IN EVERY...

FERREYROS 2009 ANNUAL REPORT

STATEMENT OF RESPONSIBILITY

This document contains accurate and sufficient information with regard to the business performance of Ferreyros S.A.A. during 2009.

Notwithstanding the responsibility of the issuer, the undersigned are responsible for the contents of this report pursuant to the applicable legal provisions.

Mariela García Figari de Fabbri
General Manager

Víctor Astete Palma
Comptrolling Division Manager

Bernardo Chauca Quispe
Accounting Manager

Lima, March 31, 2010

CONTENT

IN EVERY...

For Ferreyros, standing by our clients is much more than delivering machinery and equipment. It is having an integral presence throughout the country to serve them in the most efficient way. It is delivering the highest standard service to boost the productivity of their units. It is being a responsible company with them and with all our stakeholders. It is accompanying them on site, having our employees stay and live with them through the day-to-day work. And, also, it is developing specialized solutions that make the difference in the market and add value to their business. Is it possible to be present in all these fields? At Ferreyros we firmly believe that it is.

IN EVERY REGION OF THE COUNTRY

ALL-TERRAIN PRODUCTIVITY

IN EVERY SERVICE

SPECIALIZED SUPPORT

IN EVERYTHING AND WITH EVERYONE

SOCIAL RESPONSIBILITY

IN EVERY PROJECT

WHERE THE ACTION IS

IN EVERY DETAIL

DEVELOPMENT OF SOLUTIONS

BOARD OF DIRECTORS

ÓSCAR ESPINOSA BEDOYA
CHAIRMAN AND PRESIDENT
CARLOS FERREYROS ASPÍLLAGA
VICE-PRESIDENT
HERNÁN BARRETO BOGGIO
DIRECTOR
ALDO DEFILIPPI TRAVERSO
DIRECTOR
EDUARDO MONTERO ARAMBURÚ
DIRECTOR
JUAN MANUEL PEÑA ROCA
DIRECTOR
JUAN PRADO BUSTAMANTE
DIRECTOR
ANDREAS VON WEDEMEYER KNIGGE
DIRECTOR

LETTER FROM THE CHAIRMAN OF THE BOARD TO THE SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to submit to the Shareholders a summary of the most relevant achievements of the company for the year 2009, together with some estimates concerning the probable behavior of the company in 2010. This summary will be supplemented with the 2009 Management Report.

The year 2009 will be remembered as the year of the world recession that resulted from the financial crisis arisen at the end of 2008. The leading world economies entered into a recession period and dragged along most of the other countries, in different degrees, which responded in different ways and with different tools to counteract the damaging effects of the crisis. Peruvian authorities announced at the beginning of the crisis that the impact would be small and the country managed to grow even if at slightly more than 1%, substantially less than the 9.8% growth recorded in 2008.

Within such an adverse environment, marked by uncertainty and by external crisis threats, Ferreyros, which had been growing along six consecutive years, first set itself to maintaining a business volume at levels similar to those of 2008, when it had reached peak income figures. The year-end results would show that while those figures could not be repeated, the 2009 sales reached a level barely 3.2% below the 2008 sales figures for both, Ferreyros S.A.A. and the consolidated sales figures including its subsidiaries.

The mining sector started the year with a conservative investment policy as it faced a downturn in the price of minerals. That position was set aside halfway through the year, in the midst of a consistent recovery of international prices, when the leading mining companies decided their purchases for expansions or new projects. The hydrocarbons sector was severely affected during great part of the year due to the fall of the oil price, which caused the stoppage of some wells in the forest and northern region of the country. The fisheries sector was busy adapting to the new fishing quota system, which generates at the beginning less need for construction and repair of vessels, which are served with existing marine engines in the companies. The agriculture sector, agribusiness in particular, stopped growing as there was less demand for the exports products in the foreign markets, especially in Europe and the United States. The construction sector remained expectant throughout the year, ready to make significant investments to serve the projects that might be called for as part of the economic incentives package, which was not unfolded entirely. Nevertheless, the sector kept growing thanks to large infrastructure projects that are contributing to a greater modernity of the country.

Within this environment that showed different behaviors in the face of the crisis, the company kept in close touch with its customers and with the market in general, ready to meet their different needs. With that approach, the comprehensive proposal of Ferreyros towards its customers acquired greater relevance, which included the timely delivery of equipment, enhanced post-sales service, training for operators, the contribution of new technological resources and direct or indirect financing, capturing their attention and maintaining its leading position. As a result, its market share increased in several segments where it offers machinery and equipment.

Reflecting this intense activity, the sales of Ferreyros reached US$ 614 million, US$ 758 million if we add the sales to its subsidiaries. It is worth mentioning that substantial purchase orders covering mining trucks and auxiliary equipment were obtained during the year for the new Toromocho Project, for the expansion of Antamina and for the partial replacement of Yanacocha´s mining fleet.

In the financial field, the company was able to improve its financial structure, reducing its indebtedness ratio from 2.52 to 1.41 and the ratio after consolidating balance sheets with its subsidiaries from 3.04 to 1.89. The increase of this ratio early in the year, as advised during the Shareholders' Meeting of March 2009, was the result of an increase of the machinery and equipment inventory, generated in the first place by the purchase of a significant number of mining trucks at the beginning of the year, the delivery of which was deferred a few months. In the second place, the greater demand levels and lead times for replacement that prevailed in the previous year favored inventory purchases with no relation to the demand of those months. However, in the face of the gradual recovery of the economy, our customers resumed their projects and reactivated their purchases of machinery and equipment, enabling us to bring our inventory levels down gradually from US$ 210 million to US$ 111 million over the year. The above, added to the reduced cost of money, resulted in a sharp fall of the financial expenses of the company, from a monthly average of US$ 2.4 million during the first quarter of the year, to US$ 1.5 million monthly average during the last quarter.

As a result of this group of factors, among them a good sales volume, reduced inventories, gradual reduction of financial expenses and foreign exchange gains, earnings after taxes reached the amount of S/. 100.5 million, representing a 25% growth with respect to the earnings obtained in 2008. It must be mentioned that the foreign exchange gain was substantial, compensating the loss recorded the previous year for the same concept, as informed in due time to the Shareholders.

Meanwhile, in December, the company announced its incursion in the international market with the purchase of the companies that represent Caterpillar in El Salvador, Guatemala and Belize, which despite having a sound economic and financial situation were put up for sale by their previous shareholders for personal reasons. Thanks to an invitation from Caterpillar and following negotiations with its owners during 2009, the purchase process of Gentrac Group was concluded through a new subsidiary of Ferreyros S.A.A., created under the name of INTI, Inversiones Interamericanas Corp., and finalized during the first week of this year with the financing from Caterpillar Financial Services. This acquisition does not entail the distraction of financial and managerial resources of the organization.

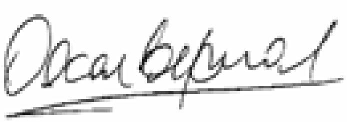
The internationalization of the company will enable us not only to expand its performance in a business field with which it is well acquainted, but will also contribute to the exchange of best practices with the new territories, attaining, in addition, complementary benefits thanks to the synergies to be developed.

In short, the Board of Directors conveys that significant efforts were engaged in 2009 to reach the favorable results that Ferreyros now presents to its Shareholders and it also considers that the company is better prepared to face 2010 successfully. The outlook for the year looks promising, based on several economic recovery and growth indicators and on the positive business attitudes reflected in some specialized indicators. Furthermore, this positive environment is strengthened with the announcement of the execution of large infrastructure and natural resources projects.

For this new year, Ferreyros renews its commitment to continue being in close contact with its clients engaging its efforts to get better acquainted with their businesses and be able to continue contributing added value to its proposal.

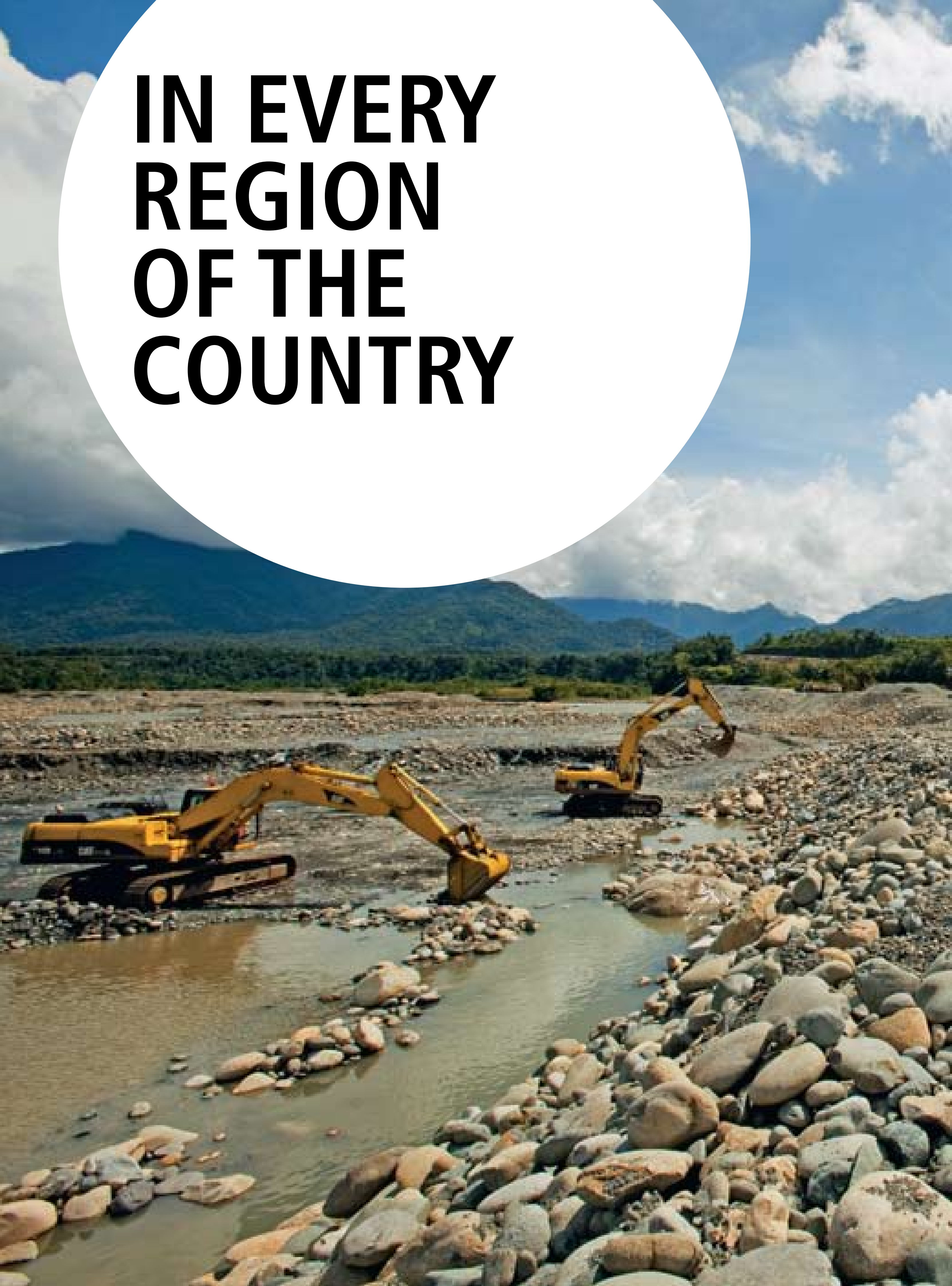
Upon ending the year 2009 and initiating the new year marked by promising expectations, I must reiterate our recognition to the Shareholders for their trust, to our clients for their loyalty and continued preference, to Caterpillar and the other prestigious represented brands for their permanent support, to the institutions which, due to their trust in the company, have given us their financial contribution, and to our workers, without whose loyal and efficient participation we would not have been able to reach the goals achieved.

Below I am pleased to submit to our Shareholders the "2009 Management Report" prepared by the management and approved by the Board of Directors in meeting held on February 24, 2010, as well as the financial statements, pursuant to the Conasev Resolution 141.98 EF/94.10 that governs the presentation of Annual Reports, including the Statement of Responsibility set forth by the said Resolution.

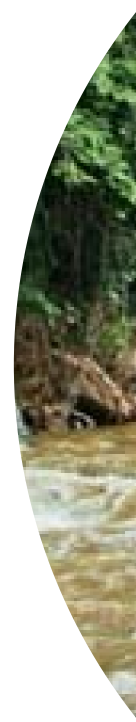


Óscar Espinosa Bedoya

IN EVERY REGION OF THE COUNTRY




CAT
966H



Geographical coverage is an essential aspect when selling capital goods and delivering service, as the equipment works in the most diverse areas of the territory. In 2009, around 2,300 workers at Ferreyros made it possible to reach the objective of being close to the clients to assist them with their needs, with presence in more than 50 places in the country, providing specialized support countrywide.

Throughout Peru, the company serves key economic sectors such as mining, construction, energy, hydrocarbons, fishing, agriculture and transportation. An ever increasing machinery fleet from Caterpillar and other prestigious brands offered by Ferreyros, as well as the presence of our personnel, evidence the leadership of our company throughout the country.

Seeking to permanently strengthen its presence countrywide, Ferreyros is constantly investing to expand its capacities. Accordingly, to optimize its service to clients in La Libertad, in 2009 Ferreyros expanded and refurbished its facilities in Trujillo, with an investment of US$ 1.8 million.

Likewise, in 2009, the company inaugurated an office in La Merced, Junín, and in Tingo María, through its subsidiary Orvisa. Furthermore, Ferreyros opened the doors of its second automotive facilities in Lima, with an investment close to US$ 2 million, to be able to be closer to our clients of that sector. In 2010, the expansion continues in other branches of the company.

2009 MANAGEMENT REPORT

BRIEF ACCOUNT OF THE HISTORY OF THE COMPANY

Ferreyros was founded in 1922 on the initiative of Enrique Ferreyros Ayulo and three shareholders, to engage in the trading of consumer products. In 1942, it initiated its activities in the capital goods line of business, taking up the representation of Caterpillar Tractor, which constituted a total change in the company's activity.

As from 1965, seeking to expand its coverage to increase its sales, it started a decentralization process and established offices in the provinces, as well as several affiliates.

In 1971, seeking to sustain its growth, the Shareholders decided to go public and list Ferreyros in the Lima Stock Exchange (BVL).

Towards the end of the 80's, Ferreyros abandoned the business of consumer goods and decided to focus its efforts on its core business, capital goods. To this end, it acquired new representations to complement the Caterpillar line. In this manner, it was able to better serve its customers of the diverse production sectors of the economy. In the 90's, the company started the business of equipment rental and the sales of used machinery In those same years, it started to serve large open-pit mining projects recently granted in concession or privatized, importing the first Caterpillar off-road mining trucks.

In 1994, it launched its first corporate bond campaign and became in one of the leading actors in the capitals market, where it has been very successfully active ever since. As from 1995, the company has 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-scale mining equipment. Likewise, the company decided to make incursions into the sale of machinery for underground mining.

Responding to the growth experienced, in 1997 the company successfully placed shares locally and abroad, increasing its net worth by US$ 22 million.

The sudden slow down of the economy's growth during the period 1998-2001 had an adverse effect on the company's sales and the organization and its finances had to be adapted to the new market size.

In the period between 2002 and 2009, the company faced an accelerated growth period, achieving an accumulated growth of 223%, owing to the introduction of new lines of products and services and to the increasing number of clients served, all of it made possible by the substantial investment made in infrastructure, systems and training of personnel.

During that period, a significant growth occurred also in its subsidiaries, which today account for 19% of the organization's business and complement the offer to many customers in common with the head company, Ferreyros.

In 2009, the company stood very well to the crisis, practically keeping the same operating volumes as in 2008 and begins 2010 with a view to resuming interesting growth rates. One way to achieve this performance is through internationalization. In December 2009, the company finalized an agreement to purchase the shares of Gentral Corporation, representative of Caterpillar in three Central American countries, an operation made possible thanks to the invitation of Caterpillar for Ferreyros to take up the representation in those countries.

In accordance with the bylaws of Ferreyros S.A.A., its corporate purpose is the purchase/sale of national and foreign goods and products; the import and export of goods and articles in general; the provision of services and investment and commission transactions. 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).

COMMERCIAL MANAGEMENT

Ferreyros, recognized as the leading distributor of capital goods in Peru, targets its activities at different economic sectors of the country, such as mining, construction, energy, hydrocarbons, fisheries, hydrocarbons, agriculture and transportation. Below is a brief description of the performance of these sectors and their relation with the operations of Ferreyros during 2009.

MINING SECTOR

Given the diversity of minerals that Peru produces, the behavior of the prices of the basic metals had an impact on the different mining producers at different times and in slightly different ways. However, looking at 2009 as a whole, the basket of minerals produced by the country evidenced a completely positive performance.

In Peru, open-pit mining – which produces large quantities of ores and which requires the movement of enormous amounts of materials in the process – is mostly related to gold, copper and, in some mines, also to zinc. Therefore, it benefited with the astounding price increases of copper and zinc, which rose consistently throughout the year and which in December had virtually doubled the spot prices with which they started the year. In turn, the gold price remained fluctuating around US$ 950 per ounce during the first half of the year, recording thereafter successive increases to reach a maximum of US$ 1,200 per ounce at the end of the year. The traditional underground mining, with many mining units located in the Andes Mountains and which is mostly connected to zinc and silver, benefited from the above mentioned price increase of zinc and, in the second half of the year, with the silver prices, which rose sharply in the world market, returning to the US$ 18 per ounce level.

It may be concluded, then, that the sharp fall experienced by the prices of the main metals during the third and fourth quarters of 2008 and which could have generated some degree of uncertainty in mining producers – especially in the operations that evidence more vulnerability or have higher production costs – was definitely overcome with the overtly recovery of the markets throughout 2009.

In the field of open pit mining, where investment decisions require significant anticipation and where analysis are mostly based on the long-term metal prices, the machinery and equipment orders have grown considerably with respect to previous years. During 2009, the company received orders for more than US$ 200 million in new machinery for Large Scale Mining, having been greatly favored by the trust of its clients. It is especially worth mentioning the purchase orders received from two very significant projects in the industry: i) the entire mining fleet of the Toromocho Project for Chinalco, which represents US$120 million, including trucks of up to 400 short tons and which will be delivered between 2010 and 2012; and ii) a new mining fleet for Antamina, now engaged in expanding its operations, to be delivered between 2010 and 2011, for an amount of US$55.6 million. It must be pointed out that there are also other important projects awarded that entail the sale of 100-ton truck fleets for mining operations and other secondary equipment that will be delivered during 2010.

Several dozens of mining trucks and secondary equipment were billed during 2009, the main receiver of such machinery being the Tía María Project of Southern Peru Copper Corporation. The Large Scale Mining segment represented US$ 258 million in revenues for Ferreyros, which include not only new trucks, machinery and equipment, but also post-sale services that cover spare parts and services delivered on site, as well as repairs that we carry out at our Components Repair Center (CRC).

During 2009, Ferreyros once again was in a leading position in the market, in the import of machinery for the Large Scale Mining sector and owing to the awarding of the above-mentioned projects and the orders for fleet renewals and expansions foreseen by clients such as Minera Yanacocha and Xstrata Tintaya, it expects to continue leading the market share in the next years.

As already mentioned, underground mining also evidenced a recovery of the investment mood as the year progressed and the metal prices kept rising. Thus, the billing and delivery of low profile loaders increased from quarter to quarter, doubling the number of units delivered towards the end of the year with respect to the first quarter of 2009.

In 2009, Ferreyros was once again leader in this line of underground machinery, with 78% market participation – in FOB values – surpassing the traditional manufacturers. It is worth mentioning that during 2009, the company assigned more than 50 technicians to different mining operation sites of the companies with which it executed fleet administration agreements.

CONSTRUCTION SECTOR

For the construction sector, 2009 was a particularly challenging year. On the one hand, the execution of large infrastructure projects continued, entailing multiple year budgets, in particular the North and South inter-oceanic highways, the stretches of which, located in very rugged places, require great concentration of caterpillar tractors, hydraulic excavators and dump trucks, as well as works related to the gas pipeline that will carry most of the gas production of the country. It has also been a year during which the development of road projects continued, to improve the quality of the running surfaces of the roads that run throughout the national territory, demanding a considerable amount of heavy equipment such as motor graders, rollers and pavers.

In contrast, other construction contractors have seen their demands for machinery reduced or postponed due to the deferral of some important projects and the reduction of some infrastructure and maintenance works of roads used by mining companies, a sound measure in the face of the low prices of commodities between the end of 2008 and the beginning of 2009.

While the large infrastructure gap, a still pending task in Peru, has caused our clients to keep up their endeavors to increase their fleets and renew their equipment, a slowdown was observed in the execution of works during 2009, despite the manifest political intention of the central and the regional governments to work towards closing this gap.

The construction sector has demanded a total of US$ 113 million of Ferreyros during 2009, which include both the supply of machinery and equipment and post-sale services. In general, 90% of the demand is explained by goods and services related to the Caterpillar brand, while the remaining 10% is explained by dump trucks, compressors and cranes of well-known brands, which we also carry. With regard to geographical coverage, it is worth mentioning that approximately 50% of the businesses have been served through the broad, nationwide network of Ferreyros branch offices.

Within this context, the company served during the year machinery renewals and increases of traditional clients and of other new participants in the sector, both locally and abroad.

The success in the management of the infrastructure projects executed by the companies in the sector lies, greatly, on the operating capacity of the equipment. Accordingly, part of the strategy of the company is to accompany our clients at their work site with on-site facilities of our own, to provide spare parts on consignment and technical and commercial staff on site that moves as the works progress. This will result in the greater operating availability of their equipment and ensuing production efficiency, in addition to guaranteeing greater residual values in the used equipment market. It is precisely with the provision of these services that the company distinguishes from new participants in the market who only import machinery and do not get involved in providing technical support throughout the country.

During 2009, there was a general reduction in the imports of capital goods, where the participation of new competitors was virtually null. The liquidation of stock at very reduced prices and the sale offered of batches imported two or more years ago were a sign of the difficulties experienced by some of the importers who do not necessarily represent the manufacturers or have an organized post-sales support service.

ENERGY AND HYDROCARBONS SECTOR

A shortage of energy in the country could be foreseen towards the end of 2008, as a result of the increasing demand due to the GDP growth and to the lack of development in the generation of hydraulic energy in the past years. Thus, the company geared up to serve the increasing demand for power generators that would emerge in that scenario, from the public sector, which had announced generator rental programs, or from the private sector. However the increase of the demand fell back at the beginning of 2009, as a result of the international financial crisis and the adjustments in the growth expectations of the Peruvian economy and of the business activity. Consequently and thanks to the sales network among Caterpillar distributors worldwide, the company was able to channel a large part of the power generators inventory that had been purchased towards other markets and thus resize its inventory redirecting it towards the new requirements of the local market.

It is in that context that the activity related to the generation of new energy was limited to projects that were isolated and not interconnected to the national network. During the first quarter of 2009, for example, the installation of a thermal power plant was completed in Pisco, comprising three gas-fueled generating groups, the first of this kind in the country. These equipment burn directly the Camisea gas to generate altogether up to 6 MW, operating round the clock as isolated generation of the national system.

In the area of they hydrocarbons sector, the participation of the company evolved according to the decisions of an economic and financial nature that the companies faced in the sector when they saw the oil prices spiral down to US$ 31 lows per WTi barrel in January 2009 to gradually increase thereafter, especially during the second semester, reaching US$ 75 per barrel by the end of 2009, still far from the US$ 145 it had reached around mid 2008.

In line with the return expectations of the oil business resulting from the variation of the crude oil prices, the company had to face a severe reduction in the purchase of engines and spare parts by the leading oil companies operating in the country, which have already become traditional customers, as well as by the contractors in the sector, who provide drilling and extraction services in the new oil fields, having the operation volumes recovered substantially towards the end of the year with this segment.

MARITIME AND FISHERIES SECTOR

With regard to the maritime sector, Peru lived in 2009 the first year of application of the new quota allocation law for the national fishing fleet. This meant quite a substantial change in the behavior of the fishing companies, since they do not require any more to maximize the number of units to capture the marine resource or to capture the largest biomass amount in the shortest period; they now need to focus on the efficiency they may achieve in such capture. As corollary of this new system and as already known, the active fishing fleet has been reduced. It is estimated that 40% of the fishing fleet is not fishing, which obviously has had an impact in the short term, in the demand of engines, spare parts and services. However, great optimism has been observed in the maritime sector over the year, not only because the new quota allocation law has enabled companies in the sector to better organize their operations, but also because the international price of fish meal rose from US$ 1,000 to US$ 1,500 during the second half of the year. Accordingly, it is expected that after a few months operating under the new quotas system, the demand for products from this sector will return to a new balance and will continue to represent a very attractive market for the company, especially considering the high participation of Caterpillar motors in the national fishing fleet.

It is worth mentioning that in the maritime sector, the construction of four tugboats was completed in 2009, designed and built entirely at the SIMA, each of which was equipped with two Caterpillar marine engines of the 3500 family and three state-of-the-art electric power generators of the C series.

Despite the retraction of imports and sales of marine, diesel engines and power generators, in general, the active and permanent market coverage positioned the company at the head in the market share of electric power generators with 59% and 78% in marine engines - based on FOB import dollars.

GOVERNMENT SECTOR

In 2009, sales to the government sector evidenced, once more, great dynamism, which was to be expected due to both the announcement by the government of an economic incentive program and the economic capacity of many regional governments thanks to the resources they receive from the central government and from the mining tax and other local contributions. According to the ranking published in the State Electronic Procurement and Contracting System of the Supervisory Agency for State Contracting – OSCE, as at December 31, the company was again among the leading suppliers of the State, leading the capital goods sales line, an important achievement that responds not only to the quality of the products offered and the world renowned companies it represents, but also to the on-site support it provides through its branch offices.

During the year, the company was awarded several purchase contracts that positioned it as the supplier of 35% of the total amount involved in all the public bidding processes and tenders in which it participated in the line of goods and services it offers. The main lines the company participated with were Caterpillar machinery and electric power generators, Iveco Trakker dump trucks and Massey Ferguson farming tractors, contributing significantly to the market participation of these lines.

It is important to mention that the sales to the government sector (district and province municipalities, regional governments, ministries and central government entities) are carried out under strict bidding procedures. In all cases, the department specialized in sales to the government sector leads and coordinates the participation of the Ferreyros organization in such processes, with the support of the specialists of the different lines it distributes. As a result, the turnover during 2009, with respect to the government sector amounted to US$ 37 million.

TRANSPORTATION SECTOR

Ferreyros represents three leading brands of trucks and buses: Kenworth, Iveco and Yutong. During 2009, these representations generated sales amounting to US$ 52 million, including vehicles and post-sales services. The sale of trucks accounts for 85% of the turnover in vehicles the remaining 15% corresponding to the sale of buses, a market segment in which the company is participating since short time ago.

These figures evidence a downturn with respect to the figures reached in 2008, as a result of the 46% contraction in the demand of units for heavy loads in the country, already reported by the Automotive Association and specialized publications. The segment most affected was that of tracto-trailer trucks, where Ferreyros participates with the Kenworth line, which fell by almost 705, mainly explained by the reduced harvests of rice and coffee in the farming sector and in general, due to the reduced general freight throughout the country on account of the drop of the domestic demand. The segment of dump trucks of more than 38 tons load capacity, where the company participates with the brand Iveco, dropped 34% with respect to the previous year due to the postponements and work stoppages in the construction and mining sectors. With regard to the transportation of personnel, the sector we serve with the Yutong and Iveco buses, it dropped 20% based on units sold, mainly due to the reduced purchases from the inter-province sector that suffered financial restrictions, as in order to face the international financial crisis the local system redefined the risk level to take in each sector it participates and also due to a slight retraction of domestic tourism.

In both the freight and passengers transportation, the decrease is stressed as results are compared to those of 2008, which was marked by a significant renewal of fleets.

Despite the above-mentioned contractions, Ferreyros is still firmly committed to the transportation sector and its long-term vision and continues to be confident on the future of this sector. Accordingly, during 2009 it completed the construction of the new service headquarters for the automotive division, strategically located in the district of Ate. This decision has enabled the company to keep in close contact with its clients and offer an increased number of quick maintenance service bays, in addition to the centralization of the spare parts warehouse. The new premises operate separately but interconnected with the Lurín shop, dedicated to major repairs, insurance loss events service, pre-delivery works and warehousing of units.

As for the market participation of the brands represented by Ferreyros, it must be mentioned that the brand Kenworth kept increasing its share, reaching 11% in the vehicles segment where it competes. In the case of Iveco dump trucks, during 2009 the company was able to keep its runner-up position obtained in 2008. In this segment, the important introduction of new brands deserves a special mention, specifically those of Asian origin, which intend to pose a threat to the traditional brands with low pricing strategies. Finally, with regard to the bus segment, our market share increased from 5% to 7%, with emphasis on natural vehicular gas (GNV) units, which achieved 27% of the national market in 2009, without considering the units corresponding to the High Capacity Dedicated Corridor (COSAC) where the company decided to abstain from participating in view of the financial risks identified.

AGRICULTURAL SECTOR

Despite the contraction of the local market demand, during 2009 the company managed to increase its market share through its leading principals, Massey Ferguson and Landini, as well as the agro-industrial equipment it offers. Sales for the year reached US$ 18 million, including the sale of equipment and post-sale services, thanks to alliances with farming and agribusiness associations and field trip programs to visit our clients.

Once again the market has recognized in Ferreyros and in the tractor brands it offers, significant elements that distinguish it, such as the high productivity that may be achieved with its equipment, the low operating costs in the field and the quality of the post-sales service, turning them into key factors in customer preference. As a result, in 2009 the company achieved 51% market participation, measured in US Dollars, corresponding to the import of farming tractors.

Furthermore, during 2009, the company continued developing its agro-industrial line through an efficient coverage program by clients and zones, especially in the northern and eastern zones of Peru. It developed a program to introduce the new lines, in joint work with the suppliers Zaccaria and Kepler Weber, to highlight the characteristics and competitive advantages of the products offered.

With regard to the forestry market, coverage was strengthened to attract new opportunities in this sector. Our principals Mendes, Benecke and Omil accompanied us during 2009 in the prospection and identification of needs in the lumber market, which represents a great opportunity for growth for our subsidiary Orvisa that serves the eastern zone of the country.

LINES OF PRODUCTS

The Ferreyros organization is the only distributor of Caterpillar in Peru, and we have represented them since 1942.

In addition to Caterpillar new and used machinery, equipment and engines, Ferreyros trades a wide variety of products of other quality brands that include Massey Ferguson tractors, Zaccaria rice mills, Kepler Weber grain silos and dryers, Atlas Copco Drilling Solutions drills, Metso crushers, Sullair compressors, Terex cranes, Kenworth trucks, Iveco vehicles and Yutong buses.

In order to serve those customers that need to rent rather than buy, Ferreyros offers an important fleet of Caterpillar machines to meet such needs, basically in infrastructure projects.

The company has a large network of repair shops located throughout the Peruvian territory to provide the post-sale service to its customers. These shops 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 branch offices as well as in strategic locations where its major customers carry out their activities.

Thanks to a comprehensive offer that embodies first class products and services and to the trust of its clients, Ferreyros keeps a privileged position in all the segments where it participates.

COMPETITION

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

In auxiliary machinery and off-road trucks for Large Scale Mining, Caterpillar faces the competition with Komatsu and Terex. With regard to low profile loaders for underground mining, the competitors are Atlas Copco and Sandvik.

In earth-moving machinery for both, heavy and light construction, the Caterpillar equipment distributed by Ferreyros competes with Komatsu, Volvo, Hyundai, Case, JCB, Daewoo and John Deere.

In the engines line, the company offers Caterpillar and competes with Detroit Diesel, Cummins, FG Wilson and Volvo in the diesel segment, with Wartsila and Man in the heavy fuel segment and with Wartsila and Waukesha in the gas-fuel segment.

In drills for surface mining, it offers Atlas Copco and competes with Sandvik, Drilltech, Reedrill and Bucyrus. In cranes of different types and capacities, Ferreyros represents Terex and competes against Manitowoc and Grove. In portable air compressors, it distributes Sullair from Ferreyros and Compair from Unimaq. In both cases its competitor is Atlas Copco.

With regard to the farming line, Ferreyros distributes Massey Ferguson and Landini tractors and its main competitors are John Deere and Ford New Holland.

As to the line of trucks, in both the market of dump trucks and tractor trailer trucks, Ferreyros participates with its brands Kenworth and Iveco and competes with Volvo, Scania, Mercedes Benz, Freightliner and Volkswagen. In buses, Ferreyros offers the brands Iveco and Yutong and competes with brands like Mercedes Benz, Volkswagen, Scania and Agrale.

Concerning the lines of spare parts of the different brands we trade, the company faces competition with entities distributing non-genuine spare parts in small market segments.

COMPREHENSIVE SERVICES

The commercial success described in the foregoing section is the result of a business strategy that includes not only the sale of high quality, world renowned equipment, but also the provision of a series of services that make it possible for Ferreyros to tend to the customized needs of its clients, some of whom are listed below.

MACHINERY RENTAL

As part of its value proposal to its clients, especially those in the construction and mining segment and given the ever increasing demand for rental, the company deemed it convenient to focus on the rental of heavy equipment through a specific business unit, Rentafer.

Rentafer is in charge of the full business cycle, which consists in owning the assets to offer them to the market in the form of rental and after a certain period of time offer them at residual value to clients that because of the characteristics of their business may require used units. Thus, the rental business generates permanently units classified as "almost new", as they have little use and undergo a strict review protocol to obtain the "Caterpillar Certified Used" (CCU) denomination that provides a manufacturer's guarantee.

Rentafer has its own headquarters where it displays the machinery available for sale and rental and the repair workshop for the fleet. As at the closing of 2009, the Rentafer fleet of the company totaled 285 heavy construction machinery units. The total turnover from the operations of Rentafer in 2009 was US$ 37.5 million, which includes both, the rental business and the sale of used units.

TECHNOLOGICAL TOOLS

In trying to keep on adding value to its clients' operations, Ferreyros and Caterpillar have developed an array of technological tools for an efficient operations management, to maximize production, reduce costs and foresee and minimize events that may hinder the operating capacity of their assets.

Among them is Product Link, for the remote monitoring, control and management of the entire Caterpillar fleet, using satellite data transmission, GPS systems and different electronic modules. It allows clients to access through the Internet immediate reports with the geographical location of each of its machines, fuel consumption, hours worked, significant events, undue equipment use alerts and lists of maintenance activities, which enable the timely programming of maintenance and repair, with the resulting cost reduction. There are already close to 1,000 Caterpillar units sold by Ferreyros throughout the country, most of them in the construction sector, equipped with this system.

Meanwhile, for the Large Scale, open pit mining machinery, Ferreyros has developed a Status Monitoring System that has been successfully implemented in Large Scale Mining operations served by the company. This system combines and integrates in one single platform the different monitoring techniques frequently used in mining equipment maintenance management, among which are the fluid analysis results, wear and tear particle inspection, electronic discharges, application assessments, visual or performance test inspections. The use of the FMMS system is an efficient aid in decision making to guarantee the operating capacity of the components and to plan repairs or spare part replacements on a programmed basis, ensuring the greatest possible availability of the machinery's operating capacity.

A significant achievement in 2009 was the successful installation and start up of the Caterpillar Minestar Health, a wireless tool that gathers all kinds of information, by monitoring alarms in real time, regarding historic patterns and working parameters of online systems, as well as the downloading of wireless data to generate reports. Unlike traditional monitoring, which only allowed for preventive maintenance, this system provides the possibility to diagnose and predict.

Along the same line, Ferreyros has been promoting the prompt use of Caterpillar AccuGrade, which automates with great accuracy the sheet of motor graders and caterpillar tractors, enabling operators to complete earth moving works in less time, obtaining increased productivity, reduction of wear and tear of the equipment and reduced fatigue of the operator. The first pilot runs took place in 2009, followed by the dissemination in the market.

FINANCIAL SERVICES FOR CUSTOMERS

One of the policies maintained by Ferreyros with regard to its clients is to offer them the best alternatives to finance their investments in capital goods, considering that they are considerable amounts and involve assets that will generate revenues over time. In this respect, in order to meet the financing required by the customers, Ferreyros offers them advise in applying to different financial institutions both locally and abroad, as we are aware that they can offer the best loan conditions based on their experience and financial structure.

Nevertheless, in 2009 the company continued offering its clients direct financing options. Customers even receive advice and information on new financing tools such as financing by multilateral entities, promotional export programs in the manufacturers' countries, and promotional lines in Peru, among others. Advisory is also provided to clients in the preparation of documents required by financing entities for credit analysis and approval. Finally, efforts are engaged to promote the goodness of capital markets, presenting this financing option to clients who owing to their growth may take the step, whether to issue debt instruments and place them in the Peruvian capitals market or to consider the issuing of shares to avoid high indebtedness rates.

TRAINING FOR OPERATORS

As part of the value proposal for its clients, during 2009 the company continued offering technical training and equipment operation, through courses and seminars for more than 4,800 clients. With regard to technical training, more than 2,650 clients received a total of 120 technical courses and 17 seminars. In turn, our Operators Training Center (CCO) – a unit that combines our broad training experience with the use of cutting-edge technologies such as heavy machinery operation simulators - completed more than 605 courses for customers in the Large-scale Mining, Construction, Medium-scale and Small-scale Mining sectors.

Additionally, joining efforts with Tecsup, the Operators School started operating in 2009, in Mala, to offer intensive training to the new generation of operators in Peru. A total of 72 operators received training during 2009, mostly persons who individually enrolled to receive training and increase their knowledge in the operation of excavators, front loaders and Caterpillar track-type tractors.

POST-SALES SERVICE

During 2009, the company maintained its commitment to work in close contact with its clients to determine the best strategy towards increasing productivity and the availability of the equipment sold. To that effect we offer solutions tailored to the needs of each client.

The post-sales offer of Ferreyros is based on two primary fronts: Service in our own workshops and on-site service.

The company has 13 full workshops throughout the country and facilities covering more than 46,000 m^2. These workshops undergo inspection by Caterpillar on a regular basis, to evaluate the company's contamination control practices, many of them being 5-star certified by Caterpillar.

The Components Repair Center (CRC) is the largest components workshop based in the city of Lima. In 2009, it again obtained the World Class certification granted by Caterpillar following a thorough audit of its processes and operations. During the year 1,839 major components were brought to the CRC for repair, including engines, transmissions, final and differential drives, at both the Lima and the Arequipa workshops. The Arequipa CRC increased the volume served as a result of its strategy to offer clients in the south a repair option of their machinery components closer to their operations.

Adding to the activities of the CRC, the company offers its Recoveries Workshop (TR) where investment continued during 2009 as part of the enhancements in infrastructure and of its innovation and renewal program. This workshop, mostly dedicated to providing support to the repairs undertaken by the different service operations through the recovery of large metal pieces, using its metallization, welding and grinding procedures, continued with its strategy offering its specialized repair services for large components, mainly for mining clients.

In addition, the expansion works at the machinery workshop at Avenida Industrial, in Lima were completed with an investment of US$ 620,000 to increase the number of spaces available for the overhaul of equipment completely roofed and with the strictest contamination control.

The technical pre-delivery service prepares the equipment to be delivered to the customers following a comprehensive and thorough revision of the system at the new premises located adjacent to the inventory warehouse, thus achieving a shorter delivery time and lower moving expenses of the stored equipment as from the time they are delivered from the customs agencies. This workshop has 22 service bays in a 2,000 m^2 area.

The other workshops are spread throughout the national territory, in the branch offices strategically located all over the country. The investments required to keep the equipment and tools in these workshops are revised on a yearly basis. For example, in order to keep on offering a better and timely service to the clients in the south of the country, the company continued investing in facilities in its workshops of the Arequipa branch office.

The plant capacity of all these workshops is reinforced with on-site inspections of the clients' machinery and equipment. During the year, the program "Ritmo 5" offered to the clients found great reception, as it basically involves on-site inspections that allow monitoring the equipment operating conditions and anticipating the need for maintenance and repair.

Furthermore, during 2009 new support service agreements were executed with the clients, customized to meet the individual needs of each of them. As at the end of the year more than 500 equipment units are under the administration of our workshop, of a long list of clients, which receive corrective and preventive maintenance. In order to meet the obligations under these contracts, which represented a total turnover of almost US$ 6 million in 2009, Ferreyros has technicians specialized in the maintenance of equipment at the largest mining sites and infrastructure projects.

Additionally, as part of the comprehensive service to the large open-pit mining projects, Ferreyros has personnel assigned at each of the operations it serves throughout the country, through its Large Scale Mining Division. Each organization has engineers, technicians and employees with broad experience in mining-related activities. These organizations provided 24/7 service and technical support to a fleet of 285 mining trucks and to a similar number of auxiliary machines in different rotating shifts aligned with the shifts of the employees and technicians of the mining companies, having also been in charge of assembling and putting in operation the trucks and auxiliary machinery sold during the year. Furthermore, 400,000 items were delivered from the consigned spare parts, for an overall value of US$ 85 million.

The above-mentioned services are offered thanks to the team of mechanics technicians, supervisors and engineers, who have a high degree of specialization and receive permanent training. Even within the framework of uncertainty that the world financial crisis brought and the reduced growth announced for the country, the company managed to preserve its staff of technicians, which will enable it to serve the increasing demand during the next years. The company continued with its training program, offered both locally and abroad. Training is essential to provide high quality service. The technical personnel has received training in the management of all technological updates carried by the equipment sold by the company. A total of 1,200 technicians received training during 2009.

The company continued with its Six Sigma and CPS (Caterpillar Production System) programs as tools for permanent enhancement with special focus on post-sale areas.

One of the main strengths of Ferreyros is its technical, highly specialized personnel. In all its services, the technical teams serve the clients' equipment under the highest quality standards.

GEOGRAPHICAL COVERAGE

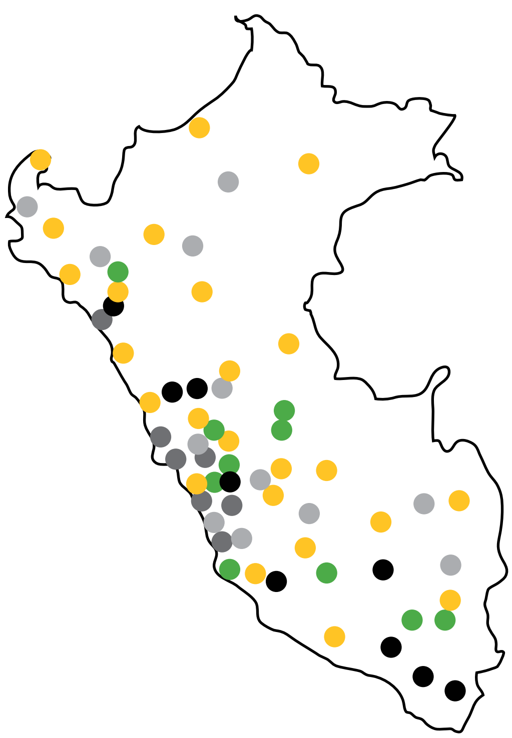
Ferreyros is present throughout most of the country. In Lima, its commercial and administrative offices are headquartered in its premises in Santiago de Surco, its workshops and central spare parts warehouse operate in their premises at Avenida Industrial and the rental and used equipment lines at Avenida Argentina. Furthermore, to serve the trucks and buses line, we offer our facilities in Lurín and our new premises in Ate, strategically located at Avenida Evitamiento, which demanded an investment of close to US$ 2 million. The new facilities have a modern infrastructure for administrative and commercial operations and for the provision of specialized services.

Additionally, through ten branch offices, Ferreyros has a wide coverage throughout Peru, with presence in the cities of Arequipa, Cajamarca, Cusco, Chimbote, Huancayo, Huaraz, Ica, Lambayeque, Piura and Trujillo, as well as offices in Ayacucho, Cerro de Pasco, La Merced, Puno and Tumbes. The company is present in the Eastern zone of the country through its subsidiary Orvisa, which has branch offices in Iquitos, Pucallpa, Tarapoto and offices in Andoas, Bagua, Tingo María, Satipo and Puerto Maldonado.

Our branch offices and our other offices outside Lima continue contributing significantly to the positioning of the brands represented by the company, participating in the traditions of the places where they operate. Each of them owns the land and buildings where their administrative offices, inventory warehouses, repair shops and exhibition rooms operate offering quality service to their clients. Most of the premises where the branch offices and agencies operate are owned by the company and new investments are made permanently to keep them in the best operating conditions.

In 2009, Ferreyros invested US$ 1.8 million in the expansion and refurbishing of its facilities in its branch office of Trujillo. With a total area of 6,500 m^2, the Trujillo branch office today displays several enhancements in its infrastructure, including a 30% expansion of the service shop, the expansion of the spare parts warehouse and the construction of new commercial and administrative offices.

In addition and in order to ensure proper coverage, Ferreyros has direct and permanent presence in nine large-scale open-pit mining operation sites, in ten underground mining sites with CSA support agreements and in twelve construction and energy projects and, finally, in seven industrial plants. Altogether, Ferreyros has more than 50 points of service nationwide.



- Ferreyros, branches and offices
- Presence in mining sites – Large-scale Mining
- Presence in mining sites – Medium-scale Mining
- Construction and Energy projects
- Industrial projects

AFFILIATES AND ECONOMIC GROUP

The organization's strategy considers achieving part of the growth through the subsidiaries based on their greater revenue and profit volumes. It is also worth mentioning that the affiliates add greater market coverage, complementing the offer of solutions that the organization as a whole delivers to its clients, many of whom receive goods and services from several companies of the organization. In 2009, the company re-launched Depósitos Efe, now Fargoline, and throughout the year worked in the project to acquire three Caterpillar distributors in Central America. Thus, the organization confirmed its vision of growing not only through its core business at Ferreyros, but also through independent operations that may have their own focus of attention, but always in businesses connected to such core business.

At the beginning of the year, the Board of Directors of each of the subsidiaries approved the reinvestment of all or part of the profits, to contribute to the financial strength that their growth expectations required.

In general, the affiliates contributed to the organization sales amounting to US$ 144 million and earnings amounting to approximately US$ 4.5 million. Eighty-seven percent of this considerable sales volume was generated by Unimaq, Orvisa, Fiansa and Mega Representaciones.

The assets of Ferreyros record the participation in the capital stock of the following subsidiaries: Pursuant to the denomination of economic group of Conasev, Ferreyros forms an economic group with the following subsidiaries:

Subsidiary	Participation
Unimaq S.A.	99.99%
Motorindustria S.A.	99.99%
Mega Representaciones S.A.	99.99%
Cresko S.A.	99.99%
Domingo Rodas S.A.	99.89%
Depósitos Efe S.A.	99.86%
Fiansa S.A. comunes	99.44%
Fiansa S.A. inversión	96.48%
Orvisa S.A.	99.00%
Ferrenergy S.A.C.	50.00%

During 2009, some of the affiliates of the organization felt the effects of the international crisis and of the almost nil GDP growth in Peru. The following pages offer a brief description of the business of the main subsidiaries.

Unimaq S.A.

Unimaq reached in 2009 a sales volume of US$ 64 million, 4.5% more than the 2008 sales, a significant growth considering the international financial crisis that hit the economy during 2009.

It started operations in 1999 when Ferreyros decided to serve the market with light equipment and new brands in order to penetrate new market segments. Its business focused on the trading and rental of light equipment for the construction and mining sectors, but was also equipped to serve other sectors such as industry and fishing. Since it was created, it has represented leading product lines of excellent quality, such as Mitsubishi-Cat lifts, Wacker compaction equipment, Lincoln Electric welding equipment, Olympian Cat generator sets, Amida light towers, Enerpac hydraulic tools, Compair compressors. In almost all these lines, Unimaq has maintained its leading position in the local market.

Today Unimaq is the unit mainly in charge of serving the urban or light construction sector, offering the Caterpillar line of light equipment which was formerly offered by Ferreyros, including the business unit "Rentando – The Cat Rental Store". Its model envisages offering a comprehensive solution to the clients in the sale of new and used equipment and rental, and good post-sales support.

Orvisa S.A.

Orvisa Sociedad Anónima, the first company in the Peruvian Amazon region engaged in the import and sales of capital goods, with 36 years of continuous operations, is headquartered in the city of Iquitos and has branch offices in Pucallpa, Tarapoto and agencies in Andoas, Bagua, Satipo and Puerto Maldonado. Furthermore, the company enjoys some tax benefits due to its location in the Amazon region. Seeking to develop projects regarding specialized services for clients in the oil sector, in 2004 it created the affiliate Orvisa Servicios Técnicos S.A.C.

Orvisa currently serves mainly clients in the oil, forestry, river transport, agricultural and construction sectors, with the same product lines and services as offered by Ferreyros S.A.A. In 2009, the company faced an unusual year in its operations as a result of the international crisis that affected especially the oil sector and its activities connected with river transport. Likewise, the contraction of the world demand for wood products had an impact on the operations of the forestry sector, which recorded a substantial decrease in exports and, hence, in the operations of the company's clients connected to this important activity.

These events, added to the social unrest of the indigenous communities in the region, marked a particular period, during which, nevertheless, the company recorded consolidated sales amounting to US$ 26 million and net earnings of US$ 1.7 million as at the closing of 2009.

Fiansa S.A.

With more than 40 years of institutional life, Fiansa generated sales for US$ 14 million, with net earnings of US$ 626,000, representing a return 37% higher than that of the previous year.

Its sales consider the execution of projects in the mining, industrial and commercial sectors. In particular, it is involved in the construction of a 73-km power transmission line in Abancay, the construction and assembly of large metallic structures for port facilities and commercial establishments and the assembly of boilers for ethanol plants.

Also, important works were started during the year, which will be completed in 2010, such as the manufacturing and erection of metallic structures for commercial establishments, cement and phosphate plants, port facilities, warehouses and others. Furthermore, works about to begin include the construction of two 220 KW and 500 KW power transmission lines totaling 164 kilometers. The latter represents the first stretch of a 500 KW transmission line to be built in Peru.

Within its expansion plans, the company began the construction of a new, state-of-the-art metallurgical plant in Huachipa, Lima.

Mega Representaciones S.A.

In January 2009, Mega Representaciones S.A., official representative of the brand Goodyear, acquired 100% of the shares of Inlusa, Industria y Comercio S.A., one of the leading representatives and distributors of Mobil lubricants in the country to strengthen its portfolio of products and services for its clients in the different sectors. In July 2009, both companies merged to form Mega Representaciones S.A.

Mega Representaciones S.A. has currently two large divisions: the Tires Division, which represents Goodyear, and the Lubricants Division, which represents Exxon Mobil.

With regard to financial results, as at December 2009, sales totaled US$ 20 million, a 27% increase compared to the US$ 16 million recorded in 2008. Net earnings for the period amounted to US$ 0.4 million, slightly below the previous year figures, as special discounts were granted to main clients to compensate for the reduced demand the company faced at the beginning of the year as a result of the important world crisis, which had a considerable impact on the company's margins. However, it must be mentioned that this situation was reversed already during the last quarter of the year, when the margins returned to normal given the stability shown by the country's economy.

Depósitos Efe S.A. – Fargoline S.A.

Depósitos Efe S.A., affiliate founded in 1983 and engaged in general or on-site customs warehousing services, became this year Fargoline, a trade name that will become the company name during 2010. Following with the organization's expansion plans, operations expanded in new premises, adding new services to the portfolio of logistic solutions and the staff was completed with specialized professionals.

Towards the end of the year, the company obtained the permits from the Peruvian Customs to operate as temporary warehouse, point of arrival and customs warehouse in the new premises at Gambetta, Callao, thus initiating the provision of services to the foreign trade sector, a step of great significance for Fargoline.

The initial investment of Fargoline was a little over US$ 11 million for infrastructure and equipment.

Ferrenergy S.A.C.

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

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. Ferrenergy currently has a thermal 18 MW power plant and a power and electric energy supply agreement with an oil company for a period of five years, equivalent to a turnover of approximately US$ 6 million per year.

In 2009, Ferrenergy made significant modifications and repairs in the power generators of its plant, as the units were purchased in the secondary market with some hours of use and its generating capacity was restricted thus affecting its revenues. Sales totaled US$ 4.8 million in 2009 and net earnings amounted to US$ 66,000. Following the overhaul of all the motors, it should generate revenues in line with the current generation contract.

Cresko S.A.

It started operations in October 2007 to offer specialized products not covered by Ferreyros and Unimaq to the industrial, construction, mining and agricultural markets. It is the first company in the organization to make incursions in the trading of products of Asian origin. It comprises the trading of chemical inputs, capital goods and used equipment for the industrial, construction and mining sectors. It was established with four lines of business: Insumma, Traxo, Makinza and Tramotor.

In 2009 its sales totaled US$ 11.5 million. The expenses required by the organization of its new lines of business and the implementation of its operating structure generated pressures that prevented the company from exhibiting earnings for the year.

Motorindustria S.A.

Founded in 1987, its original line of business was the development of the terminal industrial activity of motor 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 work was closely linked to the Component Remanufacturing Center of Ferreyros and, hence, in 2006 the operations of Motorindustria were incorporated to Ferreyros S.A.A. through a spin-off process. Motorindustria has had no economic activity this year.

Domingo Rodas S.A.

An aquiculture company established in 1979. It is located in the province of Tumbes and is engaged in the farming of prawns for export. It currently covers 250 hectares of production area. The average production volumes for the past years have been around 700 tons per year, exporting for an annual value of US$ 2.5 to 3 million. Sales during 2009 totaled US$ 3 million.

In 2009 the performance of this business was affected by the increase of the price of its main inputs, the 12.5% price decrease of prawns, whole and tails, in the international market and the 8% appreciation of the Nuevo Sol over the year.

FINANCIAL MANAGEMENT

In 2009, the sales of Ferreyros virtually kept the same levels as the previous year, with a slight 3.2% downturn, despite the financial crisis that shook the world economy, consequently affecting the Peruvian economy, which stopped growing after five years of continued growth. Net earnings of the company and its subsidiaries for the year amounted to S/. 100.5 million, versus S/. 80.4 million obtained during the previous year, representing a 25% increase, mainly due to the good sales level, the control exerted on operating expenses, the reduction of liabilities and, therefore, of financial expenses and a foreign exchange gain generated by the devaluation of the US Dollar against the Peruvian currency.

Within this context, the net profits for the year were of S/. 100.5 million (approximately US$ 33 million at the average yearly exchange rate) representing a return on equity of 17.6% for the year.

The gross margin achieved during the year was 20.8%, the same as the previous year. The administration and sales expenses as a percentage of sales showed a slight increase as a result of the slight decrease in the sales (in 2009 they represented 13.8% of the sales, while in 2008 the percentage was 12.5).

With regard to financial expenses, it is worth mentioning that while an increase was recorded for the 12-month period, this was due to the high inventory level registered at the beginning of the year. Accordingly, financial expenses for the year reached S/. 70.3 million, compared to the S/. 56.3 million of 2008; however, during the last months of the year these expenses experienced a sharp decrease due to the reduced debt and improved interest rates obtained following successful negotiations with the company's creditors. Thus the financial expenses were substantially reduced from a monthly average of US$ 2.4 million during the first quarter, to US$ 1.5 million during the last quarter.

In turn, the referred inventory reduction was achieved since as from March 2009 the purchase volume of machinery and equipment was reduced as there was sufficient inventory to meet the demand of equipment from our customers, taking into account as well the new lead times offered by the manufacturers for inventory replacement. As at the end of the year the inventory valuation totaled US$ 145 million, down from the US$ 262 million levels shown at the beginning of the year.

Earnings from operations amounted to S/. 135.7 million (equivalent to US$ 45 million at the average exchange rate for the year). An event that favored the financial management of Ferreyros was the profit obtained in foreign exchange rate amounting to S/. 57.7 million, explained by an 8% appreciation of the Nuevo Sol, the operating currency of the company, against the US Dollar, in a situation where the company's indebtedness in US Dollars – adjusted to the end-of-the-month rates on a monthly basis – is higher than the cash amount and the accounts receivable that form the monetary assets, which are also adjusted. Accordingly, the reduction of the liabilities was greater than the reduction of the monetary assets, thus generating profits in foreign exchange.

With regard to the foreign exchange rate difference that affects the financial statements of the company, it is important to mention that the inventory, being a non-monetary asset, is not subject to such monthly adjustment and therefore, as at the closing of 2009, it was recorded in the balance sheet of the company at an average exchange rate of S/. 2.941 per dollar, while the exchange rate in force as at the end of December 2009 was S/. 2.891 per dollar. If the exchange rate should remain at that level, the billing of the equipment in the inventory would be made at an exchange rate below the rate in force at the time of purchase, which would have a negative impact of S/. 5.7 million in the next period.

As part of its comprehensive solutions, Ferreyros presented to its clients the financing options for the acquisition of their goods, one of the expressions of the efficient management of the company in this field. In every detail, Ferreyros is at the service of its clients.

The company has sought to reduce the exposure to foreign exchange risk in transactions involving the selling of dollars to face payments to local suppliers in local currency through hedging agreements. As at December 31, 2009, the company keeps forward contracts with local financial entities for a total amount of US$ 12.2 million with maturities during 2010.

This situation occurs since as established by the IFRS, inventories and rental fleet transacted in dollars in the market must be recorded at their equivalent amount in soles at the exchange rate in force on the date of purchase, while the financing liabilities, also obtained in dollars, must be adjusted using the exchange rate in force as at the closing of each accounting period. This causes a temporary difference between the exchange rate recorded due to adjustments in the liabilities and the more or less gross profits recorded at the time the inventories are sold.

INVESTMENT IN ASSETS

As for the level of investment in assets, it is worth mentioning the case of the decreased investment in inventories, as explained above. This behavior is explained by the improvement in the turnover levels, associated with the efforts engaged to adjust the inventory volumes to the new rhythm of acquisition by the clients and the shorter replacement lead times offered by the manufacturers. However, this situation has not prevented the company from providing timely service to its clients, with an optimum level sufficient to meet three months sales.

In addition, the variation in the net fixed assets in the balance sheet between 2009 and 2008, amounted to S/. 14.5 million, much less than the S/. 103.1 million increase shown in 2008, partly due to the decision adopted by the company to hold a conservative position in the year investments, keeping them only as required to sustain the standards at the shops and sales offices and, on the other hand, due to the maturity reached by the rental fleet, which did not require significant inclusion of additional units.

In May 2009, the voluntary revaluation of the land properties of the company was executed for an amount of S/. 24.6 million, observing the procedure established by the international accounting standards, which set forth that such values must be updated from time to time and the last revaluation had been in the year 2005.

Meanwhile, we should mention the clients' accounts receivable. As already mentioned, Ferreyros assists its clients in accessing different financing sources and in some cases offers them direct financing.

With regard to the sales of machinery and equipment, approximately 46% was paid up front with the clients' own resources, 19% was financed by the clients through the banking system and leasing companies and 18% through the important participation of Caterpillar Financial Services. Additionally, Caterpillar International Services del Perú S.A. purchased 12% of Caterpillar equipment to offer rentals to its clients under operating leasing agreements. Ferreyros only financed directly 5%, compared to the 8% financed in 2008. It is important to mention, therefore, the reduction in the investment in medium-term accounts receivable.

At the closing of the year, the portfolio of accounts receivable amounted to US$ 112 million, below the US$ 130 million recorded as at the closing of 2008. In particular, the accounts receivable focused on short-term documents, which represent almost 70% of the portfolio and which mostly correspond to invoices covering commercial credit for spare parts, services, rentals and machinery.

In turn, the default rate of the accounts receivable portfolio at 30 days was 4.5% and at 180 days it was 1.2%. The provision for accounts receivable for the year was US$ 2.8 million and S/. 0.9 million for accounts financed in foreign and local currency, respectively. This reserve for bad debts is conservative as 70% corresponds to unmatured debt but related to clients that have already shown some slowness.

These measures aimed at reducing assets and investments brought with them a significant improvement in the company's liabilities and financial indicators. The indebtedness ratio as at December 31 is 1.41 to 1, lower than the 2.52 to 1 recorded in 2008. Meanwhile, the general liquidity ratio or current ratio, understood as the company's capacity to face its short-term debts realizing its current assets was 1.93 to 1 at the end of the year. This was due to the financial strategy of the company to transfer a good part of its current liabilities to medium-term liabilities, which made it financially sound to obtain banking credit lines if any significant restrictions would have come up in the granting of credits by the national financial system. However, that was not necessary as the company had sufficient credit lines, at very competitive interest rates, to meet its requirements.

The interest rate for commercial credits in dollars in the local financial system showed its lowest level since June 2004 in December 2009, when it reached a 7.3% average, versus the 9.5% recorded in December 2008. For short terms, the interest rates for bank loans at 90 days for preferred customers also dropped to historical lows, both in nuevos soles and in dollars.

Ferreyros was able to finance its short-term operations between 1.5% and 2% and medium-term operations of between 3.5% and 5%. The average rate for the year in credits granted by the different financing sources was 5.24%. In order to mitigate the risk of interest rate increase, in 2008 the company entered into interest rate hedging contracts with local financial entities, in connection with financial obligations at variable interest rates with maturities up to May 2015. The economic effect of such interest rate swaps is they convert variable rate debt into fixed rate debt. As at December 2009, such contracts amount to US$ 37 million.

FINANCING SOURCES

The company finances its activities, primarily, with retained earnings, according to parameters established by the current dividends policy. Additionally, it is financed with credits from local and foreign banks, Caterpillar Financial Services and through an active participation in the capital market, through the placement of corporate bonds.

The criterion used to select financing sources is based on best terms and conditions.

The financial debt level went from US$ 353 million in December 2008 to US$ 230 million as at December 31, 2009. Bank financing needs decreased from US$ 180 million in 2008 to US$ 52 million in 2009, mainly in the case of foreign sources.

PARTICIPATION IN THE CAPITAL MARKET

Corporate Bonds

Since 1994, the company actively participates in the capital market. Between 1994 and 2004 it has placed four bond issues and two share issues. Then, in 2004, it registered a corporate bonds and shares program that was followed by the registration of the First Debt Instruments Program in 2007 and the Second Debt Instruments Program in 2009.

As at December 31, 2009, the amount placed in Ferreyros corporate bonds, under the existing programs, was US$ 97.5 million, US$ 2.5 million of which correspond to the First Corporate Bonds Program and US$ 85 million to the First Debt Instruments Program.

Towards the end of the year, the company was in the process of registering its second debt instruments program under which it will continue offering instruments to the market in 2010.

The credit lines granted by Caterpillar Financial and the portfolio of short-term client invoices were other tools used by the company to obtain liquidity.

Finally, it is worth mentioning that during 2009, the company implemented the installation of SAP accounting-financing modules as new ERP system.

LOGISTIC MANAGEMENT

As already mentioned, during the first half of the year the scenario where the logistic management performed was of contraction of the demand for capital goods generated by the world crisis that began in 2008. This contraction resulted in high inventories originally sized to meet the increasing demand experienced in 2007 and 2008, which was expected to continue its upward trend throughout 2009. Projections then changed in October 2008, causing an impact in the machinery, motors, equipment and vehicle lines, the goods known in the company as "prime products". In the case of these lines, our inventories increased even during the first quarter, as a significant number of units were in transit.

In order to face this situation, the company put in motion a work plan to adjust the inventory levels in coordination with the commercial, the financial and the logistics areas. The plan consisted in the first place, in displaying a great commercial strategy aimed at keeping high levels of demand and in the second place, the exchange of inventories among the world distributors of Caterpillar, which resulted in the successful 53% reduction of inventories by the end of the year, with respect to the December 2008 levels.

The logistics force of Ferreyros was once again one of the most important supports of the business, with an efficient distribution system to supply stock coverage countrywide.

We must mention that the reduction of inventories rested also on the fact that all new orders to the manufacturer considered the new lead times of the supply sources. The inventory level achieved at the end of the year does not present great risks as to availability with regard to the 2010 sales plan, within the policy of keeping stocks to meet a minimum of three months of future demands.

With regard to the post-sales service and the spare parts service through both direct sales and workshops, adequate inventory levels have been maintained to support the increasing amount of machinery and equipment in the country, offering a stock duly sized to meet the guarantee services. During 2009, the inventory level of spare parts registered a 5% decrease in average, despite having enabled a sales growth of close to 16%, evidencing an improvement in turnover levels. Ninety-five percent of the spare part requirements was met with the inventory both from the Spare Parts Distribution Center of Lima and the different warehouses and consignment stores; the majority of these requirements was delivered inmediately. The balance was covered through emergency orders, for which we have very agile procurement and importing processes, integrated with all our suppliers in the chain.

Ferreyros has kept the leading position for many years ranking first in the import of capital goods and this year was no exception. Nevertheless, there was a 35% reduction in imports at CIF value as a result of the high level of purchases in 2008. Keeping this position as leading importer has meant meeting a demand for general cargo shipspace of 58,000 m^3 and 570 containers with spare parts and minor equipment. With regard to airfreight, used as the preferred transportation for the import of spare parts due to their weight and volume, an average of 9.5 tons of spare parts arrived per day at the International Airport of El Callao, between freight and passenger flights.

With regard to storage, our infrastructure consists of 47 warehouses and spare part service centers, holding a total of 142,000 items. For the storage of machinery, motors, equipment and vehicles Ferreyros has three warehouses covering a total area of 45,000 m^2.

ORGANIZATION AND HUMAN RESOURCES

THE BOARD OF DIRECTORS

The Board of Directors of Ferreyros consists of eight directors elected by the Shareholders' Meeting for a period of three years, 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 by the Shareholders' Meeting held on March 26, 2008 for the period 2008-2011. It is composed of the following members:

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

In the first meeting held on March 26, 2008, the members of the Board of Directors designated Óscar Espinosa Bedoya as Chairman and President and Carlos Ferreyros Aspíllaga as Vice-President.

As set forth in the "Good Corporate Governance Principles for Peruvian Companies", the company has independent directors to ensure that independent judgment is exercised in matters where there may be potential conflicts of interest and to guarantee a plurality of opinions. The directors considered independent given that they do not have any degree of kinship with the company's administration or with the majority shareholders are:

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

Profesional experience of the directors

Óscar Espinosa Bedoya
Chairman and President of Ferreyros since March 2008, he was General Managing Director since 1983. He joined the company in 1981. Civil Engineer graduated from Universidad Nacional de Ingeniería. He has a Master Degree by North Carolina State University and Harvard University and specialization certificates from the ISVE, Italy, CEO Management Program of the Kellogg School of the Northwestern University and Advanced Management Program (PAD) of Universidad de Piura in Engineering, Economics and Business Administration studies. He has held important steering and management positions in Cofide, the World Bank, Banco Internacional del Perú and other financial institutions. He is currently a member of the board of directors of several companies, among them, La Positiva Compañía de Seguros y Reaseguros and La Positiva Vida and AFP Profuturo, as well as of business enterprise associations. He is a member of the Steering Council of Tecsup, Vice-President of Asociación Pro Universidad del Pacífico, and a member of the Trust of Universidad Ruiz de Montoya. He received the IPAE award in 1999.

Carlos Ferreyros Aspíllaga
A member of the Board of Directors since January 1971 and Chairman of the Board from September 1993 to March 2008. He is currently Vice-President of Ferreyros. He is a Director of La Positiva Seguros y Reaseguros S.A., a member of Group of 50 (Carnegie Endowment for International Peace & Inter-American Dialogue). Businessman, graduated from Princeton University.

Hernán Barreto Boggio
A member of the Board of Directors since March 2005, elected to represent the funds managed by the AFPs. He is currently President of Consorcio Peruano de Minerales S.A. and consultant for several companies in the metallurgical, mining and energy sectors. Formerly he worked as Chairman of the Board of Empresa Generadora Eléctrica del Centro (C.H.E. Yuncán) Chief Executive Officer of Centromin Perú, Vice-President of Minera San Ignacio de Morococha, Vice-President of Minera Poderosa, Executive Director of Zentrax International Corp. (USA), Director of the Center for Economic Development (Brazil), Director of ARLABANK and EULABANK and Alternate Director of the Corporation for Andean Development (CAF). He has been General Manager of Banco de la Nación and Manager of COFIDE. He graduated in Agricultural Engineering from Universidad Nacional Agraria and has a Master Degree in Food Technology and in Chemical Engineering by the MIT and a Ph.D. Candidate in Systems Engineering by the Michigan State University. He is a Fulbright Scholar and Rockefeller Foundation Scholar, as well as a Sigma XI member.

Aldo Defilippi Traverso
A member of the Board of Directors of Ferreyros S.A. since March 2005, elected to represent the funds managed by the AFPs. Furthermore, he is Executive Director of the Peruvian-American Chamber of Commerce (AmCham Peru) and President of the Cancer Foundation. He is also Director of several institutions, among them Microsoft, Amrop, Universidad Metropolitana de San Juan de Puerto Rico, Pennyinvest, Perú 2021, BASC, United Way, Solidar and the Nesst Fund. He has been Financial Manager of Ferreyros S.A.A., General Manager of Banco Industrial, Banco de Comercio and Banco Banex in Peru; Executive Director of BLADEX, in Panama; Investment Banking Manager of the

Inter American Investment Corporation (IAIC) in Washington; Head of the Division of Economic Studies of the INTAL (IADB) in Argentina and an Economist of the World Bank, in Washington. He has been President of the National Committee for Foreign Investment and Technologies (CONITE) Manager of ProInversión and Director of several public and private companies. He has worked as professor of Universidad del Pacífico, Universidad de Lima and Pontificia Universidad Católica del Perú. He is a Ph.D. Candidate in Economics and has a Master Degree by the University of Boston and a Bachelor's Degree by Universidad del Pacífico in Economics.

Eduardo Montero Aramburú
A member of the Board of Directors since March 1980 and Vice-Chairman of the Board from September 1993 to March 2008. He is currently also President of Indus S.A. and Director of Agrícola BPM S.A. Formerly he worked as Director of the Central Reserve Bank and Chief Executive Officer of Industrias Pacocha S.A. He graduated in Economics from Lehigh University and has a Master Degree in Business Administration by the Wharton School of the University of Pennsylvania.

Juan Manuel Peña Roca
A member of the Board of Directors since December 1984. He is currently also President of La Positiva Seguros y Reaseguros and La Positiva Vida, Seguros y Reaseguros, Chairman of the Board of Directors of Alianza Compañía de Seguros y Reaseguros (Bolivia) Director of Seguros América (Nicaragua) of Martinizing del Perú and of Profuturo AFP. Formerly he worked as General Managing Director of Bland Welch (Brazil) in charge of the Latin America and the Caribbean area and as President of the Inter American Federation of Insurance Companies (FIDES). He graduated in Civil Engineering from Universidad Nacional de Ingeniería.

Juan Prado Bustamante
A member of the Board of Directors since March 2005, elected to represent the funds managed by the AFPs. He is currently an associate at the Llona Bustamante Law Firm and a member of the steering council of the Manuel J. Bustamante de la Fuente Foundation. He formerly worked as an Associate Attorney-at-Law at the Rubio, Leguía, Normand & Asociados Law Firm, as Director of CAVALI, Director of Promotores e Inversiones Investa S.A. SAB, Director of Entergy Power Perú S.A., Director of Generandes Perú S.A. and Director of CONASEV. He graduated from the Law and Political Sciences School of Universidad de Lima, and pursued Graduate Studies at the New York University, School of Law and at the Boston University, School of Law.

Andreas von Wedemeyer Knigge
A member of the Board of Directors since July 2003. He is currently also Chief Executive Officer and General Manager of Corporación Cervesur S.A.A., as well as Chairman of the Board of several companies that form that group (Creditex, Alprosa, Transaltisa, Proagro, and others). He is also Chairman of the Board of Directors of Profuturo AFP and of Euromotors S.A., as well as Vice-President of the Association of Pension Fund Administration Companies. He is a Director of La Positiva Seguros y Reaseguros; La Positiva Vida, Seguros y Reaseguros; and of Corporación Financiera de Inversiones, among other companies. Furthermore, he is a member of the Steering Council of CONFIEP, the National Association of Industries and of Comex Perú, and a member of the Executive Committee of Comex. He is currently Director of Tecsup as well as a member of the International Business Consulting Council of Universidad Peruana de Ciencias Aplicadas (UPC) and member of the Consulting Council of Universidad Católica San Pablo, Arequipa. He is a former Director and General Manager of Cía. Cervecera del Sur del Perú S.A. He is a Business Administrator, graduated in Hamburg, Germany, with studies at PMD and others of the Harvard Business School, USA and at Universidad de Piura.

Degrees of kinship

As at 31.12.09, there is no degree of kinship – by affinity or consanguinity – among the directors or between them and the management staff.

Messrs. Carlos Ferreyros Aspíllaga, Óscar 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 9.47% of the capital stock.

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

Special bodies created and organized 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 defined in Corporate Governance Principle V, Item e.1. The Chairman, the Vice-Chairman and the General Manager participate in all three 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 primary function is to act as an advisory body to the Management for the general running of the company and to supervise on behalf of the Board of Directors.

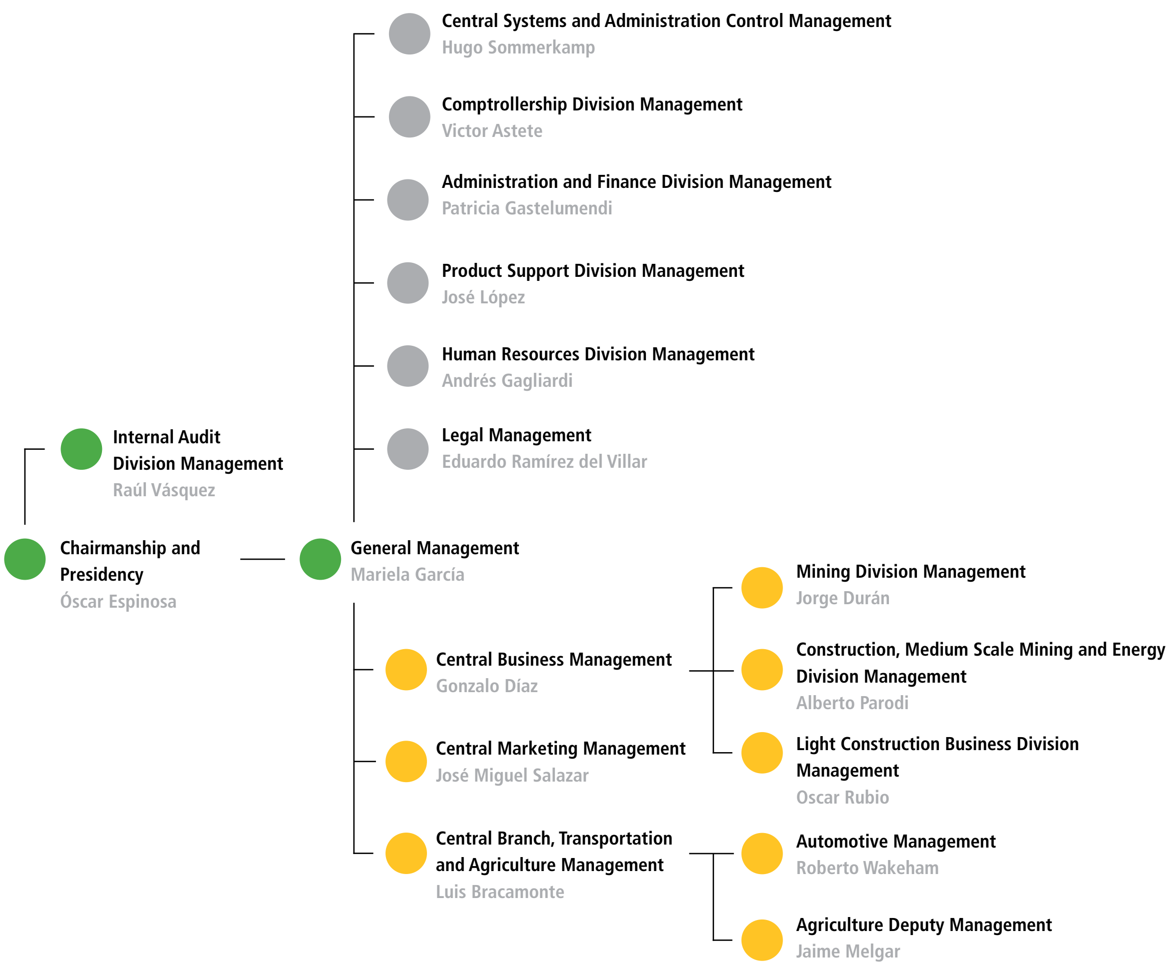
The primary duty of the Audit committee is to oversee the integrity of the accounting systems and to analyze the external auditors' report on the Financial Statements.

The primary duty of the Organizational Development and Human Resources Committee is to provide advice to the Management on the adoption of general human resources policies.

The Corporate Governance section shows the detailed particular duties of each committee and their composition.

In the meeting held in December 2009, the Board agreed to change the name and responsibilities of the Board Committees. As of 2010, the Board Committees will be as follows:
General Steering Committee and Subsidiaries.
Audit Committee.
Organizational Development and Corporate Governance Committee.

THE MANAGEMENT



Professional experience of the Management

General Manager

Mariela García Figari de Fabbri
In March 2008, she was appointed as General Manager of the company, after holding the positions of Deputy General Manager between January 2005 and March 2008, as part of a succession plan. She joined the company in 1988 and held several positions in the financial division, the last one being Financial Manager, from 2001 to January 2005. She graduated in Economics from Universidad del Pacífico and obtained her MBA from Universidad Adolfo Ibáñez de Chile and INCAE of Costa Rica. She is currently a member of the Board of Directors of the American Chamber of Commerce, Peru (AmCham Perú), of the Consulting Committee of OWIT and Vice-President of the Companies Circle that groups 14 Latin American companies distinguished for their good corporate governance practices. She has been a member of the Board of Directors of Procapitales and President of its Corporate Governance Committee until the end of 2006, Director of IPAE from 2002 to 2004 and of Cosapi from 2007 to 2009. Before that, she worked as researcher and member of the editorial committee of Consorcio La Moneda.

Central Management

Luis Bracamonte Loayza
Central Branch, Transportation and Agriculture Manager since October 2005. He joined the company in 1980 and held several positions such as Assistant Manager of Credits and Collections. In 1996 he was appointed as Manager of the Branch Offices Division and later was designated also as Manager of the Agriculture and Automotive Division. He is currently in charge of the supervision of the branch offices. He studied at Universidad de Lima and obtained graduate diplomas in the School of Business Administration (ESAN) and in the advanced management program of the INCAE institute in Costa Rica. He has a Master Degree in Marketing Management and Business Administration by the EOI School of Business of Spain. He is currently Director of the Chamber of Commerce of Lima.

Gonzalo Díaz Pro
Chief Operating Officer since 2007, he formerly worked as Mining Division Manager of Ferreyros since July 2006. He joined the company in 2004. He is a Civil Engineer graduated from Pontificia Universidad Católica del Perú and has an MBA by Universidad Adolfo Ibáñez de Chile and by INCAE, of Costa Rica, in addition to several specialization courses followed in Peru and abroad. He has more than 15 years experience in the management and development of construction, open pit mining and energy projects both in Peru and in Chile. Formerly he held several positions in the Cosapi group, including the Commercial Management of the affiliate in Chile.

José Miguel Salazar Romero
Central Marketing Manager since 2007. He joined the company in 1969 and held several positions in commercial and financial areas until 1990. In 1988 he was appointed Financial Division Manager. From 1990 to 1995, he held similar positions in other companies of the sector. He rejoined Ferreyros in 1996 as General Manager of Matreq Ferreyros S.A., an exclusive Caterpillar dealer in Bolivia and a subsidiary of Ferreyros until April 2003. From 2001 to 2004 he was the Mining Division Manager, and became Central Customer Relations and Commercial Development Manager in 2004. He has taken 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.

Hugo Sommerkamp Molinari
Central Systems Manager since July 2001. He joined the company in 1985 and held the position of Comptrollership Manager of affiliate companies. From 1990 to 1996 he worked in Paraguay as Financial Director of the different subsidiaries of the ECOM group (Lausanne, Switzerland). He rejoined Ferreyros in 1996 as Manager of the Finance and Administration Division, a position he held until 2001. He is a certified Public Accountant, graduated from Universidad Católica del Perú, with specialization studies in Peru and abroad, including the "Caterpillar Leading for Growth and Profitability" program, given at the Kenan-Flagler Business School of the University of North Carolina.

Division Management Offices

Víctor Astete Palma
Comptrollership Division Manager since 1996. He joined the company in 1977 and has held different positions in the accounting, budget, accounting advisory and investment comptrollership managements. He is a certified Public Accountant graduated from Universidad Nacional Mayor de San Marcos and has followed several specialization courses in Peru and abroad.

Carlos Dongo Vásquez
Manager of the Components Repair Center (CRC) 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 worked as Manager of Sales and Spare Parts and Services and as Manager of the Machines and Engines Division. He is a Mechanical Engineer graduated from Pontificia Universidad Católica del Perú. In 2007, he participated in the "Caterpillar Leading for Growth and Profitability" Program, given at the Kenan-Flagler Business School of the University of North Carolina.

Jorge Durán Cheneaux
Mining Division Manager 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 appointed as Head of Service - South Region. In 1999 we was designated as Service Manager in charge of service operations countrywide. In 2001, he took office as Manager of the Components Repair Center (CRC) and repair shops in Lima and in 2005, he was appointed as Manager of Mining Operations. Mechanical Engineer, graduated from Pontificia Universidad Católica del Perú, with an MBA by Universidad Adolfo Ibáñez de Chile and INCAE. He has participated in several specialization courses and forums of Caterpillar and is Black Belt certified by the Six Sigma permanent improvement program. In 2007, he followed the "Caterpillar Leading for Growth and Profitability" Program given in the Kenan-Flagler Business School of the University of North Carolina.

Andrés Gagliardi Wakeham
Human Resources Division Manager since 1986. From 1973 to 1980 he was Assistant Manager and Manager of Industrial Relations in Laboratorios Efesa, when this company was an affiliate of Ferreyros. He has held similar positions in other prestigious companies. He is a graduate in Industrial Relations from Universidad de San Martín de Porres and has followed several courses and programs in his special field.

Patricia Gastelumendi Lukis
Administration and Finance Division Manager since 2005. She joined the company in 1987. After holding different positions in the credits and collections area, she was appointed as Credits Manager in 1998. She graduated in Business Administration from Universidad de Lima and has taken several specialization courses in ESAN, in addition to an MBA by Universidad Adolfo Ibáñez de Chile and by the INCAE Business School in Costa Rica. 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. In 2009 she participated in a specialization program given at the Harvard Extension School Faculty. She is currently Vice-President of Procapitales and a member of the Board of Directors of IPAE.

José López Rey Sánchez
Manager of the Product Support Division since 2001. He joined the company in 1981 and served as Services Manager from 1994 to 1998 and as Spare Parts and Services Manager from 1999 to 2001. He is a Mechanical Engineer, graduated from Universidad Nacional de Ingeniería and has followed administration and managerial accounting courses in ESAN, the Advanced Management Program (PAD) at Universidad de Piura and in 2007, he followed the "Caterpillar Leading for Growth and Profitability" Program, given at the Kenan-Flagler Business School of the University of North Carolina.

Alberto Parodi de la Cuadra
Construction, Medium-Scale Mining and Energy Division Manager since 2007. He joined the company in 1995. He was Commercial Manager of Construction and Medium-Scale Mining from January 2006 to January 2007 and Commercial Post-Sales Manager from July 2002 to December 2005. Industrial Engineer graduated from Universidad Ricardo Palma. He has a Master Degree in Strategic Business Administration by CENTRUM Católica. He followed the specialization course at the Kenan-Flagler Business School of the University of North Carolina. He pursued other specialization courses in Peru and abroad.

Eduardo Ramírez del Villar
Legal Manager since he joined the company in 1999. An Attorney-at-Law graduated from Pontificia Universidad Católica del Perú, with Master studies (Master in Law) at the George Washington University (Fulbright Scholarship). He was in charge of the legal area of the Finance Department of the Andean Corporation for Development (CAF) headquartered in Caracas, Venezuela. He was responsible of the debit operations of that international organization and before that, he worked as attorney in the Legal Consultancy area, supporting the financing operations for the public and private sectors of Peru and in the structuring of large-scale projects in the region. He was formerly Legal Manager at Cosapi Organización Empresarial, acting as legal consultant in construction business related matters. He pursued several specialization courses in Peru and abroad. In 2007, he participated in the "Caterpillar Leading for Growth and Profitability" Program, given at the Kenan-Flagler Business School of the University of North Carolina.

Oscar Rubio Rodríguez
Manager of the Light Construction Business Division since 2007. In addition, he is the General Manager of the subsidiaries UNIMAQ S.A. and Domingo Rodas S.A. He joined the company in 1975 and has held several managerial positions since 1983. He is currently the President of the Peruvian Shrimp Fisheries Association (Asociación Langostinera del Perú). He is an Economist graduated from the Program of Economics of Universidad Mayor de San Marcos. He has pursued several courses in Peru and abroad and holds several specialization diplomas from ESAN, IPAE and Universidad La Salle, Argentina.

Raúl Vásquez Erquicio
Internal Audit Division Manager since 1978, when he joined the company. Formerly he worked as Administrative and Finance Manager of Compañía Pesquera Estrella del Perú and Auditing Manager at Arthur Andersen & Co. He holds a Bachelor Degree in Economic and Commercial Sciences and the title of Certified Public Accountant and pursued doctoral studies at Universidad Mayor de San Marcos. He has been the President of the Institute of Internal Auditors in Peru, District Director for Latin America of The Institute of Internal Auditors (USA), President of

Throughout the company, the human team of Ferreyros kept the leadership of the company, with dedication and excellence, through its branches and offices, its presence in projects and field service.

the Latin American Federation of Internal Auditors (FLAI) and President of the Ethics Committee of the FLAI. He is currently a member of the Professional Issues Committee of the Institute of Internal Auditors and an international lecturer on internal audit issues.

Compensation of the members of the Board of Directors and the Management Staff

According to the Financial Statements of Ferreyros, the total amount of the compensation paid to the Board of Directors and the Management Staff represents 0.93% of the gross income.

HUMAN RESOURCES

At the end of 2009 there were 2,253 full-time employees working for the company in the head office as well as in the several points of sales in the country, which represents 6% decrease compared to the previous year.

The table below shows the variations in the personnel over the last six years:

	2004	2005	2006	2007	2008	2009
Officers	34	35	37	50	49	48
Employees	584	594	712	906	1,030	984
Technical personnel and workers	641	503	738	1,017	1,310	1,221
	1,259	**1,132**	**1,487**	**1,973**	**2,389**	**2,253**

The personnel reduction evidenced between 2008 and 2009 is explained by the partial reduction of the technical and operations personnel that Ferreyros was training for the assistance of future mining projects, some of which were postponed for 12 months as a result of the global financial crisis, thereby enabling the company to postpone the training programmed for technicians until 2010.

However, the company preserved the technical personnel in charge of the support of the projects and operations which were developed during the year, as well as the technical personnel in charge of the service that the company provides in a regular basis.

The chapter on Social Responsibility describes the policies applied in the human resources management and the preservation of the good working environment that distinguishes the company.

ANNEXES TO THE REPORT

ANNEX 1: GENERAL COMPANY DETAILS

1.1. Name and address

Company name	Ferreyros S.A.A.
Type of corporation	Public Limited Company
Taxpayer ID (RUC)	20100027292
Address	Jr. Cristóbal de Peralta Norte 820 Monterrico, Santiago de Surco Lima, Perú
Telephone	511–6264000
Fax	511–6264504
Web site	www.ferreyros.com.pe
Customer hotline	511–6265000
Shareholders hotline	0800–13372

1.2. Incorporation and registration in the Public Records

Ferreyros was incorporated under the original name of Enrique Ferreyros y Compañía Sociedad en Comandita, by deed executed on September 14, 1922 before the Attorney-at-Law and Notary Public in and for Lima, Agustín Rivero y Hurtado. It was registered on Entry 1, page 299, volumen 15 of the Book of Corporations of Lima. This corporation was dissolved as recorded in Entry 10, page 296, volume 30 of the Registry of Companies of Lima.

Enrique Ferreyros y Compañía S.A. absorbed the assets and liabilities of the previous Corporation by deed executed on September 21, 1931, before Attorney-at-Law and Notary Public in and for Lima, Agustín Rivero y Hurtado, registered on Entry 1, Page 457, Volume 31 of the Registry of Companies of Lima. The change of name to Enrique Ferreyros S.A. was made through deed executed on November 23, 1981, before Attorney-at-Law and Notary Public in and for Lima, Jorge Orihuela Iberico, registered in Item 11007355 of the Registry of Companies.

The change of name to Enrique Ferreyros S.A. was made through deed executed on May 6, 1996, before Attorney-at-Law and Notary Public in and for Lima, Jorge Orihuela iberico, registered on Entry 2B of Card 117502 of the Book of Corporations of the Registry of Companies. On March 24, 1998, the Shareholders' Meeting agreed to change the company name of Ferreyros S.A.A., registered in Item 11007355 of the Registry of Companies.

1.3. Other investments

The company maintains investments in the following companies:

Companies	Number of shares	Participation
La Positiva Seguros y Reaseguros	25'365,384	13.7928%
La Positiva Vida Seguros y Reaseguros	4'632,896	3.5143%
Transacciones Plurales S.A.	1'698,660	16.1305%
Transacciones Especiales S.A.	223,526	0.5165%

1.4. Capital Stock, Shares and Shareholding Structure

As at 31.12.09, the capital stock of Ferreyros is represented by 424'816,167 ordinary shares with a par value of S/. 1.10 each, fully subscribed and paid up, out of which 84.44% correspond to Peruvian investments and 15.56% to foreign investments.

The opening price quoted this year was S/. 2.20 and the closing price quoted, S/. 2.64, having recorded a maximum price of S/. 3.00 in September and a minimum of S/. 1.95 in January. The average price of a share in 2009 was of S/. 2.38 (Annex 1).

Shareholders with an interest of 5% or more of the capital stock of the company are:

Name and surname	Number of shares	Participation %	Nationality
La Positiva Vida Seg. y Reaseguros	40'459,772	9.52%	Peruvian
AFP Prima Fondo 3	34'404,204	8.10%	Peruvian
AFP Horizonte Fondo 2	27'928,404	6.57%	Peruvian
Horseshoe Bay Limited	27'462,658	6.46%	Foreign
AFP Integra Fondo 3	27'380,436	6.45%	Peruvian
AFP Profuturo Fondo 2	22'557,115	5.31%	Peruvian

Voting shares are distributed as follows:

Shareholding	Number of shareholders	Number of shares	% participation
Less than 1%	1,420	93'135,071	21.92
From 1% to less than 5%	12	151'488,507	35.66
From 5% to less than 10%	6	180'192,589	42.42
From 10% upward	0	0	0
Total	**1,438**	**424'816,167**	**100.00**

ANNEX 2: INSTRUMENTS REPORTING IN THE CAPITALS MARKET

2.1. Share quotation

Ferreyros S.A.A.

Variable Income

ISIN Code	Mnemonic	Year – Month	Quotations 2009				Price
			Opening	Closing	Maximum	Minimum	Average
			S/.	S/.	S/.	S/.	S/.
PEP736001004	FERREYC1	2009-01	2.20	2.02	2.30	1.95	2.07
PEP736001004	FERREYC1	2009-02	2.02	2.00	2.04	1.95	2.01
PEP736001004	FERREYC1	2009-03	2.00	2.05	2.05	1.93	2.00
PEP736001004	FERREYC1	2009-04	2.07	2.30	2.47	2.07	2.28
PEP736001004	FERREYC1	2009-05	2.35	2.42	2.60	2.31	2.43
PEP736001004	FERREYC1	2009-06	2.42	2.25	2.55	2.00	2.34
PEP736001004	FERREYC1	2009-07	2.25	2.39	2.40	2.10	2.26
PEP736001004	FERREYC1	2009-08	2.40	2.50	2.55	2.39	2.48
PEP736001004	FERREYC1	2009-09	2.47	2.90	3.00	2.40	2.81
PEP736001004	FERREYC1	2009-10	2.90	2.70	2.90	2.60	2.79
PEP736001004	FERREYC1	2009-11	2.75	2.42	2.75	2.37	2.51
PEP736001004	FERREYC1	2009-12	2.44	2.64	2.85	2.44	2.61

Fixed Income

ISIN Code	Mnemonic	Year – Month	Quotations 2009				Price
			Opening	Closing	Maximum	Minimum	Average
			%	%	%	%	%
PEP73600M090	FERR1DBC1A	2009-09	102.1369	102.1369	102.1369	102.1369	102.1369

2.2. Issuance of current debt instruments

Maturity of current placements as at 31.12.09
(in millions of US dollars)

First Corporate Bonds Program

	Resolution Conasev Nº 028-2004-EF/94.11
Class	Registered and indivisible in account at CAVALI ICLV S.A.
Face value	US$ 1,000 each
Series	One or more
Maximum issue amount	US$ 50'000,000
Series	One or more
Term	2 years, renewable
Payment of interest	End of the quarter

First Program Series Registered		Characteristics of the placements current as at December 2009					
First Program Issues	Amount of Issue	Balance Amount	Term (years)	Placement Rate	Date of Issue	Date of Redemption	Amortization
FERRE1BC3A	10'000,000	2'500,000	5	6.1175%	21/10/2005	21/10/2010	16 quarterly payments, 1 year free
		2'500,000					

First IRD Program

	Resolution Conasev Nº 055-2007-EF/94.11
Class	Registered and indivisible in account at CAVALI ICLV S.A.
Face value	US$ 1,000 each
Series	One or more
Maximum issue amount	US$ 90'000,000
Term	2 years, renewable
Payment of interest	End of the quarter

First IRD Program Series Registered		Characteristics of the placements current as at December 2009					
IRD Issues	Amount of Issue	Balance Amount	Term (years)	Placement Rate	Date of Issue	Date of Redemption	Amortization
First Issue of Bonds Series A	90’000,000	15’000,000	3	5.8125%	09/05/2007	09/05/2010	100% of capital at redemption
First Issue of Bonds Series B	90’000,000	15’000,000	3	6.5000%	13/03/2008	14/03/2011	100% of capital at redemption
First Issue of Bonds Series C	90’000,000	7’500,000	3	6.3125%	24/09/2008	26/09/2011	100% of capital at redemption
Second Issue of Bonds	90’000,000		5				16 quarterly payments, 1 year free
Third Issue of Short-Term Instruments	90’000,000		5				100% of capital at redemption
Fourth Issue of Bonds Series A	90’000,000	15’000,000	4	6.2500%	21/09/2007	21/09/2011	100% of capital at redemption
Fourth Issue of Bonds Series B	90’000,000	10’000,000	4	6.1250%	09/11/2007	09/11/2011	100% of capital at redemption
Sixth Issue of Bonds Series A	90’000,000	10’500,000	3	8.0000%	22/12/2008	23/12/2011	100% of capital at redemption
Sixth Issue of Bonds Series B	90’000,000	12’000,000	3	7.3100%	12/09/2009	13/02/2012	100% of capital at redemption
		85’000,000					

Second IRD Program

	Resolution Conasev Nº 054-2009-EF/94.06.3
Class	Registered and indivisible in account at CAVALI ICLV S.A.
Face value	US$ 1,000 each
Series	One or more
Maximum issue amount	US$ 130’000,000
Term	2 years, renewable
Payment of interest	End of the quarter

Second IRD Program
Series Registered

Characteristics of the placements current as at December 2009

Second IRD Issues	Amount of Issue	Balance Amount	Term (years)	Placement Rate	Date of Issue	Date of Redemption	Amortization
First Issue of Bonds Series A	130’000,000	10’000,000	3	4.6250%	25/11/2009	25/11/2012	100% of capital at redemption
Second Issue of Bonds	130’000,000		4				100% of capital at redemption
Third Issue	130’000,000		5				16 quarterly payments, 1 year free
Fourth Issue of Short-Term Bonds	130’000,000		4				100% of capital at redemption
Fifth Issue of Bonds	130’000,000		6				100% of capital at redemption
		10’000,000					
		97’500,000					

ANNEX 3: GUARANTEES, SURETIES, SECURITIES, CONTINGENCIES AND COMMITMENTS

As at 31.12.09, 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. Likewise, it has granted bank guarantees for the participation in public and private biddings and tenders. The guarantees granted as at December 31, 2009 totaled US$ 51.3 millions, which represents 23% of the equity.

3.1 Bank Guarantees

As at 31.12.09, the bank guarantees facilities used by Ferreyros to secure diverse transactions, mainly bids in public biddings and the receipt of advance payments, amounted to US$ 4.9 millions.

Sureties for Subsidiaries

The company has granted sureties in favor of subsidiaries to secure their obligations with bank institutions, in the amount of US$ 30.3 million.

The financial entities require from Ferreyros the provision of sureties to secure the credit lines of some subsidiaries and the medium-term credit operations. However, thanks to the growth of some subsidiaries and their financial consolidation such requirement has been diminishing.

3.2 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. In some cases these sureties are granted with the express approval of the Board of Directors of the company.

Such sureties for customers were granted to customers to secure their obligations with Caterpillar Financial Services, Caterpillar International Services of Peru, Caterpillar Leasing Chile and some local banks.

As at the closing of 2009, the balance of sureties amounted to US$ 16.1 millions, which are supported by the respective guarantees of the customers and/or cash flow trusts.

3.3 Guarantees on Assets

As at 31.12.09, the company has pledged real property guarantees for US$ 11.5 millions on some real property to back mortgage credits before Caterpillar Financial Services. The debt balance is US$ 1.97 millions.

The firm position of Ferreyros enables it to support the growth of new subsidiaries and to offer support to its clients.

3.4. Contingencies and commitments

As at December 31, 2009, the company has the following contingencies:

a. In 2003, the company received Income Tax and Value Added Tax assessments for the year 2000 for an amount of S/. 5.3 million, including fines and interest. The company filed an appeal motion before the Tax Court.

b. In 2005, the company received Income Tax and Value Added Tax assessments for the year 2001 for an amount of S/. 24.0 million, including fines and interest. The company filed an appeal motion before the Tax Authority (SUNAT).

c. In 2006, the company received Income Tax and Value Added Tax assessments for the years 2002 and 2003 in the amounts of S/. 36.1 and S/. 5.9 million, including fines and interest. The company filed initially an appeal motion before the Tax Authority (SUNAT).

d. In 2006, the company received Penalty Resolutions for the withholding of Income Tax on services rendered by non-domiciled parties in the years 2004 to 2006. The SUNAT has partially admitted the appeal filed, having rectified the assessed amount and maintaining the assessment for a total amount of S/. 1.2 million, including interest. The company filed an appeal motion before the Tax Court.

e. In April 2008, the company received Income Tax and Value Added Tax assessments for the year 2004 for a total amount of S/. 12.1 million, including fines and interest. The company filed an appeal motion before the Tax Authority (SUNAT).

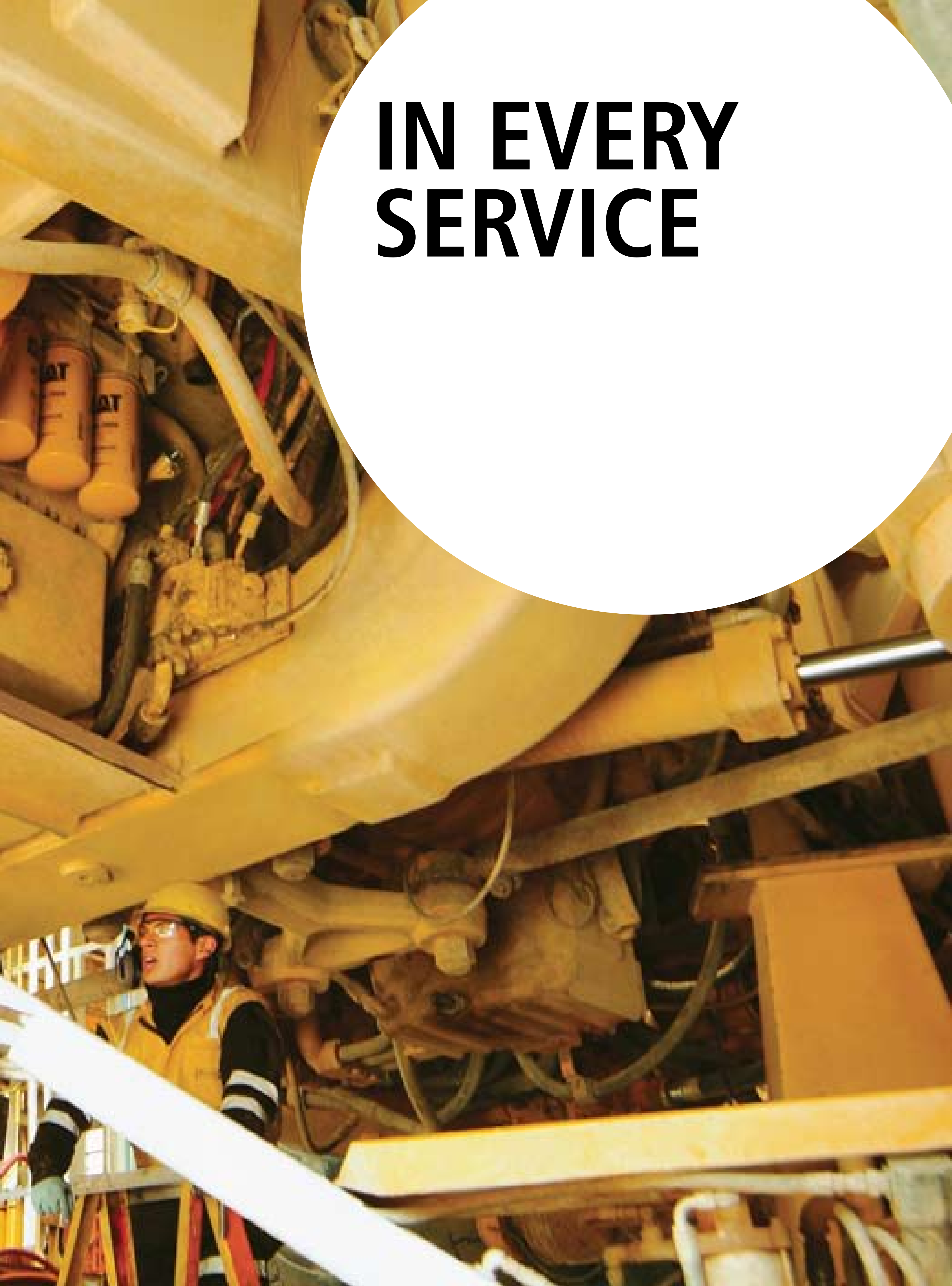
f. In July 2008, the company received Income Tax and Value Added Tax assessments for the year 2005 for a total amount of S/. 6.6 million, including fines and interest. The company filed an appeal motion before the Tax Authority (SUNAT).

g. As at December 31, 2009, the company is involved in appeal proceedings for amounts totaling US$1.1 million and S/. 1.3 million as redress for damages caused by actions initiated by third parties.

Based on the opinion of its legal and tax advisors, the Management considers that such assessments and proceedings are inadmissible and that the final result will be favorable to Ferreyros. Therefore, they have not considered it necessary to record a provision for these proceedings.

With regard to the inspection processes based on which the aforementioned tax assessments were issued, the Tax Authority (SUNAT) following the established procedures and prior to the issue of the respective report, informed the company about the outcome of each inspection, granting a specific term to evaluate and correct the omissions and violations allegedly incurred. In this respect, the company complied in a timely manner with correcting and paying for the omissions and violations that were considered appropriate by the tax consultants who performed a thorough evaluation.

IN EVERY SERVICE



Ferreyros appreciates the importance of offering first class technical support to protect the investment of our clients. The works in our workshops throughout the country, in 46,000 m^2 of facilities; the field service delivered at our clients' operations site when required; and the permanent presence in the projects are key in the support of our products.

One of the most important workshops is our Components Repair Center (CRC) which again received World Class Certification from Caterpillar in 2009. During the year, we continued investing in improving the infrastructure and equipment of our workshops, such as Machinery and Recovery, in Lima, and those under our Arequipa branch.

Our field service made it possible to respond promptly to our clients that required on-site technical support, with over 8,700 calls served countrywide during the year. In turn, in the projects where we have permanent presence, with in-house personnel, Ferreyros provided specialized service to more than 1,300 equipment units.

Logistics is another central aspect of our service. As an example of this, 95% of the spare parts requirements from our clients were attended to from our stock in the country and the balance, through fast emergency orders. The infrastructure of Ferreyros includes 47 warehouses and points of sale of spare parts, many of them at our clients' own facilities.

AUDITED FINANCIAL STATEMENTS AND MANAGEMENT ANALYSIS

PRICEWATERHOUSECOOPERS

Dongo-Soria Gaveglio y Asociados
Sociedad Civil
de Responsabilidad Limitada
Av. Santo Toribio 143
Lima 27, Perú
Apartado 1434-2869
Telfs.: (51 1) 211-6500 411-5800
Fax : (51 1) 211-6560

(Free translation from the original in Spanish)

REPORT OF INDEPENDENT AUDITORS

February 16, 2010

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, 2009 and 2008 and the statements of income, of changes in equity and of 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.

Auditors' 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.

Inscrita en la Partida No. 11028527
Registro de Personas Jurídicas de Lima
Capital pagado S/. 1,065,000.00

PRICEWATERHOUSECOOPERS

February 16, 2010
Ferreyros S.A.A.

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

Opinion

In our opinion, the accompanying financial statements referred to above, payable for the purposes described in the following paragraph, present fairly, in all material respects, the financial position of **Ferreyros S.A.A.** as of December 31, 2009 and 2008, 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 of a matter

Without qualifying our report, we draw attention that 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 will be issued on a date subsequent to the issuance of these separate financial statements.

Dongo-Soria Gaveglio y Asociados

Countersigned by

-- (partner)
Esteban Chong L.
Certified Peruvian Public Accountant
Registration No.01-010595

BALANCE SHEET

Assets

	As of December 31,	
	2009	2008
	S/.000	S/.000
Current assets		
Cash and cash equivalents (Note 5)	93,775	65,876
Trade accounts receivable:		
Third parties (Note 6)	291,353	321,789
Related parties (Note 7)	2,729	4,443
Other accounts receivable:		
Related parties (Note 7)	13,710	10,254
Other (Note 8)	28,609	35,506
Inventories (Note 9)	454,532	820,642
Prepaid expenses	1,183	661
Total current assets	885,891	1,259,171
Long-term trade Accounts receivable (note 6)	**30,127**	**49,891**
Investments in securities (note 10)	**196,464**	**179,271**
Property, plant and equipment (note 11)	**397,329**	**382,833**
Deferred income tax and Profit sharing (note 12)	**15,187**	**20,533**
Other assets	**4,882**	**4,751**
	1,529,880	**1,896,450**

The accompanying notes from page 57 to 96 are an integral part of the financial statements.

BALANCE SHEET

Liabilities and equity

	As of December 31, 2009	2008
	S/.000	S/.000
Current liabilities		
Financial obligations (note 13)	499	472,587
Trade accounts payable:		
Third parties (note 14)	183,924	204,829
Related parties (note 7)	3,720	4,620
Other accounts payable:		
Taxes payable	22,634	6,182
Salaries payable	49,136	42,538
Related parties (note 7)	867	1,793
Other accounts payable (note 15)	52,428	46,470
Current portion of long-term debt (note 16)	145,932	107,190
Total current liabilities	**459,140**	**886,209**
Long-term debt (note 16)	**434,228**	**466,492**
Deferred income	**2,812**	**6,237**
Total liabilities	**896,180**	**1,358,938**
Equity (note 17)		
Capital	467,298	415,449
Additional capital	-	(113)
Unrealized earnings	26,094	9,970
Legal reserve	39,805	31,761
Retained earnings	100,503	80,445
	633,700	**537,512**
	1,529,880	**1,896,450**

The accompanying notes from page 57 to 96 are an integral part of the financial statements.

STATEMENT OF INCOME

	For the year ended December 31,	
	2009	2008
	S/.000	S/.000
Net sales	1,851,087	1,908,212
Other operating income	440	1,155
Total gross income	1,851,527	1,909,367
Cost of sales (Note 20)	(1,465,371)	(1,490,164)
Gross profit	**386,156**	**419,203**
Sale expenses (Note 21):	(165,567)	(162,467)
Administrative expenses (Note 21)	(90,212)	(78,069)
Other income (expenses), net (Note 22)	5,368	10,077
Operating profit	**135,745**	**188,744**
Other income (expenses):		
Financial income (Note 23)	20,884	31,668
Financial expenses (Note 24)	(70,302)	(56,346)
Difference on exchange, net	57,656	(51,038)
Share in profits of subsidiaries under the equity method	17,083	13,430
	25,321	**(62,286)**
Income before profit sharing and income tax	161,066	126,458
Profit sharing (Notes 12 and 18)	(13,610)	(10,340)
Income tax (Notes 12 and 18)	(46,953)	(35,673)
Net profit for the year	**100,503**	**80,445**
Basic and diluted earnings per share (Note 25)	**0.237**	**0.189**

The accompanying notes from page 57 to 96 are an integral part of the financial statements.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2009 and 2008

	Capital	Aditional capital	Unrealized earnings	Legal reserve	Retained earnings	Total
	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Balances at January 1, 2008	335,749	-	15,937	19,056	127,051	497,793
Transfer to legal reserve	-	-	-	12,705	(12,705)	-
Transfer of revaluation surplus to retained earnings	-	-	(5,752)	-	5,752	-
Valuation of derivative financial instruments	-	-	(215)	-	-	(215)
Treasury shares	(108)	(113)	-	-	-	(221)
Dividend distribution	-	-	-	-	(40,290)	(40,290)
Capitalization of retained earnings	79,808	-	-	-	(79,808)	-
Net profit for the year	-	-	-	-	80,445	80,445
Balances at December 31, 2008	**415,449**	**(113)**	**9,970**	**31,761**	**80,445**	**537,512**
Transfer to legal reserve	-	-	-	8,044	(8,044)	-
Dividend distribution	-	-	-	-	(20,773)	(20,773)
Capitalization of retained earnings	51,741	-	(113)	-	(51,628)	-
Treasury shares	108	113	-	-	-	221
Land revaluation	-	-	15,816	-	-	15,816
Equity increase in subsidiaries and associates	-	-	2,868	-	-	2,868
Valuation of derivative financial instruments	-	-	(2,447)	-	-	(2,447)
Net profit for the year	-	-	-	-	100,503	100,503
Balances at December 31, 2009	**467,298**	**-**	**26,094**	**39,805**	**100,503**	**633,700**

The accompanying notes from page 57 to 96 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

	For the year ended December 31,	
	2009	2008
	S/.000	S/.000
Operating activities		
Collections from customers	2,229,421	2,174,258
Other collections related to operating activities	30,826	43,012
Payments to suppliers	(1,366,614)	(2,260,667)
Payments of salaries and social benefits	(200,629)	(200,470)
Payments of taxes	(123,145)	(76,062)
Other payments related to operating activities	(9,509)	(11,961)
Net cash provided by (used in) operating activities	560,350	(331,890)
Investing activities		
Sale of property, machinery and equipment	19,673	3,751
Purchase of machinery and equipment	(14,471)	(18,575)
Disbursements on work in progress of property, plant and equipment	(4,762)	(6,304)
Purchase of investments in securities	(1,744)	(30,518)
Purchase of intangible assets	(1,119)	(3,251)
Dividends received	4,970	2,442
Other collections related to investing activities	1,874	-
Net cash provided by (used in) investing activities	4,421	(52,455)
Financing activities		
Financial obligations, net	(472,088)	(641)
Long-term debt, net	28,397	515,592
Interest on financial obligations and long-term debt	(72,416)	(52,640)
Dividends paid	(20,765)	(40,272)
Net cash (used in) provided by financing activities	(536,872)	422,039
Net increase in cash and cash equivalents	27,899	37,694
Balance of cash and cash equivalents at beginning of year	65,876	28,182
Balance of cash and cash equivalent at end of year	93,775	65,876

The accompanying notes from page 57 to 96 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Statement of cash flows (continues from page 55)

	For the year ended December 31,	
	2009	2008
	S/.000	S/.000
Reconciliation of net result to cash flows		
From operating activities		
Net income of the year	100,503	80,445
Adjustments to reconcile net income to cash flows		
from operating activities:		
Provision for doubtful accounts	9,074	5,192
Provision for impairment of inventories	10,332	3,695
Provision for impairment for investments in securities	-	403
Recovery of provision for impairment of inventories	(4,941)	(5,205)
Provision for impairment of fixed assets	-	(210)
Provision for workers' bonuses	9,117	10,186
Provision for workers' vacations	(464)	2,197
Value of interest in investments in securities	(17,083)	(13,430)
Loss (profit) on sale of property, machinery and equipment	(5,706)	(1,567)
Depreciation and amortization	64,514	49,334
Financial expenses	70,302	56,347
Directors' remunerations	8,244	6,484
Workers' profit sharing	13,610	10,340
Deferred income tax and workers' profit sharing	(528)	(2,860)
Other	1,670	1,753
Net changes in assets and liabilities:		
Trade accounts receivable	42,840	(89,025)
Other accounts receivable	3,441	(8,005)
Inventories	361,873	(370,317)
Prepaid expenses	(523)	130
Other assets	(131)	(3,330)
Trade accounts payable	(43,266)	14,683
Other accounts payable	(62,528)	(79,130)
Net cash provided by (applied to) provided by operating activities	**560,350**	**(331,890)**

The accompanying notes from page 57 to 96 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

1 BACKGROUND AND BUSINESS ACTIVITIES

a) Background

Ferreyros S.A.A. (hereinafter the Company) was incorporated in Lima in September 1922 under the legal name of Enrique Ferreyros y Cia Sociedad en Comandita. Subsequently, in June 1998, after several changes in its legal trade name, the Company amended its corporate by-laws in order to comply with the Peruvian General Law of Companies, under which, its new legal name became Ferreyros Sociedad Anonima Abierta (Ferreyros S.A.A.). Its legal address is Avenida Cristóbal de Peralta Norte No.820, Surco and it has branch offices in Piura, Lambayeque, Trujillo, Chimbote, Huaraz, Ica, Arequipa, Cusco, Cajamarca, and Huancayo as well as ofices in Tumbes, Cerro de Pasco, La Merced and Ayacucho.

The Company lists its shares on the Lima Stock Exchange.

b) Business activity

The Company is mainly engaged in importing and selling machinery, engines, automotive equipment and spare parts, rental of machinery and equipment for providing repair and maintenance services.

In 2009 the number of personnel employed by the Company to carry out its activities was 49 officials, 984 employees and 1221 workers (49 officials, 1030 employees and 1310 workers as of December 31, 2008).

c) Approval of the financial statements

The financial statements as of December 31, 2009 have been prepared by Management and will be submitted to the Board of Directors and General Stockholders' Meeting for their consideration within the term established by law. The financial statements as of December 31, 2008 were approved by the General Stockholders' Meeting held on March 31, 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Peru. The accounting principles generally accepted in Peru comprise the International Financial Reporting Standards (IFRS), approved by the Contaduria Publica de la Nacion and endorsed through resolutions issued by the Peruvian standard setter Consejo Normativo de Contabilidad.

The 2009 and 2008 financial statements have been prepared under the historical cost convention, as modified by the revaluation of land in prior years, and for the recognition of derivative financial instruments at fair value.

The preparation of the financial statements generally requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The variation in the purchasing power of the Peruvian currency for 2009 and 2008, based on the Wholesale Price Index, as per official statistics was deflation of 5.05% and inflation of 8.79%, respectively.

Amendments to Standards and interpretations (IFRIC) approved by the Consejo Normativo de Contabilidad adopted by the Company as from 2009 -

The Consejo Normativo de Contabilidad through Resolution No.040-2008-EF/94 dated March 14, 2008 approved the application of the following amendments of standards and interpretations used in the preparation of the financial statements as of December 31, 2009:

IAS 32, "Financial instruments: Presentation" (amended in 2006). This standard has been amended to make it consistent with IFRS 7, described below.

IFRS 7, "Financial Instruments: Disclosures". This Standard requires the entity to provide more extensive disclosures to enable the users of the financial statements to reasonably assess the significance of the financial instruments in its financial condition and performance. This standard requires management to disclose the analysis performed of each financial risk to which the entity is exposed. The standard describes financial risks such: credit risk, liquidity risk and market risk. The standard requires qualitative and quantitative disclosures to be made on the entity's financial instruments based on the information provided internally to the entity's key management personnel. This standard applies to:

- Recognized and non-recognized financial instruments; and
- Agreements to buy or sell non-financial products that are within the scope of IAS 39.

IFRS 8, 'Operating segments', IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The new standard requires a management approach, under which the information by segments is presented by using the same basis for internal reporting.

Additionally, IFRIC 13, Customer loyalty programs and IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction were approved but are not applicable to the Company because it does not operate a customer loyalty program nor offers pension schemes.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE INTERNATIONALLY AS OF JANUARY 1, 2009 AND PENDING APPROVAL OF THE CONSEJO NORMATIVO DE CONTABILIDAD WHICH THE COMPANY HAS NOT ADOPTED –

- IFRS 2 (Amended) 'Share-based Payment'.
- IFRS 3 (Revised), 'Business combinations'.
- IFRS 5 (Amended), 'Non-current assets held-for-sale and discontinued operations'.
- IFRS 7 (Amended), 'Financial Instruments: Disclosures'.
- IAS 1 (Reviewed), 'Presentation of financial statements'.
- IAS 16 (Amended), 'Property, plant and equipment'.
- IAS 19 (Amended), 'Employee benefits'.
- IAS 20 (Amended), 'Accounting for government grants and disclosures of government assistance'.
- IAS 23 (Amended), 'Borrowing costs'.
- IAS 27 (Revised), 'Consolidated and separate financial statements'.
- IAS 28 (Amended), 'Investments in associates'.
- IAS 31 (Amended), 'Interests in joint ventures'.
- IAS 36 (Amended), 'Impairment of assets'.
- IAS 38 (Amended), 'Intangible assets'.
- IAS 39 (Amended), 'Financial instruments: Recognition and measurement'.
- IAS 40 (Amended), 'Investment property'.
- IAS 41 (Amended), 'Agriculture'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.

Several minor amendments were made to IFRS 7, 'Financial instruments: disclosure', IAS 8, 'Accounting policies, changes in accounting estimates and errors' and IAS 10, 'Subsequent events', NIC 18, 'Revenue' and IAS 34, 'Interim financial information', IAS 20, 'Accounting for government grants and disclosures of government assistance', IAS 29, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property' and IAS 41, 'Agriculture', are part of the annual improvement project of the IASB published in May 2008.

The Company will adopt these standards, if applicable, as they are approved by the Consejo Normativo de Contabilidad in Peru.

Standards, amendments and interpretations to existing standards not effective internationally, not approved by the Consejo Normativo de Contabilidad which have not been applied early on by the Company -

The following standards and amendments to effective standards have been published and are mandatory internationally for accounting periods beginning on or after January 1, 2010 and which the Company will apply as they are formally endorsed in Peru by the Contaduría Pública de la Nacion.

IFRIC 17, 'Distribution of non-cash assets to owners'.
IAS 27 (revised), 'Consolidated and separate financial statements'.
IFRS 3 (revised), 'Business combinations'.
IAS 38 (amended), 'Intangible assets'.
IFRS 5 (amended), 'Non-current assets held-for-sale and discontinued operations'.
IAS 1 (amended), 'Presentation of financial statements'.
IFRS 2 (amended), 'Group cash-settled and share-based payment transactions'.

b) Foreign currency translation

Functional and presentation currency:

The items included in the Company's financial statements are expressed in the currency of the primary economic environment in which the entity operates (functional currency). Financial statements are presented in New Peruvian soles, which is the Company's functional and presentation currency.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, published by the Superintendencia de Banca, Seguros y AFP (SBS, Spanish acronym).

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when they are differed in equity in transactions that qualify as cash flow hedges.

c) Financial assets

Classification

The Company classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity financial assets and (iv) available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

ii) Loans and accounts receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

iii) Held-to- maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with non-determinable fixed maturity or which management has the intention and the capacity to maintain up to maturity. Held-to-maturity financial assets are shown as non-current assets, except for those with maturities or more than 12 month from the balance sheet date are classified as current assets.

iv) Available- for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

As of December 31, 2009 and 2008, the Company mainly maintains financial assets classified as loans and accounts receivable.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of income within 'other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of income as part of other income when the Company's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in other comprehensive income. Changes in the fair value of monetary and 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 recognized in equity are included in the statement of income as Other income (expenses), net.

Interest on available-for-sale securities calculated under the effective interest method is recognized in the statement of income as part of other income. Dividends on available-for-sale equity instruments are recognized in the statement of income as part of other income when the Company's right to receive payments is established.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank on-demand deposits, highly liquid at short term with maturities of up to three months or less. Bank overdrafts are reflected as part of the financial obligations in current liabilities of the balance sheet.

e) Trade accounts receivable

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

f) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria used by the Company to determine if there is objective evidence of a loss for impairment includes:

- Significant financial difficulty of the issuer;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Company, for economic or legal reason relating to the borrower's financial difficulty, grants to the borrower a concession that the Company would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial re-organization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

i) Adverse changes in the payment status of borrowers in the portfolio; and
ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

Firstly, the Company evaluates whether there is objective evidence of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For practical purposes, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of income.

The Company evaluates at each year-end whether there is objective evidence of impairment of a financial asset or group of financial assets. With respect to debt securities, the Company uses the approach stated above.

g) Investments in subsidiaries, associates and joint ventures

The Company recognizes its investments in subsidiaries, associates and joint-controlled businesses under the equity method of accounting, by which, the results obtained in these companies are recognized in its financial statements at the carrying amount of the related investment. Dividends received in cash reduce the value of the investments. Investments in subsidiaries, associates and joint-controlled businesses are stated within financial investments in the balance sheet.

h) 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 average cost method. The cost of inventories excludes financing costs and differences on exchange. 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.

i) Property, plant and equipment and depreciation

Land and buildings comprise mainly plants, retail outlets and offices. Land is recorded at fair value, based on periodic valuations carried out by external independent appraisers at least every six years. All other property, plant and equipment items are stated at historical cost less depreciation and the accumulated loss for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Maintenance and repair costs are charged to the results of the year when they are incurred.

Increases in the carrying amount arising from revaluation of land are credited to the revaluation surplus account in equity. Decreases that offset previous increases of the same asset are charged against revaluation surplus in equity; all other decreases are charged to income. When revalued assets are sold or retired, the revaluation surplus included in equity is transferred directly to retained earnings.

Land is not depreciated. Depreciation of other assets is calculated under the straight-line method and by the method of machine / hour method to allocate their cost or revalued amount, less their residual value, over their estimated useful lives, as follows:

	Years
Buildings and other constructions	33
Installations	10
Machinery and equipment	5 and 10
Machinery and equipment, rental (*)	
Vehicles	5
Furniture and fixtures	4 and 10

(*) Based on the machine / hours method.

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 down immediately to its recoverable amount if the carrying amount exceeds its estimated recoverable amount. The assets should be tested for impairment when events or circumstances exist that indicates that the carrying value could not be recoverable. The recoverable amount is the higher of the net selling price of an asset and its value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of income.

j) Leases contracts

Machinery, equipment and vehicles for rent to third parties through operating leases in which the risks and benefits related to the property are retained by the Company are classified as operating leases and are recorded in the account Property, machinery and equipment, calculating their respective depreciation under the machine / hour method. When rental contracts expire, these assets are transferred to the account Inventories for their technical refurbishing and subsequent sale. Rental income is recognized monthly under the machine / hour method over the period of the lease.

Leases of property, plant and equipment where the Company maintains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of financial charges, are included in of income long-term debt. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

k) Intangibles

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

l) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

m) Trade accounts payable

Trade accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are shown as non-current liabilities.

Trade accounts payable are initially recognized at fair value and subsequently are re-measured at the amortized cost by using the effective interest rate method.

n) Financial obligations

Borrowings are initially recognized at fair value, net of transaction costs incurred. Subsequently are recognized at amortized cost. Any difference between the proceeds received (net of transaction costs) and the redemption value is recognized in income over the period of the borrowings and/or obligations issued using the effective interest method.

o) Income tax

The income tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity. In this case tax is also recognized directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date. The Company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

The balances of deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

p) Employee benefits

Workers' profit sharing

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

Employees' vacation leave

Personnel's annual vacations and other remunerated absences are recognized on the accrual basis. The provision for the estimated obligation for annual vacations and other remunerated absences of employees is recognized at the balance sheet date.

Employees' severance indemnities

The provision for employees' severance indemnities comprises all employees' rights to indemnities under current regulations. The related payments, considered as definitive, are deposited in the financial institution chosen by employees.

q) Provisions

The provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount involved can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

r) Dividend distribution

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

s) Contingencies

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

t) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 3.1-a. Changes in the account unrealized earnings regarding hedges in equity are disclosed in Note 17-b. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and, as a current asset or liability, when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the statement of income as 'other gains/(losses) - net'.

Amounts accumulated in equity are recycled to profit or loss in the periods when the hedged item affects income (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income as 'other gains/(losses) – net'.

u) Revenue recognition

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

- Revenues from sales of machinery, engines, vehicles and spare parts are recognized when the risks and rewards inherent to the ownership of the assets have been transferred to the buyer. Revenues from services are recognized when rendered.

- Revenues from maintenance and repair services and lease of machinery and equipment are recognized in the period when the services are rendered.

Company's other income is recognized as follows:

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

v) Share capital

Common shares are classified as equity.

w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's operations expose it to certain financial risks that could have potential adverse effects which are permanently evaluated by the Company's Board of Directors and Management in order to minimize them. Financial risks are: Market risk (including foreign exchange, price risk and interest rate risk), credit risk and liquidity risk.

Risk management is carried out by Management. Management identifies, evaluates and hedges financial risks.

a) Market risks –

i) Foreign exchange risk –

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities denominated in a currency other than the Company's functional currency. The Company purchases and sells products, grants financing to its clients and maintains its borrowings in foreign currency and is exposed to the risk of changes in the U.S. dollar exchange rates.

The net liability position is economically hedged with inventories and rental equipment, for which their selling prices are settled in U.S. dollars. Also, a portion of its revenues in dollars, is hedged with forward foreign exchange contracts, by which the future local currency exchange rate agreed is equivalent to a percentage of fixed costs. This is only related to forecast sales in U.S. dollars qualifying as highly probable forecast transactions.

As of December 31, 2009, the Company maintains forward contracts with local financial entities for a total US$12.2 million; which fall due in 2010. As of December 31, 2009, the recoverable amount of forward contracts is approximately S/.246,000 and is recognized with a charge to Unrealized earnings in equity.

Balances in foreign currency as of December 31, are summarized as follows:

	2009	2008
	US$000	US$000
Assets		
Cash and cash equivalents	29,999	17,543
Trade accounts receivable	100,591	98,463
Other accounts receivable	12,491	7,672
	143,081	123,678
Liabilities		
Financial obligations	83	150,314
Trade accounts payable	60,702	63,093
Other accounts payable and deferred income	13,080	14,094
Long-term financial obligations	150,200	182,583
	224,065	410,084
Net liabilities	80,984	286,406

As of December 31, 2009, the Company maintains inventories and fleet of rented vehicles amounting to US$227 million (US$344 million as of December 31, 2008) that offset the net liability in foreign currency, since they are traded in foreign currency.

As of December 31, 2009, the exchange rates used by the Company to record balances in foreign currency were S/.2.888 and S/.2.891 per US$1 for assets and liabilities, respectively (S/.3.137 and S/.3.142 per US$1 for assets and liabilities, respectively, as of December 31, 2008), which were published by the SBS.

As of December 31, 2009, the Company obtained an exchange gain for S/.453.5 million and an exchange loss for S/.395.9 million (S/.258.3 million and S/.309.3 million from exchange gains and losses, respectively, as of December 31, 2008).

If at December 31, 2009, the new Peruvian sol had revalued / devalued by 1% to the U.S. dollar and with other variables remaining constant, the profit for the year, after taxes, would have amounted to S/.2.1 less / greater (S/.0.5 million greater / lesser as of December 31, 2008) higher/lower, mainly due to the result of exchange gains/losses of trade accounts receivable denominated in U.S. dollars and exchange gains/losses of financial obligations denominated in U.S. dollars.

ii) Cash flows and fair value interest rate risk –

The Company's interest rate risk arises from its long-term financial obligations. Certain financial obligations are agreed at floating interest rates and expose the Company to the risk of fluctuations in the related interest rates affecting the cash flows and the fair value of borrowings. Borrowings at fixed rates expose the Company to an interest rate risk on the fair value of its financial obligations.

The Company analyses its interest rate risk exposure and evaluates its impact based on an analysis of the macroeconomic variables. Based on these evaluations, the Company makes a decision regarding contracting borrowings either at fixed or floating interest rates. As of December 31, 2009, 75% of the Company's liabilities are agreed to at fixed rates and 25% at floating rates (63% and 37%, respectively, as of December 31, 2008).

Also, the Company manages its cash flow interest rate risk by entering into interest rate swaps to hedge the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under an interest rate swap, the Company agrees with other parties to exchange, at specified intervals, (generally every three months) the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

As of December 31, 2009, la Company maintains interest rate swap contracts with local financial institutions relating to variable rate financial obligations amounting to US$37 million (US$55 million as of December 31, 2009) at floating interest rates up to May 2015, thus leaving only US$21 million in loans at floating rates to be hedged by a swap contract (US$80 million as of December 31, 2008). The net cash flows relating to the payment of variable rate interests on financial obligations and cash flows arising from the settlement of derivatives resulted in fixed payments of interest. At December 31, 2009, the fair value of interest rate swaps amount to approximately S/.3.9 million (S/.215 thousand at December 31, 2008) which was recognized in unrealized earnings of equity, net of the corresponding deferred income tax and profit sharing.

If at December 31, 2009, interest rates on borrowings were 3.5% higher/lower and if the other variables would have remained constant, the profit for the year, after taxes, would have amounted to S/.430 thousand lower/higher, mainly due to a higher/lower expense due to interests derived from borrowings with variables interest rates.

b) Credit risk –

Credit risk arises from cash and cash equivalents as well as credit exposures from customers, including outstanding receivables and committed transactions.

Regarding cash and cash equivalents held in financial institutions, which generally represent only 25% to 30% of the monthly cash flow, the Company evaluates is exposure to credit risk based on the independent rating of risk. the risk of concentration of credit may arise from the placement of cash surplus. In order to mitigate such risk, the Company has established a maximum amount of cash to be placed in one single financial institution at the end of its daily operations. The Company maintains cash and cash equivalents in first-rate financial institutions.

For customers, the Company has established policies to assure that sales are made to customers with adequate credit history. Among major policies, we can measure credit limits established for certain economic sectors or industries of the overall trade receivable portfolio, collection turnover of 30, 60 and 180 days, the requirement of initial quotas and guarantees in the form of securities and properties.

c) 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 maintains adequate levels of cash and available lines of credit.

The Company manages and monitors on an ongoing basis its liquidity reserves having established goals for a minimum current ratio of 1.5 to 1 and permanently seeking lines of credit with local and foreign financial institutions, maintaining its programs in good standing with the Public Records of the Securities Market to be able to issue debt securities.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Amount disclosed are undiscounted cash flows.

As of December 31, 2009	Less than 1 year S/.000	Between 1 and 2 years S/.000	Between 2 and 5 years S/.000	More than 5 years S/.000
Financial obligations	146,431	251,085	182,508	635
Trade accounts receivable	187,644	-	-	-
Other accounts payable	125,065	-	-	-
	459,140	**251,085**	**182,508**	**635**

As of December 31, 2009	Less than 1 year S/.000	Between 1 and 2 years S/.000	Between 2 and 5 years S/.000	More than 5 years S/.000
Financial obligations	579,777	118,835	344,549	3,108
Trade accounts receivable	209,449	-	-	-
Other accounts payable	96,983	-	-	-
	886,209	**118,835**	**344,549**	**3,108**

3.2 Capital risk management

The Company understands that reaching an optimal capital structure (debt and equity as the total financing sources) will enable it to optimize the business profitability and meet its obligations to creditors and stockholders. In order to maintain or adjust the capital structure, the Company's policy in place is to have a conservative position in borrowings. Also, it has a dividend policy in place and the maximum level is equivalent to 50% of profit and the allowed levels of debt considering the commitments presently effective with creditors, as a way to maintain an optimal capital structure.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

Gearing ratio at December 31, 2009 and 2008 is as follows:

	2009	2008
	S/.000	S/.000
Total financial obligations	580,160	1,046,269
Less: Cash and cash equivalents	(93,775)	(65,876)
Net debt	486,385	980,393
Total equity	633,700	537,512
Total capital	**1,120,085**	**1,517,905**
Gearing ratio	43%	65%

The lower gearing ratio resulted from the decrease in short-term financial obligations during 2009, substantially due to the sale of inventories.

3.3 Financial instrument fair value estimation

The fair value of financial instruments traded in active markets is based on their quotes at the balance sheet date.

The fair value of financial instruments not negotiated in active markets is determined by using technical valuations. The Company uses technical valuations and mainly applies assumptions based on the market conditions at the balance sheet date.

The fair value of interest rate swaps is calculated on the basis of the present value of the estimated future cash flows. The fair value of the foreign currency forwards is determined using the exchange rates prevailing for financial instruments traded at the balance sheet date. The Company considers that the carrying amount less the provision for impairment of accounts receivable and payable is similar to their fair values. The fair value of financial liabilities is estimated by discounting contractual future cash flows at effective market rates available for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates made by management are permanently evaluated and are based on historical experience and other factors, including the expectation of future foreseeable events the occurrence of which is considered 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. If such estimates and assumptions, based on Management's best judgment as of the date of the financial statements, vary in the future due to changes in assumptions, the corresponding financial statement balances will be corrected on the date when the estimates and assumptions were made. 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 financial years are related to tax obligations, estimation of useful lives of fixed assets and fair value of derived financial instruments and inventories. Determination of the tax obligations and expenses requires interpretations of the applicable tax laws and regulations. The Company has legal tax counsel's advice before making any decision on tax matters. Even though Management considers that their estimates are prudent and appropriate, differences of interpretation may arise from the interpretation made by the Peruvian Tax Authorities that may require future adjustments for taxes.

5 CASH AND CASH EQUIVALENTS

As of December 31 this account comprises:

	2009	2008
	S/.000	S/.000
Time deposits	76,965	37,364
Checking accounts	14,902	27,521
In-transit cash	1,316	445
Fixed fund	592	546
	93,775	**65,876**

6 TRADE ACCOUNTS RECEIVABLE

As of December 31 this account comprises:

	2009		2008	
	Current	Long term	Current	Long term
	S/.000	S/.000	S/.000	S/.000
Invoices and notes receivable	332,355	33,616	**359,776**	56,385
Deferred interest	(9,538)	(3,489)	(12,143)	(6,494)
Provision for doubtful accounts	(31,464)	-	(25,844)	-
	291,353	**30,127**	**321,789**	**49,891**

Invoices are not interest bearing because they are considered as short-term credits and notes receivable bear annual interests at rates of 16% and 20%.

As of December 31, 2009, the fair value of trade accounts receivable amounts to S/.321,480 (S/.371,680 as of December 31, 2008).

The aging detail of trade accounts receivable is as follows:

	2009	2008
	S/.000	S/.000
Current	273,237	339,808
Past due up to 30 days	54,876	32,208
Past due from 31 to 90 days	9,891	22,858
Past due from 91 to 180 days	5,458	4,387
Past due for over 181 days	22,509	16,900
	365,971	**416,161**

The annual changes of provision for doubtful accounts is as follow:

	2009	2008
	S/.000	S/.000
Opening balance	25,844	27,106
Additions for the year	9,074	5,192
Portfolio transfer application	-	(6,492)
Write-offs	(958)	(1,459)
Exchange difference	(2,496)	1,497
Final balance	**31,464**	**25,844**

The expense for the provision of impairment of accounts receivable is included in the account Administrative and selling expenses in the statement of income. The accounts considered in the provision are generally written-off when there is no expectation to recover additional cash.

The maximum exposure to credit risk at the reporting date is the carrying amount of accounts receivable. Trade accounts receivable are guaranteed with sold inventories and, in some cases, depending on the importance of the transaction, additional guarantees are requested.

7 TRANSACTIONS WITH RELATED PARTIES

As of December 31 accounts receivable and payable to related parties are as follows:

	2009	2008
	S/.000	S/.000
Trade accounts receivable -		
Orvisa S.A.	1,496	1,802
Unimaq S.A.	875	1,956
Depósitos Efe S.A.	125	505
Mega Representaciones S.A.	97	46
Fiansa S.A.	84	117
Cresko S.A.	26	17
Domingo Rodas S.A.	17	-
Motorindustria S.A.	9	-
	2,729	4,443
Other accounts receivable -		
Domingo Rodas S.A.	9,375	5,488
Cresko S.A.	3,510	1,587
Orvisa S.A.	446	1,258
Depósitos Efe S.A.	379	431
Unimaq S.A.	-	411
Mega Representaciones S.A.	-	1,079
	13,710	**10,254**
Trade accounts payable -		
Orvisa S.A.	1,853	818
Unimaq S.A.	1,033	3,192
Depósitos Efe S.A.	392	68
Fiansa S.A.	256	247
Mega Representaciones S.A.	184	286
Motorindustria S.A.	2	7
Cresko S.A.	-	2
	3,720	**4,620**
Other accounts payable -		
Motorindustria S.A.	867	941
Orvisa S.A.	-	810
Cresko S.A.	-	42
	867	**1,793**

Trade accounts receivable and payable arise from sales and/or services rendered and received by the Company. They are considered of current maturity, do not 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 current maturity, do not bear interest and have no specific guarantees.

Major transactions with related parties are summarized as follows:

	2009	2008
	S/.000	S/.000
Sales of goods	25,435	37,314
Services rendered	1,007	853
Purchase of goods	30,450	40,299
Purchase of services	5,052	2,927

8 OTHER ACCOUNTS RECEIVABLE

As of December 31 this account comprises:

	2009	2008
	S/.000	S/.000
Accounts receivable from Caterpillar	21,909	16,381
Personnel accounts receivable	2,855	4,697
Inversiones Progreso	1,722	1,871
Accounts receivable from Ferrenergy S.A.	1,655	-
Accounts receivable from direct demand operations	168	1,106
Claims to insurance companies	735	1,102
Income tax payments	-	10,171
VAT fiscal tax credit	-	870
Other	1,863	1,805
Provision for doubtful accounts	**30,907**	**38,003**
	2,298	2,497
	28,609	**35,506**

As of December 31, 2009 fair value was S/.28,609 (S/.35,506 as of December 31, 2008).

The aging detail of other accounts receivable is as follows:

	2009	2008
	S/.000	S/.000
Current	28,442	34,400
Past due up to 30 days	167	1,106
Past due over 181 days	2,298	2,497
	30,907	**38,003**

The annual change of the provision for doubtful accounts was as follows:

	2009	2008
	S/.000	S/.000
Opening balance	2,497	2,424
Exchange differences	(199)	73
Final balance	**2,298**	**2,497**

9 INVENTORIES

As of December 31 this account comprises:

	2009	2008
	S/.000	S/.000
Machinery, engines and automotives	285,047	447,327
Spare parts	110,697	128,640
Repair shop services in process	31,949	37,550
In-transit inventories	35,710	211,851
	463,403	**825,368**
	(8,871)	(4,726)
Provision for impairment of inventories	**454,532**	**820,642**

The annual change of the provision for impairment of inventories was the following:

	2009	2008
	S/.000	S/.000
Opening balance	4,726	10,917
Additions of the year	10,332	3,695
Transfers to fixed assets	(1,043)	278
Applications of sales	(4,941)	(5,205)
Applications from the destruction of inventories	(203)	(4,959)
Final balance	**8,871**	**4,726**

Company's Management considers that the provision made is sufficient to mitigate the risk of impairment or obsolescence of inventories at the balance sheet date.

10 INVESTMENTS IN SECURITIES

As of December 31, 2009 and 2008 this account comprises:

		Quantity
	2009	2008
Common shares in subsidiaries -		
Orvisa S.A.	13,544,113	13,544,113
Domingo Rodas S.A.	8,813,418	6,493,468
Unimaq S.A.	47,595,110	39,861,526
Fiansa S.A. (acciones comunes)	8,143,609	8,143,609
Fiansa S.A. (acciones de inversión)	1,152,739	1,152,739
Motorindustria S.A.	2,387,485	2,387,485
Mega Representaciones S.A.	7,248,445	3,973,579
Depósitos Efe S.A.	17,779,444	17,419.043
Cresko S.A.	17,077,232	17,077,232
Common shares in other companies -		
Listed:		
La Positiva Seguros y Reaseguros S.A.	25,365,384	25,365,384
La Positiva Vida Seguros y Reaseguros S.A.	4,632,895	4,632,896
Not quoted:		
Ferrenergy S.A.	3,630,555	3,630,555
Other		
Other		

As of December 31, 2009 and 2008, the balance of investments in subsidiaries, associates and joint ventures has been determined by the equity method on the basis of their financial statements, recognizing the Company's share in the results of these subsidiaries, associates and joint ventures of those years amounting to S/.17.1 million and S/.13.4 million.

The investment in Mega Representaciones S.A. includes, at the year end of both years, goodwill amounting to S/.5.3 million.

Interest in capital	Unit nominal value	2009	Carrying amounts 2008
%	S/.	S/.000	S/.000
99.00	1	29,253	29,755
99.99	1	1,035	4,417
99.99	1	61,827	50,772
99.51	1	11,135	9,093
96.48	1	1,528	1,247
99.99	1	2,080	2,062
100.00	1	14,060	11,075
99.86	1	19,368	17,824
99.99	1	16,583	16,743
		157,139	142,988
13.79	1	28,942	24,451
3.51	1	4,506	4,290
50.00	1	4,566	4,331
		1,311	1,673
		39,325	34,745
		-	1,538
		196,464	**179,271**

11 PROPERTY, PLANT AND EQUIPMENT

The changes on property, plant and equipment accounts and its related accumulated depreciation for the year ended December 31, 2009 were as follow:

	Opening balance	Additions to cost and/or applied to results
	S/.000	S/.000
Cost -		
Land	52,005	3,622
Buildings and other constructions	100,954	1,168
Installations	4,483	468
Machinery and equipment	134,730	7,038
Machinery and equipment, rental fleet	247,782	5,977
Vehicles	4,414	135
Furniture and fixtures	44,915	2,042
Work in progress	4,505	4,761
	593,788	**25,211**
Accumulated depreciation -		
Buildings and other constructions	31,890	3,102
Installations	3,424	29
Machinery and equipment	95,076	10,110
Machinery and equipment, rental fleet	44,770	46,353
Vehicles	3,801	229
Furniture and fixtures	30,569	3,502
	209,530	**63,525**
Provision for impairment	1,425	**1,321**
Net cost	**382,833**	

Sales	Revaluation	Inventory transfer	Used inventory transfer	Other	Final balances
S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
(11,450)	24,559	-	-	-	68,736
(87)	-	-	-	4,803	106,838
-	-	-	-	-	4,951
(5,205)	-	10,809	(3,013)	-	144,358
-	-	80,099	(59,068)	-	274,790
(227)	-	1,132	(343)	-	5,111
(14)	-	-	(10)	-	46,933
(610)	-	-	-	(4,803)	3,853
(17,593)	**24,559**	**92.040**	**(62,435)**	**-**	**655,570**
(36)	-	-	-	-	34,956
-	-	-	-	-	3,653
(3,344)	-	255	(384)	6	101,719
-	-	3,135	(17,979)	(6)	76,273
(225)	-	-	(18)	-	3,787
(2)	-	-	(6)	-	34,063
(3,607)	-	**3,390**	**(18,387)**	-	**254,451**
-	-	**1,383**	**(339)**	**-**	**3,790**
					397,329

The changes on property, plant and equipment accounts and its related accumulated depreciation for the year ended December 31, 2008 were as follow:

	Opening balance	Additions to cost and/or applied to results
	S/.000	S/.000
Cost -		
Land	47,365	4,786
Buildings and other constructions	94,508	1,658
Installations	4,662	260
Machinery and equipment	125,127	6,201
Machinery and equipment, rental fleet	139,040	80,687
Vehicles	4,124	185
Furniture and fixtures	39,663	5,483
Work in progress	3,082	6,304
	457,572	**105,564**
Accumulated depreciation -		
Buildings and other constructions	28,974	2,936
Installations	3,231	324
Machinery and equipment	87,400	10,084
Machinery and equipment, rental fleet	27,024	32,607
Vehicles	3,752	158
Furniture and fixtures	27,530	3,083
	175,911	**49,191**
Provision for impairment	1,959	**(210)**
Net cost	**279,702**	

The last revaluation of the Company's land properties performed by independent appraisers was recognized in May 2009. The valuations of these assets are performed on the basis of the recent transactions in the market among non-related parties. The revaluation surplus, net of the applicable deferred income tax was credited to unrealized earnings in equity. Revaluations previously performed took place in 1999 and 2005.

During 2009, the charge to costs of sales for the related depreciation amounted to S/.49.1 million (S/.36.3 million during 2008), S/.6.4 million (S/.6.4 million during 2008) to administrative expenses and S/.8.0 million (S/.6.5 million during 2008) to sales expenses.

During 2009, income from leases amounted to S/.90 million (S/.66 million during 2008) and S/.0.6 million (S/.0.5 million during 2008) regarding the lease of machinery and equipment, respectively, are included in the income statement.

At December 31, 2009, the Company maintains mortgages on certain properties for US$12 million (US$12.0 million as of December 31, 2008) to secure obligations maintained with Caterpillar Financial Services, from previous years and for which there is a current balance amounting to US$2.0 million (US$4.4 million as of December 31, 2008).

As of December 31, 2009, the item buildings and furniture and fixtures includes cost and accumulated depreciation for S/.25.2 million and S/.2.2 million, respectively (S/.25.0 million and S/.1.2 million as of December 31, 2008, respectively) regarding lease contracts.

Sales	Inventory transfer	Used inventory transfer	Final balances
S/.000	S/.000	S/.000	S/.000
(146)	-	-	52.005
(93)	4,881	-	100,954
(439)	-	-	4,483
(3,381)	7,453	(670)	134,729
(363)	148,822	(120,404)	247,782
(109)	214	-	4,415
(231)	-	-	44,916
(-)	(4,881)	-	4,505
(4,762)	**92.040**	**(121,074)**	**593,789**
(20)	-	-	31,890
(131)	-	-	3,424
(2,374)	9	(43)	95,077
(94)	10,693	(23,460)	44,771
(109)	-	-	3,800
(27)	17	(34)	30,569
(2,754)	**10,719**	**(23,537)**	**209,531**
(14)	**1,521**	**(1,830)**	**1,425**
			382,833

12 DEFERRED INCOME TAX AND WORKERS' PROFIT SHARING

As of December 31, 2009 and 2008 this account comprises:

	2009	2008
	S/.000	S/.000
Income tax	11,782	15,919
Workers' profit sharing	3,405	4,614
Balance as of December 31	15,187	20,533

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

	Accumulated as of January 1, 2009	Additions and reversals in 2009	Accumulated as of December 31, 2009
	S/.000	S/.000	S/.000
Provision for impairment of inventories and fixed assets	(2,457)	(2,317)	(4,774)
Differences on depreciation rates	(4,824)	(99)	(4,923)
Provision for doubtful accounts	(7,230)	53	(7,177)
Exchange differences resulting from liabilities relating to inventories and fixed assets	(5,286)	4,083	(1,203)
Other provisions	(7,339)	(5,166)	(12,505)
Result for exposure to inflation of prior years of inventories, land and investments	(706)	56	(650)
Provision for vacations	(4,112)	219	(3,893)
Intangibles with limited life	532	1,206	1,738
Earnings from deferred sales, net	4,554	(1,402)	3,152
Financial lease operations	1,115	2,129	3,244
	-	(1,472)	(1,472)
Land revaluation	**(25,753)**	**(2,710)**	**(28,463)**
	5,220	8,056	13,276
	(20,533)	**(5,346)**	**(15,187)**

	2009	2008
	S/.000	S/.000
Deferred income tax asset at end of year	15,187	20,533
Deferred income tax asset at beginning of year	(20,533)	(13,749)
	(5,346)	**6,784**
Credit to profit of the year:	119	643
Workers' profit participation	409	2,217
Income tax	1,451	3,924
Adjustment	1,979	6,784
Total results of the year	(7,325)	-
Adjustments not affecting the results of the year	**(5,346)**	**6,784**

Management considers, based on its forecasts, that the deferred income tax asset and workers' profit sharing will be recovered through the application of the income tax and workers' profit sharing from future taxable profit.

13 FINANCIAL OBLIGATIONS

As of December 31, 2008 financial obligations amounted to S/.472.6 million, relating to bank loans without specific guarantees to finance working capital and imports. Such operations are of current maturity and bear annual interest at fixed rates of 5.0% and 8.7%. Such obligations were settled in 2009 with funds obtained from accounts receivable and inventory sales.

14 TRADE ACCOUNTS PAYABLE

As of December 31 this account comprises:

	2009	2008
	S/.000	S/.000
Invoices	99,438	141,804
Notes	84,486	63,025
	183,924	**204,829**

As of December 31, 2009, the balance mainly includes invoices and notes payable to Caterpillar Americas Co. for US$28.1 million and U$29.2 million, respectively (US$23.7 million and U$20.4 million, respectively as of December 31, 2008), corresponding to notes financing invoices, bearing interest at annual interest rates of Libor + 2.565%. In addition, the balances of invoices payable to other suppliers primarily comprises Caterpillar Sales Inc. and Atlas Copco for US$2.1 million and US$1.5 million, respectively (US$4.6 million and US$6.7 million correspond to Agco Do Brasil and Paccar Int Bellow, respectively as of December 31, 2008).

15 OTHER ACCOUNTS PAYABLE

As of December 31 this account comprises:

	2009	2008
	S/.000	S/.000
Advances from customers	17,077	13,350
Provision for estimated expenses	21,908	12,167
Pacific Services & Trading Inc.	7,624	9,019
Provision for interests on obligations payable	4,144	10,146
Provision for social benefits for workers	1,675	1,788
	52,428	**46,470**

16 LONG-TERM DEBT

As of December 31, 2009 and 2008 this account comprises:

Name of creditor	Class of obligation	Madurity	Authorized used US$000
Caterpillar Financial			
Notes with Cat Financial Services at the annual interest rate of 5.73% and notes with Cat Leasing Chile that bear an interest of Libor + 2.05%	Notes	Quarterly up to 2015	81,281/ (1) 51,296 (4)
Ferreyros bonds			
Bones issued first, third, fourth and sixth issue Series A and B from first program bearing annual interest 6.12% and 6.26%, respectively. First and sixth issue from first program of corporate bonds Series A, B and C bearing annual interest between 4.62% and 8.0%.	Corporates bonds	Up to november 2012	97,500/ 97,500 (2)
Local and foreign financial institutions			
Financial lease agreements at an annual interest rate of 6.80%	Quotas	Monthly up to 2014	8,400/ 5,875
Notes with local and foreign institutions at an annual interest rate of 7.75% and Libor + 2%, respectively.	Notes	Quarterly up to 2012	46,007/ 46,007 (3)

(1) Relates to a joint line of credit.
(2) Includes US$37.5, US$2.5 and US$15.0 million of the first program, third and fourth issue, respectively and US$42.5 million of debt .
(3) Including a Note with Standard Chartered amounting to US$4.4 million for which an interest rate swap has been signed with a local financial institution.
(4) Including a Note with Cat Financial Chile for US$32.8 million for which an interest rate swap has been signed with a local financial institution

Outstanding balances

Total		Total		Current		Non-current	
2009	2008	2009	2008	2009	2008	2009	2008
US$000	US$000	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
51,296	65,018	148,297	204,286	60,344	58,078	87,953	146,207
97,500	88,000	281,873	276,496	50,593	39,275	231,280	237,221
5,875	8,400	16,988	26,394	3,035	3,820	13,953	22,575
46,007	21,165	133,002	66,506	31,960	6,017	101,042	60,489
200,678	182,583	580,160	573,682	145,932	107,190	434,228	466,492

Financial obligations related to finance leases are guaranteed since the ownership rights on the asset are returned to the lessor in the event of default.

	2009	2008
	S/.000	S/.000
Finance lease obligations - minimum lease payments		
Up to 1 year	4,067	5,176
Over 1 year, up to 5 years	15,878	24,846
Over 5 years	-	1,035
	19,945	**31,057**
Future financial charges on financial leases	(2,957)	(4,663)
Present value of finance lease obligations	**16,988**	**26,394**
Current value of finance lease obligations is as follows:		
Up to 1 year	3,925	5,023
Over 1 year, up to 5 years	13,063	20,624
Over 5 years	-	747
	16,988	**26,394**

17 EQUITY

a) Capital

As of December 31, 2009, the authorized, subscribed and paid-in capital amounts to S/.467,297,501, made formal under public deed and represented by 424,816,167 common shares at S/.1.10 par value each. Of the total shares, 84.44% and a 15.56% are owned by local and foreign investors.

As of December 31, 2008, the authorized, subscribed and paid-in capital amounts to S/.415,556,728 made formal under public deed and represented by 377,778,844 common shares at S/.1.10 par value each, of which, 84.32% and 15.68% are owned by local and foreign investors.

At December 31, 2009 and 2008, the Company's share quoted price was S/.2.64 and S/.2.25 per share respectively and its trading frequency index were 95% and 75%, respectively. The number of shares outstanding is shown in Note 25.

At December 31, 2009 the Company's capital structure is as follows:

Percentage of individual interest in capital	Number of shareholders	Total percentage of interest
Up to 1.00	1,420	21.92
From 1.01 to 5.00	12	35.66
From 5.01 to 10	6	42.42
	1,438	**100,00**

b) Unrealized earnings

As of December 31, 2009, the balance comprises:

– The revaluation surplus, net of the corresponding deferred income tax.
– The fair value of derivative financial instruments assigned as cash flow hedges, net of the corresponding deferred income tax.
– Equity adjustments to the individual interest of certain subsidiaries and associates.

c) Legal reserve

In accordance with the General Law of Companies, this reserve must be constituted by the transfer of 10% of net income of the year up to a maximum of 20% of the paid-in capital. In the absence of non-distributed earnings or non-restricted reserves, the legal reserve may be used to compensate losses that should be restored with future earnings. This reserve may be capitalized and its restoration is equally mandatory.

As of December 31, 2008, accumulated results include S/.10.1 million that should be transferred to legal reserve, prior approval of the General Stockholders' Meeting.

d) Retained earnings

At the General Stockholders' Meeting dated March 31, 2009 the dividend distribution in cash was approved for a total S/.20.8 million as well as the capitalization of retained earnings amounting to S/.51.7 million. Also, the transfer to legal reserve of S/.8.0 million from the 2008's profits was approved.

At the General Stockholders' Meeting dated March 25, 2007, the distribution of dividends in cash was approved for S/.40.3 million as well as the capitalization of retained earnings for S/.79.8 million. Also, the transfer to legal reserve of S/.12.7 million from the 2007's profits was approved.

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

18 TAX SITUATION

a) The Company's Management considers that the taxable income under the general regime of income tax has been determined in accordance with tax laws currently in force by adding to and deducting from the result, shown in the financial statements, those items considered as taxable and non-taxable, respectively. The income tax rate is 30%. Taxable income has been determined as follows:

	2009	2008
	S/.000	S/.000
Income before workers' profit sharing and income tax	161,066	126,458
Plus (less) permanent items:		
Non-deductible expenses	26,137	16,227
Share of results of subsidiaries	(17,083)	(13,430)
Plus (less) temporary differences:		
Plus (less) temporary differences	(3,478)	(7,724)
Prior years' deferred sales - application	7,357	7,235
Provision for impairment of inventories and fixed assets	6,106	(5,336)
Difference in depreciation rates	279	2,593
Provision for vacations	(616)	2,197
Result for exposure to inflation of inventories, investments and land corresponding to prior years	1,824	(421)
Exchange differences from liabilities relating to inventories and fixed assets	(12,484)	14,803
Financial lease transactions	(5,997)	(1,881)
Provision for doubtful accounts	2,402	2,630
Provision for estimated expenses	9,495	(6,228)
Other items	(3,406)	160
Taxable income	**171,602**	**137,283**
Current workers' profit sharing	(13,729)	(10,983)
Base for income tax	**157,873**	**126,300**
Current income Tax	**47,362**	**37,890**

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

	2009	2008
	S/.000	S/.000
Workers' profit sharing:		
Current	13,729	10,983
Deferred (Note 12)	(119)	(643)
	13,610	**10,340**
Income tax:		
Current	47,362	37,890
Deferred (Note 12)	(409)	(2,217)
	46,953	**35,673**

The income tax before workers' profit sharing and income tax is different from the theoretical amount that may have been obtained by applying the income tax rate to the results of the Company, as follows:

	2009	2008
	S/.000	S/.000
Profit before taxes, net of workers' profit sharing	147,456	116,118
Income tax by applying the tax rate of 30%	44,237	34,835
Non-deductible expenses	7,841	4,869
Non-taxable income	(5,125)	(4,031)
Income tax for the year	**46,953**	**35,673**

c) Peruvian tax authorities have the right to examine, and, if necessary, amend the income tax determined by the Company in the last four years, as from January 1 of the year after the date when the tax returns are filed (years subject to examination). Years 2004 through 2005 have been examined by the tax authorities; years 2006 through 2009, are open to examination. Since differences may arise over the interpretation by the tax authorities of the regulations applied to the Company, it is presently not possible to estimate if any additional tax liabilities will arise as a result of any eventual examinations. Any additional tax, fines and interest, if arising, will be recognized in the results of the period when such differences are resolved. The Company's Management considers that no significant liabilities will arise as a result of these eventual tax examinations.

d) As established under regulations in force, for purposes of determining income tax and the general sales tax, transfer pricing among related and non-related parties should have adequate supporting documentation as well as information supporting the methods and valuation criteria used. Peruvian tax authorities are entitled to request such information from the taxpayer.

e) A temporary tax on net assets affects those corporate income-earners subject to the Peruvian General Regime of Income Tax. Effective 2008, the tax rate is 0.4%, applicable to the amount of the net assets exceeding S/.1 million.

The amount effectively paid may be used as a fiscal credit against payments in advance of the income tax under the General Regime or against the regularization payment of the income tax of the related period.

19 CONTINGENCIES AND COMMITMENTS

Contingencies

At December 31, 2009, Company's income tax and VAT of fiscal years 2000 to 2005 have been assessed by Peruvian tax authorities (SUNAT) for a total S/.97 million approximately, including penalties and interests. Appeals have been filed with SUNAT and Tax Court, as applicable by the Company.

Also, at December 31, 2009, legal proceedings have been brought against the Company by third parties totaling US$1.2 million and S/.1.3 million for indemnities and damages.

Company's Management, based on the opinion of its legal and tax advisors, considers that such assessments will be considered unfounded and the final outcome would be favorable to the Company; accordingly, no provision has been made for such potential court actions.

With respect to the tax review processes giving raise to the afore-mentioned tax assessments. Peruvian Tax Authorities following the due process agreed and prior release, communicated the result of each tax review process to the Company, giving the Company with certain time period to evaluate and correct the tax violations allegedly committed. In this sense, the Company did correct and settle all tax violations and taxes due, which as per the exhaustive review of tax advisors, were fair and appropriate.

Commitments

At December 31, 2009 the Company maintains the following commitments:

a) Guarantees given totaling US$30.3 million and US$16.1 million to secure credit transactions with subsidiaries and affiliates as well as purchase transactions with third parties (amounting to US$22.6 million y US$15.6 million, at December 31, 2008, respectively).

b) Bank performance bonds in favor of financial institutions amounting to US$4.9 million to secure other transactions (US$9.1 million at December 31, 2008).

20 COST OF SALES

This account for the years ending December 31 comprises:

	2009	2008
	S/.000	S/.000
Opening balance of inventories	613,517	413,090
Purchases of inventories	1,119,642	1,550,455
Labor and workshop expenses	101,729	90,996
Operational expenses of rental fleet	59,649	54,591
Other	(1,473)	(5,451)
Final balance of inventories	(427,693)	(613,517)
	1,465,371	**1,490,164**

21 ADMINISTRATIVE AND SELLING EXPENSES

These accounts for the years ending December 31 comprise:

	Administrative expenses		Selling expenses	
	2009	2008	2009	2008
	S/.000	S/.000	S/.000	S/.000
Personnel costs	42,092	37,857	83,497	90,063
Services rendered by third parties	22,814	21,961	32,021	31,006
Taxes	898	748	268	89
Other management expenses	4,491	2,103	38,782	32,068
Depreciation and amortization	7,390	6,506	8,033	6,570
Provisions of the period	12,527	8,894	2,966	2,671
	90,212	**78,069**	**165,567**	**162,467**

In 2009 and 2008, employee costs include salaries and benefits of the Company’s key personnel amounting to S/.29.0 million and S/.30.8 million, respectively.

22 OTHER INCOME (EXPENSES), NET

This account for the years ending December 31 comprises:

	2009	2008
	S/.000	S/.000
Income from contract resolution	2,084	3,732
Income from sales of other assets	4,632	1,721
Income from logistics and machine monitoring services	1,010	549
Income from rental of properties	644	405
Income from commissions of placing of loans	518	815
Provision for impairment of investments	-	(403)
Provision for impairment of inventories, net	(4,624)	1,720
Others	1,104	1,538
	5,368	**10,077**

23 FINANCIAL INCOME

This account for the years ending December 31 comprises:

	2009	2008
	S/.000	S/.000
Interest from credit sales	14,277	14,864
Discounts for prompt payment	908	10,334
Interest on delinquent payments	4,763	3,848
Interest on bank deposits	250	1,790
Other financial income	686	832
	20,884	**31,668**

24 FINANCIAL EXPENSES

This account for the years ending December 31 comprises:

	2009	2008
	S/.000	S/.000
Interest on bank loans	44,245	32,752
Interest on corporate bonds	17,266	15,262
Foreign suppliers' financial interest	3,275	2,329
Tax on financial transactions	4,357	4,773
Other financial expenses	1,159	1,230
	70,302	**56,346**

25 BASIC EARNINGS PER SHARE

Earnings per share are calculated by dividing the net result for the year by the weighted-average number of the shares outstanding, excluding common shares acquired by the Company and maintained as treasury shares.

Basic earnings per share have been determined as follows:

	Outstanding shares	Basis share for calculation	Effective days until the end of the year	Weighted average number of shares
Period 2008 Balance as of January 1, 2008 and as of December 31, 2008	377,680,455	424,816,167	365	424,816,167
Period 2009 Balance as of January 1, 2009 and as of December 31, 2009	424,816,167	424,816,167	365	424,816,167

The number of shares issued as a result of the capitalizations of retained earnings and revaluation surplus has been adjusted retrospectively for each period presented.

The calculation of the earnings per share as of December 31, 2009 and 2008 is shown as follows:

	As of December 31, 2009			As of December 31, 2008		
	Earnings numerator	Shares denominator	Earnings per share	Earnings numerator	Shares denominator	Earnings per share
	S/.		S/.	S/.		S/.
Basic earnings per share	100,503,208	424,816,167	0.237	80,444,868	424,816,167	0.189

Taking into consideration that no conditions exist to justify it, the Company has not determined the diluted earnings per share; which is determined when potential shares exist (common or investment), which correspond mainly to financial instruments or contracts given the holders the right to obtain common shares or investment shares.

26 SEGMENT REPORTING

For management purposes, the Company prepares segment information based on the reports reviewed by the Board.

The board considers the business on a product-by-product basis considering the business units in which it operates, including the following:

- Heavy-duty equipment, including purchase-sale of equipment, spare parts and repair/ maintenance services.
- Auto motors, including purchase-sale of motor vehicles, spare parts and repair and maintenance services.
- Lease of equipment.
- Agricultural equipment, including purchase-sale of equipment, spare parts and repair/ maintenance services.

Management does not consider it necessary to include the information for geographical segment, due to that for the Company does not exist a component that is dedicated to sell products and services inside a particular environment and that it is subject to different risks and profitability. All the operations of the Company are carried out in the national territory, they are subject to the same risks, not existing differences of profitability by region or place where the sales are carried out.

The financial information by segments presented is expressed in thousands of Peruvian new soles:

	2009				
	Heavy machinery, spare parts and services	Auto motors, spare parts and services	Lease of equipment	Agricultural equipment, spare parts and services	Total
	S/.000	S/.000	S/.000	S/.000	S/.000
Total income from services	1,555,163	154,711	90,443	50,770	1,851,087
Results -					
Operating profit	112,222	3,094	19,262	1,167	135,745
Interest expenses					(70,302)
Interest income					20,884
Share of income from subsidiaries, associates and joint ventures					17,083
Exchange difference					57,656
Other (expenses) income					
Workers' profit sharing					(13,610)
Income tax					(46,953)
Profit for the year					100,503
Other information					
Assets by segment -					
Trade accounts receivable	252,860	50,138	5,358	15,852	324,209
Inventories	358,671	73,854	5,522	16,485	454,532
Fixed assets	186,188	32,375	170,075	8,690	397,329
Investments at equity value					196,464
Assets not distributed					135,437
Total assets					1,507,971
Total liabilities not distributed					874,271
Depreciation (*)	15,918	944	46,353	310	63,525
Other provisions (*)	22,640	2,252	1,317	739	26,948
Investment in fixed assets	17,395	1,384	5,977	454	25,211

(*) Comprises provisions for the year. Other provisions comprise the provision for impairment of inventories and fixed assets and the provisions for Directors' expenses and employee bonuses.

2008

Heavy machinery, spare parts and services	Auto motors, spare parts and services	Lease of equipment	Agricultural equipment, spare parts and services	Total
S/.000	S/.000	S/.000	S/.000	S/.000
1,519,062	263,252	66,076	59,822	1,908,212
133,297	28,354	17,795	9,298	188,744
				(56,346)
				31,668
				13,430
				(51,038)
				(10,340)
				(35,673)
				80,445
290,637	58,573	6,259	18,519	373,988
670,690	112,484	11,295	26,295	820,641
189,349	6,842	182,920	3,723	382,834
				171,426
				129,045
				1,877,934
				1,340,422
14,781	1,470	32,607	333	49,191
14,225	2,465	619	560	17,869
20,529	3,542	80,687	805	105,564

27 NON-CASH TRANSACTIONS

The following are the major transactions entered into for the years ended December 31 which were not included in the statement of cash flows since they do not comprise any actual cash flows transactions:

	2009	2008
	S/.000	S/.000
Transfers of inventories to property, plant and equipment	87,267	142,440
Transfers of property, plant and equipment to inventories	43,709	94,206

28 EVENTS AFTER THE BALANCE SHEET DATE

On January 1, 2010, the Company completed the transaction for the acquisition of 100% of the shares of Gentrac Corporation at an estimated amount of US$45 million. Gentrac Corporation is the authorized sales distributor of Caterpillar machinery and equipment in Guatemala, El Salvador and Belice.

MANAGEMENT ANALYSIS AND DISCUSSION ON FINANCIAL STATEMENTS

Below is a brief description of the reasons that explain the most relevant variations in the Financial Statements as at December 31, 2008 as compared with the previous year. To this effect, some figures have been reclassified in the Income Statement shown below to include sales by direct order in the net sales and the cost of sales.

BALANCE SHEET ANALYSIS

Balance Sheet (in millions of nuevos soles)	As at December 31, 2009	As at December 31, 2008	Amount	Variation %
Assets				
Current Assets				
Cash and Deposits	93.8	65.9	27.9	42.4
Trade accounts receivable				
Third parties	291.4	321.8	-30.4	-9.5
Affiliates	2.7	4.4	-1.7	-38.6
Other accounts receivable:				
Affiliates	13.7	10.3	3.5	33.7
Other	28.6	35.5	-6.9	-19.4
Inventories	454.5	820.6	-366.1	-44.6
Prepaid expenses	1.2	0.7	0.5	79.0
Total current assets	**885.9**	**1,259.2**	**-373.3**	**-29.6**
Long-term trade accounts receivable	**30.1**	**49.9**	**-19.8**	**-39.6**
Financial investments	**196.5**	**179.3**	**17.2**	**9.6**
Property, machinery and equipment	**397.3**	**382.8**	**14.5**	**3.8**
Deferred income tax and workers' profit sharing	**15.2**	**20.5**	**-5.3**	**-26.0**
Other assets	**4.9**	**4.8**	**0.1**	**2.8**
Total	**1,529.9**	**1,896.5**	**-366.6**	**-19.3**

Balance Sheet (in millions of nuevos soles)	As at December 31, 2009	As at December 31, 2008	Amount	Variation %
Liabilities and Stockholders' Equity				
Current liabilities				
Bank loans and overdrafts	0.5	472.6	-472.1	-99.9
Trade accounts payable				
Third parties	183.9	204.8	-20.9	-10.2
Affiliates	3.7	4.6	-0.9	-19.5
Other accounts payable:				
Taxes payable	22.6	6.2	16.5	266.1
Salaries payable	49.1	42.5	6.6	15.5
Affiliates	0.9	1.8	-0.9	
Other accounts payable:	52.4	46.5	6.0	12.8
Current portion of long-term debt	145.9	107.2	38.7	36.1
Total current liabilities	**459.1**	**886.2**	**-427.1**	**-48.2**
Long-term debts	**434.2**	**466.5**	**-32.3**	**-6.9**
Total liabilities	**893.4**	**1,352.7**	**-459.3**	**-34.0**
Deferred income	**2.8**	**6.2**	**-3.4**	**-54.9**
Stockholders' Equity				
Capital	467.3	415.4	51.8	12.5
Additional capital		-0.1	0.1	
Revaluation surplus	26.1	10.0	16.1	161.7
Legal reserve	39.8	31.8	8.0	25.3
Retained earnings	100.5	80.4	20.1	24.9
Total Stockholders' Equity	**633.7**	**537.5**	**96.2**	**17.9**
Total	**1,529.9**	**1,896.5**	**-366.6**	**-19.3**

As at December 31, 2009, total assets reached S/. 1,529.9 million, versus S/. 1,896.5 million as at December 31, 2008, that is, a reduction of S/. 366.6 million. The main variations in the asset accounts that explain this reduction are the following:

a) Net decrease of Inventories of S/. 366.1 million due to the measures adopted by the Company in various areas at the beginning of 2009 seeking to decrease the high inventory growth registered mostly during the last quarter of 2008 and the first quarter of 2009. In this respect, it is worth mentioning that the considerable increase of the company's inventory was generated by the need to meet the sales growth and, in addition, due to the longer lead times offered by the manufacturers (3 to 5 months) caused by the increased world demand experienced until the end of the third quarter of 2008. In view of the foregoing, the Company advanced its purchases in order to prepare for 2009 requirements to be able to meet its clients' needs with prompt deliveries.

b) Net increase in Property, machinery and equipment of S/. 14.5 million, basically explained by the purchase of machinery and equipment for the workshops, equipment for the rental fleet and by the voluntary revaluation of the land properties of the Company.

c) Increase in Financial Investments of S/. 17.2 million mainly due to the recognition of subsidiaries' earnings using the equity method (through this method, the results obtained by the subsidiaries are recognized in the financial statements of the head company at the book value of the investment).

As at December 31, 2009, total liabilities amounted to S/. 893.4 million, which compared to the S/. 1,352.7 million recorded as at December 31, 2008, representing a decrease of S/. 459.3 million.

Liquidity

The current ratio as at December 31, 2009 is 1.93, higher than the 1.42 current ratio shown as at December 31, 2008.

The financial leverage ratio recorded as at December 31, 2009 is 0.90, versus 1.94 as at December 31, 2008.
To calculate this ratio, the cash and deposits balances were excluded, as well as the liabilities with suppliers that do not generate financial expenses.

The total indebtedness ratio as at December 31, 2009 is 1.41, compared to 2.52 as at December 31, 2008.

ANALYSIS OF THE FINANCIAL PERFORMANCE

Income Statement

(in millions of nuevos soles)	2009	%	2008	%	Variation %
Net sales	1,856.3	100.0	1,918.2	100.0	-3.2
Cost of sales	-1,470.2	-79.2	-1,499.0	**-78.1**	-1.9
Income from sales	**386.2**	**20.8**	**419.2**	**21.9**	**-7.9**
Sales and administration expenses	-255.8	-13.8	-240.5	-12.5	6.3
Miscellaneous income (expenditure) net	5.4	0.3	10.1	0.5	
Income from operations	**135.7**	**7.3**	**188.7**	**9.8**	**-28.1**
Other income (expenses):					
Financial income	20.9	1.1	31.7	1.7	-34.1
Financial expenses	-70.3	-3.8	-56.3	-2.9	24.8
Foreign exchange gain (loss)	57.7	3.1	-51.0	-2.7	
Participation in the results of Subsidiaries and associate	17.1	0.9	13.4	0.7	27.6
	25.3	**1.4**	**-62.3**	**-3.2**	
Profit before workers' participation and income tax	**161.1**	**8.7**	**126.5**	**6.6**	**27.3**
Workers' participation (profit sharing)	-13.6	-0.7	-10.3	-0.5	32.0
Income tax	-47.0	-2.5	-35.7	-1.9	31.7
Net earnings	**100.5**	**5.4**	**80.4**	**4.2**	**25.0**

NET SALES

The company's sales in the years 2009 and 2007, in millions of nuevos soles, were as follows:

			Variación
	2009	2008	%
Caterpillar equipment	748.0	806.7	-7.3
Used equipment	40.9	44.3	-7.7
	788.9	**851.0**	**-7.3**
Farming equipment	45.4	52.8	-14.1
Automotive	126.8	232.3	-45.4
	961.1	**1,136.1**	**-15.4**
Equipment rental	66.2	49.5	33.7
Spare parts and services	829.0	732.6	13.2
Total	**1,856.3**	**1,918.2**	**-3.2**

Net sales in 2009 amounted to S/. 1,856.3 million, which compared to the S/. 1,918.2 million for the same period of the previous year means a slight 3.2% decrease. Altogether, the sales of our main products (new and used Caterpillar equipment, farming equipment and automotive) were 15.4% lower than in the previous year, which is explained by:

• 7.3% less sales of new and used Caterpillar equipment due to: i) less demand from the small and medium-scale mining sectors as a result of the downturn in metal prices in the International market; and ii) the uncertainty that hovered over the construction sector during the first half of the year due to the possible effects of the world economic crisis and the delay in the execution of the economic incentives program offered by the government.
• 14.1% decrease in the sale of farming equipment, mostly explained by the lower sales of equipment to the Agribusiness sector, which was affected by the decreased demand for its products from the foreign markets, especially Europe and the United States.
• 45.4% decrease in the sales of the automotive line, explained by the contraction of the automotive market and the tightening of bank credit caused by the international financial crisis.

Meanwhile, in 2009, the sales of spare parts and services evidenced a 13.2% increase with respect to the previous year, mainly due to the increased demand from clients in the construction and large-scale mining sectors.

Revenues from the rental of equipment in 2009 registered 33.7% growth compared to the previous year figures, mostly explained by the higher demand for leased equipment from clients in the construction sector, most of whom deferred the purchase of new equipment to the next year due to the uncertainty that prevailed in 2009 in the country's economy.

Income from sales

Profits from sales in 2009 amounted to S/. 386.2 million, which compared to the S/. 419.2 million of the previous year represents a 7.9% decrease. In percentage terms, the 2009 gross margin is lower to that of the previous year (20.8% in 2009 versus 21.9% in 2008). This lower gross margin is mainly explained by the variation experienced in the foreign exchange rate. During 2008, the sol experienced a substantial develuation against the dollar; accordingly, sales transacted in dollars during that period were recorded at exchange rates higher than those used to record the purchase costs of the respective inventories. However, this effect in the earnings from sales was partially off set by the foreign exchange rate loss that resulted from adjusting the liabilities in dollars at the exchange rates in force as at the closing of each period.

Sales and administration expenses

The sales and administration expenses amounted in 2009 to S/. 255.8 million, which compared to the S/. 240.5 million of the previous year represented 6.3% growth, mainly due to an increase in the provision for bad debts and in the expenses concerning guarantees for sold equipment. In 2009, administration and sales expenses represented 13.8% of the net sales, compared to 12.5% in 2008.

Miscellaneous income (expenditure) net

This account registered in 2009 a net income of S/. 5.4 million, versus a net income of S/. 10.1 million the previous year. The lower income recorded in 2009 is explained by the lower income due to the termination of contracts and the increased expenses to establish provisions for the depreciation of inventories.

Financial income

In 2009, the financial income amounted to S/. 20.9 million, which compared to the S/. 31.7 million of the previous year represents a 34.1% fall, mostly explained by a change in the policy concerning the granting of discounts for prompt payment fro a foreign supplier According to the new policy, the supplier replaced the discount for prompt payment with a discount in the sales price of the products purchased by the Company, which means that the lower financial income is being compensated with an equivalent amount in the gross earnings. The impact of the discount granted by the supplier on the total gross earnings of the Company is not significant.

Financial expenses

Financial expenses amounted to S/. 70.3 million in 2009, and reached S/. 56.3 million in the previous year, representing a 24.8% increase. Despite the reduction of S/. 278.8 million in the average liabilities subject to interest (S/. 637.2 million in 2009, versus S/. 916.0 million in 2008), financial expenses amounted to S/. 14 million more than in the previous year. These higher figures reflect the fact that during the third quarter of 2008 and until February 2009, the Company increased its purchase volume of machinery and equipment to ensure the supplies for the local market in view of the great world demand that manufacturers faced in 2008, which put at risk the availability of stocks in Peru. Accordingly, the average liabilities of 3Q 2008, 4Q 2008, 1Q 2009 and 2Q 2009 were higher than those recorded previously, with the ensuing higher financial expenses. Nevertheless there has been a decreasing trend as from the second half of 2009, as follows: 1Q 2009: S/. 21.7 million; 2Q 2009: S/. 20.7 million; 2Q 2009: S/. 15.6 million; and 4Q 2009: S/. 12.3 million.

Foreign exchange gain (loss)

In 2009, operations in foreign currency yielded a foreign exchange profit of S/. 57.7 million, in contrast with the exchange rate loss of S/. 51.0 million the previous year. The foreign exchange profit of 2009 is the result of an 8.0% appreciation of the sol against the U.S. Dollar (the foreign exchange rate of S/. 3.142 as at December 31, 2008 dropped to S/. 2.891 as at 31.12.09. The foreign exchange loss in 2008 is explained by a 4.8% devaluation of the nuevo sol against the US dollar, which went from S/. 2.997 as at December 31, 2007 to S/. 3.142 as at December 31, 2008. In the case of the Company, the monetary assets in dollars (mainly cash and deposits and accounts receivable) are less that the monetary liabilities in the same currency.

Participation in the results of subsidiaries and affiliates

This account records the earnings of subsidiaries and affiliates recognized through the equity method. Income for this item amounted to S/. 17.1 million in 2009, which compared to the S/. 13.4 million of the previous year represents a 27.6% increase, mostly explained by the higher return of an associate in the insurance sector and, additionally, by the increase of the net results of some subsidiaries whose income was favored by the exchange rate difference resulting from the appreciation of the sol against the U.S. dollar.

Workers' profit sharing and income tax

Workers' profit sharing and income tax for 2009 and 2007 have been calculated pursuant to the tax and accounting regulations in force.

Net earnings

In 2009, net earnings amounted to S/. 100.5 million, versus S/. 80.4 million of the previous year, representing a 25% increase. The good results shown in 2009 are explained by several factors, the most relevant being, in the first place, the fact that we reached a sales volume of around S/. 1,856 million, barely 3.2% less than the previous year; in the second place, a reduction in the financial expenses during the second half of the year, due to the reduction of the debt caused by the reduction of the inventory; and, finally, an exchange rate difference which to a large extent compensated the lower gross profit caused by the downward trend of the exchange rate.

Earnings before interest, depreciation and amortization (EBITDA)

In 2009, EBITDA amounted to S/. 238.2 million, versus S/. 283.2 million in 2008, representing a 15.9% reduction.

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

During 2009 and 2007 there were no changes in the parties responsible for the preparation and review of the company's financial information.

IN EVERYTHING AND WITH EVERYONE

Since many years ago, Ferreyros has developed solid social responsibility initiatives, many of them oriented to education, seeking to contribute with the development of the country. The activities of Asociación Ferreyros, founded in 1997 by the organization to contribute to the education of future professionals with values, are an expression of this commitment.

In 2009, the free workshops of Asociación Ferreyros received more than 3,700 participants from different universities in 16 cities. Along a different line, the project Employability Increase for Young Underprivileged People, fostered by Ferreyros and Caterpillar, completed its first stage and trained 539 students, promoting their insertion in the labor market.

Meanwhile, the program Promueve – Machinery for Development, an initiative of the Ferreyros Organization and Caterpillar, with an investment of US$ 3.6 million, yielded its first results. Promueve delivered Caterpillar machinery, for use free of charge, to 11 district governments in the country, providing them training and technical support, for the improvement of infrastructure and basic services.

During the year, the machinery was used more than 57,000 hours in more than 100 municipal projects, benefitting more than 30,000 families. The machinery was also used to assist in emergency situations caused by nature in the country, such as the events in Huamanga, Ayacucho. Furthermore, it provided training to 200 persons engaged in the operation and management of the units.

SOCIAL RESPONSIBILITY

Ferreyros actively assumes its private enterprise roles as an agent for change and as a driving force in the development of the country. Thus, during 2009, it continued with the development of programs and initiatives in many different fields such as education in values and citizen responsibility, training in capacities that may promote the employability of the young people, the promotion of mechanization in low-income areas, good corporate governance, labor inclusion or environmental protection, which distinguish the company as socially responsible. It has also undertaken new initiatives, evidencing its firm commitment with the progress of the country.

Ferreyros firmly relieves that the social responsibility must extend to all the stakeholders and not only to the community. Accordingly, during 2009, it continued focusing its efforts on generating positive impacts on its employees, its shareholders, its customers, the government and the society, its suppliers and the environment. Below is an account of the activities undertaken by Ferreyros in this area.

1. EMPLOYEES

Ferreyros considers that its greater competitive value, beyond its products and services, is its human resource. The employees of the organization are the ones that forge its leadership and soundness: The company rewards the efforts of its workers with the best labor conditions, good working atmosphere and motivation for comprehensive development, both professional and personal. Due to the good practices in human resources, Ferreyros forms part of the Good Employers Association, sponsored by the Peruvian-American Chamber of Commerce (AMCHAM) that groups companies well known for respecting their workers and for creating an adequate labor atmosphere, applying good practices in human resources.

As already mentioned, at the end of 2008 it was evident that 2009 would be a year of uncertainty in business, as a result of the effects of the world crisis. In view of this situation, it was determined that the company should make the necessary efforts to preserve, if not all, at leas the greatest number of job positions. Such determination implied necessarily cutting expenses in other lines, which included no salary increases in the company. This objective was achieved, thanks, once again, to the understanding and collaboration of the workers and made it possible for the company to recognize this in the form of a bond to its workers at the end of the year.

Furthermore, the human resources area is considered a strategic partner in the organization in the pursuit of efficacy and success in the execution of the overall strategy of the company. Along this line, this area ensures that anyone joining the company is endowed with one competency that has been defined as key: Spirit of service. It also promotes the development of this competency in the personnel already working in the company.

1.1. APPRECIATION AND RESPECT FOR DIVERSITY

The human team at Ferreyros is multidisciplinary, composed by 2,253 employees from different regions in the country. One of the commitments of the company is to keep a working environment free of discrimination, to which effect it has a specific policy in place that favors equal, merit-based opportunities for all, with no discrimination as to sex, race, origin, religion or social condition. Approximately 22% of the administrative personnel and 15% of the managerial staff consists of women. Even the technical personnel includes five women. The employees of the company come from different geographical regions and from diverse social and economic strata.

Furthermore, as part of the Labor Inclusion Program, Ferreyros has three workers with different skills: two of them work as warehouse assistant and internal messenger in the organization, while a third one works as assistant in the dining room, as part of a joint project with the concessionaire. In this way, the company favors their social inclusion as helpful and productive persons, strengthening their confidence and self-esteem and integrating them to the labor market.

1.2. PROFESSIONAL TRAINING AND CAREER DEVELOPMENT

Ferreyros encourages, promotes and facilitates the professional development of its employees. For the administrative personnel and sales force, the company has training plans designed as a result of its Performance Administration Program. This program is oriented to the promotion of a strong organizational culture and to motivating employees to improve their level of commitment with the company, optimizing their performance and satisfaction at work. Competencies such as customer approach, leadership, responsibility, team work and technical or professional knowledge, are assessed on a yearly basis to identify improvement opportunities.

Through specialized programs, the employees of Ferreyros countrywide continued building their professional capacities.

Furthermore, the company offers specialized programs that assist the sales force in the execution of its duties and development. These programs are sponsored by Caterpillar, a client of Ferreyros, and ensure the permanent development of market coverage capacities, knowledge of new products and others. A specific program has also been implemented recently for the logistics personnel.

With regard to the technical personnel, the company continued promoting self-development through its Service Pro program that is carried out through on-the-job training, with practices programmed by the Technical Development Center, a workshop especially dedicated to training this labor workforce. The Service Pro program offers a career line for technicians, who may work their way up through successive levels. Likewise, Ferreyros had an accelerated training program as a tool to train new technicians as they join the company, to raise their level of knowledge and skills so that they may increase their productivity soon after they form part of the organization. In 2009, this program training its ninth class, totaling 226 technicians trained in the ABC.

In addition, Ferreyros also offers its workers the possibility to attend programs organized by Caterpillar in Peru and abroad. During 2009, high level technicians of Ferreyros have received 14 Caterpillar certifications following a course process organized by this company in the United States.

It is Ferreyros' policy to give priority to its employees in filling a vacant or new position through the "Employment Opportunities" system, offering them the option to move to higher positions and to have access to new personal development opportunities. Of all the positions offered during the year through the employment opportunities system, 80% were covered by company employees.

Finally, the company also supports its employees who wish to pursue master studies and other educational courses and programs.

1.3. HEALTH CARE, SAFETY AND WORKING CONDITIONS

Guided by its corporate culture and aware of the need to protect its workers and the environment, Ferreyros is firmly committed to developing safe and healthy work environments and promoting the well-being of its personnel. In this respect, the company applies an Industrial Safety, Occupational Hygiene and Environmental Management through its Risk Management Program that permanently seeks to ensure compliance with the highest standards in risk management in order to recognize, assess, and monitor all actions, omissions and conditions that may affect the health and physical integrity of the workers or cause damages to the facilities and equipment or cause impacts on the environment.

The system includes activities such as safety organization with committees, the management and assessment of risks, security inspections and observations, training in the use of personal protection equipment, industrial hygiene controls and medical exams, monitoring contractors and permanent improvement.

During 2009, the company continued implement permanent improvement in prevention-based safety and using tools for both, management and measurement, such as programmed and non-programmed inspections, preventive observation with the cards "Ferreyros Observa" (Ferreyros on the Watch) to identify sub standards, permanent improvement panels, monthly meetings, talks, induction and others.

The system and its practice by the supervisors and workers, in line with the objective to constantly work towards reducing the accident rate in the different units of the Ferreyros organization to reach Zero Accidents with Time Lost, enable an appreciable significant improvement in 2009 in the accident rate.

In order to detect and prevent possible diseases among its workers the company organized during 2009 a health festival that included controls in the following areas: general medicine, ear-nose-throat, nutrition, pneumology, urology, dentistry, ophthalmology and gynecology. Furthermore, it carried out a vaccination campaign against influenza and talks about how to lead a healthy life and about breast cancer. Also, laboratory analyses were performed to identify glucose and cholesterol levels.

Meanwhile, the company subsidizes part of the insurance coverage offered by health care providers (EPS) for both, employees and their dependants, in a percentage higher than that required by the laws in force. In addition, it organizes from time to time, health prevention campaigns with early detection programs and immunization against diseases such as hepatitis and influenza, as well as medical guidance and others.

Likewise, the social service area of the company offers customized and permanent service in areas such as health, education, housing, economy, legal situation and family-related problems. It is worth mentioning that Ferreyros grants housing loans to its workers.

1.4. PERSONAL AND FAMILY DEVELOPMENT

The company respects the working ours of its employees as it seeks that they can enjoy their time off work with their family or to engage in other activities or hobbies to improve their quality of life.

Furthermore, through the social service area, the company carries out different activities for the benefit of its workers and their families, such as workshops on human development, motivation and self-esteem, and training in productive activities to generate additional income for their homes. Courses aimed at the workers included computer assembling, basic computer skills for adults and bartending. The activities for female personnel and for the wives and mothers of the workers included bijouterie, cosmetology and workshops on Christmas arts and crafts, among other things.

The company also offers vacation programs for the workers' children, with visits to museums and historical sites, drawing and painting contests and sports competitions, as well as family activities such as excursions and workshops for couples.

1.5. COMMUNICATION CHANNELS

Ferreyros has an open-doors policy that favors communications between the employees and the management. Furthermore, it seeks to strengthen horizontal communication, permanently offering information about the organization and the activities of the employees. To this effect, it uses channels such as the internal journal "Imagen", aimed at all the personnel; the bulletin board for the dissemination of activities organized by the company; a suggestions box reviewed from time to time, with access for all employees, where they can express their opinions and the intranet. The latter has been developed to strengthen the relation between employees, with online information and news of the company in real time, enabling all employees, regardless of their physical location, to keep in touch and to access the resources and systems required for their daily work. The company has a Communications Department in charge of keeping the personnel informed.

The rules established by Ferreyros are at the disposition of the workers in the Standards and Procedures System, freely accessible in the internal network. Furthermore, every new employee receives upon arrival a Welcome Guide with information relevant for their performance in the organization. Likewise, the company shares information publicly through its website, as an expression of clean and transparent corporate governance policy.

Meanwhile, since 2003, the company uses the Six Sigma method for process improvement, which promotes access of the personnel to propose improvements within the organization. The methodology is based on the leadership of one of its workers, known as Black Belt, who leads a group of employees (Green Belts) during two years, to define processes that need improving and then recommend and implement measures, thus constituting a multidisciplinary team.

1.6. UNION RELATIONS

Ferreyros respects the desire of its workers to join in groups. Uninterruptedly since 1946, blue collar workers are represented by a union that has an excellent relation with the company and assists in the creation of policies that seek to improve labor and living conditions of the workers and their families.

Besides the annual meeting that the management staff holds with the union representatives to discuss the petitions list, the communication with the union is fluid and permanent: The union receives wide support to carry out its meetings in the company's facilities. An indicator of the good relations between the union and the company is that there have not been any stoppages for more than 20 years.

The sense of responsibility and collaboration of the union has been evidenced in the most difficult circumstances for the organization, permanently adhering to the challenges of the company and showing solidarity.

2. SHAREHOLDERS (SEE CORPORATE GOVERNANCE SECTION IN CHAPTER II AND CHAPTER VI)

The management of Ferreyros is governed by good corporate governance principles that guarantee the respect for the rights of the shareholders, fair treatment, the transparent and timely presentation of information and the existence of an efficient board of directors that represents all shareholders. As described in the section concerning Corporate Governance and in the self-assessment, the company considers that it has high compliance standards and that it has set itself as a reference and model to be followed by many companies that are still initiating the permanent improvement process that the commitment to corporate governance represents.

Furthermore, its work has received national and international recognition, like for example having been one of the finalists in the Garrigues-Affinitas Award for Good Corporate Governance in Latin America, granted in 2006 in Madrid, Spain and its incorporation in 2006 to the Companies Circle of the Latin American Corporate Governance Roundtable, an entity that groups 14 Latin American companies, leaders in good corporate governance practices, with the support of the Organization for Economic Cooperation and Development (OECD) and the IFC.

The good corporate governance practices of Ferreyros have won them awards in all the versions of the Good Corporate Governance Contest, organized already for three consecutive years in Peru by Procapitales and Universidad Peruana de Ciencias Aplicadas (UPC): First place in the category Best Treatment to Shareholders (2006) the Special Award Best Progress in the Implementation of Corporate Governance Practices (2007) and the awards Best Treatment to Shareholders and Best Board of Directors Policies (2008).

3. COMMUNITY: EDUCATION FOR YOUNG PEOPLE

Aware of the role of private enterprise as an agent for change in the development of the country, Ferreyros has continued engaging great efforts with different sectors of the community, especially with respect to one of the issues it considers crucial for the progress of the country: the education of the young people who will build the future of the country.
Below is a brief description of these initiatives developed during 2009.

3.1. EDUCATIONAL PROPOSAL OF ASOCIACIÓN FERREYROS

Seeking to promote the education of professionals with values and citizen responsibility, Asociación Ferreyros, wholly funded by the Ferreyros Organization, continued during 2009 with the Workshops for Young University Students Program.

The purpose of this program is to motivate in young people the search for a positive attitude towards themselves and their country, to become better professionals and citizens, offering them experiences other than those directly related to their career studies, valuable for both, their personal development and their insertion in the professional exercise of their career, making them aware that the leaders of the country must build competencies to accompany their technical and academic knowledge.

The workshops are offered completely free of charge and are aimed at young university students of all careers, who are in the last two years of their career studies in both, public and private universities, especially outside the capital, who receive a certificate of participation. The Association covers all the expenses incurred in the organization.

During 2009, 113 workshops were dictated, with the participation of an average of 35 students each, totaling 3,795 participants in 26 universities of 16 cities throughout the country. It must be mentioned that 89% of the workshops took place outside Lima, where this kind of training is more necessary.

As in previous years, the workshops program was announced through the website and news bulletins of the different universities. Furthermore, radio stations and the written press in the provinces interviewed the facilitators about the activities of Asociación Ferreyros.

It is worth pointing out that Asociación Ferreyros has Academic Cooperation Agreements with 15 universities countrywide. These agreements represent recognition of the work of the Association in favor of university students and, in turn, show the interest of the universities to join efforts to make these activities possible.

The workshops dictated during the year were:

	Number of workshops	Number of participants
Professional attitude	29	953
Employability: My responsibility	27	922
Positive attitude and leadership	31	1,047
Team work	26	873
Total	**113**	**3,795**

With emphasis on the provinces, Asociación Ferreyros conducts workshops free of charge for undergraduate students that stimulate valuable aspects of their personal development and their preparation for the professional field.

Each of these workshops reiterates the basic concepts about values and citizen responsibility applied to each topic. The work method consists in creating a space for reflection, where the facilitator guides the participants through the "doing", "feeling" and "thinking" to discuss certain relevant issues for their personal development and the future exercise of their careers, such as attitude and change, employability, leadership and team work.

Halfway through the year, the facilitators that dictate the workshops participated in a meeting to receive permanent training and to offer them the opportunity to share experiences and discuss and exchange ideas about their work with the students during the year. An important result of this meeting was the updating of the dynamics used in the workshops, as well as the enrichment of the content and messages transmitted.

Meanwhile, Ferreyros continued contributing to the funding of the Annual Conference for University Students (CADE Universitaria) an event organized every year by the Peruvian Institute of Entrepreneurial Action (IPAE) which brings together more than 600 students from all over the country. Since 1997, Asociación Ferreyros has been in charge, additionally, of training the moderators of the work groups of CADE Universitaria. We must mention that in these work groups the participants discuss and work out the conclusions and final recommendations of the event. Since 2005, the selection of moderators is made among the participants of the workshops program of Asociación Ferreyros.

3.2. "EMPLOYABILITY INCREASE FOR YOUNG UNDERPRIVILEGED PEOPLE" PROJECT – ENTRA 21

The first stage of the Project "Employability Increase for Young Underprivileged People" was successfully completely in October 2009, promoted by Ferreyros and Caterpillar, which offered one and half year training to 539 students between 18 and 29, in different work areas and obtained as result the labor insertion of more than 95% of the participants.

This initiative, with an investment of over US$ 650,000 was mainly funded by the Multilateral Investment Fund (MIF) of the Inter American Development Bank, the Caterpillar Foundation and Ferreyros; co-funded and managed by the International Youth Foundation (IYF) and Tecsup as a local ally and trainer.

Following a process of close coordination with several companies of the manufacturing and service sectors, the company gathered information about their skilled work force needs and the technical capacities required to fill those positions. With these needs in mind, the Project offered the participants, in different points of the country, free training to work in areas such as mechanic and electric maintenance, industrial production, warehouse and logistics, handling and welding. Thus, the program not only offered training but oriented the training towards specific work positions, previously coordinated with companies that presented their hiring requirements for a minimum period of six months.

We must mention that on this line, besides contributing with funding the project, Ferreyros participated also offering job opportunities for graduates of the program, informing Tecsup of its need to hire graduating students for the logistics and spares areas, specifying the capacities required in those positions, having then hired the students upon completion of their training. As at December 31, 2009, nine graduates from the program are working at Ferreyros, most of them as warehouse assistants in the Spares Distribution Center.

The program consisted in 150-hour training courses, developed by Tecsup in its campuses of Arequipa, Lima and Trujillo, as well as in the facilities of the companies that joined the program to cover their personnel requirements in different cities of Peru.

The selection procedure of the young beneficiaries was organized by Tecsup, in areas around the companies that summoned new personnel through the project. It is worth mentioning that the participants came from urban areas, from low income homes, and with insufficient education to find quality employment, which was improved with the training received.

3.3. THINK BIG PROGRAM

Ferreyros and, in general, the companies that use capital goods, require skilled technical personnel to carry out the different activities in their business, in particular the maintenance and repair of their equipment. Aware of that, the company seeks to contribute actively with educational institutions dedicated to specialized technical training. In this respect, since eight years ago, the company has been promoting, with the assistance of Caterpillar, the Think Big Program to train young people in mechanics.

The Think Big program covers two years. Upon completion of the program, the students' first option is to join the workforce of Ferreyros with a defined career line. This program trains participants to service Caterpillar machinery and engines using modern maintenance systems and state-of-the-art tools and technology. The program recreates unique conditions of the Caterpillar equipment and technology, aimed at providing students with the complex diagnostic skills to perform in the real world.

The sixth class of this Think Big program graduated last September. The program has benefited to date 118 students from different regions of the country.

3.4. YOUNG ENTREPRENEURS PROGRAM IN CAJAMARCA SCHOOLS

Since 2005, Ferreyros contributes with the Education Program for Young Entrepreneurs in Cajamarca Schools, managed by Asociación Los Andes of Cajamarca, sponsored by the Yanacocha Mining Company. The program is aimed at students of the third, fourth and fifth upper school grades and at their teachers and its primary objective is to promote an entrepreneur attitude and a better understanding of the free market economy and to facilitate the insertion of the young in the adult world, involving in the process the schools, universities, professional associations and companies of the province of Cajamarca.

From the start, the program develops the modules "Personal Economy", "Advantages of staying in school", "Business basics", "Companies in action" and "The Company" and "Building Skills towards Success". During 2009, the program involved 143 teachers, 4,931 students and the Principals of 31 educational centers, 18 of them in the rural area of Cajamarca.

The Education Program for Young Entrepreneurs in Cajamarca has so far benefited close to 23,000 students, who have understood the importance of studying and preparing themselves on a permanent basis to reach their personal goals, besides having acquired a good perception of entrepreneurial activities and of the role of entrepreneurs in society.

3.5. DUAL LEARNING PROGRAM OF SENATI

Ferreyros is the sponsor of the Dual System of Senati, which makes it possible for young students to complete their technical training with hands-on learning at the company's facilities.

The training consists of two stages. The basic stage takes place entirely at the Professional Training Centers of Senati and consists of 552 hours. The specific stage alternates four days at Ferreyros and one day at Senati and takes 5,520 hours throughout three years. During the last 13 years, Ferreyros received 377 students from the Dual Program of Senati.

3.6. APPRENTICESHIP PROGRAM AND SUPPORT TO ACADEMIC RESEARCH

As every year, Ferreyros received 134 students from the different universities and institutes of the country within its Apprenticeship Program. This experience lets young students to be in contact with the labor world before they complete their studies, in a suitable work environment to built their competencies.

During their daily tasks, the students that form part of the Apprenticeship Program of Ferreyros take in the values that distinguish the company, such as seriousness, transparency and the pursuit of excellence in service, which will be fundamental for their professional performance in any organization.

3.7. CAREER GUIDANCE

For the fourth year in a row, in 2009 Ferreyros received high school students from different schools that offer the career guidance program. To confirm their career interests, students had the opportunity to go through the different areas of Ferreyros for a few days and received first-hand experience on the duties and activities performed by the different professionals in the company. Ferreyros assumes this important responsibility because it believes that the election of a career, professional or technical, is of utmost importance in the life of school students.

Once again, the personnel of Ferreyros evidenced their commitment with social responsibility towards the community through corporate volunteering programs to the benefit of the underprivileged.

3.8. CORPORATE VOLUNTEERING

As part of the annual corporate volunteering program, the personnel of the company visited in December the Human Settlement "Las Villas de Ancón", to implement a wawa wasi (day-care center). Under the slogan "Solidarity: Give them more of you", volunteers got down to work there: More than 50 volunteers painted the inside and outside of the kitchen, the dining room and several other rooms in the premises, placed doors and laid vinyl floors in the rooms and installed the furniture for the children. The work was accompanied with activities and entertainment, as well as snacks and a hot-chocolate party for the children, who were delighted to receive their Christmas presents. Thanks to this project, many mothers of the Human Settlement "Las Villas de Ancón" will be able to go to work knowing that they leave their children in a safe and decent place and, above all, in the good hands of the Sisters of the Order of The Daughters of Christ, who are in charge of this new wawa wasi with the support of the mothers of the community.

Furthermore, as every year and with the usual enthusiasm, the personnel from the different branch offices around the country reached under privileged areas to assist children's homes, rural schools, health stations, aid centers and others. Added to the usual Christmas celebrations were activities that involved different works such as refurbishing, fitting out and implementation of class-rooms and toilets, installation of playgrounds and others.

4. COMMUNITY: PROMOTION OF MECHANIZATION AND INFRASTRUCTURE IN THE COUNTRY

Aware of the role of private enterprise as an agent for change in the development of the country, since December 2008, Ferreyros included in its social responsibility initiatives the program "Promueve-Maquinaria para el Desarrollo" (Promueve - Machinery for Development). Below is a brief description of the program, as well as the goals achieved during 2009, the first year of execution.

4.1. PROMUEVE – MACHINERY FOR DEVELOPMENT

"Promueve – Machinery for Development" is a great project implemented by Asociación Ferreyros with the support of Ferreyros and Unimaq and the company they represent, Caterpillar. It focuses on improving the living standards of the people living in the less developed areas of the country, through mechanization and the building of capacities through the delivery for use of light construction equipment that may enable the generation of basic infrastructure in those areas.

The beneficiaries of the project, selected using strictly social and operational criteria, are the provincial governments of Huamanga and Huanta (Ayacucho), Puno, Juliaca and Ayaviri (Puno) and Chincha Alta (Ica) as well as the district governments of Nuevo Chimbote (Áncash), La Tinguiña and Parcona (Ica) and Villa María del Triunfo and Independencia (Lima).

"Promueve – Machinery for Development" seeks to increase efficiency and productivity in these places, to promote infrastructure and basic service works. The project offers the local governments management training as it provides counseling in both, the selection of projects and works for execution and the training required for the operation and application of equipment. Finally, it offers maintenance and technical service free of charge, which is provided by Unimaq, a company that is part of the Ferreyros organization, specialized in light equipment.

Early in the year, the following machinery was delivered to 11 local government offices for use free of charge: 14 420E backhoes, 16 242B2 miniloaders, 2 314C bulldozers, 4 D5K tractors and 59 work tools.

At the same time, training was provided to the operators designated by each local government in equipment operation and maintenance. In order to guarantee the proper use of the equipment, additional training courses were offered throughout the year to strengthen the knowledge acquired. Furthermore, the Ferreyros team offered permanent advice regarding the management of the fleet, project management and use of the machinery. During the first year of the project, a total of 200 persons received training both, theory and practice.

"Promueve – Machinery for Development" has at its disposition a team of specialists in post sales service and an administrator dedicated solely to the project, thus ensuring permanent monitoring, supervision and assessment. In addition, the branch offices of Ferreyros close to the benefited areas have offered them their technical personnel and engineers, as well as their workshops, to meet their maintenance needs. It is estimated that in addition to the investment made in equipment, of US$ 2.5 million, the project will require an investment in training hours and maintenance expenses of US$ 1.13 million.

In turn, the local government offices submit periodical reports concerning the use of the machinery and the progress of the project and are visited by the project team on a regular basis, to verify the good operating conditions and proper use of the machinery and whether the operators are complying with occupational health and safety regulations. Additionally, they have permanent remote monitoring, as the equipment is provided with the Product Link remote monitoring technology to follow up working hours of the equipment and control their location.

In 2009, the machinery surpassed 57,000 hours of operation and was used in more than 100 different municipal projects, benefitting more than 30,000 families. The works executed with the machinery in the projects undertaken by the benefitted local governments include: Clearing and disposal of waste, excavations, backfilling trenches, ground preparation and leveling, water canalization, clearing of rubble, preliminary works for the maintenance of roads and walkways, drilling and removal of different materials and repair and maintenance of roads, rehabilitation and improvement of sewerage and drinking water systems, cleaning of river beds, among others.

Among the projects, it is worth mentioning the construction of dirt roads in the shanty towns of the districts of Villa María del Triunfo and Huamanga (Ayacucho) which have provided the people with access to water, as well as construction materials. It is also worth mentioning the active participation of the people in the execution of these works promoted by the "Promueve" program.

Meanwhile, we must also mention the project for the enhancement and expansion of the water supply system of the Provincial Government of Melgar (Puno) that aims at providing water round the clock to the population of Ciudad de Ayaviri – 27,000 people – through the construction of a cistern for treated water, a pump station, a reservoir and a driving line, among others.

Likewise, the machinery of the "Promueve" program has been an invaluable aid to assist in emergency situations in different regions in Peru, such as the events in the city of Huamanga, in December 2009.

The project will be in effect during two years. Upon completion of this term, towards the end of 2010 and according to the achievements reached, the ownership of the machinery will be transferred to the beneficiary entities for their autonomous operation. This will be defined considering if the local government has complied with the proper use of the machinery and with the proper compliance and execution as set forth in the Cooperation Agreement.

As an extension of the "Promueve" program, in September, in the midst of Perumin, in Arequipa, the event that brings together the national mining industry, Ferreyros offered to deliver a 236B2 mini loader to a leading local mining company, known for its social responsibility, to be used in projects to benefit communities in the areas adjacent to the mining projects where they operate. Given the experience of the referred mining company in the use of equipment and project management, the contribution of Ferreyros only considers the delivery of the equipment, while the mining company will be in charge of training, managing and maintaining the unit.

In the heart of different areas of the country, the program "Promueve – Machinery for Development" promotes projects that aim at improving the living standards of the people.

5. ENVIRONMENT

Ferreyros assumes the responsibility of adopting a preventive approach in environmental protection matters. Accordingly, it is undertaking a broad series of initiatives in this field, a commitment that is reflected on its Comprehensive Health, Safety and Environmental Policy.

One of its fundamental goals is to prevent negative impacts on the environment through a culture of recycling and rational use of the resources that is expressed in activities such as the following:

- Careful gathering of waste oil from the machinery and their components, recovering it with the use of modern equipment. The transportation to an oil residues treatment plant is carried out by a service company authorized by the Ministry of Health (EPS-RS).
- Use of recirculating washing machines for spares in different workshops that allow the reuse of the solvent used, thus reducing the frequency ang generation of hazardous residues.
- Collection of out-of-service batteries for return to the supplier for recycling purposes.
- Scrap recycling through delivery to a duly certified smelter.
- Classification of waste in hazardous and non-hazardous and, in turn, in reusable and non-reusable, so that recycling may be arranged later.
- Increase of useful life of the machinery and their components through timely maintenance, proper repair and recovery of parts and components, reducing the use of natural resources and the generation of scrap.
- In the administrative offices, reuse of photocopying and printing and two-side printing. Furthermore, during the workshops, mechanics are encouraged to use only the necessary material to clean components.

The following practices are followed to save and reuse the water resource:

- Implementation in the workshops of a wastewater treatment system, diverting same from the place where it is generated to a treatment unit consisting of a settling pond and a holding tank for suspended solids.
- Reuse of water in the internal washing area of the Components Repair Center (CRC) certified by Caterpillar as a world class workshop, thus consuming less amount of this resource and reducing the volume of effluents.
- Reuse of water in the external washing area by applying one first rinse to the machinery and components entering the facilities with excessive mud.
- The commercial offices are equipped with fluxometric valves for water saving, installed in toilets, urinals and faucets of the rest rooms, equipped with infrared sensors that activate or stop the water flow.

Along this same line, the company pursues preventive practices against noise and air pollution:

- With regard to controlling excessive noise generating activities, the engine testing equipment (dynamometer) is enclosed in an acoustic cabin and controlled externally, thus preventing the dissemination of noise outside.
- The above-mentioned Components Repair Center (CRC) is equipped with cleaning equipment for spare parts that uses abrasive means (sandblaster and shot blaster) thus ensuring minimum emission of particles in the environment, as it operates in an enclosed cabin.

These practices are based on the optimal implementation of the environmental management system of our organization, together with employee awareness raising work regarding the importance of proper environmental management. In this respect, the company has a specialized environmental team responsible for preparing an Environmental Management Guide, in which Ferreyros outlines how it plans and controls the activities, products and services that could cause environmental impact and establishes management plans and actions to prevent and minimize that impact in the course of its activities.

In order to establish a baseline to enable future verification of the efficacy of the employee awareness raising with regard to the application of the "3R" residue minimizing principle (reduce, reuse and recycle) since January 2009 the amount of residues generated is being recorded, both hazardous and non-hazardous, in the facilities at Avenida Industrial, Avenida Argentina and Avenida Gambetta. This requirement will be extended to all the facilities of the organization as the residues management is implemented in each of them. Thirty-nine per cent of the total residues generated in the above facilities is taken to recycling.

Furthermore, the monthly newsletters of each facility include now the water and electric power consumption indicators in order to verify the efficacy of the awareness raising campaigns and talks with regard to the rational use of these resources.

6. SUPPLIERS

The supplier contracting policy of Ferreyros is based on clearly established principles such as transparency and fair treatment. Its purpose is to develop reliable and fair relations for both, the supplier and the company, with a view to mutual growth.

The preference of Ferreyros for its suppliers is based on the quality of the product or service, as well as on price and delivery terms. These criteria are complemented by management elements such as personnel treatment and implementation of safety programs.

It is worth mentioning that our main suppliers, such as customs agents, ground transportation companies, safety services companies and construction contractors, have been selected through public bidding processes.

For Ferreyros it is of vital importance that our suppliers apply good human resources practices and that they share our conviction that workers are more motivated as a result of applying these practices, the productivity level increases, clients and consumers prosper and Peruvians' well-being improves. In this respect, and assuming our commitment as members of the Good Employer Association, sponsored by the American Chamber of Commerce of Peru (Amcham) we send notices to our suppliers informing them about these principles.

The Code of Conduct of Ferreyros expressly includes a principle concerning the relationship with suppliers:

"We will not hire suppliers who fail to respect ethical principles and to comply with the law."
"We will not accept gifts, favors, invitations or money from any supplier beyond the courtesy concept."

7. CUSTOMERS

Ferreyros promotes mutually beneficial and long-lasting business relationships with our customers, based on the availability of the best comprehensive solutions, the support of a leading organization with nationwide presence and a tradition of integrity, with solid values strengthened over 85 years of work. A good part of this Annual Reports describes the value that Ferreyros offers its customers. A summary is provided below.

7.1. HIGH QUALITY PRODUCTS AND SERVICES WITH CUSTOMIZED ATTENTION BY SECTOR

With 68 years of experience in the trading of heavy machinery, Ferreyros offers its customersproducts and services with the highest added value, as well as solid and effective solutions to their multiple business needs. On the one side, the company holds a varied portfolio varied portfolio of products comprising a wide range of internationally renowned brands of excellent performance, starting with Caterpillar since 1942, later joined by Atlas Copco, Terex, Kenworth, Iveco, Yutong, Massey Ferguson and Zaccaria.

As mentioned in the introduction of this annual report, Ferreyros offers the market a wide coverage at a national level, with presence in Lima, Arequipa, Ayacucho, Cajamarca, Lambayeque, Chimbote, Cusco, Huaraz, Huancayo, Ica, Piura, Trujillo, Cerro de Pasco, La Merced, Puno and Tumbes. The company is also present in Iquitos, Pucallpa, Tarapoto, Bagua, Puerto Maldonado, Satipo, Tingo María and Andoas through its subsidiary Orvisa, providing in this way, easier access to its clients.

The company offers on-site service in more than 20 mining sites and construction projects throughout the country, where it provides its customers with technical personnel and engineers who render specialized services, including spare parts and components as required.

Finally, another key differential factor at Ferreyros is the excellence of its post-sale service, which ensures the best technical support in the market for its customers' capital assets. To that effect, the company has specialized repair shops and a spare parts distribution center with immediate availability.

The mentioned infrastructure is operated by first level technical personnel, trained according to international standards and with the support of the brands we represent. The post-sale service is often provided through the field service unit at the operation site

With our focus on a service of excellence, Ferreyros constantly seeks technological solutions to enable our clients to achieve the best business productivity level through optimal performance of the equipment we sell them.

In addition, we have the Fluid Analysis Laboratory (SOS) that within only 24 hours can detect possible abnormalities, which otherwise would reduce the service life of a component, as well as any premature or unexpected flaw of any part of the equipment, to take the corrective and preventive actions.

The Financial Services Area at Ferreyros, integrated by a team of credit officers, offers specialized advice to our customers concerning the availability of financing sources (loans from local institutions, foreign loans, export credit insurance from international agencies, leasing) and the selection of the most convenient financial channel. Likewise, it offers the possibility to assist the customer with direct financing at terms according to their requirements. It also provides short-term commercial credit to acquire spare parts, maintenance and repair services and rental.

The organization at Ferreyros has been segmented according to the markets it operates in, to offer customized service to the clients of each segment.

7.2. CUSTOMER SATISFACTION AND MANAGEMENT OF CLAIMS

Ferreyros offers its customers several communication channels, such as website email, call center, letters, brochures and manuals.

Furthermore, the company has a tool to manage customer relations, known as Customer Relationship Management (CRM).

Ferreyros is aware that an essential component of its competitiveness is customer satisfaction and loyalty building. In this respect, its efforts are permanently focused on identifying the needs and expectations of its customers through a human team exclusively dedicated to this end: the customer service area.

The primary responsibility of this unit is to ensure customer satisfaction and the effective management of claims, as well as the adequate interaction of the company's personnel with the customers. To this effect, the customer service area at Ferreyros, created in 2007, continued this year seeking to identify customers' needs and expectations, by monitoring their satisfaction and the effective management of claims.

In order to obtain feedback that may enable taking actions for permanent improvement of our services, in 2009 the customer service area continued performing two types of processes. In the first place, the management of claims and proactive situations, aimed at registering and monitoring the claims received from the customers, as well as at identifying the processes that may be optimized to ensure permanent

Again, the support provided by Ferreyros made the difference in the market, offering its clients the most complete and suitable solutions to meet their needs.

service improvement. To that effect, Ferreyros offers its customers a channel to receive claims through its website, thus facilitating the communication with immediate referral to the respective area for the soonest solution possible. In 2009, the efficiency in registering the voice of our customers evidenced a 27% improvement, demonstrating the closer relationship achieved. In the second place, the measurement of Customer Satisfaction that includes the conduction of surveys by both Ferreyros and Caterpillar, which show a satisfaction level above 8 in a scale from 1 to 10.

The claims and the survey information can be consulted by any company worker and is available, together with other relevant customer information, as part of its profile along the related processes.

7.3. MARKETING AND COMMUNICATION POLICIES

The marketing and communications policies of Ferreyros are designed to achieve a proper business management. In this respect, one of our principles is not to base the promotion of our products and services on the defects of our competitors' products or offer misleading advertising that may highlight inaccurate or exaggerated features.

Furthermore, Ferreyros relieves that offering clear, updated and accurate information about the products and services offered is an expression of business ethics. Accordingly, its sales force receives permanent training, locally and abroad, so that they are fully acquainted with the products and services offered by the company and they may be able to convey this knowledge to the clients as required.

The Code of Conduct of the company includes the following principle referred to Sales, Marketing and Proper Business Management:

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

In line with the values that have distinguished the organization for 85 years, one of the principles of Ferreyros refers to ethical sales. The Code of Conduct of the company expressly includes three statements in this respect:

- "We shall act in line 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 every person with whom the organization engages in business in a fair and honest manner, thus keeping a reputation of integrity in all business relationships."
- "We do not expect any kind of special compensation from our clients and accordingly, shall not accept gifts, favors, invitations or money from them, beyond the courtesy concept."

7.4. RESPECT FOR CUSTOMER PRIVACY

Finally, the Code of Conduct of Ferreyros includes a specific principle concerning the protection of confidential information of its clients: "We must protect the confidentiality of the information we receive from third parties, in particular from customers and suppliers and make use of it only under prior authorization."

8. GOVERNMENT AND SOCIETY

Ferreyros keeps a strict policy of honesty in its operations. Accordingly, its Code of Conduct sets forth that the interests of the organization must never be favored by the fraudulent or illegal actions of its employees, expressly prohibiting the use of unethical practices in its business relations with State entities. Furthermore, the company requires its workers to comply with all the laws and regulations applicable to their responsibilities in the organization.

The organization encourages responsible citizenship and values in young people through the Ferreyros Association that focuses its activities on the future professionals of the country and the Annual Conference of University Students (CADE Universitaria) of which it is the main sponsor.

Along the same line, Ferreyros promotes the building of opinion on issues of public interest, such as social responsibility, foreign trade and capital market, by participating in forums of organizations such as Chambers of Commerce (Lima Chamber of Commerce, American Chamber of Commerce of Peru (Amcham), Peruvian-Chinese Chamber, Canadian Chamber of Commerce, German Chamber of Commerce, Mexican Chamber of Commerce and the Peru-Brazil Bi-national Chamber of Commerce and Integration), the Association of Mining Suppliers, the Association of Capital Market Promoting Companies (Procapitales), the Foreign Trade Association – Comex and Peru 2021, among many others, through the inclusion of some of the company's officers in the boards and committees of these institutions.

8.1. GLOBAL PACT

A demonstration of the commitment of Ferreyros to assume an active role in social responsibility issues is its adhesion to the Global Pact, an initiative led by the United Nations Organization (UNO) aimed at accomplishing that entities of all countries adopt in their operations ten principles of conduct and action in matters of human rights, work, environment and fight against corruption.

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

1. Businesses should support and respect the protection of internationally proclaimed human rights (right to life, integrity, freedom, equality, non-discrimination, etc.).
2. Businesses should make sure they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of compulsory and forced labor.
5. Businesses should uphold the effective abolition of child labor.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.
10. 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, Ferreyros continues implementing and fostering programs and practices that may enable us to interact with the different stakeholders in a responsible manner.

Assuming our commitment to comply and respect the Global Pact principles, during the first half of the year we sent our 2008 Progress Report to the UNO and the 2009 Progress Report will be submitted shortly. Furthermore, we expressed our interest on maintaining our support to the initiatives of the Global Pact, by incorporating the best practices related with the respect for human rights, responsible work, environmental protection and fight against corruption.

IN EVERY PROJECT

The machinery and equipment supplied by Ferreyros trace the path of progress in the projects and offer maximum productivity to the clients. Thus, the company contributes to the development of the country and to the creation of value for the companies it serves, hand in hand with specialized support.

During the 90s, with the commencement of Large-scale Mining projects, Ferreyros started to deliver round-the-clock service to its clients' operations, setting a milestone in its service offer. Today, the company is physically present in more than 30 open pit and underground operations and construction, energy and industrial projects throughout the country.

In 2009, Ferreyros assigned more than 680 workers to the service of different projects and operations, offering on-site technical support. Projects are usually developed in remote and inhospitable areas; in some cases, they require itinerant work according to the progress of the project. Ferreyros is present in all these scenarios at large.

Several highly relevant businesses came on stream for Ferreyros during the year in different markets, which will enable us to continue participating in both, the new and expansion projects and in the ongoing operations that will leave a trace in the future of the country. Once again, the leadership of Ferreyros is confirmed in its present where the action is.

CORPORATE GOVERNANCE

The commitment of Ferreyros with good corporate governance practices was again evidenced in 2009. The company participated actively in different activities such as seminars, publication of articles in the media and different events to disseminate and promote the concept among the companies in the market and the participants in the capitals market in general.

Respecting the rights of the shareholders, the Shareholders' Meeting held on March 31 was called with due notice through ads published in the daily newspapers Expreso and El Peruano, through bulleting boards in the company, by telephone, through the website, post mail and through electronic mail addressed to all the shareholders in the database. A total of 155 shareholders attended the meeting, who added to the proxies granted made it possible for the Meeting to be held with a 93.97% quorum. Agreements adopted in the Meeting were revealed to the market as Relevant Events and published in the Ferreyros website on the following day. The minutes for the 2009 Meeting were published in the website on the fifth business day after the meeting was held.

In 2009 and for the second year in a row, the Meeting was transmitted live through the website so that the shareholders could participate in real time.

The Meeting approved the payment of cash dividends and the capitalization of earnings according to the current dividends policy, as updated in March 2007. As recommended by the Board of Directors, it was agreed to distribute S/. 0.05500 per share (5%) as cash dividend and paid up shares at S/. 0.13699 per share, equivalent to 12.45%.

The Board of Directors complied with the good practice of meeting on a monthly basis and holding regular meetings of its different committees. During the year, the Board of Directors supervised the handling of reserved information concerning the acquisition of companies that was taking place in Central America, to be communicated as a Relevant Event at the end of the year.

The company continued to provide consultancy service and relevant and timely information to its shareholders and analysts and other stakeholders through its Securities and Investor Relations Department. Following our good practice of making ourselves available in the market through different points of contact, in addition to the quarterly financial report and discussion, the company participated in multiple meetings and conference calls with institutional investors, investment banks and analysts, both local and foreign.

During the year, the company participated actively in the Board of Directors of Procapitales and in its Good Corporate Governance Committee. It also participated as lecturer in seminars and as panelist in the Annual Finances Convention in November. This was a good opportunity for Ferreyros to share its experience in matters concerning treatment to shareholders, transparency of information and Board of Directors policies and to continue being a point of reference for other companies that set out to implement these good practices and to disseminate the advantages of having in place corporate governance policies. Additionally, the company continued the diffusion through printed media, including the company's own magazine, to make sure that the commitment is assumed by all the employees.

For the seventh consecutive year, in May, representatives of the company participated in the Annual Conference of Capital Markets organized by Banco de Crédito del Perú.

Since 2006, Ferreyros participates in the meetings of the Companies Circle of the Latin American Corporate Governance Roundtable, an entity that groups twelve Latin American companies, leaders in the implementation of good corporate governance practices in the region. The General Manager represents Ferreyros before this group of companies and she is the Vice-President of "The Circle". This space, promoted by the Organization for Economic Cooperation and Development (OECD) and the IFC, seeks to be a forum for the discussion of the challenges and achievements reached in the improvement of their corporate governance, to share with the Latin American community of companies the practical solutions found for the good corporate governance challenges and to contribute to the work of the Latin American Corporate Governance Roundtable with the vision and experience of the companies that already had to undergo a good number of reforms.

In September, the "Companies Circle" launched a new publication called "Practical Guide to Corporate Governance: Experiences from the Latin American Companies Circle," in the city of New York, before the specialized world press and international investors. This Edition describes cases and provides access to deep and diverse experiences regarding practical application in subjects such as transparency, disclosure, responsibility, respect for the rights of shareholders and fair treatment to all involved, as specified in the corporate governance principles.

Finally, in December, Ferreyros participated in Expobolsa 2009, an event organized by the Lima Stock Exchange that gathered almost 2,000 attendees eager to learn more about how the capital market works and the benefits of being a part of it. Ferreyros participated with a stand and offered a lecture about the capital market and good corporate governance.

This commitment with good corporate governance is what, following a thorough assessment process undertaken by a certifying company authorized by the Lima Stock Exchange, enabled Ferreyros to be incorporated for the second consecutive year in the Index of Good Corporate Governance of the LSE, which since 2008 groups the companies with the best corporate governance practices. It is worth pointing out that the company obtained a higher score than the previous year, as a result of the firm commitment to continue working towards improvement in corporate governance issues.

Furthermore, the company obtained the recognition of the market for its good practices, which reflected in the high demand and in the attractive interest rates obtained in the placements made during the year. During 2009, the company kept an active participation in the capital market through two successful placements of corporate bonds in February and December. As at December 2009, the company had 1,438 regular shareholders and 500 bond holders.

For the sixth consecutive year this Annual Report includes the self-assessment on compliance with good corporate governance principles, this time for the year 2009.

INFORMATION ON COMPLIANCE WITH GOOD GOVERNANCE PRINCIPLES CORRESPONDING TO THE 2009 PERIOD

Company name:	Ferreyros S.A.A. (hereinafter the COMPANY)
RUC:	20100027292
Address:	Cristóbal de Peralta Norte 820 Surco
Telephone:	6264000 - 6264254
Customer dedicated line:	0800-13372
Fax:	6264504
Web site:	www.ferreyros.com.pe
Stock exchange representative:	Mariela García Figari de Fabbri Patricia Gastelumendi Lukis Víctor Astete Palma

Section 1 of this report contains an evaluation of 26 Good Governance Principles recommendations for Peruvian Companies[1].

Each recommendation will assess the adequate level of compliance considered between 0 and 4, 0 being the non compliance level and 4 the full compliance level.

In order to make an objective assessment, the information requested must be completed in detail[2].

Section 2 of this report will assess a series of aspects referred to the shareholders' rights, the Board of Directors, the responsibilities of the COMPANY and the shareholders and shareholdings.

[1] The text on Good Governance Principles for Peruvian Companies can be found at www.conasev.gob.pe.
[2] For said purpose, you can either add cells to the tables included in this report or copy the table templates as many times as necessary.

SECTION 1: ASSESSMENT OF 26 PRINCIPLES

I. SHAREHOLDERS' RIGHTS

1. PRINCIPLE (I.C.1. SECOND PARAGRAPH).

The Agenda must not include general issues. Items to be dealt with must be specified so that each subject may be discussed separately, simplifying its analysis and preventing combined resolutions with respect to matters over which there could be different opinions.

Compliance: 4

The COMPANY does not include generic issues in the agenda, they rather specify the subjects to be dealt with, so that each subject is discussed separately, simplifying the analysis and preventing combined decisions with respect to matters over which there could be different opinions.

2. PRINCIPLE (I.C.1. THIRD PARAGRAPH).

The place where general shareholders' meetings are to be held must be set so as to favor attendance of shareholders to such meetings.

Compliance: 4

The place where general shareholders' meetings are held is fixed so as to favor attendance of the shareholders, and is even published in real time through the COMPANY'S website.

a. During 2009, the COMPANY called for one Shareholders' Meeting and no Special Shareholders' Meetings.

b.

Calling date:	05.03.09
Date of meeting:	31.03.09
Meeting place:	Cristóbal de Peralta Norte 820 Surco
Quórum:	93.97%
Attending shareholders:	155
Starting time:	11.00
Adjouring time:	13.00

c. The COMPANY called for shareholders' meeting by means of advertisements published in Expreso and El Peruano papers on March 5, bulletin boards in the COMPANY, telephone, website, post mail and e-mails to the shareholders in the database.

d. The diffusion procedure for calling to meeting is ruled by:
- The COMPANY Bylaws.
- Internal regulations for the shareholders' meeting, Board of Directors and Board committees.
- Good Corporate Governance Guide.

e. Agreements adopted in the Meeting are revealed to the market as Relevant Events and published in the Ferreyros website on the following day.

Shareholders may request information through different means as provided by the Business Corporations Act and, particularly, through the website sections "Investor Service" or Contact us.
They may furthermore, request the minutes to the Securities Department through the shareholders' dedicated line (0800 13372).

The minutes for the 2009 Meeting were published in the website on the fifth business day after the meeting was held.

3. PRINCIPLE (I.C.2).

Within reasonable limits, shareholders must be afforded the opportunity to introduce issues for discussion into the agenda of general meetings.

The issues included in the agenda must be of social and corporate interest and suitable to the legal or statutory competence of the Meeting. The Board of directors must not reject such requests without informing the shareholder of a reasonable cause for rejection

Compliance: 4

a. The Bylaws do not impose limits to the shareholder's right to participate in the General Meetings and to be represented by the person he/she appoints.

b. The COMPANY's shareholders may include issues to be dealt with in the agenda by means of an additional mechanism to that provided by the Business Corporations Act. The Ferreyros Bylaws set forth that the shareholders may request through the Board of Directors the inclusion of issues for discussion by the Shareholders' Meeting held in the same period each year, which therefore, can be anticipated and shareholders may send a communication to the Board of Directors indicating any subject of interest. The procedure is established by the Internal Regulations of the Shareholders' Meeting, Board of Directors and Board Committees. Furthermore, the shareholders, according to Article 19 of the Bylaws, have the right to request the Board of Directors to carry out a Shareholders' Meeting to deal with a particular issue. This request requires 5% of represented shares.

c. The diffusion procedure for calling to meeting is ruled by:
- The COMPANY Bylaws.
- Internal regulations for the shareholders' meeting, Board of Directors and Board committees.
- Good Corporate Governance Guide.

d. The COMPANY has not received any request from the shareholders during 2009.

4. PRINCIPLE (I.C.4.I)

The Bylaws must not impose limits to the entitlement that a shareholder with right to participate in the shareholders' meetings has to be represented by the person he may designate.

Compliance: 4

a. The Bylaws do not impose limits to the entitlement of a shareholder to the right to participate in general shareholder's meetings, to be represented by the person he/she may designate. The COMPANY Bylaws do not limit the right to be represented.

During the Shareholders' Meeting held on March 31, 2009, the attendees accredited the representation of 354'998,246 COMPANY shares as well as third parties' shares, equivalent to 93.97% of the capital stock, which largely exceeded the required quorum of 50%. Such participation was executed 29.82% by powers of attorney, and 64.15% by direct exercise.

The COMPANY requires a simple letter from the shareholder, at least 24 hours in advance in order to formalize his representation in the meeting.

b. The procedure to formalize the representation in the meeting is ruled by:
- The COMPANY Bylaws.
- Internal regulations for the shareholders' meeting, Board of Directors and Board committees.
- Good Corporate Governance Guide.

II. FAIR TREATMENT TO SHAREHOLDERS

5. PRINCIPLE (II.A.1, THIRD PARAGRAPH).

It is advisable that the company issuing investment shares or other corporate securities without voting rights, offers its holders the opportunity to exchange them for regular voting shares, or for this possibility to be taken into consideration at the time they are issued.

Compliance: 4

a. The COMPANY has not processed any investment share exchange during the last five years and it has only one type of voting share.

6. PRINCIPLE (II.B).

An adquate number of directors should be elected capable of exercising independent judgment in matters where there is a potential for conflicts of interest, being able – to this effect – to take into consideration the participation of shareholders who are not related to the group controlling the company.
Independent directors are those who have been designated because of their professional standing, who are not related to the company's management or to the group controlling the company.

Compliance: 4

a. The COMPANY has enough number of directors capable of exercising independent judgment in matters where there is a potential for conflict of interest, being able – to this effect – to take into consideration the participation of shareholders who are not related to the group controlling the company. Independent directors are those elected for their professional prestige and who are not related to the company's management, or to the control group of the same.

The COMPANY has four dependent directors and four independent directors.

The independent Directors are:
- Hernán Barreto Boggio
- Aldo Defilippi Traverso
- Eduardo Montero Aramburú
- Juan Prado Bustamante

b. There are no special requirements further to those contained in the regulations in force.

c. A description of independent director is detailed in Chapter 4 of the Good Governance Guide. ("Characteristics: They must not be COMPANY employees; they must not have a degree of kinship with any executives and majority shareholders. They must have express mandate to look over all the shareholders' interests equally. They must not receive economic benefit from the corporation").

d. There is no kinship between shareholders, directors and managers of the COMPANY.

e. Director Óscar Espinosa Bedoya has held the position of Managing Director as of August 1983 to March 2008, date when he was elected Chairman and President of the Board of Directors of the COMPANY.

f. List of Board members who are members of the Board of Directors of other companies:

Director's name and surname	Stock participationt	Date	
		From	To
Óscar Espinosa Bedoya	La Positiva Seguros y Reaseguros La Positiva Vida Seguros y Reaseguros Profuturo AFP	1996 2005 1999	
Carlos Ferreyros Aspíllaga	La Positiva Seguros y Reaseguros	1983	
Aldo Defilippi Traverso	Pennynvest Sociedad Administradora de Fondos	2006	
Juan Manuel Peña Roca	Profuturo AFP La Positiva Seguros y Reaseguros La Positiva Vida Seguros y Reaseguros	1992 1985 2005	
Juan Prado Bustamante	Transacciones Especiales	2007	
Andreas von Wedemeyer Knigge	Corp. Cervesur La Positiva Seguros y Reaseguros Profuturo AFP Cia. Industrial Textil Credisa Trutex Corporación Financiera de Inversiones La Positiva Vida Seguros y Reaseguros	1979 1991 1991 1993 1995 1999 2005	

7. PRINCIPLE (IV.C, SECOND, THIRD AND FOURTH PARAGRAPHS).

Although, in general, external auditors are focused on expressing opinions on financial information, they may also refer to opinions or specialized reports on the following aspects: expert accounting reports, operational audits, systems audits, project evaluation, cost systems evaluation or implementation, tax audits, appraisals for asset adjustment purposes, portfolio evaluation, inventories, or other special services.
It is recommended that such services be performed by different auditors, or if conducted by the same auditors, this should not affect the independence of their opinion. The company should reveal all specialized audits and reports conducted or presented by the auditor.
Information must be provided regarding all services rendered by the auditing firm or auditor to the company, specifying the percentage represented by each one and its participation in the income of the auditing firm or auditor.

Compliance: 4

a. The COMPANY contracts different external auditing companies or not related to the auditing company that expressed its opinion on financial information of the COMPANY, for the service provision provided in this principle. The COMPANY also discloses all specialized services and the percentage represented by each one with respect to the total services provided to the COMPANY.

The audit companies that provided services to the COMPANY in the last 5 years are:

Name of the audit corporation	Service*	Period	Fee (US$)
Dongo-Soria Gaveglio y Asociados Sociedad Civil, company member of Price Waterhouse Coopers	Audit of financial statements	2008	94.00%
	Enquiry about accounting issues	2008	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, company member of Price Waterhouse Coopers	Audit of financial statements	2007	77.30%
	Asset laundering prevention audit	2007	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, company member of Price Waterhouse Coopers	Audit of financial statements	2006	63.9%
	Asset laundering prevention audit	2006	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, company member of Price Waterhouse Coopers	Audit of financial statements	2005	63.90%
	Audit of net worth in trust	2005	
	Asset laundering prevention audit	2005	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, company member of Price Waterhouse Coopers	Audit of financial statements	2004	68.30%
	Audit of net worth in trust	2004	
Price Waterhouse Coopers Sociedad Civil de Responsabilidad Ltda.(*)	Assistance in the implementation of a management model for the area of Human Resources and category system	2005-2006	0%
Deloitte & Touche SRL (*)	Tax assistance	2004-2008	0%

b. (*) Although these are not auditing companies, they are related to an auditing firm.

c. According to Article 21d of the Bylaws, the appointment or assignment of the external auditors to the Board corresponds to the Annual Shareholders' Meeting. It is a usual practice of the Annual Shareholders' Meeting to delegate this appointment to the Board of Directors. Likewise, the Audit Committee recommends such designation to be made by the Board of Diectors.

d. The mechanisms above described are contained in the Bylaws and Internal Regulations of the Board of Directors and its Committees.
During the meeting held on March 31, 2009, it was approved under point 5 to delegate the appointment of the external auditors and the amount of their fees to the Board of Directors.

e. The auditing company engaged to express an opinion on the Financial Statements of the COMPANY corresponding to the 2009 period, also audited the Financial Statements of other COMPANIES of the same economic group for the same fiscal period:

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 Representaciones S.A.
Cresko S.A.

f. The Internal Auditor held a meeting with the engaged auditing company during the 2009 period.

8. PRINCIPLE (IV.D.2).

Specific requests for information by shareholders, investors in general or stakeholders related to the company, must be made through a responsible body and/or personnel designated to that effect.

Compliance: 4

a. Specific requests for information by shareholders, investors in general or stakeholders related to the company, are made through the responsible person appointed to that effect.

During the 2009 period, shareholders and COMPANY stakeholders requested information through the following means:

	Shareholders	Stakeholders
Electronic mail	X	X
Directly in the COMPANY	X	X
By telephone	X	X
Web site	X	X
Post	X	Not applicable

b. Without detriment to the information responsibilities of the General Manager as set forth in Article 190 of the Business Corporations Act, the persons responsible for receiving and processing shareholders' information requests are:

Augusta Ponce Zimmermann	Securities Department	Finance Division
Fiorella Amorrortu Montenegro	Investor Relations	Finance Division

The Securities Executive Officer is the person responsible for responding to shareholders' requests, particularly regarding their shareholdings, paid up shares, payment of cash dividends, participation in meetings, etc.

The Executive Officer in charge of Investor Relations is responsible for responding to information requests from shareholders, investors, analysts, risk rating companies and public in general, as well as to oversee the compliance with the Good Corporate Governance principles, particularly regarding issues of information transparency.

c. The COMPANY's procedure to process shareholders' and/or COMPANY stakeholders' information requests is ruled by the Good Corporate Governance Guide. All orders are channeled through the Finances Management, even those arriving through the Marketing area or the General Management. There are information databases in order to respond to specific information requests. Attendance to meetings is coordinated with investors and the General Management participates in several of them.

The Investors Relations Executive Officer keeps a record of the meetings held with investors during the period.

d. The COMPANY has a corporate website and another one specially designed for Good Corporate Governance-related issues, which includes a special section on the relationship with shareholders and investors.

e. During the 2009 period, no complaints were received regarding limitations to the shareholders' access to information.

f. The duties of the person in charge of the Securities and Investors Relations Department are regulated by the Corporate Regulations, Internal Rules of Conduct for the protection of the confidentiality, transparency and diffusion of information to the capitals market and by the Function and Procedures Guide of the Administration and Finance Division Management.

9. PRINCIPLE (IV.D.3).

Cases of doubt regarding the confidential nature of information requested by Shareholders or stakeholders related to the company, must be solved. The criteria must be adopted by the Board of Directors and ratified by the Shareholders' Meeting, and they must be included in the company Bylaws or internal regulations. In any case, the revealing of information must not jeopardize the competitive position of the company or be likely to affect the normal development of its business.

Compliance: 4

a. The criteria to proceed in the event of doubt about the confidential nature of information requested by shareholders or stakeholders related to the company are settled by the Board of Directors and included in the company Bylaws or Internal Regulations. In any case, the revealing of information must not jeopardize the competitive position of the company or affect the normal development of its business.

The confidential nature of specific information is established by the Board of Directors, the General Manager, the Stock Exchange Representatives, and the Committee for Regulations Compliance in accordance with Internal Rules of Conduct for Compliance of Obligations derived from the registration of securities in the Public Register of the Securities Market.

b. The criterion is not to reveal privileged information unless it is revealed to the market as a Relevant Event.

c. The duties of the Committee for Regulations Compliance are described in the document called Internal Rules of Conduct for the protection of the confidentiality, transparency and diffusion of information to the capitals market.

This Committee is responsible for classifying Privileged or Reserved Information and for keeping a record of the same through their secretary. It will settle any doubt that may arise regarding the confidential nature of information requested by shareholders and stakeholders, based on the criteria and guidelines established by the Board of Directors of Ferreyros.
The Committee shall inform the Persons Involved, through the execution of confidentiality agreements, of the existence of Privileged and Reserved Information in order that they may act as provided by law and maintain the confidentiality of information and documents.

The management of confidential information is also mentioned in the Corporate Governance Guide and in the glossary of terms of the Good Corporate Governance guide.

Likewise, the Code of Conduct is published in the personnel's Induction Guide, and has a section on communication of relevant events, privileged and reserved information that defines the processes to safeguard the information both within the COMPANY and that passed on to the market.

10. PRINCIPLE (IV.F, FIRST PARAGRAPH).

The company must conduct internal audits. In the exercise of his/her duties, the internal auditor must keep a professional independent relationship with respect to the company that hires him/her. He/she must follow the same principles of diligence, loyalty and secrecy demanded from the Board of Directors and Management.

Compliance: 4

a. The company has a Management Office for the performance of internal audits. In the exercise of his/her duties, the internal auditor keeps a professional independent relationship with respect to the company that hires him/her and observes the same principles of diligence, loyalty and secrecy demanded from the Board of Directors and the Management.

b. The Internal Auditor reports to the Chairman of the Board.

c. The main responsibilities of the internal auditor are:

- Manage and conduct internal and electronic data processing audits in the head office, branch offices, mining projects and subsidiaries.
- Evaluates the internal control system regarding money and asset laundering according to the regulations in force of the financial intelligence unit of the Superintendence of Banking and Insurance companies (SBS) and submits a final report to the Compliance Officer.
- It reports from time to time the results of the internal audit, including successful practices, fulfillment of goals and significant results, to the senior management and management committee.
- Takes into account the reviews made by external auditors to develop the working program avoiding duplicity of efforts.
- Issues a report per each audit carried out containing control observations detected and suggestions to correct deficiencies agreed with the audited area.

On the basis of a risk assessment, the internal auditor prepares the Annual Plan establishing priorities to carry out the revisions in Ferreyros and subsidiary companies. During the year any urgent requests made by the Managements are included in the Program.

Internal audit revisions cover financial as well as operating audits. Among the most important are the following revisions: Evaluation of the accounts receivable portfolio; observation of physical inventories of spare parts and machinery and equipment; review of cash and banks transactions (balancing, confirmation and reconciliation of bank accounts with the COMPANY accounting records); evaluation of accounts payable to providers and bank institutions; review of other asset and liability accounts; review of the main machine and spare parts sale operations, as well as of the corresponding costs; review of the main expense accounts of the income statement, etc.

d. The above described responsibilities are ruled by the Job Description Guide of the Human Resources Management.

e. The internal audit area is comprised by its own multidisciplinary team.

III. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

11. PRINCIPLE (V.D.1).

The Board of Directors must carry out certain key functions, including:
Evaluates, approves and guides corporate strategy; sets forth the objectives and goals as well as major action plans, the risk follow-up, control and management policy, annual budgets and business plans; supervises their implementation; and supervises major capital expenditures, investments, acquisitions and disposals.

Compliance: 4

a. The Board of Directors carries out certain key functions, namely:

Evaluates, approves and guides corporate strategy; sets forth the objectives and goals as well as major action plans, the risk follow-up, control and management policy, annual budgets and business plans; supervises their implementation; and supervises major capital expenditures, investments, acquisitions and disposals.

The functions and responsibilities of the Board are regulated by:
- The COMPANY Bylaws.
- Internal Regulations of the Board of Directors and its committees.

12. PRINCIPLE (V.D.2).

The Board of Directors must select, control and when necessary, replace the top executives, and set their remunerations.

Compliance: 4

The duties of the Board of Directors are:

Select, control and fix the remuneration for the Chairman and General Manager and replace and delegate on him/her, if necessary, the selection of the senior executives.

13. PRINCIPLE (V.D.3).

Evaluate the compensation of senior executives and members of the Board of Directors, ensuring a formal and transparent nomination process.

Compliance: 4

The Board of Directors evaluates the compensation of the senior executives and members of the Board of Directors, ensuring a formal and transparent board nomination process.

a. The above-described duties are set forth in the Bylaws and Internal Regulations of the Board of Directors and its committees.

b. The body responsible for:

Function	Board of Directors	General Manager	Other (specify)
Hire and replace the general manager	X		
Hire and replace the management staff		X	
Set the compensation of senior executives	X	X	
Evaluate the compensation of senior executives	X	X	
Evaluate the compensation of the directors	X		Meeting

c. The functions of the Chief Executive Officer are defined in the minutes of the Board of Directors Meeting held on March 26, 2008, which include: To propose the Board of Directors the appointment of the general manager approving the organization chart of the COMPANY and the appointment of managers proposed by the general management as well as their compensation level and annual traveling program.

d. Furthermore, these policies are governed by the COMPANY Bylaws and internal policies, the Internal Regulations of the Shareholders' Meetings, the Board of Directors and the Board's committees.

14. PRINCIPLE (V.D.4).

The Board of Directors must perform the risk follow-up and control of any possible conflicts of interest between the Management, the Board members and the shareholders, including the fraudulent use of corporate assets and abuse in transactions between interested parties.

Compliance: 4

a. Among the key functions carried out by the Board o Directors are: Perform the follow up and control of any possible conflicts of interest between the Management, the Board members and the shareholders, including the fraudulent use of corporate assets and abuse in transactions between interested parties.

The conflict of interests issue is mentioned in the code of Ethics and in the Internal Regulations of the Shareholders' Meetings, Board of Directors and Board Committees.

b. We have had no cases of conflict of interests in Ferreyros that may have been subject matter of discussion in the Board of Directors during the 2009 period.

c. The COMPANY has a Code of Ethics that regulates any conflict of interests that may arise. Moreover, it has a Code of Conduct and Internal Rules of Conduct for the compliance of obligations derived from the registration of securities in the Public Securities Market Registry.

d. Among the procedures pre-established for the approval of transactions between related parties is to supervise they are made in accordance with market terms.

15. PRINCIPLE (V.D.5).

Oversee the integrity of the corporation's accounting and financial reporting systems, including the hiring of an independent audit firm, and the existence of appropriate control systems, particularly the control of financial and non-financial risks and compliance with the law.

Compliance: 4

a. The COMPANY's Board of Directors oversees the integrity of the corporation's accounting and financial reporting systems, including the hiring of an independent audit firm, and the existence of appropriate control systems.

The Board's Audit Committee reviews every year the work program of the Internal Auditor and the recommendations chart of the External Auditors and monitors the implementation of enhancements to the accounting systems described therein.

b. The Internal Audit Division determines the main risks and organizes the work program, according to their impact and probability. The Central Management of Administration Control is responsible for the follow up and control of the main COMPANY risks, to which effect a Risks Committee has been constituted.

c. Control systems are regulated by the Job Description Guide (Human Resources Management).

d. The Audit Committee has met four times in the reported period to address risk management and internal control-related aspects as well as internal and external audit tasks.

16. PRINCIPLE (V.D.6).

The Board of Directors must supervise the effectiveness of the governance practices under which it operates, making changes as needed.

Compliance: 4

a. The Board of Directors supervises the effectiveness of the governance practices under which it operates, through its General Management and Corporate Governance Committee, making changes as needed.

b. As of 2005 the Board of Directors carries out an annual self assessment. When completing this document it identifies the enhancements to be implemented and procedures to be documented.

c. The General Management and Corporate Governance Committee have met twice in 2009.

17. PRINCIPLE (V.D.7).

The Board of Directors supervises the disclosure policy.

Compliance: 4

a. The Board of Directors supervises the disclosure policy, which is regulated by the COMPANY Bylaws and the Internal Regulations of the Board of Directors and Board Committees.

b. The Board of Directors includes this issue in the agenda three or more times a year.

c. In 2009 Ferreyros kept reserved information regarding the acquisition of a company, which was reported to the Presidency of Conasev. This issue was seen by the Board of Directors and it is recorded in the corresponding minutes.

The COMPANY has the "Internal Rules of Conduct for the compliance of obligations derived from the registration of securities in the Public Securities Market Registry", the Committee for Compliance of Regulations and the Stock Exchange Representatives, to ensure that all Relevant Events are duly informed within the terms provided by the regulations in force.

Financial information is delivered periodically (quarterly and annually) to the market and we have a specialized area to respond to enquiries. Finally, we participate in meetings with investors.

d. The foregoing procedure is regulated by the internal Rules of Conduct for compliance with obligations derived from the registration of securities in the Public Securities Market Registry.

18. PRINCIPLE (V.E.1).

The Board of Directors may constitute special bodies according to the needs and dimension of the company, particularly that assuming the auditing task. In addition, these special bodies may refer, among other things, to the functions of appointment, retribution, control and planning.
Such special bodies will be formed within the Board of Directors as support mechanisms and must preferably consist of independent directors, in order to take unbiased decisions on matters that may cause a conflict of interests.

Compliance: 4

a. The board of Directors constituted three committees, which are special bodies in accordance to the COMPANY's needs that serve as support mechanisms and are constituted by dependent and independent directors, in order to take unbiased decisions over matters where conflicts of interest may arise.

The functions to be performed by each committee and their chairs are described below:

General Management and Corporate Governance Committee

Date created: **January 2005**

II) Functions:

a) Review strategic plans and annual business plans.
b) Detailed assessment of the operations of subsidiary COMPANIES.
c) Formulate recommendations to the Board of Directors on investment policies, as well as on acquisition and transfer of fixed assets.
d) Supervise the disclosure policy regarding Relevant Events and privileged and reserved information.
e) Assess and issue guidelines on indebtedness levels of the COMPANY and liability structure, following up the guaranties granted.
f) Assess from time to time the status of the credits granted by the COMPANY.
g) Act as assistant and consulting body to the Management in matters submitted to its consideration.
h) Carry out follow up and control of possible conflicts of interest between the management, board members and shareholders, including misuse of corporate assets and abuse in transactions between interested parties.
i) Supervise the effectiveness of governance practices under which it operates, making changes as needed.

III) Main organization and operation rules:

Formed by a minimum of three directors, at least one of them being an independent director. The Chairman, Vice Chairman and General Manager will participate in all committees.

To the extent possible they must meet at least on a quarterly basis.

The General Management will propose the Board an annual program for Committee meetings, which may be modified if required by the circumstances.

IV) Committee Members

Name and surname	Date		Position within the committeet
	From	To	
Óscar Espinosa Bedoya	January 2005		Chairman
Carlos Ferreyros Aspíllaga	January 2005		
Hernán Barreto Boggio	January 2005		
Eduardo Montero Aramburú	January 2005		
Juan Manuel Peña Roca	January 2005		

V) Number of meetings held during the period: **2 (February 23, 2009; July 14, 2009)**

VI) It has delegated powers in accordance with Article 174 of the Business Corporations Act: **Yes**

Auditing Committee

I) Date created: **January 2005**

II) Functions:
Supervise the integrity of the accounting systems and analyze the external auditors' report on the Financial Statements.

Specific functions:
a) Supervise the accounting Systems integrity through proper external auditing.
b) Review and analyze the COMPANY's Financial Statements periodically.
c) Review the external auditing reports on Financial Statements.
d) Supervise the annual work program prepared by the internal auditor and receive the relevant reports.
e) Nominate external auditing companies.

III) Main organization and operation rules:

Formed by a minimum of three directors, at least one of them being an independent director. The Chairman, Vice Chairman and General Manager will participate in all committees.

To the extent possible they must meet at least every six months.

The General Management will propose the Board an annual program for Committee meetings, which may be modified if required by the circumstances.

They must revise the recommendations made by the external auditors and the internal auditor's program as well as progress of the same.

IV) Committee Members:

Name and surname	Date		Position within the committee
	From	To	
Óscar Espinosa Bedoya	January 2005		
Carlos Ferreyros Aspíllaga	January 2005		
Eduardo Montero Aramburú	January 2005		Chairman
Juan Prado Bustamante	January 2005		
Andreas von Wedemeyer K.	January 2005		

V) Number of meetings held during the period: **4 (March 10, 2009; June 9, 2009; September 30, 2009; December 15, 2009)**

VI) It has delegated powers in accordance with Article 174 of the Business Corporations Act: **Yes**

Organizational Development and Human Resources Committee

I) Date created: **January 2005**

II) Functions:

Advise the Management on the adoption of general human resources policies, the specific functions being as follows:

a) Supervise the organizational development programs through reports issued on the administrative structure and human resources programs.
b) Supervise the performance administration programs, salary policy and training and development programs, among others.
c) Provide advice to the Chairman of the Board to determine the remuneration scale for the senior executives.
d) Approve the hiring of senior executives and supervise their performance.

III) Main organization and operation rules:

Formed by a minimum of three directors, at least one of them being an independent director. The Chairman, Vice Chairman and General Manager will participate in all committees.

To the extent possible they must meet at least every six months.

The General Management will propose the Board an annual program for Committee meetings, which may be modified if required by the circumstances.

IV) Committee Members:

Name and surname	Date		Position within the committee
	From	To	
Óscar Espinosa Bedoya	January 2005		
Carlos Ferreyros Aspíllaga	January 2005		Chairman
Aldo Defilippi Traverso	January 2005		
Eduardo Montero Aramburú	January 2005		

V) Number of meetings held during the period: **3 (February 10, 2009; May 12, 2009; August 11, 2009)**

VI) It has delegated powers in accordance with Article 174 of the Business Corporations Act: **Yes**

19. PRINCIPLE (V.E.3)

The number of members of the board of directors of a company must ensure the plurality of opinions within it, so that any decision made is the result of appropriate discussions, always looking after the best interests of the company and its shareholders.

Compliance: 4

a. The members of the Board of Directors of Ferreyros contribute with plurality of opinions, given their diverse professional formation and business activities. In this way it is attained that the decisions adopted are the result of proper deliberation, looking after the best interests of the COMPANY and its shareholders.

Below is the information concerning the COMPANY's directors during the period subject matter of this report.

Name and surname	Creation	Date		Shareholding (1)	
		From[1]	To	Number of shares	Participation (%)
Dependent directors					
Óscar Espinosa Bedoya	Civil Engineer, Universidad Nacional de Ingeniería Postgraduate course in Engineering, North Carolina State University, USA Graduated in Economic Development Studies, ISVE, Italy Postgraduate course in Economy, Inst. Economy, University of Colorado Master, Harvard University PAD Certificate, Universidad de Piura	**1987**		**Not applicable**	
Carlos Ferreyros Aspíllaga	Princeton University, New Jersey, USA (Economy)	**1971**		**Not applicable**	
Juan Manuel Peña Roca	Civil Engineer, Universidad Nacional de Ingeniería	**1984**		**Not applicable**	
Andreas von Wedemeyer Knigge	Master in Business Administration (Diplomkaufmann), University of Hamburg, Germany Studies at PMD and others of the Harvard Business School, USA, and at Universidad de Piura	**2003**		**Not applicable**	

Name and surename	Creation	Date		Shareholding	
		From[1]	To	Number of shares	Participation (%)
Independent directors					
Hernán Barreto Boggio	Engineering Program, UNA M.S. Food Science and M.S. Chemical Engineering, MIT Cambridge, Massachusetts, USA Ph.D. Systems Engineering, Michigan State University, East Lansing, Michigan, USA Member of Sigma Xi, American Institute of Chemical Engineering, American Chemical Fulbright Scholar and Rockefeller Foundation Scholar	2005		Not applicable	
Aldo Defilippi Traverso	Bachelor Degree in Economics, Universidad del Pacífico Master in Economic Politics and Economic Development, Boston University Ph.D. Candidate in Economics, Boston University Chief Executive Officers' Program, Northwestern University	2005		Not applicable	
Eduardo Montero Aramburú	Bachelor Degree in Economics Lehigh University, USA Master in Business Administration, Wharton School of Finance and Commerce, University of Pennsylvania, USA	1980		Not applicable	
Juan Prado Bustamante	Lawyer, Universidad de Lima, Law School and Political Science Master Degree in Comparative Law, New York University, School of Law Master in International Banking Law, Boston University, School of Law	2005		Not applicable	

(1) Mandatorily applicable if holder of 5% or more of the COMPANY’s shares.

20. PRINCIPLE (V.F, SECOND PARAGRAPH)

The information concerning the issues to be discussed at each meeting must be made available to the directors with sufficient time in advance to enable them to review it, unless they refer to strategic matters of a confidential nature, in which case, mechanisms must be established that will allow directors to evaluate such issues properly.

Compliance: 4

a. The information concerning the issues to be discussed at each meeting is made available to the directors with sufficient time in advance of the scheduled sessions to allow for revision, unless they refer to strategic matters of a confidential nature, in which case, mechanisms are in place that allow due revision of such issues.

b. The issues that will be addressed are submitted by e-mail to the directors 5 days prior to the Board of Directors' meeting.

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

c. The COMPANY has a procedure in place, which is regulated by the Internal Regulations of the Board of Directors and the Board's Committee.

21. PRINCIPLE (V.F, THIRD PARAGRAPH)

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.

Compliance: 4

a. The established practice is for the management to hire advisory services, as it is the party that best identifies the need for them. While not many 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 informs the Board on the conclusions of the advisory services that may be relevant.

b. These policies are regulated by the rules and procedures guide. General Management

c. The following are the specialized advisors of the Board of Directors and the Management who have rendered services to the COMPANY for decision-making purposes during the reported period.

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

22. PRINCIPLE (V.H.1)

The new directors must be informed regarding their powers and responsibilities as well as regarding the company's characteristics and organizational structure.

Compliance: 4

a. The new directors are duly informed about their powers and responsibilities, as well as about the COMPANY's characteristics and organizational structure through induction meetings, during which detailed presentations are carried out.

The regulations of the Board of Directors and Board's Committees establish this mechanism.

During 2005 new Directors were included in the Board and an induction meeting was held for them with a detailed presentation of the COMPANY's operations and corporate and financial structure.

23. PRINCIPLE (V.H.3)

Procedures must be established for the Board of Directors to follow when appointing one or more substitutes, in the event that there are no alternate directors or when 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 otherwise.

Compliance: 4

a. No director vacancies were produced during 2009.

b. The procedure followed by the Board of Directors for the election of one or more substitutes is described in the COMPANY's Bylaws. Should there be no alternate directors and the vacancy of one or more directors has been produced, to cover the remaining period vacancy may be covered with the appointment of an acting director, provided Corporate Bylaws do not stipulate otherwise.

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

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

d. The foregoing procedures are set forth in the COMPANY's Bylaws.

24. PRINCIPLE (V.I, FIRST PARAGRAPH)

The duties of the Chairman of the Board of Directors, Executive President – if applicable –, and General Manager must be clearly defined in the Bylaws or in the internal regulations of the company, in order to prevent duplication of duties and possible conflicts.

Compliance: 4

The duties of the Chairman of the Board of Directors, Executive President – when applicable –, and General Manager are clearly defined in the Bylaws or in the internal regulations of the company, in order to prevent duplication of duties and possible conflicts.

The duties of the Executive President of the Board of Directors and the General Management were specified in further detail in the minutes of the Board of Directors dated March 26, 2008.

25. PRINCIPLE (V.I, SECOND PARAGRAPH)

The company's organizational structure must avoid the concentration of duties, attributions and responsibilities on the Chairman of the Board of Directors, Executive President – if applicable –, General Manager and other officers holding management positions.

Compliance: 4

The management structure of Ferreyros avoids the concentration of duties, attributions and responsibilities on the Chairman of the Board of Directors, Executive President, General Manager and other officers holding management positions.

a. The responsibilities of the Chairman of the Board of Directors; of the Executive President, if applicable; of the General Manager, and of any other officers at a management level are regulated by:

Responsibilities of:	Bylaws	Internal Regulations	Guide	Other	Name of the document*	They are not regulated	Not applicable
Chairman of the Board of Directors	X						
Executive President			X	X			
General Manager	X		X	X			
Management Staff			X		Job Description Guide – Human Resources Management		

26. PRINCIPLE (V.I.5)

It is advisable that the Management be given at least part of its compensation based on the COMPANY's results, so as to ensure compliance with its purpose of maximizing the value of the COMPANY in favor of the shareholders.

Compliance: 4

a. The Management receives at least part of its compensation based on the COMPANY's results, so as to ensure compliance with its purpose of maximizing the value of the COMPANY in favor of the shareholders.

b. Please indicate whether compensation (excluding bonuses) received by the general manager and the management staff is:

	Fixed compensation	Variable compensation	Retribution (%)*
General Manager	X	X	0.63
Management Staff	X	X	

* Percentage represented by the total amount of the annual compensations paid to the management staff and general manager with respect to the gross income rate, according to the COMPANY's financial statements.

SECTION TWO: ADDITIONAL INFORMATION

II.1 SHAREHOLDERS' RIGHTS

a. The shareholders' rights are defined by the COMPANY's Bylaws and the Internal Regulations of the Shareholders' Meetings, Board of Directors and Board Committees published through the website. Additionally, the COMPANY has in place a Good Corporate Governance website, which is available to the public in general in order to be informed of their rights.

New shareholders are not specifically advised of their rights or how they may exercise them.

b. Prior to the meeting, shareholders have access to the points that will be addressed in the agenda and to the documents to be approved, such as the Annual Report and the Financial Statements which are addressed as Relevant Events. During the meeting, shareholders are given a copy of the Annual Report to be approved as well as the audited Financial Statements.

c. The Financial Division Management has two areas especially created to assist its shareholders and investors. Particularly regarding everything related to the Shareholders' Meeting and its agreements, from the calling date to the delivery of their rights, as well as information requests from analysts and investors, among others.

The persons who had these activities under their responsibility during the 2008 period are:

Patricia Gastelumendi Lukis	**Administration and Finance Division Manager**
Augusta Ponce Zimmermann	**Chief of the Securities Department**
Fiorella Amorrortu Montenegro	**Investor Relations Executive Officer**

d. The information concerning shareholdings is kept in the COMPANY and is the updating of the shareholding percentage, as well as the publication as relevant event of the purchase and sale movements required by law is the responsibility of the Securities Department Executive Officer.

e. The shareholders information referring to stock transfers, including the number of shares, is modified daily. This information is verified with CAVALI on a monthly basis.

All data regarding address and telephone numbers are modified as soon as CAVALI delivers such information. It is worth noting that there are problems regarding addresses provided by CAVALI, as they are incomplete or not updated; thus, the information sent to our shareholders is sometimes returned to us. Therefore, the Securities Department tries to locate the shareholders in order to update their data, however, it is a complex task, as most of the times the shareholders have no relationship with the COMPANY.

The database for addresses, e-mails and other shareholders' information is updated from time to time.

f. Since 1997 the COMPANY has in place a dividend policy, which was amended by the shareholders' meeting held on March 28, 2007.

Date of approval	28.03.07
Approving body	Shareholders' Meeting
Dividend policy (profit distribution criteria)	Cash dividends to be distributed will be equivalent to 5% of the par value of the shares issued at the moment the Meeting is called; the distributable amount may be up to 50% of the profit. In case that the 5% of the par value of shares issued at the moment the Meeting is called is less than 50% of the distributable profit obtained as at the closing of the fiscal period, the Meeting may decide to distribute a greater dividend in cash, the maximum of which will be equivalent to 50% of the distributable profit.

Date of approval	March 18, 1997
Approving body	Shareholders' Meeting
Dividend policy (profit distribution criteria)	Distribute in cash or in own-issued shares, the total distributable profit of each year. The cash dividend will be equivalent to 5% of the par value of outstanding shares at the moment the agreements are adopted in the Shareholders' Meeting, provided they do not exceed 50% of the distributable profit of each year. In case they exceed, 50% of the distributable profit will be distributed.

g. Details of the dividends distributed in cash and in shares by Ferreyros in the recent years:

Date of fiscal period	Dividend per share		Policy in force
	In cash	In shares	
Type of share: Ordinary			
2003 fiscal period	S/. 0.04455801	6.34146300000%	1997
2004 fiscal period	S/. 0.05500000	11.0000000000%	1997
2005 fiscal period	S/. 0.05500000	6.76915447558%	1997
2006 fiscal period	S/. 0.11000000	18.1400000000%	2007
2007 fiscal period	S/. 0.13204256	23.7776647000%	2007
2008 fiscal period	S/. 0.05500000	12.4542645449%	2007

II.2. BOARD OF DIRECTORS

h. During 2009 no director was represented by replacing or acting directors.

i. The COMPANY does not have in place bonus programs for directors. Pursuant to Article 36 of the Bylaws, the Board's compensation will be equivalent to six per cent of the fiscal year's liquid profit before taxes and after covering the legal reserve.

j. The Board may reduce the compensation whenever it may deem necessary or convenient. Furthermore, it will agree the distribution of the global compensation among its members.

k. According to the Financial Statements of Ferreyros, the total amount of the annual compensation paid to the Board of Directors and the Management Staff with respect to the gross income rate, according to the COMPANY's financial statements represents 0.93% of the gross income.

l. No discussions were held at the Board of Directors without the presence of the General Manager.

II.3. SHAREHOLDERS AND STOCK HOLDINGS

m. Ferreyros has only one type of shares, the ORDINARY share and its 1,438 shareholders have voting rights.

n. The information referred to the shareholders and stock holders with more than 5% participation as at the closing of the fiscal period subject matter hereof is as follows:

Name and surname	Number of shares	Participation (%)	Origin
La Positiva Vida Seg. y Reaseguros	40’459,772	9.52%	Peruvian
AFP Prima Fondo 3	34’404,204	8.10%	Peruvian
AFP Horizonte Fondo 2	27’928,404	6.57%	Peruvian
Horseshoe Bay Limited	27’462,658	6.46%	Foreign
AFP Integra Fondo 3	27’380,436	6.45%	Peruvian
AFP Profuturo Fondo 2	22’557,115	5.31%	Peruvian

Shareholding:

Name and surname	Number of shares	Number of shares	Percentage
More than 10% of the capital stock			
Between 10% and 5% of the capital stock	6	180’192,589	42.42%
Between 5% and 1% of the capital stock	12	151’488,507	35.66%
Less than 1% of the capital stock	1,420	93’135,071	21.92%
Total	1,438	424’816,167	100.00%

II.4. OTHER

o. The COMPANY has in place the Code of Conduct referred to ethical criteria and social responsibility.

p. The COMPANY keeps a record of the cases of non-compliance with the Code of Conduct.

q. The register is kept by the Human Resources Division and there is an Ethics Officer.

r. The documents referred to in this report are detailed below:

Name of the document	Approving Body	Date of approval	Date of last amendment
Bylaws	Meeting	March 1998	March 2005
Job Description Guide	Management	Permanent	Permanent
Agreement by the Shareholders' Meeting – Dividend Policy	Meeting	March 1997	March 2007
Internal Rules of Conduct for compliance of obligations derived from the registration of securities in the Public Securities Market Registry	Board of Directors and 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	2008
Good Corporate Governance Guide	General Management	2006	
Code of Conduct	Management	n.a.	August 2005

IN EVERY DETAIL

How does Ferreyros offer comprehensive attention to the needs of its clients? The answer involve several aspects. One of them is the provision of solid technological solutions, such as the Product Link system for the remote monitoring and management of the Caterpillar fleet, involving almost 1,000 units in the country as at the closing of 2009.

Furthermore, in 2009, the Fluids Analysis Laboratory (SOS) examined more than 105,000 fluid samples to obtain key information about the internal conditions of the machinery. Other initiatives of the company included the continuation of the use of the Ferreyros Status Monitoring System (FMMS) in Large-scale Mining operations.

However, Ferreyros goes beyond that. In 2009, the company trained more than 4,800 workers of its clients, through dynamic courses on heavy machinery operations and technical programs countrywide. Furthermore, in joint efforts with Tecsup, Ferreyros set in motion the Operators School in Mala, to offer training to the new operators of machinery in the country.

In addition, Ferreyros accompanies its clients in one of the most important stages in the acquisition of capital goods: the search for financing. In 2009, the company continued offering advice to its clients to access to local and foreign financing entities, with regard to new tools and to the direct financing option.

FERREYROS S.A.A.

OFFICES IN LIMA

Phone: 626-4000
www.ferreyros.com.pe

Administrative offices
Cristóbal de Peralta Norte 820, Santiago de Surco

Workshops and spare parts
Av. Industrial 675, Lima, Apartado 150

Automotive office – Ate Vitarte
Av. Evitamiento N° 1980, Urb. Industrial Santa Rosa, Ate Vitarte

Automotive office – Lurín
Carretera Panamericana Sur km 30.7, Lurín
T 430-2733

Rentafer
Av. Argentina 1300, Lima

BRANCHES

Piura
Prolongación Av. Sánchez Cerro Km. 1 Zona Industrial, Piura
T 073-303049
F 073-334593

Tumbes
Jr. Miguel Grau 719, Tumbes
Telefax 072-524926

Lambayeque
Carretera Panamericana Norte Km.792, Lambayeque
T 074-266695
074-266646
F 074-266659

Cajamarca
Km. 5.2 Carretera Cajamarca, Baños del Inca, Cajamarca
T 076-348381 076-348427
F 076-348370

Trujillo
Av. Teodoro Valcárcel 925, Urb. Santa Leonor, Trujillo
T 044-223338 044-223345
F 044-246199

Chimbote
Av. La Marina 161, Urb. Buenos Aires, Chimbote, Áncash
T 043-311411 043-315899
F 043-312026

Huaraz
Av. Centenario Km. 5.500, Monterrey, Huaraz
T 043-427575 043-421585
F 043-427573

Ica
Calle Fermín Tangüis 159 -167,
Urb. San Miguel, Ica
T 056-233952

Arequipa
Av. Alfonso Ugarte 207, Arequipa
T 054-380100
F 054-282576 054-211030

Puno
Av. América N° 100, Urb. Taparachi, Juliaca, San Román, Puno
TF 051-321437

Cusco
Prolongación Av. de la Cultura N°1051– E, San Sebastián, Cusco
T 084-275772
084-275719
F 084-275705

Huancayo
Av. Mariscal Castilla 2936, El Tambo, Huancayo
T 064-244845
F 064-249632

Cerro de Pasco
Jr. Zinc Mz K Lote 02, Parque Minero, Chaupimarca
TF 063-422833

Ayacucho
Av. Ramón Castilla 523 / 525
TF 066-326089

La Merced
Av. Perú s/n, Sector C2, Urb. Pampa del Carmen, La Merced
TF 064-532155

ORVISA S.A.

Iquitos (Main office)
Av. José Abelardo Quiñones Km. 2, San Juan Bautista, Maynas, Apartado Postal 439
T 065-263710 065-265520
065-227245 065-263976
065-264142
F 065-265517

Pucallpa
Av. Centenario Km 3,900, Yarinacocha, Coronel Portillo
T 061-571703 061-571694
061-591328
F 061-577480

Tingo María
Av. Enrique Pimentel 386, Tingo María, Huánuco
T 062-561606

Tarapoto
Jr. Jiménez Pimentel 1327, Barrio Huayco, San Martín
T 042-522344 042-522374
042-527632
F 042-523205

Bagua
Av. Chachapoyas 1654, Bagua Grande, Utcubamba
TF 041-474917

Puerto Maldonado
Jr. Gonzales Prada 322, Tambopata, Tambopata, Madre de Dios
Tel: 082-573916

Andoas
Orvisa Servicios Técnicos S.A.
T 065-581070

CREDITS

Creation, strategic concept and design
Studioa

Photography
Alex Bryce
Rolando Suaña / F45

Text editing
Cecilia Balcázar / b+A Comunicación Corporativa

Printing
Biblos