	15,937
Legal reserve	19,056	9,300
Retained earnings	127,051	89,729
	497,793	**399,162**
Tax Situation (Note 18)		
Contingencies and Commitments (Note 19)		
	1,302,573	1,005,787

The accompanying notes on Pages 64 to 95 form an integral part of the financial statements.

INCOME STATEMENT (NOTES 1, 2, 4, 7 AND 26)

	For the year ended December 31	
	2007	2006
	S/.000	S/.000
Net sales:		
Third parties	1,594,327	1,253,317
Affiliates	56,569	17,450
	1,650,896	**1,270,767**
Cost of sales (Note 20):		
Third parties	(1,257,831)	(964,543)
Affiliates	(52,682)	(15,793)
	(1,310,513)	**(980,336)**
Sales income	**340,383**	**290,431**
Other operating income	413	3,126
Gross profit	**340,796**	**293,557**
Administrative expenses (Note 21)	(85,700)	(79,451)
Selling expenses (Note 21)	(133,021)	(98,060)
Operating income	**122,075**	**116,046**
Other income (expenses):		
Financial income (Note 22)	42,287	31,717
Financial expenses (Note 23)	(38,245)	(28,622)
Foreign exchange gain, net	23,764	17,254
Other, net (Note 24)	32,767	14,840
	60,573	**35,189**
Income before workers' profit sharing and income tax	**182,648**	**151,235**
'Workers' profit sharing (Notes 12 and 18)	(12,494)	(12,061)
Income tax (Notes 12 and 18)	(43,103)	(41,612)
Profit for the year	**127,051**	**97,562**
Basic and diluted earnings per share (Note 25)	S/. 0.416	S./ 0.320

The accompanying notes on Pages 64 to 95 form an integral part of the financial statements.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (NOTE 17) FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

	Capital stock	Revaluation surplus	Legal reserve	Retained earnings	Total
	S/.000	S/.000	S/.000	S/.000	S/.000
Balances at January 1, 2006	266,178	12,303	6,285	30,142	314,908
Transfer to legal reserve	-	-	3,015	-3,015	-
Dividend distribution	-	-	-	-13,308	-13,308
Capitalization of equity accounts	18,018	-4,199	-	-13,819	-
Transfer of retained earnings	-	7,833	-	-7,833	-
Net income of the year	-	-	-	97,562	97,562
Balances at December 31, 2006	**284,196**	**15,937**	**9,300**	**89,729**	**399,162**
Transfer to legal reserve	-	-	9,756	-9,756	-
Dividend distribution	-	-	-	-28,420	-28,420
Capitalization of equity accounts	51,553	-	-	-51,553	-
Net income of the year	-	-	-	127,051	127,051
Balances at December 31, 2007	**335,749**	**15,937**	**19,056**	**127,051**	**497,793**

The accompanying notes on Pages 64 to 95 form an integral part of the financial statements.

CASH FLOW STATEMENT (NOTES 2 AND 27)

	For the year ended December 31	
	2007	2006
	S/.000	S/.000
Operating Activities		
Collections from customers	1,634,145	1,287,748
Other collections related to the operating activities	46,569	51,969
Payment to suppliers	(1,515,324)	(1,098,625)
Payment of salaries and fringe benefits	(150,118)	(139,027)
Payment of taxes	(70,947)	(38,570)
Other payments related to operating activities	(2,161)	(2,426)
Net cash (applied to) provided by operating activities	**(57,836)**	**61,069**
Investing Activities		
Sale of investments in securities	-	142
Sale of property, plant and equipment	11,334	8,190
Purchase of machinery and equipment	(51,221)	(13,665)
Purchase of investments in securities	(7,590)	(3,654)
Collections from other investments in securities	-	2,377
Purchase of intangible assets	(6,755)	-
Dividends received	3,331	379
Other collections related to investing activities	129	22
Net cash applied to investing activities	**(50,772)**	**(6,209)**
Financing Activities		
Bank overdrafts and loans, net	(1,164)	79,006
Long-term debt, net	166,919	(64,776)
Interest on bank overdrafts and loans, and long-term debt	(35,155)	(32,440)
Dividends paid	(28,420)	(13,317)
Other payments related to financing activities	-	(192)
Net cash provided by (applied to) financing activities	**102,180**	**(31,719)**
(Net decrease) net increase in cash	(6,428)	23,141
Balance of cash at beginning of the year	34,610	11,469
Balance of cash at end of the year	**28,182**	**34,610**

continuation	For the year ended December 31	
	2007	2006
	S/.000	S/.000
Reconciliation of Net Result to Cash Flows from Operating Activities		
Net income of the year	127,051	97,562
Adjustments to reconcile net income to cash flows from operating activities:		
Provision for doubtful accounts	6,604	287
Provision for impairment of inventories	4,982	12,110
Provision for fluctuations in value of investments	6,247	-
Recovery of provision for impairment of inventories	(7,081)	(18,946)
Provision for impairment of fixed assets	228	4,728
Provision for workers' bonuses	7,835	8,012
Provision for workers' vacations	3,290	970
Value of equity interest in investments in securities	(32,790)	(9,027)
Loss (profit) on sale of property, plant and equipment	332	(516)
Depreciation and amortization	32,901	29,325
Financial expenses	38,245	28,622
Directors' compensation	9,447	7,765
Workers' profit sharing	12,494	8,114
Deferred income tax and workers' profit sharing	(4,267)	6,239
Others	1,454	(4,070)
Net changes in assets and liabilities:		
Trade accounts receivable	18,695	(51,978)
Other accounts receivable	(16,061)	7,151
Inventories	(270,534)	(74,706)
Prepaid expenses	794	551
Trade accounts payable	48,097	20,021
Other accounts payable	(45,799)	(11,145)
Net cash (applied to) provided by operating activities	**(57,836)**	**61,069**

The accompanying notes on Pages 64 to 95 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2007 AND DECEMBER 31, 2006

1. Background and Economic Activity

a. Background

Ferreyros S.A.A. (hereinafter the "Company") was incorporated in the city of Lima in September 1922 under the name of "Enrique Ferreyros y Cía. Sociedad en Comandita". Subsequently, in June 1998, after several changes of name, the Company amended its corporate by-laws in order to conform them to the New Business Corporations' Act. Pursuant to the amended bylaws, the new name of the Company is "Ferreyros Sociedad Anónima Abierta" (Ferreyros S.A.A.). Its legal address is located at Avenida Cristóbal de Peralta Norte No.820, Surco, and it has branch offices in Piura, Tumbes, Chiclayo, Trujillo, Chimbote, Huaraz, Ica, Arequipa, Cusco, Cajamarca, Cerro de Pasco and Huancayo.

b. Economic activity

The Company's primary activities are the import and sale of machinery, equipment and spare parts; the rental of machinery and equipment; and the provision of shop services.

In 2007, the workforce used by the Company to develop its activities comprised 50 officers, 890 employees and 972 workers (37 officers, 712 employees and 783 workers as of December 31, 2006). During 2006, the Company assumed 161 workers (46 employees, 114 workers and 1 seller) as a result of the spin-off of Motorindustria S.A., mentioned below in this same note.

c. Approval of the financial statements

As provided for in the Business Corporations' Act, the financial statements as of December 31, 2007 have been prepared by the Management, which shall submit them to the consideration of the Board of Directors and the Annual Shareholders' Meeting that shall be called within the terms set forth by law. The Company's Management considers that the financial statements for the year ended December 31, 2007, which are included in this report, shall be approved by the shareholders with no amendments. The financial statements as of December 31, 2006 were approved by the Annual Shareholders' Meeting held on March 28, 2007.

Acquisition of company

On November 30, 2006, the Company entered into an agreement for the acquisition of 100% of the shares of Mega Caucho & Representaciones S.A.C., a company mainly engaged in the sale, distribution and servicing of Good Year tires. The purpose of said agreement is to develop and serve the underground mining market. The shares were transferred on January 2, 2007. The fair values of the identifiable assets of such company were as follows:

	S/.000
Cash	7
Inventories	1,215
Prepaid taxes	324
Property, furniture and equipment, net	492
Other assets	50
Liabilities	(2,083)
	5
Goodwill	5,351
Value paid	5,356

In addition, as part of the stock transfer agreement, on January 31, 2007, Ferreyros S.A.A. made a capital contribution for S/.2,083,000 in order for Mega Caucho & Representaciones S.A.C. to pay in full the liabilities shown in the balance sheet as of January 2, 2007.

Spin-off of equity block

In the Shareholders' Meetings held on March 28, 2005, the spin-off of the subsidiary Motorindustria S.A. and the reduction of its capital stock through the segregation of an equity block in favor of the Company were approved. The agreed spin-off came into force on March 1, 2006. The assets and liabilities received as a result of the spin-off are detailed below:

	S/.000
Property, plant and equipment	10,707
Accounts receivable from the Company	10,264
Other assets	2,451
Total assets	23,422
Total liabilities	(1,760)
Net equity spun-off	21,662

2. Summary of the main accounting policies

The most significant accounting policies used in the preparation of the financial statements are detailed below. These policies have been consistently applied for all years presented, unless otherwise stated.

a. Basis of preparation

The Company's financial statements have been prepared in accordance with the generally accepted accounting principles in Peru. The generally accepted accounting principles in Peru comprise the International Financial Reporting Standards (IFRS), made official by resolutions issued by the Accounting Standards Board (ABS). The IFRSs incorporate the International Accounting Standards (IAS) and the decisions issued by the interpretation committees (SIC and IFRIC). As of the date of the financial statements, the Accounting Standards Board has made official the mandatory application of IAS 1 to IAS 41, IFRS 1 to IFRS 6, and SIC 1 to SIC 33. As of this date, the official application of IFRS 7, IFRS 8 and all the decisions issued by the current interpretation committee IFRIC is pending approval.

The financial statements have been prepared under historical cost convention, modified by the revaluation of property, the valuation at fair values of the available-for-sale investments, and the equity value proportional to investments in subsidiaries, associates and joint businesses.

The variation in the purchasing power of the Peruvian currency in years 2007 and 2006, as measured by the wholesale price index, has been 5.2% and 1.3%, respectively.

The preparation of the financial statements in accordance with the generally accepted accounting principles in Peru requires the use of certain critical accounting estimates. It also requires the management to exercise judgment in applying the Company's accounting policies. The critical accounting estimates and judgments are described in Note 4.

Accounting decisions

Effective from 2006, the Accounting Standards Board made official the application of IFRS 1 to IFRS 6 and of the revisions to certain IAS. The standards detailed below are relevant for the Company's operations:

NIC 27	(revised in 2003)	Consolidated and separated financial statements
NIC 39	(revised in 2003)	Financial instruments: Recognition and measurement

IAS 27 (revised in 2003) basically establishes that investments in subsidiaries, which are included in the consolidated financial statements, must be accounted for in the separate financial statements of the investor either at cost or at fair value. With respect to this IAS, taking into account the importance that the legal provisions of Peru attach to the separate financial statements, the Accounting Standards Board, by Resolution No.038-2005-EF/93.01 dated December 28, 2005, published on February 3, 2006, resolved to keep the application in Peru of the equity method in the preparation of the separate financial statements for the valuation of investments in subsidiaries, associates and jointly-controlled entities.

The adoption of the IAS 39 (revised in 2003) has resulted in a change in the accounting policy concerning available-for-sale investments, which unrealized gains and/or losses are recorded in an equity account. They were accounted for in the income statement until 2005.

New accounting decisions

Certain standards and amendments have been issued and they are in force internationally for periods subsequent to December 31, 2006. These standards have not yet been made official by the the Accounting Standards Board. The standards that are likely to apply to the Company are IFRS 4 – Insurance Contracts, IFRS 7 – Financial Instruments: Disclosures, and a supplementary amendment to IAS 1, Presentation of financial statements – capital disclosures (in force internationally as from January 1, 2007).

The Company is in the process of assessing the impacts that these standards could have on the financial statements.

b. Foreign currency translation

Functional and presentation currency

Items included in the Company's financial statements are denominated in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Nuevos Soles, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing on the transaction dates.

Foreign exchange gains and losses resulting from the collection or settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency at the exchange rates prevailing as of the close of the year are recognized in the income statement

c. Financial instruments

Financial instruments are defined as any contract that gives rise simultaneously to a financial asset of one enterprise and to a financial liability or equity instrument of another enterprise. The Company's financial instruments include primary instruments, such as accounts receivable, accounts payable and shares of stock held in other companies.

Financial instruments are classified as financial liabilities or equity instruments according to the substance of the contractual arrangement that originated them. Interest, dividends, gains and losses relating to a financial instrument classified as liabilities are accounted for as expenses or income in the income statement. Payments to holders of financial instruments reported as equity instruments are recognized directly in the net stockholders' equity. Financial instruments are offset when the Company has a legally enforceable right to offset them and the Management intends to settle them on a net basis or to realize the assets and settle the liability simultaneously.

Fair value is the amount for which an asset could be exchanged between a buyer and seller, both of them knowledgeable, or a liability could be settled between a debtor and a creditor, both of them with sufficient information, on an arm's length basis.

The Company classifies its financial instruments as loans and accounts receivable and available-for-sale financial assets. The Management classifies its financial instruments at initial recognition and re-evaluates the classification at each closing date.

i Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides cash, goods or services directly to a debtor with no intention to trade the account receivable. They are included in current assets, except for maturities greater than twelve (12) months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (Note 2-e).

ii Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category. They are included in non-current assets, unless the Management expressly intends to dispose of the investment within twelve (12) months of the balance sheet date. Available-for-sale investments are initially recognized at acquisition cost and subsequently measured at fair value.

Purchases and sales of investments are recognized on the trade date, on which the Company commits to purchase or sell the asset. Investments area initially recognized at fair value plus transaction costs. These investments are derecognized when the rights to receive cash flows from the investment have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Unrealized gains and losses resulting from changes in fair value of non-monetary securities classified as available for sale are recognized in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investments in securities.

The fair values of quoted investments are based on current bid prices.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the fair value, less any impairment loss on that financial asset – is removed from equity and recognized in the income statement.

d. **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and bank current accounts.

e. **Trade accounts receivable and other accounts receivable**

Receivables are recognized at fair value, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognized in the income statement. Bad debts are written off when identified.

f. **Inventories**

Inventories are stated at the lower of cost or net realizable value, on the basis of the specific identification method, except for spare parts which are recorded by using the weighted average method. The cost of inventories excludes financing costs and foreign exchange gains/losses. In-transit inventories are recognized at cost under the specific identification method. The net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

g. **Investments in securities**

The Company records its investments in subsidiaries and associates under the equity method, through which the results obtained by these companies are recognized in the Company's financial statements with credit or debit, as the case may be, to the carrying amount of the investment; cash dividends received are credited to the investment value.

h. **Property, plant and equipment and depreciation**

Land and buildings comprise mainly factories, retail outlets and offices. Land and buildings are shown at fair value, based on periodic valuations made by independent valuators at least every six (6) years. All other property, plant and equipment are stated at historical cost less subsequent depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Subsequent costs are included in the carrying value of the asset or are recognized as a separate asset, as appropriate, only where future economic benefits associated with the asset are likely to flow to the Company and the cost of these assets can be measured reliably. Maintenance and repair expenses are charged to the income statement as incurred.

Increases in the carrying amount arising on revaluation of land are credited to the revaluation surplus account in equity. Decreases that offset previous increases of the same asset are directly charged against the revaluation surplus in equity; all other decreases are charged to the income statement. The revaluation surplus included in

equity may not be transferred directly to retained earnings account on the retirement or disposal of the relevant asset

Land does not depreciate. Depreciation of other assets is calculated under the straight-line method and based on machine-hours to write off their cost or revalued amount less the residual value over their estimated useful life, as follows:

	Years
Buildings and other constructions	33
Facilities	10
Machinery and equipment	5 and 10
Machinery and equipment, rental fleet (*)	
Transportation units	5
Vehicles, rental fleet (*)	
Furniture and fixtures	4 and 10

(*) Based on machine-hours used.

Residual values and useful lives of assets are reviewed and adjusted, if appropriate, at each balance sheet date.

The carrying amount of an asset is written off immediately to its recoverable amount if the carrying amount exceeds its recoverable amount. Assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the assets is the higher of its net selling price or value in use.

Gains and losses on the sale of assets are the difference between the sales proceeds and the carrying amount and are included in the income statement.

i. Rental of machinery, equipment and vehicles

The machinery, equipment and vehicles rented from third parties through operating lease are recorded in the Property, Plant and Equipment account of the balance sheet, calculating their respective depreciation based on the machine-hours used. When rental contracts expire, these assets are transferred to the Inventories account for their technical servicing and subsequent sale. The rental income is recognized monthly based on the machine-hours used during the contract term.

j. Leasing agreements

Building, machinery, equipment, furniture and fixtures leasing agreements are reported under the financial method, recording the amount of the lease as an asset and an obligation, and charging to the income statement the related financial expenses and depreciation of the assets in the period in which they are accrued. Depreciation of these assets is calculated based on the machine-hours used and under the straight line method, as appropriate.

k. Intangibles

Costs that are directly associated with the production of computer software that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets and are shown in the item Other Assets in the balance sheet. These costs are amortized under the straight-line method over the estimated useful life of 4 years.

l. Long-term debt and bank loans

Long-term debt and bank loans are initially recognized at fair value, net of transaction costs incurred, but subsequently they are recognized at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings and/or the issued obligations using the effective interest method.

m. Income tax

The current income tax is determined and recorded under tax laws applicable to the Company.

The deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply when the deferred income tax asset is realized or the income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

n. Provisions for workers' benefits

Workers' profit sharing

The Company recognizes a liability and an expense for workers' profit sharing on the basis of 8% of the taxable income as established under tax regulations currently in force.

Employee vacations

The annual cost of employee vacations and other paid absences are recognized on an accrual basis. The provision for estimated annual vacations and other paid absences resulting from services rendered by employees is recognized at the balance sheet date.

Severance pay

The provision for severance pay is established for all compensation rights pursuant to the legislation in force and is shown net of the deposits made by way of payment in the financial entity selected by workers.

o. Provisions

Provisions are recognized when the Company has a present obligation, either legal or constructive, resulting from past events, and it is more than likely that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. No provisions for future operating losses are recognized.

When there are several similar obligations, the probability that an outflow of resources is required for payment thereof is determined by considering the class of obligation as a whole. A provision is recognized even when there is a very small probability that an outflow of resources will be required in respect of any specific item included in the same class of obligations.

p. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in its financial statements in the period in which the dividends are approved by the Company's shareholders.

q. Contingencies

Contingent liabilities are not recognized in the financial statements and are disclosed in notes to the financial statements, unless their occurrence is remote. Contingent assets are not recognized in the financial statements and are disclosed only if their realization is probable.

r. Basic and diluted earning per share

Basic earnings per share are calculated by dividing the net income by the weighted average number of the common shares outstanding at the balance sheet date. As of December 31, 2007 and 2006, the Company does not have financial instruments with dilutive effect; accordingly, the basic and diluted earnings per share are the same.

s. Recognition of revenues from sales

Revenues comprise the fair value of revenues from sales of services, net of sales taxes, rebates and discounts. Revenues are recognized as follows:

- The revenues from sales of machinery, engines, motor engines and spare parts are recognized when the risks and rewards inherent to the ownership of the assets have been transferred to the buyer. The revenues from shop services are recognized when the service is rendered.
- Revenues from maintenance and repair services and lease of machinery and equipment are recognized in the period when the services are rendered.

Other revenues of the Company are recognized as follows:

- Revenues from rentals and financing for sales on credit are recognized on the accrual basis.
- Revenues from commissions on direct orders: when the supplier meets the order.
- Revenues from interest: based on the effective interest method.
- Dividend income, when the Company's right to collection is established and they are credited to the investment cost.

t. Information by business segment

A business segment is a group of assets designed to supply products or services that are subject to risks and rewards different from those of other business segments.

3. Financial risk management

The Company's activities expose it to a variety of financial risks, interest rate risks, credit risks and liquidity risks. The general risk administration program of the Company mainly focuses on the unpredictable nature of financial markets and attempts to minimize any potential adverse effects on the Company's financial performance. The financial risks with potential adverse effects are permanently evaluated by the Company's Board of Directors and Management in order to minimize them. The financial risks the Company is exposed to are:

Foreign exchange risk

All sales, purchases and part of the operational expenses are substantially made in United States Dollars, thus reducing the risk of being affected by variations of the exchange rate against the Nuevo Sol. In this context, the Company hedges its exposure to the risk of variation in the exchange rates by maintaining assets denominated in Unite States Dollars.

Balances in foreign currency as of December 31 are summarized below:

	2007	2006
	US$000	US$000
Assets		
Cash and deposits	8,339	9,090
Trade accounts receivable	96,274	99,363
Other accounts receivable	1,806	642
	106,419	**109,095**
Liabilities		
Bank overdrafts and loans	63,697	44,126
Trade accounts payable	56,327	38,038
Other accounts payable and deferred income	9,956	19,893
Long-term debt	113,523	70,253
	243,503	**172,310**
Net liabilities	137,084	63,215

The foreign exchange risk of net liabilities in foreign currency is economically hedged with the inventories and rental fleet, the sales prices of which are set in United States Dollars. The Company's Management has decided to accept the foreign exchange risk of this position and, hence, it has not carried out any hedge operations.

As of December 31, 2007, the exchange rates used by the Company to record the balances in foreign currency have been S/.2.995 and S/.2.997 per US$1 for assets and liabilities, respectively (S/.3.194 and S/.3.197 per US$1 for assets and liabilities, respectively, as of December 31, 2006).

As of December 31, 2007, the Company recorded foreign exchange gains for S/.106.6 million and foreign exchange losses for S/.82.9 million (foreign exchange gains and losses for S/.89.8 million and S/.72.5 million, respectively, as of December 31, 2006).

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. In addition, the Management obtains financing at fixed and variable interest rates, which are agreed under terms and conditions prevailing in the market.

Credit risk

The Company does not have significant risks of credit concentration, having established policies to ensure that sales of goods and services are made to customers with an appropriate credit history. In addition, the Company establishes guarantees on goods sold and, when applicable, additional guarantees.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The Company usually maintains adequate levels of cash and cash equivalents as well as credit lines available, because of its policy of diversifying its sources of financing.

Fair value estimation

The Management considers that the carrying amount of the Company's financial instruments (current assets and liabilities, long-term debt and loans) as of December 31, 2007 and 2006 does not differ materially from their fair values. Therefore, the disclosure of such information is not relevant for a suitable interpretation of the Company's financial position at such dates.

4. Critical accounting estimates and judgments

The estimates and judgments used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next years relate to taxes, as the determination of obligations and expenses related to taxes requires an interpretation of the applicable tax legislation. The Company seeks professional advice in tax matters before adopting any decision concerning taxes. Although the Management considers that its tax estimates are prudent and conservative, discrepancies may arise with the tax administration over the interpretation of regulations requiring adjustments due to tax in the future.

5. Cash and deposits

As of December 31, this item comprises:

	2007	2006
	S/.000	S/.000
Petty cash	576	505
Cash-in-transit	331	3,008
Current accounts	23,381	14,488
Time deposits	3,894	16,609
	28,182	34,610

Time deposits are of short maturity and accrue interest at average market rates.

6. Trade accounts receivable

As of December 31, this item comprises:

	2007		2006	
	Current	Long-term	Current	Long-term
	S/.000	S/.000	S/.000	S/.000
Invoices and bills	277,496	51,150	312,394	39,929
Deferred interest	(11,249)	(4,579)	(10,037)	(3,758)
Provision for doubtful accounts	(27,106)	-	(27,517)	-
	239,141	46,571	274,840	36,171

Trade accounts receivable are guaranteed with the inventories sold and, in some cases, depending of the transaction's importance, additional guarantees are required. These accounts receivable do not bear interest, except for the bills receivable that bear an annual interest rate and a collection commission between 14% and 16%.

Bills of exchange for US$1.4 million are used to secure debts to bank institutions amounting to US$4.6 million.
El movimiento anual de la provisión para cuentas de cobranza dudosa fue el siguiente:

The annual movement of the provision for doubtful accounts was the following:

	2007	2006
	S/.000	S/.000
Opening balance	27,517	29,595
Additions of the year	6,604	287
Applications for portfolio transfers	(1,516)	-
Write-offs	(3,857)	(1,338)
Foreign exchange differential	(1,642)	(1,027)
Closing balance	27,106	27,517

In the opinion of the Company's Management, the provision recorded is sufficient to hedge the bad debt risk as of the balance sheet date.

The aging of receivables is detailed below:

	2007	2006
	S/.000	S/.000
Current invoices receivable	117,732	152,910
Current bills of exchange	138,211	115,353
Past due up to 30 days	47,819	54,163
Past due from 31 to 90 days	3,895	3,008
Past due from 91 to 180 days	864	340
Past due for over 181 days	20,125	26,549
	328,646	352,323

7. Transactions with affiliates

The movement of the accounts receivable and payable with affiliates for the year 2007 was as follows:

	Opening balance	Additions	Deductions	Closing balance
	S/.000	S/.000	S/.000	S/.000
Trade accounts receivable				
Unimaq S.A.	8,835	41,964	(42,083)	8,716
Orvisa S.A.	368	20,523	(19,832)	1,059
Domingo Rodas S.A.	125	53	(91)	87
Cresko S.A.	-	1,195	(1,118)	77
Depósitos Efe S.A.	25	157	(161)	21
Fiansa S.A.	-	302	(302)	-
Motorindustria S.A.	4	45	(49)	-
Mega Caucho & Representaciones S.A.C.	-	3	-	3
	9,357	**64,242**	**(63,636)**	**9,963**
Other accounts receivable				
Unimaq S.A.	498	2,453	(744)	2,207
Mega Caucho & Representaciones S.A.C.	-	4,189	(2,962)	1,227
Orvisa S.A.	861	4,298	(4,300)	859
Domingo Rodas S.A.	985	14	(661)	338
Fiansa S.A.	-	400	(394)	6
Depósitos Efe S.A.	-	141	(141)	-
	2,344	**11,495**	**(9,202)**	**4,637**
Trade accounts payable				
Unimaq S.A.	647	6,638	(5,638)	1,647
Orvisa S.A.	978	4,981	(5,240)	719
Motorindustria S.A.	702	-	(44)	658
Fiansa S.A.	72	6,773	(6,578)	267
Mega Caucho & Representaciones S.A.C.	-	1,829	(1,656)	173
Depósitos Efe S.A.	83	745	(800)	28
	2,482	**20,966**	**(19,956)**	**3,492**
Other accounts payable				
Fiansa S.A.	71		(71)	-

The movement of the accounts receivable and payable with affiliates for the year 2006 was as follows:

	Opening balance	Additions	Deductions	Closing balance
	S/.000	S/.000	S/.000	S/.000
Trade accounts receivable				
Unimaq S.A.	1,664	10,816	(3,645)	8,835
Orvisa S.A.	4,548	8,451	(12,631)	368
Domingo Rodas S.A.	153	72	(100)	125
Depósitos Efe S.A.	11	141	(127)	25
Motorindustria S.A.	555	889	(1,440)	4
Fiansa S.A.	112	778	(890)	-
	7,043	**21,147**	**(18,833)**	**9,357**
Other accounts receivable				
Domingo Rodas S.A.	365	651	(31)	985
Orvisa S.A.	2,616	8,013	(9,768)	861
Unimaq S.A.	2,346	367	(2,215)	498
Fiansa S.A.	1,669	1,814	(3,483)	-
Depósitos Efe S.A.	-	364	(364)	-
	6,996	**11,209**	**(15,861)**	**2,344**
Trade accounts payable				
Orvisa S.A.	376	3,526	(2,924)	978
Motorindustria S.A.	6,962	8,240	(14,500)	702
Unimaq S.A.	106	2,116	(1,575)	647
Depósitos Efe S.A.	3	873	(793)	83
Fiansa S.A.	138	4,159	(4,225)	72
	7,585	**18,914**	**(24,017)**	**2,482**
Other accounts receivable				
Motorindustria S.A.	3,675	-	(3,675)	-
Fiansa	-	71	-	71
	3,675	**71**	**(3,675)**	**71**

Trade accounts receivable and payable arise from the sales and/or services rendered and received by the Company. They are considered of short maturity, bear interest and have no specific guarantees.

Other accounts receivable and payable comprise mainly short-term loans intended for working capital; they are considered of short maturity, have no specific guarantees and do not bear interest.

The transactions with affiliates are summarized as follows:

	2007	2006
	S/.000	S/.000
Sales of goods:		
Unimaq S.A.	37,899	8,807
Orvisa S.A.	16,958	6,737
Domingo Rodas S.A.	22	24
Cresko S.A.	1,122	-
Motorindustria S.A.	-	487
Fiansa S.A.	2	23
	56,003	**16,078**
Sales of services:		
Unimaq S.A.	234	384
Orvisa S.A.	311	474
Fiansa S.A.	14	356
Motorindustria S.A.	-	122
Cresko S.A.	5	-
Domingo Rodas S.A.	2	36
	566	**1,372**
Purchase of goods:		
Fiansa	4,778	2,628
Unimaq S.A.	4,552	1,518
Orvisa S.A.	3,470	2,767
Mega Caucho & Representaciones S.A.C.	1,276	-
Depósitos Efe S.A.	110	148
	14,186	**7,061**
Purchase of services:		
Motorindustria S.A	-	6,924
Fiansa S.A.	901	867
Depósitos Efe S.A.	517	586
Unimaq S.A.	1,028	260
Mega Caucho & Representaciones S.A.C.	257	-
Orvisa S.A.	835	196
	3,538	**8,833**

8. Other accounts receivable

As of December 31, this item comprises:
The annual movement of the provision for doubtful accounts was as follows:

	2007	2006
	S/.000	S/.000
Fiscal credit	4,502	-
Accounts receivable from personnel	3,570	3,217
Inversiones Progreso	1,786	1,905
Ferrenergy S.A.C.	1,076	-
Accounts receivable for direct order transactions	897	-
Obras de Ingeniería S.A.	251	933
Other	1,559	987
	13,641	7,042
Provision for doubtful accounts	(2,424)	(2,585)
	11,217	4,457

In the Management's opinion, the provision recorded is sufficient to hedge the bad debt risks as at the balance sheet date.

	2007	2006
	S/.000	S/.000
Opening balance	2,585	2,730
Additions of the year	-	40
Foreign exchange differential	(161)	(185)
Closing balance	2,424	2,585

9. Inventories

As of December 31, this item comprises:

	2007	2006
	S/.000	S/.000
Machinery, engines and motor vehicles	277,606	143,103
Spare parts	106,627	101,971
Repair shop services in process	28,857	21,012
In-transit inventories	127,332	80,993
	540,422	347,079
Provision for impairment of inventories	(10,917)	(12,282)
	529,505	334,797

The annual movement of the provision for impairment of inventories was as follows:

	2007	2006
	S/.000	S/.000
Opening balance	12,282	19,118
Additions of the year	4,982	12,110
Additions for transfers	734	-
Reversal of provision	(7,081)	(18,946)
Closing balance	10,917	12,282

In the opinion of the Company's Management, the provision recorded is sufficient to hedge the risks of impairment or obsolescence of inventories at the balance sheet date.

10. Investments in securities

As of December 31, 2007 and 2006, this item comprises:

	Quantity		Interest in capital	Unit face value	Carrying amounts	
	2007	2006		%	2007	2006
Common shares in subsidiaries						
Orvisa S.A.	13,544,113	13,544,113	99.00	S/.1	25,228	22,299
Domingo Rodas S.A.	12,485,266	12,485,266	99.99	S/.1	6,493	13,385
Unimaq S.A.	7,498,206	7,498,206	99.99	S/.1	42,605	13,287
Fiansa S.A. (acciones comunes)	7,056,320	7,096,199	99.44	S/.1	7,533	5,359
Fiansa S.A. (acciones de inversión)	805,946	629,255	100.00	S/.1	672	445
Motorindustria S.A.	2,387,485	2,387,485	99.99	S/.1	2,352	2,813
Mega Caucho & Representaciones S.A.C.	2,984,526	-	100.00	S/.1	3,214	-
Depósitos Efe S.A.	1,607,520	1,607,520	99.86	S/.1	2,198	2,017
Cresko S.A.	4,766,850	-	100.00	S/.1	4,875	-
					95,170	**59,605**
Common shares in other companies						
Quoted:						
Positiva Seguros y Reaseguros S.A.	15,703,626	13,277,179	13.79	S/.1	26,526	15,658
La Positiva Vida Seguros y Reaseguros S.A.	2,240,136	2,000,000	3.51	S/.1	4,664	2,363
Non-quoted:						
Ferrenergy S.A.C.	2,286,400	1,650,000	50.00	S/.1	2,060	1,290
Consorcio Ceres			10.00	S/.1	363	347
Others					1,308	1,308
					34,921	**20,966**
Other investments					-	129
Securitization bonds - Cosapi S.A.					534	-
Other bonds granted by customer					957	1,021
Restructuring bonds Cosapi S.A.					600	-
Others					2,091	1,150
					132,182	**81,721**

As of December 31, 2007 and 2006, the balance of investments in subsidiaries was determined by the equity method on the basis of their financial statements, recognizing the Company's share in the results of these affiliates, associates and jointly controlled entities of those years amounting to S/.32.8 million and S/.9.0 million, respectively, which are included in the item Other, net in the income statement.

Furthermore, in 2007 the Company recorded a provision for impairment of investments in securities for S/.6.3 million corresponding to the decreased value of its investment in Domingo Rodas S.A., which is included in the item Other, net in the income statement.

In 2007, the Company made the following capital stock increases in its subsidiaries:

- Incorporation of the subsidiary Cresko S.A. through a cash contribution for S/.4.8 million. The purpose of this company is to represent and trade inputs, raw materials, intermediate goods and capital goods through different specialized business units. It is engaged in the trading of the brands Makinza, Tramotor, Traxo and Insumma.
- Increase of the capital stock of Unimaq S.A. for the total amount of S/.19.8 million, through the contribution of a real property for S/.7.0 million and capitalization of debts for S/.12.8 million.

In 2006, the Company increased its investment in the subsidiary Fiansa S.A. through the capitalization of debts for S/.3.1 million approximately.

11. Property, plant and equipment

The movement of the item Property, Plant and Equipment and its related accumulated depreciation for the year ended December 31, 2007 was as follows:

	Opening balances	Additions to cost and/ or applied to results	Deduc-tions	Transfers	Others	Closing balances
	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Cost						
Land	51,414	4,933	(6,271)	-	(2,711)	47,365
Buildings and other constructions	72,066	599	(3,391)	31,327	(6,093)	94,508
Facilities	4,246	416	-	-	-	4,662
Machinery and equipment	112,076	8,451	(3,437)	8,037	-	125,127
Machinery and equipment, rental fleet	107,561	56,351	(8,902)	(2,758)	(13,212)	139,040
Vehicles	4,162	76	(255)	141	-	4,124
Furniture and fixtures	31,408	5,895	(18)	2,378	-	39,663
Work in progress	7,593	30,852	-	(35,363)	-	3,082
	390,526	**107,573**	**(22,274)**	**3,762**	**(22,016)**	**457,571**
Accumulated depreciation						
Buildings and other constructions	29,276	2,235	(1,383)	-	(1,154)	28,974
Facilities	2,920	311	-	-	-	3,231
Machinery and equipment	78,674	9,911	(1,104)	(81)	-	87,400
Machinery and equipment, rental fleet	27,556	17,971	(2,239)	(13,566)	(4,698)	25,024
Vehicles	3,844	125	(217)	-	-	3,752
Furniture and fixtures	25,301	2,231	(2)	-	-	27,530
	167,571	**32,784**	**(4,945)**	**(13,647)**	**(5,852)**	**175,911**
Provision for impairment of property	**(4,728)**	**(228)**	**847**	**799**	**1,352**	**(1,958)**
Net cost	218,227					279,702

The movement of the item Property, Machinery and Equipment and its related accumulated depreciation for the year ended December 31, 2006, was as follows:

	Opening balances	Additions to cost and/ or applied to results	Deduc-tions	Transfers	Others	Closing balances
	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Cost						
Land	54,894	215	(3,594)	(101)	-	51,414
Buildings and constructions	81,534	521	(12,954)	(716)	3,681	72,066
Facilities	3,936	310	-	-	-	4,246
Machinery and equipment	88,166	5,320	(1,519)	6,823	13,286	112,076
Machinery and equipment, rental fleet	74,130	25,892	-	7,539	-	107,561
Vehicles	3,719	-	(173)	-	616	4,162
Furniture and fixtures	29,578	2,384	(947)	-	393	31,408
Work in progress	1,862	4,915	-	816	-	7,593
	337,819	39,557	(19,187)	14,361	17,976	390,526
Accumulated depreciation						
Buildings and other constructions	28,335	2,402	(1,913)	(170)	622	29,276
Facilities	2,649	271	-	-	-	2,920
Machinery and equipment	66,710	7,349	(1,131)	(255)	6,001	78,674
Machinery and equipment, rental fleet	20,813	17,022	-	(10,279)	-	27,556
Vehicles	3,439	155	(173)	-	423	3,844
Furniture and fixtures	24,039	1,977	(938)	-	223	25,301
	145,985	29,176	(4,155)	(10,704)	7,269	167,571
Provision for impairment of property	(7,954)	(4,728)	7,954	-	-	(4,728)
Net cost	183,880					218,227

Mortgages have been established on the Company's real property for US$11.5 million to guarantee obligations to Caterpillar Financial Services amounting to US$7.0 million.

As of December 31, 2007, the item buildings and the item furniture and fixtures include cost and accumulated depreciation amounting to S/.22.0 million and S/.0.2 million, respectively, related to the leasing agreements. In addition, the item machinery and equipment rental fleet includes cost and accumulated depreciation amounting to S/.0.7 million and S/.0.1 million, respectively (S/.4.6 million and S/.0.7 million, respectively, as of December 31, 2006), related to the lease contract under which the purchase option had been exercised in previous years.

The item Other corresponds to the net cost of the removal of the real property and rental machinery fleet due to capital contribution in favor of the subsidiary Unimaq S.A.

12. Deferred income tax and workers' profit sharing

As of December 31, 2007 and 2006, the balance of this account comprises:

	2007	2006
	S/.000	S/.000
Income tax	10,674	5,723
Workers' profit sharing	3,075	1,659
	13,749	7,382

The temporary items giving rise to deferred income tax and workers' profit sharing are as follows:

	Accumulated as of January 1, 2007	Additions and reversals for 2007	Accumulated as of December 31, 2007
	S/.000	S/.000	S/.000
Provision for impairment of inventories and property	(6,591)	2,055	(4,536)
Differences on depreciation rates	(1,819)	(1,653)	(3,472)
Other provisions	(7,684)	(4,592)	(12,276)
Result for exposure to inflation of inventories, land and investments of previous years	(1,174)	176	(998)
Provision for vacations	(2,158)	(1,171)	(3,329)
Intangibles with limited life	136	449	585
Earnings from deferred sales, net	2,836	1,544	4,380
Leasing transactions	1,135	(897)	238
	(15,319)	**(4,089)**	**(19,408)**
Land revaluation	7,937	(2,278)	5,659
	(7,382)	(6,367)	(13,749)

	2007	2006
	S/.000	S/.000
Deferred income tax liability at end of year	13,749	7,382
Deferred income tax liability at beginning of year	(7,382)	(11,207)
	6,367	(3,825)
Credit (debit) to results for the year:		
Workers' profit sharing	942	(1,348)
Income tax	3,325	(4,891)
Adjustment	2,100	2,414
	6,367	(3,825)

The Company's management considers that, based on its forecasts, the deferred income tax liability and deferred workers' profit sharing shall be recovered through the application of the income tax and workers' profit sharing resulting from future profits.

13. Bank overdrafts and loans

As of December 31, this item comprises:

	2007	2006
	S/.000	S/.000
Bank overdrafts	990	2,154
Banco de Crédito del Perú	107,892	115,466
Interbank	-	23,978
Citibank	36,563	-
Scotiabank	23,976	-
Banco Continental	22,303	-
	190,734	**139,444**
	191,724	141,598

Bank loans are credits obtained to finance working capital and imports. These balances are of short maturity, bear annual interest at rates ranging from 6.02% to Libor plus 0.5% and have no specific guarantees.

14. Trade accounts payable

As of December 31, this item comprises:

	2007	2006
	S/.000	S/.000
Invoices	160,867	120,317
Promissory notes	12,899	5,352
	173,766	125,669

As of December 31, 2007, the balances of invoices and bills payable mainly include accounts payable to Caterpillar Americas Co. for US$32.1 million and U$3.9 million, respectively (US$23.7 million and U$1.8 million, respectively, as of December 31, 2006), pertaining to promissory notes for financing of invoices of Caterpillar through Swiss Re, which bear interest at annual rates of Libor plus 2.5%. 15.

Other accounts payable

As of December 31, this item comprises:

	2007	2006
	S/.000	S/.000
Provision for estimated expenses	8,964	10,644
Provision for interest on notes payable	5,802	2,712
Customer advances	5,682	23,176
Pacific Service & Trading Inc.	4,830	5,376
General provision for tax penalties	4,318	3,342
Provision for workers' fringe benefits	1,455	1,202
Other	2,557	1,251
	33,608	47,703

16. Long-term debt

As of December 31, 2007 and 2006, this item comprises:

				Outstanding balances							
				Total		Total		Current		Non-current	
Name of creditor	Type of obligation	Maturity	Amount authorized/ used	2007	2006	2007	2006	2007	2006	2007	2006
			US$000	US$000	US$000	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Caterpillar Financial Services Notes at the annual interest rate of Libor plus 3.25% and annual interest rate of 7.0% secured with property equivalent to 24% of the total debt.	Notes	Quarterly and semi-annual up to 2012	60,000/ (1) 28,301	28,301	9,593	84,819	30,669	20,335	6,398	64,484	24,271
Ferreyros bonds Bonds issued Fourth Issue Series A and B of the first program bearing annual interest at the rates of 5.81%, 6.06%, 6.25% y 6.13% and first issue of the first program of corporate bonds Series A bearing annual interest of 5.81% secured with the Company's equity. patrimo-nio Also, third issue of the first program of corporate bonds Series A bearing annual interest of 6.12%.	Corporate Bonds	Up to November 2011	72,500/ (2) 72,500	72,500	50,000	217,283	159,850	52,448	55,948	164,835	103,902
Local and foreign financial institutions											
Leasing agreement at an annual interest rate of 6.8%	Quota	Monthly up to 2013	7,355/ 7,355	7,355	-	22,043	-	4,208	-	17,835	-
Notes with local institutions at an annual interest rate of 6%.	Notes	Quarterly up to 2009	12,500/ 5,367	5,367	10,660	16,084	34,082	14,438	19,050	1,646	15,032
				113,523	70,253	340,229	224,601	91,429	81,396	248,800	143,205

(1) Relates to a joint credit line.

(2) Includes US$50 million, US$15 million and US$7.5 million of the first program, third issue and fourth issue, respectively.

The schedule of payment of the principal amount as of December 31, 2007 in United States Dollars and Nuevos Soles at that date is as follows:

Years	US$000	S/.000
2008	30,507	91,429
2009	20,669	61,947
2010	26,099	78,217
2011	30,008	89,932
2012	4,646	13,922
2013	1,594	4,782
	113,523	340,229

17. Net stockholders' equity

a. Capital stock

As of December 31, 2007, the authorized, subscribed and paid-up capital amounts to S/.335,749,154, formalized by public notarial instrument, and represented by 305,226,504 common shares with a par value of S/.1.10 each, out of which 85.05% is owned by local investors and 14.95% by foreign investors.

As of December 31, d 2006, the authorized, subscribed and paid-up capital amounts to S/.284,196,000, formalized by public notarial instrument, and represented by 258,360,000 common shares with a par vaue of S/.1.10 each, out of which 86.65% are owned by local investors and 13.35% by foreign investors.

As of December 31, 2007 and 2006, the stock market price of the Company's shares was S/.6.40 and S/.3.94 per share, respectively, and their frequency of negotiation was 97.6% and 75.3%, respectively. The number of outstanding shares is shown in Note 25.

As of December 31, 2007, the Company's shareholding structure is:

Percentage of individual interest in capital	Number of shares	Total percentage of interest
Up to 1.00	1,326	19.48
From 1.01 to 5.00	14	43.33
From 5.01 to 10	5	37.19
	1,345	100.00

b. Revaluation surplus

As of December 31, 2007, a revaluation surplus amount pertaining to land transferred to third parties for S/.5.9 million may be directly transferred to the retained earnings account.

The revaluation surplus comprises the difference between the carrying amounts of land with the assigned value from technical appraisals performed by an independent expert appraiser in years 2005 and 1999, net of the respective deferred income tax. The 2005 appraisal was conducted by the independent expert appraisers Alicar Asociados S.A.C. applying the direct valuation method in accordance with the Regulations on Appraisals.

As of December 31, 2005, the Company had capitalized revaluation surpluses for S/.3.6 million and, as of March 2006, for S/.4.2 million. Subsequently, the revaluation surplus that had been capitalized for the total amount of S/.7.8 million was restored, debiting the retained earnings account, which was approved by the Annual Shareholders' Meeting held on March 28, 2007.

c. Legal reserve

Pursuant to the Business Corporations' Act, the legal reserve must be established by transferring 10% of the annual net income until reaching an amount equivalent to 20% of the paid-up capital. In the absence of non-distributed earnings or non-restricted reserves, the legal reserve may be used to compensate losses and should be restored with future earnings. This reserve may be capitalized and its restoration is equally mandatory.

As of December 31, 2007, retained earnings include S/.12.7 million that must be transferred to the legal reserve, with the prior approval of the Shareholders' Meeting.

d. Retained earnings

In the Annual Shareholders' Meeting held on March 28, 2007, the distribution of cash dividends for S/.28.4 million and the capitalization of retained earnings for S/.51.6 million were approved. The transfer of S/.9.8 million, coming from 2006 profits, to the legal reserve was also approved.

In the Annual Shareholders' Meeting held on March 28, 2006, the increase of the capital stock by S/.18.0 million through the capitalization of the revaluation surplus and retained earnings was approved.

Dividends on behalf of shareholders other than domiciled legal entities are subject to a 4.1% income tax, which must be withheld by the Company.

18. Tax situation

a. The Management considers that the taxable income under the general income tax system has been determined in accordance with the tax legislation in force, which requires adding to and deducting from the result shown in the financial statements those items considered by such legislation as taxable and non-taxable, respectively. The income tax rate is 30%. The taxable income has been determined as follows:

	2007	2006
	S/.000	S/.000
Income before workers' profit sharing and income tax	182,648	151,235
Plus (less) permanent items:		
Non-deductible expenses	6,312	8,559
Value of interests in subsidiaries	(32,790)	(9,027)
Plus (less) temporary items:		
Income from deferred sales in the year	(8,464)	(5,964)
Income from deferred sales in previous years - application	5,099	6,007
Provision for impairment of inventories	474	(10,374)
Difference in depreciation rates	1,383	263
Provision for vacations	3,290	1,227
Result for exposure to inflation of inventories, investments and land for previous years	6,598	(1,397)
Leasing operations	1,436	128
Non-admitted provision for doubtful accounts	3,899	1,291
Provision for estimated expenses	(516)	(8,393)
Other items	(1,173)	(438)
Taxable income	**168,196**	**133,117**
Workers' profit sharing	(13,436)	(10,713)
Basis for income tax	154,760	122,404
Income tax	46,428	36,721

b. The expense (income) from income tax and workers' profit sharing shown in the income statement comprises:

	2007	2006
	S/.000	S/.000
Workers' profit sharing:		
Current	13,436	10,713
Deferred (Note 12)	(942)	(1,348)
	12,494	**12,061**
Income tax:		
Current	46,428	36,721
Deferred (Note 12)	(3,325)	4,891
	43,103	**41,612**

The income tax on the profit before taxes is different from the theoretical amount that may have been obtained by applying the income tax rate to the Company's income, as follows:

	2007	2006
	S/.000	S/.000
Profit before taxes	170,154	139,174
Income tax calculated by applying the 30% rate	51,046	41,752
Non-deductible expenses	1,894	2,568
Non-taxable income	(9,837)	(2,708)
Income tax for the year	43,103	41,612

c. The Tax Administration is authorized to examine and, if necessary, correct the income tax determined by the Company in the last four years, counted from January 1 of the year following the year in which the relevant tax return was filed (years subject to inspection and auditing). Fiscal years 2003 and 2004 have been examined by the Tax Administration and fiscal years 2005 to 2007 are subject to inspection and auditing. Given that differences may arise over the interpretation by the Tax Administration of the regulations applicable to the Company, it is presently not possible to anticipate whether any additional tax liabilities will arise as a result of eventual examination. Any additional tax, arrears and interest shall be recognized in the income statement of the year in which the difference with the Tax Authority is resolved. The Management estimates that no significant liabilities will arise as a result of these eventual examinations.

d. Pursuant to the legislation in force, for purposes of determining the income tax and the value added tax, the transfer pricing between related and non-related parties must provide documents and information supporting the valuation methods and criteria applied to make such determination. The Tax Administration is entitled to request such information from the taxpayer.

e. Temporary Tax on Net Assets
The Temporary Tax on Net Assets is payable by those parties who generate third category income under the general income tax system. The taxable base of the tax is the value of the net assets recorded in the balance sheet as of December 31 of the fiscal year immediately before that in which the payment is to be made, deducting the relevant depreciation and amortization. The tax rate is 0.5% and is applied to the amount of the net assets exceeding S/.5 million.

19. Contingencies and commitments

Contingencies

As of December 31, 2007, the Company has the following contingencies:

a. In April 2003, the company received income tax and valued added tax assessments from the tax authority for year 2000 in the total amount of S/.6.4 million, including penalties and interest. An appeal was filed before the Tax Court.

b. In December 2005, the Company received income tax and value added tax assessments from the tax authority for year 2001 in the total amount of S/.22.9 million, including penalties and interest. An appeal in dispute of tax assessment was filed before the Tax Administration.

c. In June 2006, the Company received income tax and value added tax assessments for years 2002 and 2003 in the amounts of S/.34.4 million and S/.5.6 million, respectively, including penalties and interest. An appeal in dispute of tax assessment was filed before the Tax Administration.

d. In December, 2006, the Company received penalty orders for the withholding of the income tax on services rendered by non-domiciled parties in years 2004 to 2006, in the total amount of S/.1.2 million, including interest. An appeal was filed before the Tax Administration.

e. As of December 31, 2007, the Company is subject to lawsuits for US$0.8 million seeking payment of a compensation for damages, filed by third parties; such lawsuits are in the stage of resolving on the appeals filed.

Based on the opinion of its legal and tax advisors, the Company's Management considers that such assessments and lawsuits are inadmissible and that the final result would be favorable to the Company. Therefore, it did not deem necessary to make a provision for these proceedings.

As regards the inspection processes based on which the aforementioned tax assessments were issued, the Tax Administration, following the established procedures and prior to the issue of the respective report, informed the Company about the outcome of each inspection, granting it a specific term to evaluate and correct the omissions and violations allegedly incurred. In this connection, the Company corrected and paid for the omissions and violations, which were considered correct after a thorough evaluation performed along with the tax advisors.

Commitments

As of December 31, 2007, the Company has the following commitments:

a. Sureties for US$6.4 million and US$20.0 million, which guarantee the credit operations of subsidiaries and affiliates as well as the purchase operations of third parties, respectively.

b. Bank guarantees in favor of financial entities for US$2.5 million, which back several transactions.

20. Cost of sales

The cost of sales for the years ended December 31 comprises:

	2007	2006
	S/.000	S/.000
Opening balance of inventories	266,086	250,798
Purchases of inventories	1,345,621	922,303
Labor and workshop expenses	74,048	49,913
Operating expenses of rental fleet	37,172	21,436
Other	676	1,972
Final balance of inventories	(413,090)	(266,086)
	1,310,513	980,336

21. Administrative and selling expenses

The administrative and selling expenses for the years ended December 31 comprise:

	Administrative expenses		Selling expenses	
	2007	2006	2007	2006
	S/.000	S/.000	S/.000	S/.000
Employees' costs	45,434	36,551	67,403	53,387
Services rendered by third parties	19,246	16,086	29,086	21,358
Taxes	686	744	265	158
Other management expenses	3,747	3,109	25,604	15,101
Depreciation and amortization	3,238	3,508	7,462	5,760
Provisions for the year	13,349	19,453	3,201	2,296
	85,700	79,451	133,021	98,060

22. Financial income

Financial income for the years ended December 31 comprises:

	2007	2006
	S/.000	S/.000
Interest from credit sales	16,382	11,647
Discounts for prompt payment	18,506	14,213
Default interest	4,736	4,248
Interest on bank deposits	1,976	1,219
Other financial income	687	390
	42,287	31,717

23. Financial expenses

For the years ended December 31, this account comprises:

	2007	2006
	S/.000	S/.000
Interest on bank loans	19,936	13,148
Interest on corporate bonds	10,747	10,877
Foreign suppliers' financial interest	2,371	326
Tax on financial transactions	3,935	3,170
Other financial expenses	1,256	1,101
	38,245	28,622

24. Other, net

For the years ended December 31, this account comprises:

	2007	2006
	S/.000	S/.000
Interest in subsidiaries, associates and jointly controlled entities	32,790	9,027
Income from contract termination	658	1,492
Income from rental of properties	628	516
Income from logistics services and machinery monitoring	2,025	1,320
Income from fees on loans	615	670
Provision for impairment of investments in securities	(6,247)	-
Penalties assumed	(1,080)	(1,314)
Other	3,378	3,129
	32,767	14,840

25. Basic earnings per share

Basic earnings per share are calculated by dividing the net income of common shareholders by the weighted average number of outstanding shares at the balance sheet date:

	Outstanding shares	Base shares for calculation	Days to reach the year-end	Weighted average nbr of shares
Year 2006				
Balance as of January 1, 2006 and as of December 31, 2006	258,360,000	305,226,504	365	305,226,504
Year 2007				
Balance as of January 1, 2007 and as of December 31, 2007	305,226,504	305,226,504	365	305,226,504

The number of shares issued through the capitalization of retained earnings and revaluation surplus has been adjusted retroactively for all years presented.

The calculation of the earning per share as of December 31, 2007 and 2006 is detailed below:

	As of December 31, 2007			As of December 31, 2006		
	Earning numerator	Shares denominator	Earning per share	Earning numerator	Shares denominator	Earning per share
	S/.		S/.	S/.		S/.
Basic earning per share	127,050,540	305,226,504	0.416	97,562,000	305,226,504	0.320

No diluted earnings per share have been determined since no conditions arose to justify such a determination; they are established when there are potential dilutive shares (common or investment shares), mainly related to financial instruments or contracts entitling holders to obtain common or investment shares.

26. Segment information

For management purposes, the Company prepares the information by segments based on the business units it operates, which include the heavy equipment business (purchase/sale of equipment, spare parts, and maintenance and repair services) and other business segments (farm equipment, rental of equipment and vehicles). The Management does not consider necessary to include the information by geographical segment, mainly because the Company does not have a differentiable component that is dedicated to the supply of products and services within a particular environment and that is subject to different risks and profitability. All the Company's operations are performed within the Peruvian territory, are subject to the same risks, and there are no differences in profitability by reason of the region or place where the sales are made.

The financial information by segments presented below is expressed in thousands of Nuevos Soles:

			2007			2006
	Heavy machinery, spare parts and services	Other business units	Total	Heavy machinery, spare parts and services	Other business units	Total
	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Total revenues for sales and services	1,416,469	234,427	1,650,896	1,162,995	107,772	1,270,767
Results						
Operating profit	98,434	23,641	122,075	95,992	20,054	116,046
Interest expenses			(38,245)			(28,622)
Income from interest			42,287			31,717
Income from interest in subsidiaries, associates and jointly-controlled entities			32,790			9,027
Exchange difference			23,764			17,254
Other (expenses) income			(23)			5,813
Workers' profit sharing			(12,494)			(12,061)
Income tax			(43,103)			(41,612)
Profit for the year			127,051			97,562
Other information						
Assets per segment						
Trade accounts receivable	249,449	46,226	295,675	270,107	50,261	320,368
Inventories	476,322	53,183	529,505	302,885	31,912	334,797
Fixed assets	148,550	131,152	279,702	163,875	54,352	218,227
Investments in equity securities			128,783			79,263
Undistributed assets			68,908			53,132
Total assets			1,302,573			1,005,787
Total undistributed liabilities			804,781			606,625
Depreciation (*)	20,843	11,941	32,784	20,773	8,403	29,176
Other provisions (*)	18,743	3,102	21,845	29,221	2,733	31,954
Investments in fixed assets (**)	45,149	62,424	107,573	14,170	25,387	39,557

(*) Relates to the provisions for the year. The other provisions comprise the provision for impairment of inventories and fixed assets, as well as the provisions for Board expenses and workers' bonuses.

(**) From the total purchases of fixed assets for the other business units, S/.56.4 million (2007) and S/.25.9 million (2006) correspond to the equipment rental segment.

27. Non-cash transactions

The following are the main transactions carried out in the years ended December 31 that are not incorporated in the cash flow statement, since they do not represent cash flow transactions:

	2007	2006
	S/.000	S/.000
Transfers of inventories property, plant and equipment	81,990	67,912
Transfers of property, plant and equipment to inventories	64,582	42,847
Capital contribution to the subsidiary Unimaq S.A.		
- Inventories	4,975	-
- Fixed assets	14,812	-

28. Salaries of key personnel

In 2007 and 2006, the short-term benefits of the Company's key personnel amounted to S/.29.9 million and S/.24.3 million, respectively.

SOLUTION (4)

MORE TECHNOLOGICAL SOLUTIONS

In 2007, our generation of technological products was boosted. As an example of this, the FMMS, a system developed by Ferreyros, became a standard tool for monitoring the status of the mining equipment we sell; important progress was made with the use of the Product Link for managing the Caterpillar fleet at a distance; the WAVS system was introduced, which allows visualization of the blind spots of machinery in operation. In addition, our mining truck simulator was sent to the provinces to support the training of more than 150 client operators, while the excavator and paving equipment simulators provided key experiences in designing new training plans.

SOLUTION (5)

MORE TECHNICAL TRAINING

Ferreyros makes the difference when it comes to our specialized training of technical staff and operators. More than 110 thousand man hours of training for customers and workers in 2007, 72 Caterpillar technical certifications obtained by our specialists and the graduation of the fourth class of the Think Big educational program, dedicated to training technicians that join our workforce, set the standard in the year. Likewise, the launching of the ABC training program in Arequipa, a joint effort of Ferreyros, Caterpillar and Tecsup, and the creation of new career lines in the Service Pro, the development mainstay of our technical staff, gave us new reasons to excel.

[4]

SOCIAL RESPONSIBILITY

In Ferreyros we actively take the private enterprise's role as a change agent and a driver of the country's development. On that basis, we use the Social Responsibility model proposed by Perú 2021, which focuses its actions on seven stakeholders: collaborators, shareholders, customers, suppliers, the government and the society, the community, and the environment.

In a variety of spheres such as education, good corporate governance, labor inclusion or environmental protection, among many others, we have undertaken social responsibility programs and initiatives to positively impact on stakeholders, thus showing our commitment to contributing towards sustainable development. One of our strategic objectives for 2008 is to position ourselves as a socially responsible company and serve as a positive model for other organizations.

Let us share with you the most important initiatives and programs undertaken with each one of the stakeholders mentioned above.

1. COLLABORATORS

At Ferreyros, we believe that our major competitive advantage is, beyond our products and services, our human capital. It is the organization's collaborators who build its leadership and strength: the company rewards the efforts of its employees with optimal labor conditions, a good work climate and the incentive to achieve an integral professional and personal development. At the end of the year, an organizational climate measurement was performed, reflecting a climate approval percentage of 80% on average in 11 major issues evaluated.

1.1. Appreciation and respect for diversity

Ferreyros has a multidisciplinary human team composed of 1,912 collaborators from different regions of the country. The company is committed to maintaining a work environment free of discrimination and, to that end, it has a specific policy that favors equal opportunities based on the merits of each worker without discrimination on grounds of sex, race, origin, religion or social condition. Approximately 35% of the administrative personnel and 14% of the managerial staff are women. The company's collaborators come from different geographical areas and from several socioeconomic strata.

Furthermore, as part of the Professional Inclusion Program, we have three workers with different skills: two of them hold the positions of warehouse assistant and internal messenger boy within the organization, while the other one works as dining room aide, as part of a joint project with the concessionaire company. In this manner, we contribute to their social inclusion as useful and productive persons, strengthening their confidence and self-esteem and integrating them into the labor market.

1.2 Professional training and development

Ferreyros encourages, promotes and facilitates the professional development of its administrative personnel and sales force by applying the Performance Administration Program, which enables to assess their abilities every year and to identify their training and educational needs, affording them the possibility to pursue educational programs designed to enrich their professional profile.

Our company kept on promoting the self-development of the technical personnel through the Service Pro Program, which combines on-the-job training with scheduled practices at the Technical Development Center, which has been especially designed to train such labor force. Moreover, we continued training our technical personnel in the maintenance of heavy machinery through the ABC Program, a joint effort with Caterpillar and Tecsup.

On the other hand, we offer our employees the possibility to attend programs organized by Caterpillar in Peru and abroad.

It is Ferreyros' policy to give priority to our collaborators in filling a vacant or new position through the Employment Opportunities system, offering them the option to move into higher positions and to have access to new personal development opportunities. In addition, the organization supports them to pursue master's degrees, courses and varied educational programs.

1.3. Healthcare, safety and work conditions

Guided by our corporate culture and aware of the need to protect our workers and the environment, we have committed to developing safe and healthy work environments and to promoting the welfare of our personnel.

We cover a percentage of the cost of the insurance offered by health providers (EPS) to both employees and their direct relatives; such percentage is higher than that required by the legislation in force. Furthermore, from time to time we organize health prevention campaigns along with early detection programs, hepatitis and influenza vaccination programs, as well as medical advice.

At Ferreyros, we apply an Occupational Safety, Health and Environmental Management System that seeks to recognize, assess and control all actions, omissions and conditions that may impair the health and physical integrity of workers, cause damages to the facilities and equipment or have an adverse impact on the environment. The system includes activities such as safety organization with committees, hazard identification and risk assessment, safety inspections, training in the use of personal protective equipment, occupational health controls and medical examinations.

In 2007, we continued implementing the Continuous Improvement Program of the Occupational Safety, Health and Environmental Management System (PMCSS), which has accomplished the objective of annually reducing by 30% the incidence of accidents and incidents in the different units of the Ferreyros organization.

1.4. Salary and benefit policy

At Ferreyros, we compensate our collaborators based on a salary and benefit policy that promotes the quality of life and personal development. We are members of the Good Employers Association, sponsored by the American Chamber of Commerce of Peru (Amcham), which groups companies recognized for respecting its workers and creating an adequate labor climate, applying good human resources practices.

Likewise, we guarantee our workers strict punctuality in the payment of their salaries, the July and December bonuses and the profits payable in March pursuant to law. The company has a system of salary categories that was revised in 2006, paying salaries that are in line with those prevailing in the market. Career lines and succession plans are established according to the good performance and training of our co-workers.

On the other hand, we offer facilities such as free personnel transportation and an automatic teller machine (ATM) installed at the workplace, among others.

Furthermore, we have a social service division that provides ongoing personalized advice on areas such as health, education, housing, economy, legal situation and family problems. It is worth highlighting that we grant interest-free housing loans to our workers.

1.5. Personal and family development

At Ferreyros, we are characterized by respecting the work schedule of our collaborators so that they may have enough free time for their family life or for developing other activities of their own interest, with a view to enhancing their quality of life.

We develop diverse programs intended for workers and their families (spouse and children) such as human development, motivation and self-esteem workshops as well as training in productive activities to generate additional income for their families, including craft work, confectionery and dressmaking.

Moreover, we offer vacation programs for children, with visits to museums and historical sites, drawing and painting contests, and sports competitions, among other events. Similarly, we organize recreational and artistic activities for workers, such as dances and chorus.

1.6. Communication channels

We maintain an open-door policy with our collaborators. Accordingly, we permanently offer information about the organization through channels such as the internal magazine "Imagen" (Image), addressed to all the personnel; the information showcases for the dissemination of the activities organized by the company; and the intranet, containing information of interest for the company. A suggestion box, which is reviewed periodically, is available for all workers to express their opinions.

The rules established by the company are available for all workers in the System of Standards and Procedures, which may be freely accessed through the internal network. Each new collaborator receives, upon joining the company, a Welcome Manual containing information relevant to their performance in the organization. In the same manner, we publicly share information through the web page as an expression of a sound and transparent corporate government policy.

In addition, since 2003 we have used the Six Sigma methodology to improve processes, which at the same time promotes access by the personnel to propose improvements in the organization. This methodology is based on the leadership of one of its workers, called Black Belt, who leads a group of collaborators (Green Belts) for a 2-year term to define the processes that need improvement and to subsequently recommend and implement measures, thus building a multidisciplinary team.

1.7. Relationship with the labor union

At Ferreyros, we respect our co-workers' union. For over 60 years, workers have been represented by a labor union that maintains an excellent relationship with the company and assists in the creation of policies aimed at improving the labor conditions and quality of life of workers and their families.

In addition to the annual meeting held by our executives with the representatives of the labor union for the presentation of the list of demands, we maintain fluid and continuous communication with the labor union – it is provided with all necessary facilities to hold their meetings at the company's premises. An indicator of the good relationship between the labor union and the company is the fact that no strike has been reported in the last 20 years.

The labor union has evidenced a high sense of responsibility and collaboration under the hardest circumstances faced by the organization, by permanently endorsing the company's goals and demonstrating its solidarity.

2. SHAREHOLDERS (SEE THE SECTIONS REFERRING TO CORPORATE GOVERNANCE)

Ferreyros' management is guided by good corporate governance principles which guarantee respect for the shareholders' rights, fair treatment, transparent and timely presentation of the information, and the existence of an efficient Board of Directors representing all the shareholders. As described in the section referring to Corporate Governance and in the Exhibit containing the self-evaluation, we consider that we apply high compliance standards and that we have become a model for many companies that are just starting the continuous improvement process involved in the commitment to corporate governance.

Moreover, our work has been recognized with national and international awards, such as being named a finalist in the Garrigues-Affinitas Prize for Good Corporate Governance in Latin America, awarded in 2006 in Madrid, Spain, and the invitation to join the Companies Circle of the Latin American Corporate Governance Roundtable, an entity made up of 14 Latin American companies leading in good corporate governance practices, of which it has been a member since 2006.

Our good corporate governance practices have won us, for two consecutive years, an award in the Good Corporate Governance Contest organized in Peru by Procapitales and the Universidad Peruana de Ciencias Aplicadas (UPC): the first prize in the category "Best Shareholder Treatment" (2006) and the Special Prize for the "Best Progress on the Implementation of Good Corporate Governance Practices" (2007).

3. COMMUNITY

For over five decades, we have worked closely with several sectors of the community, primarily in the field of education. In 2007, we continued developing the following programs:

3.1. Asociación Ferreyros

In 1997, on the 75th anniversary of its foundation, the company implemented an initiative for the benefit of the society that * us for long years. So it was that the "Asociación Ferreyros" was created under the original name of "Fundación Ferreyros", with the aim of contributing towards the formation of future professionals with values and citizenship responsibility.

The "Asociación Ferreyros" develops the Program of Workshops for Young University Students, which offers students all across Peru the opportunity to reflect and form their own opinion on aspects of pivotal importance for the future exercise of their profession, such as employability, solidarity and teamwork. Through interactive workshops, this educational proposal seeks to instill valuable principles in the participants for their work performance.

In 2007, more than 3,000 university students from 11 departments throughout the country freely enrolled in 85 workshops organized by the "Asociación Ferreyros". 79% of the workshops took place in provinces, where there is the greatest need for this type of training.

The association organized three workshops:

- Professional attitude.
- Employability: My responsibility.
- Positive attitude and leadership
- Moderation of work groups

Moreover, the "Asociación Ferreyros" is the main sponsor of the Annual Conference for University Students (University CADE), an event organized by the Peruvian Institute of Business Administration (IPAE) on an annual basis and that brings together young people from all over the country. The association is in charge of training the young moderators of the work groups of the University CADE, selecting them from among the participants of its workshop program and offering them the tools they need to have a good performance in such conference.

3.2. Think Big Program

With the participation of Caterpillar, and in alliance with the educational organization "Tecsup", Ferreyros fosters the Think Big Program, launched in 2002, designed to train young people in the technical career of Mechanics.

The Think Big Program has a duration of two years and combines training periods at Tecsup with weeks of practical instruction at Ferreyros. At the end of the program, the first option that graduates have is to join the workforce of Ferreyros to materialize their professional development.

As of this date, five groups have successfully completed the Think Big Program, with 85 students having graduated from the career of Mechanics, 56 of whom currently work for Ferreyros. In addition, other 47 young people are pursuing studies under this Program.

3.3. Program for Young Entrepreneurs in Cajamarca Schools

Aware of the great impact that the development of joint activities with other organizations may have, we have participated since 2005 in the Program for Young Entrepreneurs in Cajamarca Schools, carried out by the "Asociación Los Andes de Cajamarca" and sponsored by Compañía Minera Yanacocha.

Ferreyros funds 25% of such project, which is geared to developing enterprising skills and entrepreneurial concepts on the young people from Cajamarca.

3.4. Dual Learning Program of Senati

We are sponsors of Senati's Dual System, which allows young students to complement their technical instruction through in-house practical learning.

The training comprises two stages: The basic stage, which is completely carried out at the Professional Training Centers of Senati, with a duration of 552 hours; and the specific stage, which alternates four days of training at Ferreyros and one day of training at Senati, with a duration of 920 hours.

In the last 10 years, we have received 362 students of Senati's Dual Program.

3.5. Traineeship Program

Like every year, several students from different universities and higher education institutes all around the country joined Ferreyros to pursue their traineeship. This experience allows them to establish contact with the labor world before they finish their studies in a work environment that is ideal for the development of their abilities.

In accomplishing their daily activities, the young students participating in the Traineeship Program of Ferreyros assimilate the values that distinguish the company, i.e. seriousness, transparency and search for excellence in service, which will be critical for their professional development in any organization.

3.6. Vocational guidance

The selection of a professional or technical career is a very important decision in the life of every school student. As a support element in this key stage, we open our doors to students in the final years of secondary education coming from different schools with vocational guidance programs. During several days, they tour the different areas of the company to confirm their vocation.

3.7. Corporate volunteering

Under the motto "Solidarity: Give + of yourself", since 2005 the workers of the Lima Headquarters have joined efforts through a volunteering program in favor of the community, which receives financial and logistic support from the company. In 2007, two projects were carried out: one in the Primary Education Center "Anexo 12 de Diciembre" of the Pachacútec Human Settlement in Ventanilla and one in the "La Posadita del Buen Pastor" Children's Shelter in Magdalena.

The workers' activities are usually focused on improving the infrastructure of the centers visited, in line with the support that the company permanently offers to education, as well as on children's shelters.

Similarly, the branch offices organize warm Christmas celebrations for poor children in different areas of the country, along with shows and delivery of gifts.

The following centers were visited in 2007:

- Arequipa: San Benito de Cattolengo House, Tiabaya.
- Cajamarca: Pre-Primary Education Center N° 369, La Banda.
- Cusco: School from the community of Oroscocha, Combapata.
- Chiclayo: "Villa del Sol" Pre-Primary School, "Villa Hermosa" Shanty Town.
- Chimbote: Rural School N° 88399, Cascajal
- Huaraz: "Nuestra Señora del Pilar" National School, Huari.
- Huancayo: Educational Institution N°166, Marcavalle, Pachachaca.
- Ica: "El Huarango" Educational Institution, Camatrana.
- Iquitos: "Villa El Buen Pastor" Pre-Primary Education Center.
- Piura: "Nuevo Tallán" Pre-Primary School, Nuevo Tallán Settlement.
- Pucallpa: School N° 64661, Villa Primavera.
- Tarapoto: "2 de Febrero" Soup Kitchen, "2 de Febrero" Shanty Town.
- Trujillo: "San Carlos" Soup Kitchen for Children, Laredo.

In each one of the activities, Ferreyros personnel actively work together with the citizens of the beneficiary communities, who cooperate with the execution of the works.

We are proud of having employees who voluntarily undertake social responsibility activities in those sectors that most need our solidarity.

In 2007, we additionally developed two activities to raise funds for volunteering purposes, managing to collect 50% of the funds needed and encourage the personnel to get involved in the activities.

4. ENVIRONMENT

Our efforts are guided by the rational use of natural resources in order to achieve eco-efficiency. The repair of the equipment we sell and of its main components, which enables to significantly increase their service life, has a great impact on the decreased use of natural resources and the reduced generation of scrap and waste.

At the same time, we seek to prevent adverse environmental impacts, manage hazardous waste responsibly, recycle products such as paper, plastic bottles and scrap, and ensure an adequate final disposal of waste. In this regard, we apply the following procedures:

- Hire the services of a foundry to dispose of the scrap in order to prevent that any pieces that may direct or indirectly affect the environment or consumers return back to the market.
- Carefully gather the waste oil from machines and components, hiring the services of a specialized company, for subsequent processing.
- Conduct annual environmental noise and gas monitoring at the repair shops.
- Treat and reuse water at the repair shops.
- Control the disposal of out-of-service tires and batteries.
- Classify waste into organic, inorganic and hazardous waste, so that they may be delivered for recycling.

As part of the Industrial Safety, Health and Environmental Management Program, from time to time we give lectures on environmental protection addressed to the company's workers and to contractors. On the other hand, the Solid Waste Management Plan includes training courses for the personnel on how to prevent and control spills or select solid waste, among other environmental protection tasks.

5. SUPPLIERS

Our supplier contracting policy builds upon clearly defined principles, such as transparency and equal treatment. Its aim is to develop reliable and fair relations for both the supplier and the company, based on a mutual growth perspective.

We base our choice of suppliers on the quality of the product or service, as well as on the price and delivery terms. These criteria are complemented by management elements such as personnel treatment and implementation of safety programs.

It should be highlighted that our main suppliers, among them customs agents, land transportation companies, security services companies and construction contractors, have been selected through a bidding process.

As a member of the Good Employer Association, sponsored by the American Chamber of Commerce of Peru, we have made the commitment to require our main suppliers to apply god human resources practices. Based on this, we are developing a plan to assist suppliers in gradually implementing such practices.

Our Code of Conduct expressly embodies a principle concerning the relationship with suppliers:

"We will not hire suppliers who fail to respect the ethical principles and to comply with the law".

"We will not accept gifts, favors, invitations or money from any supplier beyond the concept of courtesy".

6. CUSTOMERS

At Ferreyros, we promote mutually beneficial and long-lasting business relationships with our customers, based upon the availability of the best integral solutions, the support of a leading organization with nationwide presence, a tradition of integrity, and sound values built and strengthened during 85 years of work. A vast part of this annual report provides information about the value we offer to our customers. Accordingly, below is a summary of such information.

6.1. High quality products and services

With 65-years experience in the trading of heavy machinery, we have products and services which offer the highest added value to our customers as well as solid and effective solutions to their multiple business needs. On the one hand, we have a varied portfolio of products consisting of a wide variety of internationally renowned brands of excellent performance, starting with Caterpillar since 1942, which was later joined by Ingersoll Rand, Atlas Copco, Kenworth, Iveco, Massey Ferguson and Zaccaría.

As mentioned in the introduction of this annual report, we have a wide coverage throughout Peru, with presence in Lima, Arequipa, Cajamarca, Chiclayo, Chimbote, Cusco, Huaraz, Huancayo, Ica, Piura, Trujillo, Cerro de Pasco and Tumbes. We are also present in Iquitos, Pucallpa, Tarapoto, Bagua, Huaypetuhe, Puerto Maldonado, Satipo and Andoas through Orvisa, our subsidiary.

We are present in more than 20 mine sites and construction projects throughout the country, where we provide our customers with technical personnel and engineers who render specialized services, including a batch of spare parts and components if needed.

Finally, another key factor that sets us apart is the excellence of our post-sale service, which ensures the best technical support in the market for our customers' capital goods.

For that purpose, we have specialized shops and a distribution center with immediately available spare parts.

The infrastructure mentioned is operated by top technical personnel trained according to international standards and with the support of the brands represented. The post-sale service is often rendered through a field service unit at the operation site.

Given our focus on providing a service of excellence, we are constantly seeking technological solutions that will allow our customers' businesses to attain higher productivity levels through optimal performance of the equipment sold to them.

In addition, we have the Fluid Analysis Laboratory (SOS), where any possible abnormalities likely to reduce the service life of a component, as well as any premature or unexpected flaws in any part of the equipment can be detected in only 24 hours, and corrective and preventive actions can be taken.

6.2. Customized and specialized customer service by sectors

In order to provide a specialized service to the customers of each market segment, our organization has been segmented according to the markets we serve.

In this same line of thought, frequent customers have been assigned an account manager to follow up on our business relationship, thus facilitating a permanent and effective contact.

6.3. Financial services

The Area of Financial Services of Ferreyros, composed of a team of credit officers, offers customers specialized advice on the different sources of financing available (loans from local institutions, foreign loans, export credit insurance from international agencies, leasing) and on the most convenient financial channel. Likewise, it offers direct financing to customers, both in the medium term, for machinery purchases, and in the short term, for the purchase of spare parts and repair services.

6.4. Excellence in customer service

At Ferreyros, we make available to our different customers several communication channels, such as e-mail on the web page, call center, letters, brochures and manuals. Our company has a tool to manage the relationship with customers, known as Customer Relationship Management (CRM).

We are aware that an essential component of the company's competitiveness is customer satisfaction and loyalty building. In this connection, we permanently work to identify their needs and expectations through a human team that is exclusively devoted to customer service: the customer service area.

The core responsibility of this unit is to ensure customer satisfaction and to effectively manage their claims, as well as to make sure that the interaction of the company's personnel with the customers is as adequate as possible. As part of its work, such unit makes surveys among customers. Furthermore, the customer service area is working on the implementation of a call center as an additional communication tool.

In order to obtain results that make it possible to take actions for a continuous improvement of the services, we have two types of processes:

Management of Claims and Proactive Situations

Designed to register and monitor the claims filed by customers and to identify processes that may be optimized to ensure the continuous improvement of the company's services. We make available to our customers a system of claim submission through the web in order to facilitate the communication of their requirements and re-direct them immediately to the designated responsible party so that he/she may offer the customer a solution in a shorter period of time.

Customer satisfaction measurement

It comprises the conduction of surveys by both Ferreyros and Caterpillar.

The information of the surveys may be consulted by any company worker to know the opinion of the customers and their perception about the organization.

6.5. Marketing and communication policies

At Ferreyros, we maintain marketing and communication policies designed to achieve a proper business management. In this regard, one of our principles is not to rely on a demonstration of the defects of the products or services of our competitors to promote their products or services, and not to make any misleading advertising of them or one that highlights fictitious or exaggerated features.

Furthermore, we believe that the provision of clear, current and truthful information about the products and services offered is an expression of business ethics. That is why we provide permanent training to our labor force, both locally and abroad, making available to them the knowledge about the company's products and services so that they may retransmit it to customers in due time.

Our Code of Conduct embraces the following principle referring to Sales, Marketing and Proper Business Management:

"It shall not be acceptable to transmit deliberately misleading messages, omit significant facts, or make false statements about the offers of our competitors. We shall not magnify the features of our products and shall provide complete, clear and truthful information about them".

Ethical sales are also included among our principles, in harmony with the values that have distinguished the organization for 85 years. Our Code of Conduct makes three express mentions concerning this aspect:

-"We shall act in accordance with the highest integrity standards in all aspects of our commercial activities ".

-"The interests of the Ferreyros organization shall never be favored by the fraudulent or illegal conduct of its employees. We shall treat all persons with whom the company has dealings in a fair and honest manner, thus preserving our reputation of integrity in all our business relationships ".

-"We do not expect any type of compensation from our customers and, hence, we shall not accept any gifts, favors, invitations or money from any of them which are beyond the concept of courtesy"

6.6. Respect for customer's privacy

Finally, our Code of Conduct sets forth a specific principle regarding the protection of our customers' confidential information:

"We must protect the confidentiality of the information we receive from third parties, particularly customers and suppliers, and make use of it only with the respective authorization".

7. GOVERNMENT AND SOCIETY

At Ferreyros, we maintain a strict honesty policy in our operations. Accordingly, our Code of Conduct establishes that the organization's interests will never be favored by the fraudulent or illegal behavior of its employees, expressly prohibiting the use of unethical practices in the trade relations with the government entities Furthermore, we require all employees to comply with the laws and regulations applicable to their work at the organization.

The organization encourages responsible citizenship and values in young people through the "Asociación Ferreyros", which activities are addressed to the future professionals of Peru, and the Annual Conference for University Students (University CADE), of which the company is the main sponsor.

In the same line of thought, we promote the formation of an opinion about issues of public interest, such as social responsibility, foreign trade and capital market, by participating in forums of organizations such as the American Chamber of Commerce of Peru (Amcham), the Association of Companies Promoting the Capital Market (Procapitales) and Perú 2021, among many others, through the inclusion of some of the company's officers in the boards of directors and committees of such institutions.

Global Pact (Global Compact)

A demonstration of our commitment to taking an active role in social responsibility issues is our adhesion to the Global Pact, an initiative led by the UNO designed to encourage entities from all the countries to integrate into their operations ten principles of conduct and action in matters such as human rights, work, environment and fight against corruption.

The ten principles of the Global Pact, to which we are a signatory party since 2004, are:

- Businesses should support and respect the protection of internationally proclaimed fundamental human rights (right to life, integrity, freedom, equality, non-discrimination, etc.).
- Businesses should make sure that they are not complicit in human rights abuses.
- Businesses should uphold the freedom of association and the recognition of the right to collective bargaining.
- Businesses should uphold the elimination of all forms of forced and compulsory work.
- Businesses should uphold the abolition of child labor.
- Businesses should uphold the elimination of discrimination in respect of employment and occupation.
- Businesses should support a precautionary approach to environmental challenges.
- Businesses should undertake initiatives to promote greater environmental responsibility.
- Businesses should encourage the development and diffusion of environmentally friendly technologies.
- Businesses should work against corruption in all its forms, including extortion and bribery.

In line with this commitment and the decision to incorporate and promote social responsibility in all the company's activities, we will continue implementing programs and practices that should enable us to responsibly interact with the different stakeholders.

SOLUTION (6)
MORE QUALITY MANAGEMENT PROJECTS

Ferreyros continued using the Six Sigma methodology for the improvement and creation of processes, with the purpose of increasing customer satisfaction and the company's productivity. The 17 Six Sigma projects developed during 2007, under the charge of a team of professionals fully committed to this task, sought to contribute with impact solutions for the organization and its stakeholders: from the creation of services in the workshops to the preparation of technical staff to face future growth, all the way to the improvement of occupational health and the increase in the lifespan of large mining equipment engines. A key step forward regarding our value offer and our future success.

SOLUTION (7)
MORE BUSINESS

For our organization, the opening of new business roads will help provide more complete responses to customers' needs. That is why Unimaq adopted in 2007 the lightweight construction line -serviced by Ferreyros until the previous year-, with the purpose of providing a specialized service in this line of business. At the same time, the acquisition of Mega Caucho was concluded, especially aimed at the mining sector, to provide tires and maintenance services for your equipment. On its part, Ferrenergy –engaged in the sale and supply of thermal power for industries – began to invoice in 2007 thanks to its first project, the Guayabal thermal power station.

[5]

SELF-EVALUATION OF COMPLIANCE WITH THE GOOD CORPORATE GOVERNANCE PRINCIPLES

Name	Ferreyros S.A.A.
Tax ID Number (RUC)	20100027292
Registered Office	Cristóbal de Peralta Norte 820, Surco
Telephones	626 – 4000 – DIRECT SHAREHOLDER LINE 0800-13372 – 626-4254
Fax	626 – 4504
Web Page	www.ferreyros.com.pe
Stock Exchange Agent	Mariela García de Fabbri, Patricia Gastelumendi Lukis, Víctor Astete Palma

I. SECTION ONE: EVALUATION OF THE 26 PRINCIPLES

I.1. SHAREHOLDERS' RIGHTS

PRINCIPLE I — Compliance	0	1	2	3	4
Generic matters should not be included in the agenda. The points to be discussed should be properly detailed in such a manner that each matter can be dealt with separately, thereby facilitating its analysis and avoiding joint resolution of issues on which there may be different opinions.					X

PRINCIPLE II — Compliance	0	1	2	3	4
The venue of the Shareholders' Meetings should be fixed in such a way as to facilitate the attendance of shareholders to such meetings.					X

a. Specify the number of shareholders' meetings called by the COMPANY during the fiscal year subject matter of this report.

Type	Number
General shareholders' meetings	1
Extraordinary shareholders' meetings	0

b. If any shareholders' meetings were called, complete the following information for each one of them.

Date of notice of meeting*		03.03.2007
Date of meeting		03.28.2007
Venue of meeting		Cristóbal de peralta norte 820 - surco.
Type of meeting	Special	–
	General	X
Quorum %		93.83
Nº of attendees		132
Duration	Start time	11:00
	End time	13:00

c. Besides the means contemplated in Section 43 of the Business Corporations' Act, what other means does the COMPANY use to call a meeting?

(X) Directly in the company
(X) Telephone
(X) Web page
(X) Regular mail

d. State whether the means listed in the previous question are regulated in any document(s) of the company.

Bylaws	Internal regulations	Manual	Others	Name of document*
X	X	–	–	Internal Regulations of the Shareholders' Meeting, Board of Directors and Committees of the Board of Directors.

* Specify the name of the document, except in the case of the COMPANY's bylaws.

e. If the company has a corporate web page, are the minutes of the shareholders' meetings available on such web page?

	Yes	No
Only for shareholders	X	
For the general public		X

The resolutions adopted by the Shareholders' Meeting are disclosed to the market on the following day as an Important Event and are published on the web page of Ferreyros. The shareholders may request information through several means, as set forth in the Business Corporations' Act and, particularly, through the web page in the section "Investor Service". Furthermore, the shareholders may request the minutes of the meetings from the Department of Securities via the telephone line dedicated to the shareholders. The company considers that it is not advisable to publish the minutes of the meetings for the general public.

PRINCIPLE III

	Compliance	0	1	2	3	4
Within reasonable limits, shareholders should be afforded the opportunity to place items on the agenda of Shareholders' Meetings. The items placed on the agenda should be of corporate interest and fall within the legal or statutory competence of the Shareholders' Meeting. The Board of Directors should not deny this kind of request without giving the shareholder reasonable justification.						X

a. State whether shareholders may place items on the agenda through an additional mechanism to that contemplated in the Business Corporations' Act (Section 117 for regular stock corporations and Section 255 for publicly held corporations).

Yes

b. If the answer to the previous question is YES, detail the alternative mechanisms.

The bylaws state that the shareholders may request, through the Board of Directors, the inclusion of items in the agenda of the Shareholders' Meeting. The Shareholders' Meeting is held at the same time every year and, hence, it may be anticipated when it shall be held and a communiqué may be sent to the Board of Directors indicating any matter of interest. The Internal Regulations of the Shareholders' Meeting, the Board of Directors and the Committees of the Board of Directors establish the procedure. In addition, pursuant to Section 19 of the Bylaws, the shareholders are entitled to request the Board of Directors to hold a Shareholders' Meeting to deal with any matter in particular, for which it is required that 5% of the shares are represented.

c. State whether the mechanisms described in the previous question are regulated in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
X	X	–	–	Internal Regulations of the Shareholders' Meeting, the Board of Directors and the Committees of the Board of Directors.

* Indicate the name of the document, except in the case of the COMPANY's Bylaws.

d. Specify the number of requests submitted by the shareholders during the fiscal year subject matter of this report for the inclusion of items in the agenda of Shareholders' Meetings.

Number of requests		
Received	Accepted	Rejected
–	–	–

PRINCIPLE IV

	Compliance	0	1	2	3	4
The bylaws should not impose limits on the right of shareholders entitled to participate in the General Shareholders' Meetings to be represented by such person as they may designate.						X

a. Pursuant to the provisions of Section 122 of the Business Corporations' Act, state whether the COMPANY's bylaws limit the right of representation, reserving it:

The right of representation is not limited.

b. Complete the following information for each Meeting held during the fiscal year subject matter of this report:

Type of meeting		Date of meeting	Interest (%) in the total voting shares	
General	Extraordinary		Through Power Of Attorney	Direct Exercise
X	–	03.28.2007	42.82	51.01

c. Indicate the requirements and formalities to be complied with by a shareholder to be represented at a meeting.

Formality (state whether the company requires a	Simple letter-Bylaws
Time in advance (number of days prior to the meeting that the proxy must be submitted)	24 hours in advance (Section 122 of the Business Corporations' Act and Section 24 of the Bylaws)
Cost (state whether the company requires any payment to this effect and the amount of it)	No payment is required

d. State whether the requirements and formalities described in the previous question are regulated in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
X	X	–	–	Internal Regulations of the Shareholders' Meeting, the Board of Directors and the Committees of the Board of Directors.

* Indicate the name of the document, except in the case of the COMPANY's Bylaws.

I.2. EQUITABLE TREATMENT OF SHAREHOLDERS

PRINCIPLE V	Compliance 0	1	2	3	4
It is recommended that any company issuing investment shares or other non-voting stock offer their holders the opportunity to exchange them for ordinary voting shares or that this possibility is envisaged at the time they are issued.					X

a. Has the COMPANY carried out any process for the exchange of investment shares over the last five years?

This does not apply as the company only has a type of share.

PRINCIPLE VI	Compliance 0	1	2	3	4
A sufficient number of directors capable of exercising independent judgment on matters where there is the potential for conflicts of interests should be elected. To that effect, the participation of shareholders who do not exercise control may be taken into consideration. Independent directors are those selected because of their professional prestige and who are not related to the company's management or to its majority shareholders.					X

a. Specify the number of dependent and independent directors of the COMPANY.

Directors	Number
Dependent	4
Independent	4
Total	8

1 Independent directors are those who are not related to the management of the issuing entity or its majority shareholders.
To that effect, the relationship is defined in the Regulations on Indirect Ownership, Relationship and Economic Group.
Majority shareholders are individuals or legal entities that own five percent (5%) or more of the issuing company's capital stock.

b. Indicate the special requirements (other than those necessary to be a director) to be an independent director of the COMPANY

They should not be employees of the company or the group
They should not have any labor relationship or kinship up to the second degree of consanguinity.
They should have the express mandate to protect the interests of all the shareholders on an equal basis.
They should not receive any economic benefit from the company, group or majority shareholders.

c. State whether the special requirements described in the previous question are regulated in any document(s) of the COMPANY.

Manual of Good Corporate Governance Practices.

d. State whether the COMPANY's directors are relatives within the first or second degree of consanguinity, or relatives within the first degree of affinity, or spouse of:

Full name of the Director	Relationship with: Shareholder [1/]	Director	Manager	Full name of the Shareholder[1/] /Director/Manager	Affinity	Additional information[2/]
No blood relationship.	–	–	–			

1/. Shareholders owning 5% or more of the company's shares (by class of share, including investment shares).
2/. If there is a relationship with any shareholder, specify his/her shareholding. If there is a relationship with any member of the managerial staff, specify his/her position.

e. If any member of the Board of Directors currently holds or has held during the fiscal year subject matter here of any managerial position at the COMPANY, complete the following information:

Full name of the director	Managerial position currently or previoulsy held	Tenure in the managerial position: Start date	End date
Oscar Espinosa Bedoya	General Manager	August 1983	–

f. If any member of the COMPANY's Board of Directors is or has also been during the fiscal year subject matter hereof a member of the Board of Directors of other companies filed with the Public Registry of the Securities Market, provide the following information:

Full name of directors	Corporate name of the company(ies)	Date: Start	End
Oscar Espinosa Bedoya	La Positiva Seguros y Reaseguros La Positiva Vida Seguros y Reaseguros AFP Profuturo	1996 2005 1999	
Juan Manuel Peña Roca	Profuturo AFP La Positiva Seguros y Reaseguros La Positiva Vida Seguros y Reaseguros S.A.	1992 1985 2005	
Carlos Ferreyros Aspíllaga	La Positiva Seguros y Reaseguros S.A.	1983	
Andreas von Wedemeyer Knigge	Corp. Cervesur SAA La Positiva Seg. y Reaseguros S.A. Profuturo AFP Cia. Industrial Textil Credisa Trutex SAA Corporación Financiera de Inversiones S.A.A. La Positiva Vida Seg. y Reaseguros S.A.A.	1995 1999 2005 2005 2005 2005 2005	
Juan Prado Bustamante	Transacciones Especiales S.A.	2007	–

I.3. DISCLOSURE AND TRANSPARENCY OF THE INFORMATION

PRINCIPLE VII	Compliance 0	1	2	3	4
While, in general, external audits are focused on issuing opinions regarding financial information, they may also refer to opinions or specialized reports on the following aspects: expert accounting reports, operational audits, system audits, project evaluation and assessment, evaluation or implementation of cost systems, tax audits, appraisals for asset adjustment, portfolio evaluation, inventories or other special services. It is recommended that these advisory services be performed by different auditors or that, if they are provided by the same auditors, it should be ensured that this will not affect the independence of their opinion. The company should make known all audits and specialized reports carried out by the auditor. Reports should be made on all the services rendered by the auditing firm or auditor to the company, specifying the percentage represented by each one and their share in the auditing firm's or auditor's income.					X

a. Complete the following information on the auditing firms that have provided services to the COMPANY over the last five (5) years.

Name of the auditing firm	Service*	Period	Compensation** US $
Dongo-Soria Gaveglio y Asociados Sociedad Civil, firma miembro de Price Waterhouse Coopers	Audit of Financial Statements	2007	77.3%
	Audit of Asset Laundering Prevention	2007	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, firma miembro de Price Waterhouse Coopers	Audit of Financial Statements	2006	63.9%
	Audit of Asset Laundering Prevention	2006	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, firma miembro de Price Waterhouse Coopers	Audit of Financial Statements	2005	63.9%
	Audit of Trust Estate	2005	
	Audit of Asset Laundering	2005	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, firma miembro de Price Waterhouse Coopers	Audit of Financial Statements	2004	68.3%
	Audit of Trust Estate	2004	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, firma miembro de Price Waterhouse Coopers	Audit of Financial Statements	2003	62.5%
	Audit of Trust Estate	2003	
Price Waterhouse Coopers Sociedad Civil de Responsabilidad Ltda.(*)	Advice on implementation of a model of Human Resources area management and system of categories.	2005-2006	0%
Deloite & Touche SRL (*)	Tax advice	2003-2007	0%

* Include all types of services, such as reports on financial information, accounting expert accounting reports, operational audits, system audits, tax audits and other special services.

** From the total amount paid to the auditing firm for all items, indicate the percentage corresponding to the compensation for financial audit services.

(*) Although these companies are not auditing firms, they are related to one.

b. Describe the pre-established mechanisms used to retain the auditing firm in charge of auditing the annual financial statements (including the identification of the COMPANY's body charged with selecting the auditing firm).

In accordance with Section 21d of the Bylaws, the Annual Shareholders' Meeting is responsible for designating the external auditors or for delegating their designation to the Board of Directors. It is a common practice of the Annual Shareholders' Meeting to delegate such designation to the Board of Directors.

Furthermore, the Audit Committee recommends that the Board of Directors designate the external auditors.

c. State whether the mechanisms described in the previous question are included in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
X	X	–	–	Internal Regulations of the Board of Directors and its Committees.

* Specify the name of the document, except in the case of the COMPANY's bylaws.

d. State whether the auditing firm retained to audit the COMPANY's financial statements for the fiscal year subject matter hereof also audited the financial statements of other companies in its economic group for the same fiscal year.

Yes

Name of the company(ies) making up the economic group
Orvisa S.A.
Unimaq S.A.
Motorindustria S.A.
Fiansa S.A.
Depósitos EFE S.A.
Domingo Rodas S.A.
Ferrenergy S.A.C.
Mega Caucho & Representaciones S.A.C.
Cresko S.A.

e. Specify the number of meetings held during the fiscal year subject matter hereof between the internal auditing area and the auditing firm retained.

Number of meetings

0	1	2	3	4	5	More than 5	Not applicable
		X					

PRINCIPLE VIII

	Compliance	0	1	2	3	4
Specific requests for information by shareholders, investors in general or stakeholders related to the company should be satisfied through a responsible authority and/or personnel appointed for such purpose.						X

a. Specify what mean(s) or method(s) the shareholders or stakeholders related to the COMPANY may use to ask for information in order for their request to be processed.

	Shareholders	Stakeholders
E-mail	X	X
Directly at the company	X	X
Telephone	X	X
Web page	X	X
Regular mail	X	X

b. Notwithstanding the information responsibilities of the General Manager under the provisions of Section 190 of the Business Corporations' Act, specify the area and/or person in charge of receiving and processing the requests for information submitted by shareholders. If it is a person, also specify his/her position and the area where he/she works.

Area in charge	Finance

Person in charge

Full name	Position	Area
Augusta Ponce Zimmermann	Securities Department	Finance Division
Fiorella Caro Gutierrez	Area of Corporate Finance	Finance Division

c. State whether the procedure followed by the COMPANY to process the requests for information submitted by the shareholders and/or stakeholders related to the COMPANY is regulated in the following documents of the COMPANY.

Manual of Good Corporate Governance Practices
Internal rules of conduct for the performance with the obligations derived from the registration of securities with the Public Registry of the Securities Market.

d. Specify the number of requests for information submitted by the shareholders and/or stakeholders related to the COMPANY during the fiscal year subject matter hereof.

Number of requests

Received	Accepted	Rejected
No record of the requests processed is kept		

e. If the COMPANY has a corporate web page, does it include a special section devoted to corporate governance or relationships with shareholders and investors?

Yes

f. State whether, during the fiscal year subject matter hereof, you have received any claim for limiting access to information by any shareholder.

No

PRINCIPLE IX

Any doubt regarding the confidential nature of the information requested by the shareholders or stakeholders related to the company should be resolved. The criteria to be applied should be decided by the Board of Directors, ratified by the Shareholders' Meeting and included in the company's bylaws or internal regulations. In any case, the disclosure of information should not affect the company's competitive position or the normal development of its activities.	Compliance 0	1	2	3	4
					X

a. Who decides on the confidential nature of specific information?

The Board of Directors
The General Manager
Stock Exchange Agents pursuant to the Internal Rules of Conduct for Performance of the Obligations derived from the registration of securities with the Public Registry of the Securities Market.

b. Describe the pre-established objective criteria used to classify certain information as confidential. Also state the number of requests for information submitted by the shareholders during the fiscal year subject matter of this report which were rejected on grounds of the confidential nature of the information.

The criterion used is not to communicate any privileged information as long as it is not disclosed to the market as an Important Event.

c. State whether the criteria described in the previous question are included in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
–	X	–	–	Internal rules of conduct for the performance of the obligations derived from the registration of securities with the Public Registry of the Securities Market.

* Specify the name of the document, except in the case of the COMPANY's bylaws.

PRINCIPLE X

The company should have internal auditing. In performing his/her duties, the internal auditor should maintain an independent professional relationship with the company that engages him/her. He/she should observe the same principles of diligence, loyalty and confidentiality as those required from the Board of Directors and the Management.	Compliance 0	1	2	3	4
					X

a. State whether the COMPANY has an independent area charged with internal auditing.

Yes

b. If the answer to the previous question is YES, specify the hierarchical body, within the organizational structure of the COMPANY, to whom the internal auditing area is accountable as well as the person to whom it reports.

Accountable to	Chairman of the board of directors
Reports to	Chairman of the board of directors

c. Detail the main responsibilities of the party responsible for internal auditing and state whether he/she performs any other duties unrelated to internal auditing.

C.1.Based on the risk assessment, the Annual Plan is prepared, establishing the priorities to conduct reviews both in Ferreyros and in its subsidiary companies. Throughout the year, the urgency requests made by the Management Offices are added to the Program.

C.2.The internal audit reviews encompass both the financial and operational audits. Among the most important ones are the review of: Assessment of the Portfolio of Receivables, observation of the physical inventories of spare parts, machinery and equipment, review of the cash and bank operations (cash balances, confirmation and reconciliation of the bank accounts with our accounting records), assessment of accounts payable to suppliers and bank institutions. Review of the other asset and liability accounts, review of the main machinery and spare parts operations and of the corresponding costs, review of the main accounts of the income statement, etc.

d. State whether the responsibilities described in the previous question are regulated in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
–	–	X	–	Job description manual – Human Resources Management.

* Specify the name of the document, except in the case of the COMPANY's bylaws.

I.4. THE RESPONSIBILITIES OF THE BOARD OF DIRECTORS

PRINCIPLE XI	Compliance 0	1	2	3	4
The Board of Directors should perform the following key functions: Evaluate, approve and guide the corporate strategy; establish objectives, goals, the main action plans, as well as the risk follow-up, control and management policy, annual budgets and business plans; control their implementation; and supervise the main expenses, investments, acquisitions and transfers.					X

a. If the COMPANY's Board of Directors is responsible for the function described in this principle, state whether such Board function is set forth in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
X	X	–	–	Internal Regulations of the Board of Directors and its Committees

* Specify the name of the document, except in the case of the COMPANY's bylaws.

PRINCIPLE XII	Compliance 0	1	2	3	4
Select, control and, when necessary, replace the top executives, as well as fix their compensation.				X	

PRINCIPLE XIII	Compliance 0	1	2	3	4
Evaluate the compensation paid to the top executives and the members of the Board of Directors, making sure that directors are selected through a formal and transparent procedure.					X

a. If the COMPANY's Board of Directors is responsible for the functions described in this principle, state whether they are regulated in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
X	X	–	–	Internal Regulations of the Board of Directors and its Committees

* Specify the name of the document, except in the case of the COMPANY's bylaws.

b. Specify the body in charge of:

Function	Board of directors	General manager	Others (specify)
Hiring and replacing the general manager	X		
Hiring and replacing the managerial staff		X	
Setting the compensation of the top executives	X	X	
Evaluating the compensation of the top executives	X	X	
Evaluating the compensation of the directors	X		Meeting

c. State whether the COMPANY has internal policies or procedures in place for:

Policies for	Sí	No
Hiring and replacing the top executives	X	
Setting the compensation of the top executives	X	
Evaluating the compensation of the top executives	X	
Evaluating the compensation of the directors	X	
Appointing the directors	X	

d. If the answer to the previous question is YES for one or more procedures, state whether such procedures are regulated in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
X	–	–	–	The last 2 policies referring to the Board of Directors are contained in the bylaws and the 3 first policies referring to the executives are policies and procedures that have been applied for many years and shall be compiled in written regulations.

* Specify the name of the document, except in the case of the COMPANY's bylaws.

PRINCIPLE XIV	Compliance 0	1	2	3	4
14. The Board of Directors should perform the following key functions: Follow up and monitor any possible conflicts of interest among the management, the Board members and the shareholders, including the fraudulent use of corporate assets and the abuse in transactions between interested parties.					X

a. If the COMPANY's Board of Directors is responsible for the function described in this principle, state whether such Board function is set forth in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
X	X	–	–	Internal Regulations of the Board of Directors and its Committees

* Specify the name of the document, except in the case of the COMPANY's bylaws.

b. Specify the number of cases of conflicts of interests that have been discussed by the Board of Directors during the fiscal year subject matter hereof.

None

c. State whether the COMPANY or its Board of Directors has a Code of Ethics or a similar document(s) regulating the conflicts of interests that may arise.

Yes

If the answer is YES, indicate the exact name of the document:

1.- Code of Conduct
2.- Internal Rules of Conduct for the performance of the obligations derived from the registration of securities with the Public Registry of the Securities Market.

d. Explain the pre-established procedures for approving transactions between related parties.

Ensure that they are executed in line with the market conditions.

PRINCIPLE XV

	Compliance 0	1	2	3	4
The Board of Directors should perform the following key functions: Protect the integrity of the company's accounting systems and financial statements, including an independent audit and the implementation of the proper control systems, particularly financial and non-financial risk control, and compliance with the law.					X

a. If the COMPANY's Board of Directors is responsible for the function described in this principle, state whether such Board function is set forth in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
X	X	–	–	Internal Regulations of the Board of Directors and its Committees

* Specify the name of the document, except in the case of the COMPANY's bylaws.

b. State whether the COMPANY has any financial and non-financial risk control systems.

Yes

The Internal Audit division determines the main risks and organizes its work plan according to their incidence and likelihood of occurrence, together with the management control executive and the Risk Committee.

c. State whether the control systems referred to in the previous question are regulated in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
–	–	X	–	Job description manual – Human Resources Management.

* Specify the name of the document, except in the case of the COMPANY's bylaws.

PRINCIPLE XVI

	Compliance 0	1	2	3	4
The Board of Directors should perform the following key functions: Supervise the effectiveness of the governance practices under which it operates, making changes as necessary.					X

a. Is the COMPANY's Board of Directors responsible for the function described in this principle?

Yes

b. Detail the pre-established procedures for supervising the effectiveness of governance practices, specifying the number of evaluations made during the period.

Since 2005, the Board of Directors has made an annual self-evaluation. By filling this document, it identifies the improvements to be implemented and the procedures to be documented.

c. State whether the procedures described in the previous question are regulated in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
–	X	–	–	Internal Regulations of the Board of Directors and its Committees.

* Specify the name of the document, except in the case of the COMPANY's bylaws.

PRINCIPLE XVII

	Compliance 0	1	2	3	4
The Board of Directors should perform the following key functions: Supervise the information policy.					X

a. If the Board of Directors is responsible for the function described in this principle, indicate whether such Board function is set forth in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
–	X	–	–	Internal Regulations of the Board of Directors and its Committees.

* Specify the name of the document, except in the case of the COMPANY's bylaws.

b. Detail the COMPANY's policy on disclosure and communication of information to investors.

The company has "internal rules of conduct for the performance of the obligations derived from the registration of securities with the Public Registry of the Securities Market", a Regulatory Compliance Committee and Stock Exchange Representatives for communicating the Important Events within the terms set in the regulations in force.
The financial information is reported to the market from time to time (quarterly and annually) and there is an area especially devoted to answering inquiries.
Finally, meetings are held with investors.

c. State whether the policy described in the previous question is regulated in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
–	X	–	–	Internal rules of conduct for the performance of the obligations derived from the registration of securities with the Public Registry of the Securities Market.

* Specify the name of the document, except in the case of the COMPANY's bylaws.

PRINCIPLE XVIII

	Compliance	0	1	2	3	4
The Board of Directors may create special bodies according to the company's needs and size, particularly one that assumes the auditing function. Furthermore, these special bodies may be entrusted with the appointment, compensation, control and planning functions. These special bodies shall be created within the Board of Directors as support mechanisms and should preferably be composed of independent directors, so that impartial decisions may be made regarding issues which may give rise to conflicts of interest.						X

a. If the answer to the previous question is YES, complete the following information regarding each committee of the Board of Directors set up by the COMPANY

General steering and corporate governance committee

I) Date of creation: January 2005

Ii) Duties:

a) Review the strategic plans and the annual business plans.
b) Carefully assess the operation of the subsidiaries.
c) Make recommendations to the Board of Directors regarding investment policies, acquisition and transfer of fixed assets.
d) Supervise the policy on important events reporting and on privileged and confidential information.
e) Assess and issue directives on the company's debt-to-equity ratio and on the structure of the liabilities, following-up on the guarantees granted by the company.
f) Assess from time to time the situation of the credits granted by the company.
g) Act as an advisory and consultation body for the management on the issues submitted to its consideration.
h) Follow up and monitor any possible conflicts of interest among the management, the directors and the shareholders, including the fraudulent use of corporate assets and the abuse of transactions between interested parties.
i) Supervise the effectiveness of the governance practices in line with which it operates, making changes as necessary.

Iii) Main organizational and functional rules:

It consists of a minimum of three (3) directors, at least one of whom must be an independent director.
The Chairman, the Vice-Chairman and the General Manager shall take part in all the committees.
To the extent possible, it must meet at least every quarter.
The General Management shall propose to the Board of Directors an annual program of Committee meetings, which may be modified when required to the circumstances.

IV) Committee of the committee:

Full name	Date		Position in the committee
	Start	End	
Carlos Ferreyros Aspíllaga	January 2005		
Eduardo Montero Aramburú	January 2005		
Oscar Espinosa Bedoya	January 2005		
Juan Manuel Peña Roca	January 2005		
Hernán Barreto Boggio	January 2005		

V) Number of meetings held during the fiscal year: 3

VI) It has been delegated powers in accordance with section 174 of the business corporations' act:

Yes

Audit committee

I) Date of creation: january 2005

II) Duties:

Supervise the integrity of the accounting systems and analyze the report of the external auditors on the financial statements.
Specific duties:
a) Supervise the integrity of the accounting systems through an appropriate external audit.
b) Review and analyze the company's financial statements from time to time.
c) Review the external audit reports on the financial statements.
d) Supervise the annual work plan of the internal auditor and receive the respective reports.
e) Propose the designation of external auditors.

III) Main organizational and functional rules:

It consists of a minimum of three (3) directors, at least one of which is an independent director. The Chairman of the Board of Directors, the Vice-Chairman and the General Manager shall take part in all the committees. To the extent possible, it must meet at least semiannually. The General Management shall propose to the Board of Directors an annual meeting program, which may be modified when required by the circumstances.

It must review the letter of recommendation of the external auditors and the internal auditor plan as well as the progress on it.

IV) Committee members:

Full name	Date		Position in the committee
	Start	End	
Carlos Ferreyros Aspíllaga	January 2005		
Eduardo Montero Aramburú	January 2005		
Oscar Espinosa Bedoya	January 2005		
Andreas von Wedemeyer K.	January 2005		
Juan Prado Bustamante	January 2005		

V) Number of meetings held during the fiscal year: 4

VI) It has been delegated powers in accordance with section 174 of the business corporations' act:

Yes

ORGANIZATIONAL DEVELOPMENT AND HUMAN RESOURCES COMMITTEE

I) Date of creation: January 2005

II) Duties:

Give advice to the Management on the adoption of general human resources policies. Its specific duties are:
a)Supervise the organizational development programs through reports on the administrative structure and the human resources programs.
b) Supervise the performance management programs, the salary policy, as well as the training and development policies, among others.
c) Give advice to the Chairman of the Board of Directors in the determination of the salary scale for the top executives.
d) Approve the hiring of the top executives and oversee their performance.

III) Main oroganizational and functional rules:

It consists of a minimum of three (3) directors, at least one of which must be an independent director.
The Chairman of the Board of Directors, the Vice-Chairman and the General Manager shall take part in all the committees.
To the extent possible, it must meet at least semiannually.
The General Management shall propose to the Board of Directors an annual meeting program, which may be modified when required by the circumstances.

IV) Number of meetings held during the fiscal year:

Nombres y apellidos	Fecha		Cargo dentro del comité
	Inicio	Término	
Carlos Ferreyros Aspillaga	January 2005		
Eduardo Montero Aramburú	January 2005		
Oscar Espinosa Bedoya	January 2005		
Aldo Defilippi Traverso	January 2005		

V) Number of meetings held during the fiscal year:1

VI) It has been delegated powers in accordance with section 174 of the business corporations' act:

Yes

PRINCIPLE XIX	Compliance 0	1	2	3	4
The number of members of a company's Board of Directors should ensure the plurality of opinions within the Board, so that the decisions adopted therein are the result of a proper deliberation, always in the best interest of the company and the shareholders.					X

a. Complete the following information related to the COMPANY's directors for the fiscal year subject matter hereof.

Full name	Creation[2]	Date		Shareholding[3/]	
		Start[1/]	End	Nº of shares	Interest (%)
Dependent directors					
Oscar Espinosa Bedoya	Civil Engineer, Universidad Nacional de Ingeniería (National University of Engineering). Post-graduate degree in Engineering - North Carolina State University, USA. Diploma Course, Economic Development ISVE, Italy Post-graduate in Economics, Inst. Economía Univ. Colorado Master, Harvard University Diploma Course, PAD Universidad de Piura (University of Piura)	1987		Not applicable	
Juan Manuel Peña Roca	Universidad Nacional de Ingeniería – Civil Engineer He has experience in other boards of directors.	1984		Not applicable	
Carlos Ferreyros Aspillaga	Princeton University, New Jersey USA (Economics)	1971		Not applicable	
Andreas von Wedemeyer Knigge	Master in Business Administration (DiplomKaufmann – University of Hamburg, Germany. Brewmaster - Ulmer Fachschule für Bierbrauerei und Mälzer er, Ulm, Germany	2003		Not applicable	

Full name	Creation[2]	Date		Shareholding[3/]	
		Start[1/]	End	Nº of shares	Interest (%)
Independent directors					
Eduardo Montero Aramburú	Bachelor of Economics, Lehigh University PA. USA. Master's Degree in Business Administration, Wharton School of Finance and Commerce, Univ. of Pennsylvania USA.	1980		Not applicable	
Hernán Barreto Boggio	Department of Engineering UNA, Lima. M.S. Food Science and M.S. Chemical Engineering, MIT Cambridge, Massachussets, USA. Ph.D Systems Engineering, Michigan State University, East Lansisng, Michigan, USA. Member of Sigma Xi, American Institute of Chemical Engineering, American Chemical Fulbright Scholar and Rockefeller Foundation Scholar	2005		Not applicable	
Juan Prado Bustamante	Universidad de Lima (University of Lima) – Department of Law and Political Sciences. New York University School of Law-Master in Comparative Law. Boston University Master in International Banking Law	2005		Not applicable	
Aldo Defilippi Traverso	Bachelor of Economics, Universidad del Pacífico (El Pacifico University). Master's Degree in Economic Policy and Development, Boston University PH D Candidate in Economics, Boston University Chief Executive Office's Program, North Western University	2005		Not applicable	

1/ It refers to the first appointment.
2/ Please include professional training and whether he/she has experience in other boards of directors.
3/ Mandatory only for directors owning 5% or more of the company's shares.

PRINCIPLE XX	Compliance 0	1	2	3	4
The information concerning the matters to be discussed at each meeting should be made available to the directors with sufficient time in advance to enable review thereof, unless they refer to strategic matters of a confidential nature. In this case, it shall be necessary to establish mechanisms enabling directors to evaluate said matters properly.				X	

a. How is the information relating to the matters to be discussed in a Board of Directors' meeting sent to the directors?

E-mail

b. How many days in advance is the information concerning the matters to be discussed in a Board meeting made available to the COMPANY's directors?

	Less than 3 days	From 3 to 5 days	More than 5 days
Non-confidential information		X	
Confidential information ***			

*** The confidential information is reviewed first at the committees of the Board of Directors and subsequently in more detail in the Board of Directors' meeting.

c. State whether the procedure in place for the directors to analyze the information considered confidential is regulated in any document(s) of the COMPANY.

The company has a procedure in place, but it is not regulated.

PRINCIPLE XXI	Compliance 0	1	2	3	4
Based on clearly established and defined policies, the Board of Directors decides on the hiring of the specialized advisory services required by the company for decision-making purposes.				X	

a. Detail the pre-established policies on the hiring of specialized advisory services by the Board of Directors or the directors.

The established practice is for the management to hire advisory services, as the management is the party who best identifies the need for them. Even though just a few advisory services are required, when they are significant in nature the approval of the Board of Directors is needed or the Board of Directors is reported accordingly. The management reports the Board on the conclusions of the advisory services that are relevant.

b. State whether the policies described in the previous question are regulated in any document(s) of the COMPANY.

They are not regulated.

c. List the specialized advisors of the Board of Directors who have rendered services to the COMPANY for decision-making purposes during the fiscal year subject matter of this report.

Muñiz, Ramírez, Pérez Taiman, Luna Victoria Abogados
Hay Group
Angel Becerra
Deloitte & Touche SRL
Price Waterhouse Coopers

PRINCIPLE XXII

	Compliance	0	1	2	3	4
The new directors should be informed on their powers and duties as well as on the characteristics and organizational structure of the company.						X

a. If the COMPANY has induction programs for the new directors, state whether such programs are regulated in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
–	X	–	–	Internal Regulations of the Board of Directors and its Committees.

* Specify the name of the document, except in the case of the COMPANY's bylaws.

PRINCIPLE XXIII

	Compliance	0	1	2	3	4
Procedures should be established for the Board of Directors to elect one or more replacements in cases where there are no alternate directors or where a vacancy occurs for one or more directors, in order to complete the number of directors for the remainder of the period, when the bylaws do not stipulate a different treatment.						X

a. Did a vacancy for one or more directors occur during the fiscal year subject matter of this report?

No

b. If the answer to the previous question is YES, in accordance with the second paragraph of Section 157 of the Business Corporations' Act, state the following:

Did the board of directors elect the replacement?

Not applicable

If so, average time taken to appoint the new director (in calendar days)

Not applicable

c. Detail the pre-established procedures for electing the replacement of vacant directors.

Section 33 of the Bylaws. "The office of director becomes vacant due to death, resignation, permanent inability, removal by the Shareholders' Meeting, absence not authorized by the Board of Directors for more than six (6) months or any other impediment qualified as such by the unanimous vote of the other directors.

Except in the case of removal by the Shareholders' Meeting, where the vacancy shall be filled by the Shareholders' Meeting itself, the Board of Directors shall resolve on all other grounds for vacancy and may fill the vacancy designating an acting director, who shall hold the position until completing the term of office of the vacated director.

d. State whether the procedures described in the previous question are set forth in any document(s) of the COMPANY.

Bylaws	Internal regulations	Manual	Others	Name of document*
X	–	–	–	

* Specify the name of the document, except in the case of the COMPANY's bylaws.

PRINCIPLE XXIV

	Compliance	0	1	2	3	4
The duties of the Chairman of the Board of Directors, the Chief Executive Officer, if applicable, and the General Manager should be clearly defined in the company's bylaws or internal regulations in order to avoid duplication of functions and possible conflicts.						X

PRINCIPLE XXV

	Compliance	0	1	2	3	4
The company's organizational structure should avoid concentrating duties, powers and responsibilities on the Chairman, the Chief Executive Officer, if applicable, the General Manager and other officers in management positions.						X

a. If any of the answers to the previous question is positive, state whether the responsibilities of the Chairman, the Chief Executive Officer, if applicable, the General Manager and other officers in management positions are established in any document(s) of the COMPANY.

Responsibilities of:	Bylaws	Internal regulations	Manual	Others	Name of document*	Not regulated	Not applicable **
Chairman	X						
Chief Executive Officer							X
General Manager	X						
Managerial Staff			X		Job Description Manual – Human Resources Management		

* Specify the name of the document, except in the case of the COMPANY's bylaws.
** In the COMPANY the duties and responsibilities of the indicated officer are not defined.

PRINCIPLE XXVI

	Compliance	0	1	2	3	4
It is recommended that the Management be paid at least a percentage of its compensation according to the company's results so as to ensure the attainment of the objective of maximizing the value of the company in favor of shareholders.						X

a. As regards the bonus program for the managerial staff, indicate how said bonus is paid.

Delivery of money

b. State whether the compensation (excluding bonuses) earned by the general manager and the managerial staff is:

	Fixed remuneration	Variable remuneration	Compensation (%)*
General manager	X	X	0.63
Managerial staff	X	X	

* Indicate the percentage represented by the total amount of the annual compensations paid to the managerial staff and the general manager, with respect to the level of gross income, according to the COMPANY's financial statements.

c. State whether the COMPANY has established any type of guarantee or the like in the event of dismissal of the general manager and/or managerial staff.

No

II. SECTION TWO: ADDITIONAL INFORMATION

II.1. SHAREHOLDERS' RIGHTS

a. Indicate the means used to inform new shareholders on their rights and how they can exercise them.

The new shareholders are not specifically informed about their rights nor about the manner in which to exercise them, because this information is contained in the bylaws and the internal regulations of the shareholders' meeting, the board of directors and the committees of the board of directors, which are published on the web page.

b. State whether the agenda items to be discussed and the supporting documents are physically available to the shareholders during the meeting.

Yes

c. Specify the person or body of the COMPANY responsible for making a follow-up on the resolutions adopted by the Shareholders' Meeting. If the responsible party is a person, also indicate his/her position and the area where he/she works.

Person in charge

Full name	Position	Area
Patricia Gastelumendi	Manager of the finance division	Finance
Victor Astete	Manager of the comptrollership office	Comptrollership office
Augusta Ponce	Head of the securities department	Finance

d. State whether the information concerning the stock holdings of the COMPANY's shareholders are at:

The company

e. Specify how frequently the COMPANY updates the data of the shareholders entered in its Share Register.

	Information subject to updating		
Frequency	Address	E-mail	Telephone
Less than monthly	X		
Monthly			
Quarterly			
Annual	X	X	X
More than annually			

Any and all information relating to the transfer of shares, including the number of shares, is modified on a daily basis and checked against CAVALI's information every month.

The addresses and telephone numbers are modified when CAVALI sends the information. We are having problems with the addresses furnished by CAVALI, for which reason the information we need to submit to our shareholders, particularly the information regarding the notice of Shareholders' Meetings, is being returned due to several reasons. As the information is returned, the Securities Department tries to locate the shareholders to update their data, but this is a rather complex task, as in most cases the shareholders do not have any relationship with the company.

f. Detail the COMPANY's dividends policy applicable to the fiscal year subject matter hereof.

Date of approval	March 28, 2007
Approving body	Shareholders' Meeting
Dividends policy (Criteria for profit sharing)	The dividends to be distributed in cash shall be equal to 5% of the par value of the shares issued upon calling the Shareholders' Meeting; up to 50% of the freely available dividends may be distributed. If 5% of the par value of the shares issued upon calling the Shareholders' Meeting is lower than 50% of the freely available profits obtained at the close of the fiscal year, the Shareholders' Meeting may distribute a greater amount of dividends in cash, subject to a limit equivalent to 50% of the freely available profits.

Date of approval	March 18, 1997
Approving body	Shareholders' Meeting
Dividends policy (Criteria for profit sharing)	All the freely available profits of each year are distributed either in cash or in shares issued by the Company. The cash dividends would be equivalent to 5% of the par value of the outstanding shares at the time the resolutions of the Shareholders' Meeting are adopted, provided that they do not exceed 50% of the freely available profits of each year. In the event of an excess, 50% of the freely available profits shall be distributed.

g. Specify, if applicable, the dividends in cash and in shares distributed by the COMPANY during the fiscal year subject matter hereof and the previous fiscal year.

Date of delivery	Dividend per share		Policy
	In cash	In shares	In force
Class of share ..Common			
Year n-1 2003	S/.0.04455801	6.34146300000%	1997
Year n 2004	S/. 0.05500000	11.0000000000%	1997
Year n 2005	S/. 0.05500000	6.76915447558%	1997
Year n 2006	S/. 0.11000000	18.1400000000%	2007

II.2. BOARD OF DIRECTORS

h. With respect to the meetings of the COMPANY's Board of Directors held during the fiscal year subject matter here of, provide the following information:

Number of meetings held:	13
Number of meetings where one or more directors were represented by substitute or alternate directors	0
Number of regular directors who were represented at least on one occassion	0

i. Detail the type of bonuses received by the Board of Directors for the attainment of the COMPANY's goals.

Not applicable. The company does not have any bonus programs for directors.

The Board of Directors does not receive any bonuses. In accordance with Section 36 of the Bylaws, the compensation of the Board of Directors shall be equivalent to six percent (6%) of the net profits of the year before taxes and after covering the legal reserve.

The Board of Directors may reduce the compensation whenever it may deem necessary or convenient. Furthermore, it shall agree on the distribution of the global compensation among its members.

j. State whether the types of bonuses described in the previous question are regulated in any document(s) of the company.

Bylaws	Internal regulations	Manual	Others	Name of document*

* Specify the name of the document, except in the case of the COMPANY's bylaws.

Not applicable

k. Specify the percentage represented by the total amount of the annual compensations paid to the directors, with respect to the level of gross income, according to the COMPANY's financial statements.

	Total compensations (%)
Independent directors	0.27
Dependent directors	0.27

l. State whether the discussion by the Board of Directors on the management's performance was made in the presence of the general manager.

No discussion was held

II.3. SHAREHOLDERS AND STOCK HOLDINGS

m. Specify the number of voting shareholders, non-voting shareholders (if applicable) and holders of investment shares (if applicable) of the COMPANY as of the close of the fiscal year subject matter hereof.

Class of share (including investment shares)	Number of holders (as of the close of the year)
Voting shares	1,345
Non-voting shares	0
Investment shares	0
Total	1,345

n. Complete the following information regarding the shareholders and holders of investment shares with more than 5% shareholding as of the close of the fiscal year subject matter hereof.

Class of Share: Common

Full name	Number of shares	Interest (%)	Nationality
La Positiva Vida Seg. y Reaseguros	29,838,267	9.78%	Peruvian
AFP Prima Fondo 3	25,384,472	8.32%	Peruvian
Horseshoe Bay Limited	19,729,876	6.46%	Foreign
AFP Integra Fondo 3	19,279,881	6.32%	Peruvian
AFP Horizonte Fondo 2	19,259,274	6.31%	Peruvian

II.4. OTHERS

o. State whether the company has any internal rules of conduct or the like referring to ethical and professional responsibility criteria.

Yes

If the answer is YES, specify the exact name of the document:

Code of Conduct

p. Is there a register of cases of non-compliance with the rules referred to in question a) above?

Yes

q. If the answer to the previous question is YES, specify the person or body of the company in charge of keep ing such record.

Area in charge	Personnel administration and development management

Person in charge

Full name	Position	Area
Rossana Ballada I.	Manager	Human resources

r. For all the documents (Bylaws, Internal Regulations, Manual or other documents) mentioned in this report, provide the following information:

NAME OF DOCUMENT	APPROVING BODY	DATE OF APPROVAL	DATE OF LAST REVISION
Bylaws	Shareholders' Meeting	03.24.1998	03.22.2005
Job Description Manual	Management	Permanent	Permanent
Resolution of the Shareholders' Meeting-Policy on Dividends	Shareholders' Meeting	March 1997 March 2007	
Internal Rules of Conduct for the performance of the obligations derived from the registration of securities with the Public Registry of the Securities Market	Board of Directors and Shareholders' Meeting	January 2005 March 2005	
Internal Regulations of the Shareholders' Meeting	Board of Directors	February 2006	
Internal Regulations of the Board of Directors and its Committees	Board of Directors	February 2006	
Code of Conduct	General Management	December 2005	
Manual of Good Corporate Governance Practices	Finance Management	June 2007	

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