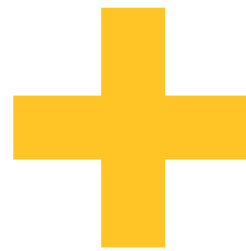
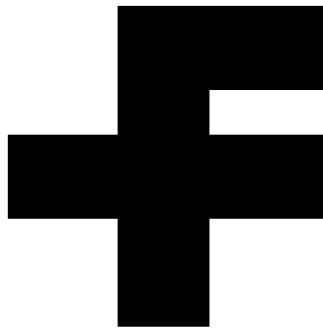


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Annual Report 2011



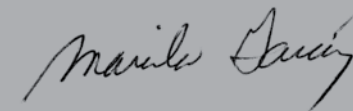
Ferreyros



RESPONSIBILITY STATEMENT

This document contains accurate and sufficient information regarding the business activities of Ferreyros S.A.A. during fiscal year 2011.

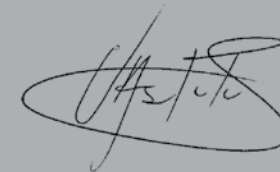
The responsibility of the issuer notwithstanding, the undersigned assume responsibility for the contents hereof in accordance with applicable legislation.



Mariela García Figari de Fabbri
General Manager



Patricia Gastelumendi Lukis
Administration and Finance Division
Manager



Víctor Astete Palma
Comptroller General



Bernardo Chauca Quispe
Accounting Manager

Lima, 28 de marzo de 2012.



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**LETTER TO THE
SHAREHOLDERS
FROM THE CHAIRMAN
OF THE BOARD OF
DIRECTORS**

**MANAGEMENT
REPORT FOR 2011**

1. COMMERCIAL MANAGEMENT

2. INTEGRATED SERVICES

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AND ECONOMIC GROUP

4. FINANCIAL MANAGEMENT

5. ORGANIZATION AND
HUMAN RESOURCES

6. ANNEXES TO THE REPORT

**AUDITED FINANCIAL
STATEMENTS AND
MANAGEMENT
ANALYSIS**

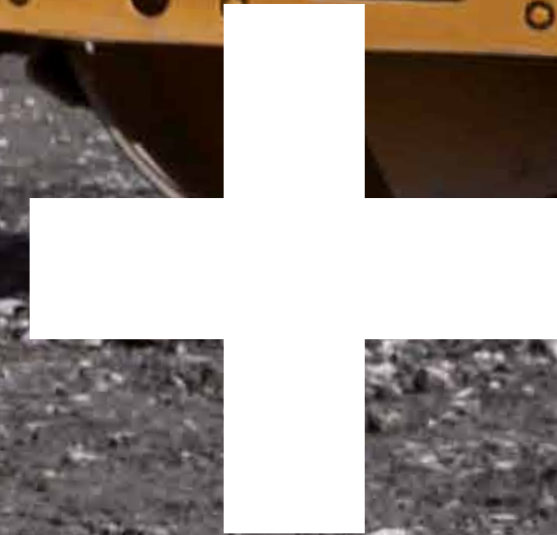
**SOCIAL
RESPONSIBILITY**

**CORPORATE
GOVERNANCE**



COMMITTED TO PERU

FERREYROS IS A PERUVIAN COMPANY THAT HAS BEEN CONTRIBUTING TO THE COUNTRY SINCE IT WAS CREATED 90 YEARS AGO. IN 2011, THE COMPANY CONTINUED WITH THE POLICIES OF INVESTING, ACQUIRING NEW BUSINESSES AND HIRING MORE PERUVIANS THAT HAVE CHARACTERIZED IT SINCE THE BEGINNING AND THAT ARE EVIDENCE OF OUR COMMITMENT TO THE COUNTRY AND OUR CONFIDENCE IN PERU'S CONTINUED DEVELOPMENT.



LETTER TO THE SHAREHOLDERS FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

2011 saw a continuation of the expansion that has characterized Peru's economy for the last 18 years, with a brief interruption in 1998. This growth cycle, expressed in terms of the main macroeconomic indicators, is enabling Peru to modernize and adopt a position closer to those economic models that are capable of attracting investment and of laying the foundations for the sustainable development of the country in the future.

In this environment, the company achieved a high percentage of growth, once again confirming its ability to take advantage of market opportunities. Company sales slightly exceeded US\$1 billion and those of the organization as a whole, including subsidiaries, were almost US\$1.4 billion, significant growth for the group.

The subsidiaries have the double role of helping the entire organization to grow and to complete the offer of products and services for our clients. Sales and profit figures were the highest in the company's history despite the business and economic environments being affected by circumstances that normally have a negative influence on companies. Fortunately, neither the uncertainty and expectations generated by the elections nor some social agitation affecting the mining industry had any significant effect on economic growth, which reached 6.92%, based principally on increases in private consumption (6.3%), public spending (6.1%) and private investment (11.5%). Peru thus achieved one of the highest rates of growth in the region, which in general also produced very positive results.

Nearly all sectors served by the company were highly dynamic, particularly mining, infrastructure and construction.

The year saw some important extensions to existing mining projects as well as preparatory work on new mines that are part of a portfolio of projects valued at approximately fifty billion US dollars. The construction sector continued to grow although at a slower rate than in the previous year. Building highways and ports, housing and offices, had an important multiplier effect on consumption, which has become the motor for Peru's economy.

There were important developments in the energy, fishing and agriculture sectors, although their value as customers of the company is relatively minor compared with other sectors.

On the other hand the transport sector experienced another year of sturdy growth, with heavy vehicle sales increasing by 22%.

In summary, the year was one that reaffirmed the country's macroeconomic strength and healthy growth, with businesses continuing optimistic in the face of an official stance in favor of investment.

In this context, the company once again ratified its commitment to the country and to Peruvians, which took the form, among others, of 700 new jobs and investment of more than US\$43 million in premises and equipment.

I should mention that, as in previous years, the company maintained a high market share thus confirming its leadership based on client preference. In response to this preference, the company continued to add value for its customers by including, in addition to its sales of internationally prestigious machinery and equipment, services such as maintenance and repairs, technological solutions, training for technicians and operators and financial advice, among others.

Sales by Ferreyros SAA increased by 31% and those of the organization as a whole, including subsidiaries, by 33%. The gross margin remained stable compared with previous years, which had a favorable impact on the net result of the year, which was 37% higher than the figure for the previous year. Net profit as at the 31st of December was S/.184.86 million soles, equivalent to US\$67 million.

This increase in the volume of business also created an increase in the company's principal assets, such as inventories, accounts receivable, the rental fleet and fixed assets, which present important challenges for the financial management of the company. These assets were financed largely from annual profits and funds from various sources such as Caterpillar's financing entity, commercial banks and the capital market. During the year we sold corporate bonds valued at US\$37 million, maturing in 5 years, for which there was an excess demand at very competitive interest rates, showing that the company has an excellent reputation in the market.

I would also point out in this regard that since 1997, when the last large increase in capital took place, the company has grown by 600%, which represents large-scale re-investment and acquisition of external funds to sustain this growth.

For this reason, the annual general meeting of shareholders held in March 2011 agreed to issue up to 90 million shares and entrusted the board directors with deciding on the conditions and opportunity of issue. The issue should take place through exercise of the right to first refusal, with shareholders expressing their interest in taking part beforehand. The board of directors considers it best to wait until the share price has recovered from the influence of the political situation that I have already mentioned, and from the impact of the global economic crisis. The issue was launched finally in January 2012, 91% subscribed by existing shareholders who thus ratify their commitment to the company and to the development of Peru.

In summary, I can report to the shareholders that during fiscal year 2011 the company continued to grow and achieved acceptable levels of profitability for its shareholders while maintaining its leadership based on high levels of customer satisfaction, accentuating the use of world-class abilities and having a positive impact on its different interest groups. In doing so, it has continued to consolidate a business culture based on values, a high degree of social responsibility and good corporate governance. Specific action in these fields, as well as important efforts in developing its human resources are described in other chapters of this report.

At the beginning of another year that once again presents great opportunities and challenges, it is my pleasure to report to the shareholders that the company has decided to represent the well known Bucyrus make of machinery and equipment for mining and industry, which is now owned by Caterpillar. This acquisition will permit the company to complement its offer to the market segments it already serves, thus increasing potential sales.

Before I end this summary of progress and the results of fiscal year 2011, I would like once again to thank the shareholders for their confidence in us, our clients for their loyalty and continued preference and Caterpillar and the other prestigious companies we represent for their permanent support, as well as those who have shown their confidence in the company by providing it with financial backing. I would, of course, like to thank our managers and collaborators in general, without whose loyal and efficient labor we would not have been able to achieve our goals.

Let me therefore commend to the shareholders the "Annual Report for 2011" drawn up by the management and approved by the Board of Directors at a meeting on the 29th of February 2012, as well as the financial statements prepared in accordance with Conasev Ruling N° 141.98 EF/94.10, covering the submission of companies' annual reports, including an obligatory declaration of responsibility.



Óscar Espinosa Bedoya
Executive President



+ **BOARD OF DIRECTORS**

MANUEL BUSTAMANTE OLIVARES Director
EDUARDO MONTERO ARAMBURÚ Director

CARLOS FERREYROS ASPÍLLAGA Vice president
CARMEN ROSA GRAHAM AYLÓN Director
ÓSCAR ESPINOSA BEDOYA Executive President

ANDREAS VON WEDEMAYER KNIGGE Director
ALDO DEFILIPPI TRAVERSO Director

JUAN MANUEL PEÑA ROCA Director
RICARDO BRICEÑO VILLENA Director
RAÚL ORTIZ DE ZEVALLOS Director

COMMITTED TO OUR CUSTOMERS

THE PRINCIPAL MISSION OF THE COMPANY IS TO ENSURE THE MAXIMUM PRODUCTIVITY FOR OUR CLIENTS BY PROVIDING THEM WITH THE CAPITAL GOODS AND SERVICES NECESSARY TO CREATE VALUE IN THE MARKETS IN WHICH THEY OPERATE. WE ARE WORKING TO BECOME A STRATEGIC ALLY FOR INDUSTRY AND THUS CONTRIBUTE ACTIVELY TO THE GROWTH AND DEVELOPMENT OF EACH AND EVERY ONE OF OUR CLIENTS.



MANAGEMENT REPORT FOR 2011

1. COMMERCIAL MANAGEMENT

Ferreyros is the leading company in the distribution of capital goods in Peru. The company has a large portfolio of internationally prestigious products such as Caterpillar off-road trucks, machinery, equipment and engines. Furthermore, it represents the world's best-known brands in their respective categories in Peru, such as: Atlas Copco Drilling Solutions drilling rigs, Sullair compressors, Terex cranes, Kenworth trucks, Iveco vehicles, Yutong buses, Massey Ferguson tractors, Zaccaria rice mills, Kepler Weber grain driers and silos, among others. In 2010 Ferreyros added three new names to its portfolio of brands represented: Germany's Paus equipment for deep mining, Oldenburg jumbos and, finally, the Metso line of crushers for the construction industry.

The proven excellence of the products we represent obliges Ferreyros to offer high value at all instances of client service, as well as to provide world-class solutions to the following production sectors: mining, construction, energy, manufacturing, hydrocarbons, fishing, government, transport and farming.

The favorable economic climate in Peru throughout 2011 provided the company with many business opportunities. This sustained economic growth resulted in a boom in precisely those sectors with which Ferreyros is involved. It was within this favorable scenario that the company redoubled its efforts at achieving management success during the fiscal year. This initiative was rewarded by the preference and high levels of confidence among clients. In 2011, Ferreyros provided capital goods to the great majority of investment projects in Peru. In this way the company not only significantly increased its market share, but also ratified its position as a leading Peruvian business with record results for a further year.

The following is a brief description of the performance of each economic sector and market segment, how they were served by the company during the year and their impact on its results and operations during 2011.

+ MINING

The abundance and variety of minerals extracted in Peru create a natural diversification leading to a certain balance in the performance of the mining sector as a whole.

In 2011, the international price of copper the metal most representative of the Peruvian mining industry reached an annual average of US\$3.99 per pound, in nominal terms the highest ever recorded. The increase in the average price for the year was explained by high demand from China and the first signs of economic recovery in the USA. Nevertheless, it should be remembered that in the second half of the year, the copper price fell sharply as a result mainly of the worsening debt crisis in the Euro Zone and forecasts of lower growth for the Chinese economy.

Furthermore, precious metals such as gold and silver, which have a greater impact on the performance of the Peruvian mining industry, saw their average annual prices reach record levels, exceeding US\$1,500 and US\$35 an ounce respectively.

In Peru, open pit mining continued to show a marked preference for the Caterpillar brand, as well as for other products and services provided by Ferreyros. It should be pointed out that this type of mining produces large quantities of mineral and involves the handling of vast volumes of materials, and any investment decision must be taken well in advance based on an analysis of long-term metal prices.

In 2011, Ferreyros delivered 63 off-road trucks, a 40% improvement on the 45 trucks delivered the previous year, which was itself a record figure. This important increase in demand and the incorporation of new models and technology into the products provided formidable challenges for the logistics chain of the Ferreyros organization, particularly for technical and professional personnel deployed at mining operations, who once again were more than equal to the challenges of the industry, including the launching of new models and technologies. Jointly with factory personnel, Ferreyros has thus reaffirmed its commitment to continue incorporating improvements that ensure by far the best performance in the industry in: carrying the highest quantity of mineral at shorter cycle times, lower fuel consumption per ton carried and 100% process safety.

As previously announced, and following mining industry trends towards economies of scale through increasing size, the first examples of the world's largest mining truck, with a capacity of 400 short tons, began operating in Peru towards the end of 2010 and the beginning of 2011. The high productivity of these units deriving from its unbeatable load capacity and speed, raised expectations in other open pit mines, enabling Ferreyros to conduct demonstrations and trials; as a result of this intensive promotion work, the organization received a purchase order valued at more than US\$ 60 million near the end of 2011, a landmark that consolidated clients' preference for this new model.

Adding orders already fulfilled to the backlog of orders pending, Ferreyros can now say that in exactly one year Peru will have almost 40 of this new model, the gigantic CAT 797F, operating in three or more mines, showing how successful the process of incorporating this new line of very large vehicles has been, as well as the confidence of our clients in the leadership of the Caterpillar brand, which has been chosen to meet new challenges in the industry.

The sale of machinery and equipment for large-scale mining operations alone produced income of US\$ 218 million for Ferreyros, to which can be added a further US\$ 228 million from after sales service, which covers spare parts, maintenance and repairs provided by the company to each mining operation, in some cases at the mines themselves, as well as other work carried out at the Component Repair Centers in Lima and Arequipa.

One decisive aspect in the future development of the mining industry in Peru, which offers an attractive portfolio of projects valued at more than US\$ 40 billion, will be the impact of internal political and social problems. During 2011 we saw an increase in conflicts involving the sector to which was added, towards the end of the year, the suspension of the Conga project, even after its Environmental Impact Assessment (EIA) had been formally approved by

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the Government and consent obtained from the 32 communities nearest to the proposed mine. In this regard Ferreyros remains convinced that the development of the country depends on the mining industry, and that the portfolio of future projects must be brought to fruition. We are therefore fully confident that the Government will appeal to the interests of all the parties to ensure the continued growth of the industry, as it is an important creator of both direct and indirect employment and its taxes make a significant contribution to revenue, which in turn finance social inclusion programs.

Equally, it is worth emphasizing the development of mining contractors, both deep mining and open pit, who now operate 100 to 150 capacity trucks. Several Peruvian mines increased their outsourcing operations during 2011. Ferreyros reiterates the need for the portfolio of future projects to be implemented in order to increase the operations of such contractors, to whom we bring our maximum commitment.

Furthermore, Ferreyros was once again the leading importer of machinery for large-scale mining operations in 2011, giving us 79% of the market for off-road mining trucks measured by units imported, according to Sunat and classified by Comex. Thanks to the above-mentioned adjudications and orders to renew and expand the fleets operated by the company's traditional clients, we expect to continue as leading importer and increase our share of this segment in future years.

As with the open pit mining sector, deep mining (generally poly-metallic: zinc, lead, silver, etc.), saw higher prices during the first half of 2011, although they fell after July. Zinc, for example was consistently around US\$ 2,000 per ton. These high prices generated optimism, which translated into important mine expansions, which required new and higher investment in equipment for the sector. Furthermore, this beneficial environment was also reflected in purchases of replacement vehicles, both for surface operations and for deep mining.

Thanks to this optimistic scenario for the mining industry and client confidence Ferreyros' operations during 2011, purchases and deliveries of Caterpillar low-profile loaders increased by 15% in unit terms compared with 2010. We also achieved a high market share (75%) in FoB value terms in the low-profile loaders of more than 4 yd3 segment.

During 2011, the deep mining and quarries segment of the market was responsible for earnings of US\$ 206 million for the company, from Caterpillar machinery, related equipment, spare parts and services. In order to consolidate our sales and complete our portfolio of products for deep mining, Ferreyros launched the German brand Paus in 2011 to complement the Caterpillar line with low-profile loaders and trucks and other equipment of less than 4 yd3 capacity. The Paus line met with immediate acceptance: 30 units have been delivered and the number of orders for 2010 is increasing, a very promising start for this new brand.

One occurrence that made a positive contribution to the productivity of the mining sector is worth pointing out. In July 2011 Caterpillar received the go-ahead from the competent regulatory authorities to complete the acquisition of Bucyrus, well known manufacturer of production drilling equipment, large electric face shovels and hydraulic excavators for open pit mining, as well as deep mining equipment intended mainly for the coal industry. While announcing the completion of this operation, valued at US\$ 8.8 billion, Caterpillar declared its intention to separate and transfer the recently acquired Bucyrus equipment distribution business to Caterpillar distributors, who deal with large mining companies throughout the world. As part of this arrangement Ferreyros was selected as one of the world's largest mining equipment distributors and in the last quarter of the year began discussions on valuing, acquiring and integrating the distribution and service business for Bucyrus equipment in Peru. Ferreyros will thus significantly increase its product portfolio for the mining industry, making it the supplier with the widest range of products for the industry, the traditional quality of Caterpillar and the unbeatable support that has always characterized the company.



+ CONSTRUCTION SECTOR

In 2011 the country saw a 4% increase in construction sector GDP, a lower rate of growth than the 17% achieved in the previous year. These results are explained by the uncertainty affecting Peru during the electoral process of the first half year. Nevertheless, in the second half year, once the political panorama had cleared and the main policies and measures of the new government were known, business confidence recovered, as did interest in investments in capital goods such as those sold by Ferreyros.

It should be pointed out that during the year, construction companies continued at full speed with road building and maintenance contracts for the Ministry of Transport and Communications. Furthermore, some regional governments began to adjudicate large road-building contracts. Particularly significant were road projects in Jaén and San Ignacio, Ayacucho and Abancay, Cajamarca and Celendín, Sicuani, Tarapoto, Villa Rica, Zaña, etc. The use of Caterpillar machinery sold or leased by Ferreyros was significant in all of these projects. The company's commitment to the success of these projects required the permanent presence of our personnel with the contractors while the work was under way; it is thus important to emphasize how the company's technicians and professionals worked full time on providing advice on the provision of spare parts and carrying out maintenance work on Caterpillar machinery.

Equally important during 2011, was the construction of hydroelectric power infrastructure. In this regard we can report that a start was made on hydroelectric power stations at Chaglla (400 MW) in Huánuco, Quitarasca (112 MW) in Ancash and Cheves (168 MW) in the provinces of Oyón and Huaura in Lima. Furthermore, construction continued on the Huanza hydroelectric station (90 MW) in the province of Huarochirí, also in Lima and, at the close of the year, the Cerro del Águila (400 MW) hydroelectric station to be built downstream of the Mantaro station in Huancavelica region was adjudicated.

It should perhaps be pointed out that these projects require a series of operations such as river diversions, water inlets, dams, canals and penstocks; most of which involve large-scale earth moving and, therefore the use of capital goods. As these projects will take several

years, they have the potential to provide opportunities that Ferreyros will certainly seize to provide latest-generation technological solutions to its construction clients.

Furthermore, important projects in urban areas were completed during 2011, such as the Lima Mass Transit Project (Lima's electric train); public hygiene works in Greater Lima; modernization of Peru's airports, road building, etc. In summary, many activities bringing progress for Peruvians have been implemented, and Ferreyros has supplied an important demand for earth moving equipment such as excavators, loading shovels, tractors, motor graders, compactors, electricity generating sets and crushers.

High mineral prices also had a very positive effect on spending by mining companies with construction contractors. Thanks to this positive environment, 2011 saw the construction of the largest number of access roads, road maintenance works, dams, leaching beds, platforms and, in general, mining infrastructure. Of particular importance were the civil engineering works involved in the expansion of Antamina in Ancash, earth moving and concrete work at Tintaya - Antapaccay in Cusco and construction work on the huge Toromocho mining project in Junín, including the construction of a complete new town where the existing population will be relocated, and the concentrating plant.

Thanks to its clients' confidence, in 2011 Ferreyros once again supplied the construction industry and these projects with Caterpillar machinery, associated equipment, tipper trucks, spare parts and services valued at more than US\$ 244 million. It should be pointed out that this figure was 29% higher than for 2010 and is a record for the company. Furthermore, during 2011 sales of Caterpillar construction machinery for all the markets served by Ferreyros were 44% higher than in the previous year. One particularly large delivery was of 140 earth moving machines to a single project, which required us to design a special logistics scheme that included the following: transport for the units, hand-over and after-sales service involving a team of technicians and a dedicated inventory of spares.

As with other markets in which Ferreyros participates, the company's excellent results in the construction sector are due to its clients' loyalty based on the on-site support provided by the company. This, in a nutshell, is the commitment of the Ferreyros organization. Being by its client's side in the remotest corners of Peru in order to ensure that its machinery operates to its maximum potential, which, added to the qualities of the equipment itself is a certain guarantee of success for our clients' projects. It is worth mentioning recent imports to Peru of a significant number of articulated trucks which, in contrast to traditional tippers, have the advantage of being specifically designed to carry material over roads that receive little maintenance or on very steep gradients, thus increasing the efficiency and productivity of our clients.



+ ENERGY AND OIL SECTOR

During 2011 the average growth of energy demand in Peru was around 7%, supplied by the hydroelectric and thermal power stations with a capacity greater than 20 MW. In December 2011 demand reached a maximum in excess of 3,300 GWh. The total of 4900 MW of energy was generated by different sources: 55% came from hydroelectric stations and the rest was produced by thermal stations burning natural gas, coal and residual fuel oil or diesel. The reserve energy margin at the end of 2011 was 13%, or a reserve of more than 680 MW.

One of Ferreyros' commitments is to supply electricity generating equipment and plants on a turn-key basis in both remote and not so remote locations, thus guaranteeing the continuous production and supply of electricity, as well as rapid and satisfactory solutions to emergencies and power cuts involving the main distribution systems.

Within this area we have supplied companies specializing in providing services to mining camps, hotel chains, clinics, office buildings, factories, landfill sites and mines, among other businesses. Thanks to our client's loyalty to our world-class after sales services, our top class portfolio of products and coverage throughout Peru, Ferreyros has achieved a 74% share in the market for electricity generating sets, measured in the FoB dollar value of imports.

Furthermore, it should be pointed out that the first power station fueled by methane gas produced from a landfill site was built and commissioned in 2011. The plant started production at the end of 2011 and has a nominal generating capacity of 4.8 MW from three Caterpillar model G3520 generating sets running at 1,200 rpm; it is currently supplying the national grid system. Thus, and in accordance with its responsibility policies, Ferreyros successfully completed the first power station forming part of the country's clean development mechanism.

In the hydrocarbons sector, the oil price maintained an upward trend throughout the year, a barrel of WTI rising by more than 15% compared with the previous year to a maximum of US\$ 113.9. The principal requirement of the hydrocarbons sector from the company was concentrated on two aspects: electricity generating sets for drilling rigs that require a capacity of more than 2 MW; as well as the leasing and sale of machinery for preparing exploratory wells or laying pipelines in the Peruvian jungle, where on-site after sales service is of vital importance to oilfield contractors. We also sold and leased Terex cranes to this sector for hoisting the main components of our clients' equipment in the jungle or on the north coast.

This business meant that during 2011 the company recorded increased earnings from the hydrocarbons of 41% compared with 2010.

+ MARITIME AND FISHING SECTOR

This sector includes industrial and artisanal fishing, as well as ocean and river transport. In each sector Ferreyros provided services and machinery for all needs and, above all, in a wide range of weather and geographical conditions that constantly challenged the technical and professional abilities of the company. Nevertheless, knowledge and experience acquired over time ensure that Ferreyros enjoys the confidence of its clients in this sector.

2011 was the third consecutive year in which quotas were applied to the industrial fishing industry. This meant that throughout the year, the majority of participating companies were obliged to program their fishing efforts. Compliance with this provision implies being unable to use the capacity of the fleet to its maximum but having to keep the fleet fully operational.

For this reason the operators with the largest hold capacity among their ships initially concentrated their efforts on optimizing production by using strategies that included more efficient use of their vessels and purchases of raw material from third parties. Furthermore, resources were set aside for compliance with environmental commitments.

A consequence of this type of fishing and improvements to the production process was an improvement in fish meal quality, the price of which remained strong throughout 2011, fluctuating between US\$1,350 and US\$ 1,760 a ton, an average increase of 2% compared with 2010. More than 6.8 million tons of Peruvian anchovy were landed in Peru. Good international prices for fish meal and the availability of fish thanks to better husbandry of the species augur well for the sector in future years. This will lead to a need to periodically refit fishing vessels, which is where Ferreyros can continue to provide its excellent portfolio of first-class products and services.

It should be mentioned that the largest fishing companies are currently implementing a strategic plan for re-engining the fleet using CAT 3512B engines producing 1,300 to 1,500 HP. Furthermore, the owners of smaller vessels have embarked on a similar program, which includes redesigning some of their vessels to improve their efficiency and reduce fuel consumption. This trend favors the sale of the 3508B electronic marine engine producing 775 HP at 1,200 rpm.

As far as artisanal fishing is concerned, Ferreyros has an active presence in the northern region of Peru where it continues to introduce the CAT C18 and C12 electronically controlled engines producing between 300 and 700 HP; these engines are proving very popular with fishermen and are associated with an after sales service program to guarantee optimal results. Simultaneously, at the end of 2011 the CAT3056 engine range producing less than 200 HP was re-launched. The company is confident that this initiative will be enthusiastically embraced by artisanal fishermen. Finally, given the good price levels for fish meal and the fact that certain clients are diversifying and extending their businesses, Ferreyros is aware of the strong demand and business opportunities that will be available for CAT machinery and Kenworth trucks.

In the river transport sector, Ferreyros subsidiary Orvisa remains the undisputed leader in machinery sales, having sold around 50 electronically controlled CAT C18 and C12 engines of 300 HP and 500 HP as well as 37 electricity Olympian-CAT generating sets of 12 kW to 36 kW. These components were destined for new vessels and to re-equip other existing vessels. 2011 also saw the development of a series of projects relating to the carriage of fuel and cargo for oil companies. Ferreyros believes that these projects will increase the company's sales in 2012.

As far as maritime transport was concerned basically tugs to assist larger ships during 2011 two tugs equipped with four Caterpillar 3516 marine engines developing 2,575 HP at 1600 rpm were completed; these tugs were also fitted with C series generating sets. By the end of 2011 the company had also sold 80 CAT 3516 HD marine engines developing 2575 HP, to be delivered in 2012 for installation in 4 new tugs being built for foreign owners. This important operation consolidated Ferreyros' position as a strategic partner of SIMA.

Thanks to its active and permanent coverage of the market, Ferreyros was able to maintain its leadership with a 75% share of the marine engine market measured in the dollar FoB value of imports.



+ GOVERNMENT SECTOR

During 2011 state procurement increased 6.5% compared to the volume purchased in 2010. It is worth noting, however, that the trend among central, regional and municipal governments to give priority to public investment in infrastructure and reduce capital goods acquisitions was maintained. Of the total acquisitions by the State, approximately 10% consisted of capital goods. Despite this situation, Ferreyros was once again the leading provider of capital goods to the public sector.

In 2011 the company took part in rather more than 500 procurement processes in Peru, and was chosen as the winning bidder on 234 of them. The main products offered were construction machinery, electricity generating sets and Caterpillar spares; it also offered Iveco trucks and Massey Ferguson farm tractors, thus obtaining a market share of around 40%.

As a result of this, during the year Ferreyros invoiced and delivered the following equipment: more than 95 items of Caterpillar machines and engines; 36 Iveco trucks and buses; and, 47 Massey Ferguson tractors, among other goods and services that generated turnover in excess of US\$ 26.5 million, a figure 20% higher than in the previous fiscal year.

+ TRANSPORT SECTOR

8,365 trucks and tractors were sold in Peru in 2011, the latter having a gross vehicle weight of more than 16 tons, while 2,577 buses were also sold. According to figures from ARAPER, this represented a 22% increase in heavy vehicle sales compared with the previous year.

The Kenworth and Iveco trucks and buses represented by Ferreyros Automotriz, generated sales valued at US\$ 65.7 million in 2011. Sales of trucks and buses amounted to US\$ 50.7 million while after sales service earned US\$ 14.95 million. Comparing the figures with those of 2010, totals sales rose 12%; truck and bus sales were 10% higher; and after sales service grew by 19%.

The expansion of the Kenworth brand is worthy of a special mention as sales reached 24.1 million dollars, reflecting growth of 50% compared with 2010.

In order to provide bespoke solutions to each client, as well as to supply goods aimed at creating value, a permanent search for excellence is essential for the company to maintain the highest standards for its clients. Two events are important in this regard:

1. During the third quarter of 2011, Ferreyros delivered a Kenworth model C540 tractor with a haulage capacity of 240 tons to one of its principal mining customers in Peru. The vehicle is used to move very large and heavy machinery at one of its sites.
2. In September 2011, during the Perumin exhibition in the city of Arequipa, Ferreyros introduced the Iveco Astra model HHD 8x6 truck, which has a load capacity in excess of 50 tons

These two pivotal events in 2011 made Ferreyros Automotriz into the supplier of the trucks with the largest carrying and haulage capacity in the market. It is worth emphasizing the degree of commitment by the company to the sectors in which it takes part. A deep understanding of its clients' businesses enables it to propose innovative solutions that continually add value to their production processes.

COMMITTED

+ FARMING

In recent years it has become clear that the farming and agribusiness sector has diversified substantially, both in crops and products and in the geographical location of its projects. The sugar sector, for example, has grown 30% on average in the last 3 years and has large future projects in terms of investment and development. Farm exports grew 23% on average during 2011, with the European market being the main purchaser and coffee the product that saw the largest growth in sales at 57%.

This expanding market enabled Ferreyros to sell 293 farm tractors in 2011, confirming its leadership in the Peruvian market through its representation of prestigious makes such as Massey Ferguson and Landini, which enabled it to achieve a market share of 34% in units sold and 42% in FoB value. With regard to farming, it should be mentioned that diversification favors the importing of new models and equipment with very competitive specifications and prices, in line with new requirements by a sector which is adopting ever higher technology. Thus Ferreyros' differential advantage consists in guaranteeing high levels of productivity at lower operating cost and this is reflected in client satisfaction and market preference for its products and services.

Furthermore, during 2011 important agreements were reached with the leading agricultural companies in the sugar cane and export sectors. Here Ferreyros was also able to meet demand thanks to its highly efficient technical and advisory services.

In the rice growing sector, the company was chosen as the winning bidder in rice drying and storage projects in northern Peru and the jungle area; these projects will be implemented in 2012. It is worth mentioning that the commercial development of rice processing, drying and storing lines was affected in 2011 by imports of rice and by drought in the north of the country.

As far as forestry was concerned, Peru is only making use of 8% of its timber resources; it could improve its production with the introduction of more and better technology into the logging and processing industries. This means that there are business opportunities in this market.

2011 was a year of growth in investment by logging businesses as shown by the sale of four Caterpillar skidders.

Ferreyros offers a varied portfolio of forestry products including Caterpillar equipment for logging, Iveco trucks for carrying timber (logs and/or cut timber), Mendes industrial sawmill equipment and Benecke timber drying equipment. It should be pointed out that Benecke industrial equipment (kilns) represented by Ferreyros have been sold in the Iquitos and Puerto Maldonado.

In 2011 the Ferreyros Organization began representing a new company producing equipment for the value added timber industry: SCM Group, Italy. This company makes an important range of products designed to cover the needs of timber exporters.

Committed to farming as one of Peru's preeminent industries, and taking into account its likely future development, Ferreyros continues to offer more and better solutions to its customers, including the most versatile equipment employing the latest technology, which will certainly result in a more productive farm sector in the future.



COMMITTED TO EXCELLENT SERVICE

THE VALUE OF FERREYROS TO ITS CLIENTS IS THE PROVISION, TOGETHER WITH THE MACHINERY AND EQUIPMENT IT SELLS, OF A HIGH-QUALITY SERVICE TO ENSURE THE HIGHEST PRODUCTIVITY OF THESE CAPITAL GOODS. IT THEREFORE HAS TECHNICAL SERVICE INFRASTRUCTURE THROUGHOUT PERU AND PERSONNEL ASSIGNED TO ITS CLIENTS' OPERATIONS, THUS DEMONSTRATING ITS WIDE EXPERIENCE WITH CATERPILLAR MACHINERY AND THE OTHER MANUFACTURERS IT REPRESENTS. IT ALSO PROVIDES OTHER SERVICES SUCH AS TRAINING FOR CLIENTS' OPERATORS, CONDITION MONITORING FOR THE EQUIPMENT AND LABORATORY ANALYSES, AMONG OTHERS.



2. INTEGRATED SERVICES

Ferreyros's excellent trading results described in the previous chapter, are the result of an effective business strategy that combines the sale of internationally prestigious equipment with a first class service structure. These two factors enable Ferreyros to meet the different specific requirements of its clients. Some of the advantages that have enabled the company to become the leader in its category are described below.

COMMITTED

+ AFTER SALES SUPPORT

In order to increase productivity and the availability of the equipment sold by the company, in 2011 we complied fully with our strategy of working alongside our clients, carefully monitoring their requirements and providing them with quick, tailored solutions, in many cases on-site.

Ferreyros' after sales service operates on two levels: services provided in the company's own workshops and services provided on-site, that is, where the machinery and equipment is actually operating.

The Ferreyros Organization has 24 workshops in Peru. A total area of more than 60,000 m² is exclusively dedicated to providing various services to the company's clients throughout Peru. Each of our workshops is periodically and rigorously evaluated by Caterpillar to ensure strict compliance with good practice and to verify that the corporation's own environmental standards to protect against workplace contamination are being applied. It should be pointed out that many of them have repeatedly obtained the maximum certification –5 stars– granted by this world-renowned corporation. This high qualification means that they have achieved an optimum level of control of processes and situations that could cause various types of contamination to both the workshop infrastructure and the components under repair.

The Ferreyros Organization's busiest workshop is still the Component Repair Center (CRC). As its name indicates, it concentrates on repairs to major components, which it restores to as-new condition. It should be pointed out that in 2011, 2,101 major components were handled by the CRCs in Lima and Arequipa, including engines, torque converters, transmissions, final drive units and wheels. This year's figure is very similar to that for the previous year. As part of the Increased Demand Preparation Plan, whose principal strategic axis is the introduction to the Peruvian market of the 797F truck, we invested more than US\$ 2 million to increase the capacity of the dynamometer and the transmission test bank, among others.

Furthermore, as proof of our indisputable leadership in component repair in Peru, the Lima CRC was certified as a "World Class Workshop" by Caterpillar for the fifth year running. The detailed audit carried out on the Lima workshop resulted in it being granted with the highest number of points maximum quality and consistency in aspects such as: repair processes, infrastructure, training, fault analysis, contamination control and other productivity indicators.

The Recovery Workshop (RW) complements the activities of the CRC and in 2011 significant investment was made in it as part of our continual infrastructure improvement, innovation and renewal plan. This workshop, which provides support to the repairs through the refurbishing of large metal components using metallizing, welding and rectification offers specialist repair services for large items, mainly for mining customers. 10 improvement projects were carried out in the RW in 2011, using the CPA (Caterpillar Production System) methodology, which enabled us to modify a series of processes with a consequent increase in their efficiency. Furthermore, significant investments in equipment have increased the capacity of the workshop.

Another important service centre is the Lima Machinery Workshop, which has bays for overhauling the company's clients' equipment. This workshop can carry out different levels of work, including complete factory-certified repairs. After such repairs the machines are as reliable as new units and are guaranteed by Caterpillar. In 2011, the Machinery Workshop handled 241 items of equipment, different repairs including overhauls or general repairs and Caterpillar certified repairs (CCR).

The Pre-delivery Workshop is where equipment is prepared for dispatch to our clients after a detailed examination of the principal systems. The workshop has several dozen bays, it is located in Callao adjacent to our inventory warehouse, thus reducing delivery times and lowering the cost of transporting equipment from customs warehouses. In 2011 this service center prepared 719 machines for clients.



COMMITTED

+ MACHINERY LEASING

In order to complement its offer to its clients and to meet increasing market demand specifically from the construction and mining sectors in 2007 Ferreyros took a decision to strengthen its Rentafer business unit, which is dedicated exclusively to machinery leasing and the sale of nearly new and used equipment. As a result of this initiative, in 2007 and then in 2008 a large number of units were added in order to balance the company's leasing fleet with increased market demand. Then, in 2009, after a comprehensive review of the leasing unit, an independent branch was opened in Lima. This new service center was a major step not only for the Ferreyros Organization but for its clients, who saw immediate benefits including easy access to the center, the ability to see the machinery available for hire and for sale in one place and the convenience of having a maintenance workshop for the rental fleet and used equipment.

These measures have created continual growth in the company's machinery rental business. As an example, the business expanded by 44% in 2011 compared with the previous year. Furthermore, all of Rentafer's business, which includes machinery rental and the sale of used units (both from the rental fleet and acquired specially) also saw strong growth, with annual turnover reaching US\$ 62 million, due exclusively to the popularity of its products. The portfolio contains nearly new equipment or Caterpillar Certified Used and used units covered by a factory guarantee, the latter being in great demand by Ferreyros' clients. Similarly, the company continued to position Caterpillar Certified Rebuild products, consisting of units that have been completely rebuilt and given a new serial number by the manufacturer.

At the close of fiscal year 2011, the Rentafer fleet contained construction machinery including tractors, excavators, motor graders, loading shovels and road rollers. The Ferreyros Organization also has a large fleet of electricity generating sets and mobile cranes available to its clients.

It is worth pointing out that at the beginning of 2011 the Rentafer business unit embarked on a project of standardization and quality certification for all its machinery rental processes. Consequently, after a comprehensive audit of its rental processes lasting several months, the Ferreyros Organization was told that it had passed the evaluation process with no observations; this in the first quarter of 2012, Rentafer received its ISO 9001:2008 quality certification from that prestigious international entity SGS.



The rest of our workshops are distributed among the company's branch network strategically located throughout the country. It should be noted that every year we review the investment required to keep the equipment and tools in these workshops up to date.

The plant capacity of the Ferreyros Organization is complemented by on-site inspections of clients' equipment. Throughout 2011, the successful Ritmo 5 program continued to be appreciated by customers because of its extraordinary advantages, which consist essentially of inspections in the field that allow us to monitor the condition of the equipment and anticipate the need for maintenance and repairs.

Similarly, new support agreements with clients were signed during 2011, in accordance with the individual requirements of each one. At the end of the year, more than five hundred items of equipment from a long list of users were being given corrective and preventive maintenance by the company. Ferreyros performs this work using specialist technicians deployed to the main deep mining and infrastructure projects.

The most complex on-site maintenance services because of the heavy use given to the equipment are those provided on-site to large open-pit mining clients. Ferreyros' Large Mining Division deploys personnel in each one of the clients' mines throughout Peru. Each one has engineers, technicians and employees with wide experience in the mining industry. At the close of fiscal year 2011, these organizations were providing full-time service and support to a fleet of 391 mining trucks and a similar number of auxiliary machines, 24 hours a day seven days of the week in shifts aligned with the shifts worked by the employees and staff of the mining companies themselves. Furthermore, the company's logistics cells at the mines of our large-scale mining clients provided hundreds of thousands of spare parts on consignment having a global value in excess of US\$ 100 million.

These services are possible thanks to our staff of technicians, mechanics, supervisors and engineers, each of whom is highly specialized and receives continual training in his field of expertise. The recent years of growth by the Peruvian economy have brought with them greater demand for qualified personnel from many other employers, including the mining companies - themselves clients of Ferreyros. The dynamic labor market has caused salary inflation for the best qualified and most talented personnel. In this environment, Ferreyros has implemented a series of mechanisms and policies aimed at retaining our existing personnel and attracting new collaborators. Consequently a substantial increase was granted in 2011, which will enable the firm to meet the increasing demand over future years. With this in mind the company continued its training program with courses both in Peru and abroad. On the assumption that training is fundamental in providing the highest quality service, our technical personnel have been trained in all the technological advances incorporated into the equipment we sell. During the year, the company trained a total of 1,325 technicians and engineers.

The Ferreyros organization also employs the Six Sigma and CPS (Caterpillar Production System) programs as tools for continual improvement, with special attention given to after sales service.



+ TECHNOLOGICAL TOOLS

It is impossible to understand the productivity of a given item of equipment without considering its performance and the fleet with which it operates. This expectation is shared with Ferreyros' clients, who also expect to achieve maximum levels of production, reliability and availability, the three variables that determine the operational success of the machinery and also permit real and significant savings, the latter being decisive in efficient management.

The incessant concern for continuing to add value to its clients' operations is what has for years brought Ferreyros and Caterpillar together in the task of developing technological tools that are ever more effective and designed to: guarantee excellence in operations management, maximize production, reduce costs and, finally, predict and minimize the likelihood of events that may affect the productivity of the equipment.

One of these tools is Product Link, which enables monitoring, control and management of the whole Caterpillar fleet through satellite transmission of data from the different electronic modules that are interconnected via the GPS system. Furthermore, Product Link offers clients the possibility of Internet

access to the following reports in real time: the geographical location of each of the machines, fuel consumption, working hours, significant events, warnings of improper use of the equipment and list of maintenance activities. More than 2,500 Caterpillar units have been sold by Ferreyros throughout Peru most to the construction industry with this tool fitted; in addition to the advantages mentioned it facilitates opportune programming of maintenance and repairs with the consequent reduction in costs.

Ferreyros has developed a Condition Monitoring System (FMMS) for machinery used in large open pit mines, which has been implemented successfully at its customer's operations. This system combines the different monitoring techniques used in managing mining machinery into a single platform. The use of FMMS provides useful information for taking decisions aimed at guaranteeing the operation of components and planning repairs or replacements to ensure the maximum possible availability of the machinery.

It is important to point out that the success of Caterpillar's Minestar Health System when it was first introduced led to its sale to a second mining operation during 2011. This is a wireless tool that monitors alarms and collects all sorts of information in real time. Furthermore, in contrast to traditional monitoring systems, which only collect this type of information during preventive maintenance or inspection, Caterpillar's Minestar Health diagnoses and forecasts continually.

Similarly, during 2011, Ferreyros continued to encourage the use of Caterpillar's AccuGrade system, which automates the blades of graders and crawler tractors, hydraulic excavator buckets and road rolling systems with great accuracy. This tool offers the following advantages: faster earth moving, significant increases in productivity, reduced equipment wear and less operator fatigue. It will continue to be promoted throughout 2012.

+ TRAINING

In order to make maximum use of all the abilities of the machinery and take maximum advantage of the investment, the Ferreyros Organization gave technical training and operating courses throughout 2011 to its clients' personnel. The company arranged courses and seminars for more than 4,900 people working for more than 500 clients. As far as technical training was concerned, 2,300 people benefited in total from 147 courses and 20 seminars; furthermore, more than 2,280 operators in the mining construction sectors attended more than 471 courses offered by the company's Operator Training Center (CCO), a unit that combines wide experience in the field of training with the use of the latest technology, such as heavy machinery simulators, which, if necessary, are made available to clients in programs designed especially to meet the needs of each one.

The strategic alliance between Ferreyros and Tecsup continued in 2011, as a result of which the Operators School (in Mala) functioned without interruption throughout the year. The purpose of this center is to provide intensive training for new generations of operators in Peru. During the same year 385 operators were also trained, mostly on their own behalf in order to increase their knowledge of the operation of excavators, loading shovels, Caterpillar tracked tractors and mining trucks. Thanks to growing interest on the part of technicians and professionals in increasing their knowledge, the school has been expanded and modernized to practically double its capacity and take more students.

+ GEOGRAPHICAL COVERAGE

From the very beginning the Ferreyros Organization realized that it had to decentralize its operations. Thus in 1940 the first branch was opened in the city of Arequipa. From then on it has continued to invest in building new sales offices and workshops in the different regions of Peru where activities of interest to the company are carried out. Decentralization and coverage are differential advantages that help to maintain and increase the loyalty of clients outside the capital. In Lima the company has invested in 7 centers in order to improve its service coverage, particularly showrooms, spares warehouses and specialist workshops, all of which have grown as the size of components has increased and the company handles more products.

Ferreyros' value proposal involves being close to the clients when they need us, providing services and spares in volumes that ensure that their machines are covered wherever they are in Peru. The company therefore has more than 60 service stations throughout Peru, including offices in Lima, branches in the interior and the permanent presence of qualified personnel at mines and energy and infrastructure projects.

In Lima, the company's administrative and commercial head office is on the Southern Pan-American Highway in Santiago de Surco; its workshop complex and central spares warehouse is located on Av. Industrial, Center of Lima; the rental and used machinery unit is located on Av. Argentina, Lima; and the pre-delivery workshops are on Av. Gambetta, Callao adjacent to the premises of our subsidiary Fargoline. We also have premises in Lurin on the Southern Pan-American Highway as well as a new center on Via de Evitamiento in Ate, which handle our truck and bus business. 2011 saw construction start on our future Spare Parts Distribution Center (CDR) and our new training center on a 28,000 m2 plot of land on Av. Argentina, Callao.

Our branches make a continual and significant contribution to our position in the market for the brands we represent and also offer a degree of coverage that consolidates Ferreyros as the leader in sales of capital goods in Peru. The company's growth and expansion are thus assured and it will play a leading role in the development of the regional economy.



COMMITTED

Specifically, Ferreyros has a presence all over the country through 12 branches in the following cities: Piura, Lambayeque, Cajamarca, Trujillo, Chimbote, Huaraz, Huancayo, Cusco, Ica, Arequipa, Cerro de Pasco and Puno; as well as offices in Ayacucho, Talara, La Merced and Tumbes. Its presence in eastern Peru is through its subsidiary Orvisa S.A., which has branches in Iquitos, Tarapoto and Pucallpa and offices in Andoas, Bagua, Satipo and Puerto Maldonado.

This regional approach has improved the operational efficiency of the organization, breaking the country up into convenient territories to ensure better coverage everywhere no matter how remote. As part of their social responsibility work, the branches maintain good relations with all agents in their areas of influence, that is, with business associations, public bodies and others, suggesting social responsibility projects with

certain clients and carrying out volunteer work, all within a framework of respect and enthusiasm for participating in the traditions and customs of the area where they work. Wherever it operates, the Ferreyros Organization always leads by example, encouraging conduct in accordance with the company's corporate values towards clients and local communities.

+ LOGISTICS MANAGEMENT

The Ferreyros Organization's business model involves importing all of the equipment and spare parts it sells, which are acquired from manufacturers throughout the world. Given that Caterpillar and our other principals have factories in different countries, logistics management has a fundamental role in the model. Constant concern about complying with the terms offered is crucial, as dispatch times are a key differential element in the service the company provides to its clients. Logistics includes not only importing and sea or air freight, but also programming internal transport, because our commitment to our clients generally involves delivering the equipment to the site where it is to operate, or to the nearest branch.

Logistics also implies efficient management of inventories of both machinery, engines and equipment, and spares and components. For this reason, throughout the supply chain from the factory gate to the very moment of delivery to the client the search for efficiency never stops. To ensure the success of these processes, the company has a strong internal logistics organization that also enjoys the support of certain associates whose principal business is logistics, such as procurement, warehouse management and freight forwarding.

In 2011 the company's logistics activities saw a 34% increase in turnover with the consequent impact on the following variables: the average volume of inventories, the number of purchase orders placed, the number of haulage contracts, customs clearance operations and payment of import duties, among others.

Furthermore, imports increased by 20% compared with 2010, reaching a total CIF value of US\$ 878 million for the Ferreyros Group and US\$ 738 million for Ferreyros alone.

Carrying this large volume of imports involved booking cargo space for machinery, engines, equipment and vehicles from ports all over the world, particularly the United States and Brazil. Furthermore, in 2011 Ferreyros received around 700 containers of spare parts and smaller equipment and, finally, used air freight for speedy imports of a total of 5,000 tons of spare parts and accessories, ratifying Ferreyros' position as the leading air freight importer in Peru.

Similarly, inventory levels were managed to achieve a good turnover of inventories and a high level of service and availability, thus maintaining our leadership in market share and client service; we anticipated the forecast demand from our clients in accordance with information available to the company on the machinery fleet and its use.

We thus met the growing demand thanks to a policy of maintaining reserve stocks and, in addition, an inventory of spare parts for new models recently introduced into Peru. It should be pointed out that value of our inventory of spare parts and components at the end of the fiscal year was US\$ 90 million, a 22% increase compared with the close of 2010.

The "prime product" inventory for machinery, engines, equipment and vehicles was valued at US\$ 166 million at the close of the year, despite an average level of US\$ 200 over the last 12 months, higher than the average for 2010 in response to higher sales. Rotation was 2,8 times a year in 2011 compared with 3.7 in the previous fiscal year, as a response to some very large purchase orders that remained in stock for a number of months. The inventory therefore contained orders placed in advance for delivery to mining and construction clients and valued on average at US\$ 90 million, most of which were invoiced and delivered in the final quarter.

Ferreyros has 46 warehouses throughout Peru, in Lima, in its provincial branches and on clients' sites, amounting to a total of more than 70,000 m2. Warehousing capacity enables us to store a total of 150,000 items of spare parts and 3.3 million individual pieces, as well as an average of 1,000 prime units. Our spare parts warehouses received orders for a total of two million items during the year and dispatched 2.6 million items. Sales of prime units amounted to more than 2,500 units.



+ FINANCIAL SERVICES FOR CLIENTS

Another area pioneered by Ferreyros is financial services. From the beginning the company realized that providing solutions in this field not only constituted a differential advantage but was vital for its clients. Whichever of the two methods offered by the company: direct or through third parties, the possibility of obtaining financing has decided many clients in favor of Ferreyros' products rather than those of our competition. For this reason one policy that the company has maintained in recent years is to provide alternative ways of financing investment in capital goods at a lower cost, as well as offering advice so that clients can obtain the same advantages from Peruvian or foreign finance companies.

In addition to building alliances and negotiating programs with different financial institutions, Ferreyros provides personalized advice to its clients so that they can benefit from different forms of credit and even leasing programs with Peruvian or international finance houses. It is well known that better credit conditions can be obtained from these institutions because of their greater experience and their financial structure.

During 2011, a large proportion of machinery sales were financed by different local and foreign finance companies including Caterpillar Financial Services the finance arm of Caterpillar Inc. As far as direct financing is concerned, Ferreyros was responsible for just 3%, as other financial alternatives offered more attractive conditions and were very popular with our customers.

The company also provided alternative financial services, such as:

Advice through the use of new tools such as financing from multilateral entities; +

Export promoting programs in the manufacturers' countries; +

Promotions in Peru, and; +

Financial or operational leasing, among others. +

Similarly, Ferreyros has a specialist department to advise clients on the documentation required by financial institutions in the process of analyzing and approving applications for credit.

It should be pointed out that Ferreyros places special emphasis on promoting the benefits of the capital market, as well as on the need to promote good corporate governance, particularly for the family companies that make up a large proportion of its portfolio of clients. The company thus seeks to strengthen the capital market (bonds, commercial paper, etc.) as a source of financing; it also seeks to raise awareness of the use of other financial structures that mitigate the risk of high leverage, such as sales of shares to investment funds to gain access to capital from different sources, with options such as Lima Stock Exchange.

3. ASSOCIATED COMPANIES AND ECONOMIC GROUP

The Ferreyros Organization's strategy and business model is to expand the company and to add value to its clients by offering a more complete portfolio of products and services. This is based on investment in new businesses related to its principal line of business: capital goods.

New businesses are developed by the company's subsidiaries through the creation of new abilities or the acquisition of existing companies, the latter with a view to reducing the learning curve when new activities are involved. It should be pointed out that in addition to contributing sales and earnings to the company, the subsidiaries increase market coverage and complement the solutions that the organization as a whole provides. In virtue of this, it is important to point out that many of the parent company's clients receive goods and services from various subsidiaries.

The Ferreyros Organization separates its businesses into three large divisions:

One division made up of companies representing Caterpillar and allied brands in Peru.

Another division consists of companies selling Caterpillar equipment and allied brands abroad.

The third includes companies that offer complementary goods and services for different productive sectors.

At the beginning of the year the board of each subsidiary approved the reinvestment of profits –wholly or in part– in order to maintain financial strength and the resources that their growth expectations require. Furthermore Ferreyros, as the parent company, made capital contributions to certain of its subsidiaries to be used for new investment. In general the subsidiaries contributed sales of US\$ 272 million and profits of US\$ 15 million, approximately to the organization. The companies responsible for representing Caterpillar and allied brands in Peru (Ferreyros, Unimaq, Orvisa and Ferrenergy) generated 85% of consolidated sales amounting to a total of US\$ 886 million; similarly, the companies selling Caterpillar equipment and related brands abroad (Cogesa and Genprac), represented 9%, equivalent to a total of US\$ 91 million. Finally, those companies complementing the supply of goods and services for different market sectors (Fiansa, Cresko and Fargoline) contributed 6% of sales, amounting to a total of US\$ 67 million.

As assets of Ferreyros, its shares in its subsidiaries are recorded in the financial investment account. In accordance with the definition of “economic group” as used by Conasev, Ferreyros forms an economic group with the following subsidiaries:

Subsidiary	Shareholding
Unimaq S.A.	99.99%
Mega Representaciones S.A.	99.99%
Cresko S.A.	99.99%
Inti Inversiones Interamericanas Corp.	100.00%
Inmobiliaria CDR S.A.C.	99.89%
Fargoline S.A.	99.86%
Fiansa S.A. ordinary	99.44%
Fiansa S.A. investment	96.48%
Orvisa S.A.	99.00%
Ferrenergy S.A.C.	50.00%

The following pages contain a brief explanation of the results obtained by the principal subsidiaries during fiscal year 2011.



COMMITTED

+ SUBSIDIARIES RESPONSIBLE FOR THE DISTRIBUTION OF CATERPILLAR EQUIPMENT IN PERU

+ UNIMAQ S.A.

In 2011, Unimaq achieved sales of US\$ 133 million, a figure 44% higher than in 2010, once again representing significant growth in line with the dynamism of Peru’s economy.

Unimaq was created in 1999 as part of an initiative by Ferreyros to enter new segments of the market with lightweight equipment and new allied brands. Its business revolves around the sale and rental of light equipment for construction, manufacturing and mining; it also offers equipment for other sectors such as fishing and farming. From the beginning, Unimaq has represented leading manufacturers of excellent quality equipment, such as: Mitsubishi-Cat fork lift trucks, Wacker compacting equipment, Lincoln Electric welding sets, Olympian Cat generators, Amida lighting towers, Enerpac hydraulic tools, Compare compressors and Carmix concrete mixers. It should be noted that Unimaq is the local market leader in almost all of these lines.

At present Unimaq is the company unit almost exclusively responsible for supplying the urban or light construction market, to which it offers the Caterpillar light equipment line –previously sold by Ferreyros– and includes the “Rentando-The Cat Rental Store” business unit. Its business model aims to provide integral solutions to clients involving both sales of new and used equipment and leasing, all accompanied by first-class after sales service. The rental business accounts for 15% of its income.

A specific mention should be made of the fact that thanks to Unimaq’s growth in recent years, especially in certain regions of the country, it became essential to open its own branches -separate from those of Ferreyros- in regional capitals in order to better address these markets. Unimaq currently has branches in Piura, Cajamarca, Trujillo, Huancayo, Arequipa and Ilo. During 2011, new premises were built for the Arequipa and Cajamarca branches, which will be opened in the first quarter of 2012.

+ ORVISA S.A.

With 38 years of uninterrupted operation, Orvisa is the biggest importer and distributor of capital goods in the Peruvian Amazon. Since 1973 when it started trading at the inception of Ferreyros, it has concentrated on providing differentiated solutions to the requirements of its customers in that part of Peru. It has also made use of the tax benefits available in the area, as well as operational advantages to provide a quality service on-site.

Its head office is in the city of Iquitos and it has branches in Pucallpa and Tarapoto. It also has offices in Yurimagüas, Huánuco, Tingo María and Puerto Maldonado; and provides specialized services to oil industry clients in the Andoas and Trompeteros blocks. Finally, it has an active presence in the development of representative projects throughout the Amazon area.

At present Orvisa gives priority to clients in the following sectors: hydrocarbons and energy, river transport, construction, forestry and farming. Mostly it offers the same lines of products and services as the parent company Ferreyros. Occasionally it supplies certain additional prestige products for specific use in the jungle.

Each year the company applies resources to improve its infrastructure and implement new technologies, and it carries out continual training of its personnel in order to create an optimal working environment in which a culture of client service can flourish. Furthermore, Orvisa takes part in business initiatives through regional institutions and organizations, promoting economic activity in the Amazon and helping remote communities through voluntary work and social outreach in education and safety.

In 2011, Orvisa recorded sales of US\$ 54 million and net profits of US\$ 2,8 million, 25% and 45% higher than in 2010. This successful performance was possible thanks to market growth and better and wider coverage by the company, which increased its market share and consolidated its leadership.



+ SUBSIDIARIES RESPONSIBLE FOR THE DISTRIBUTION OF CATERPILLAR EQUIPMENT ABROAD

+ INTI INVERSIONES INTERAMERICANAS CORP.

In response to an invitation to take over the representation in Guatemala, El Salvador and Belize, in 2010 Ferreyros extended its operations abroad through the acquisition of three Caterpillar distributors in Central America. Thanks to the experience acquired in the first year of operations, we expect that the factors that determined the company's success in Peru will also apply in these new territories, with which we also plan to exchange good business practices.

These distributors were acquired through Inti Inversiones Interamericanas Corp. in Panama, a company owned 100% by Ferreyros, which acts as a holding company for the Central American businesses and will also enable us to produce consolidated accounts for the operations in the three countries. In addition to investing in the acquisition and creation of companies abroad.

A brief summary of the companies acquired in Central America is given below:

+ CORPORACIÓN GENERAL DE TRACTORES, S.A. / GENTRAC (GUATEMALA)

Corporación General de Tractores, S.A., trading as Gentrac, was acquired by the El Salvador distributor on the 1st of March 1998. Formerly it operated under another name and with other partners, and has been the exclusive Caterpillar distributor since 1938.

Gentrac has a significant market share in the following sectors: road building, mining, aggregates, farming, petroleum, energy and manufacturing. Furthermore, through its principal clients it has contributed to changing the energy matrix in Guatemala; electricity was previously generated mainly using fossil fuels but is now mostly generated by hydroelectric stations.

Gentrac has two spares sales offices in the bus terminals in Guatemala City and Quetzaltengango, the country's second city, located to the east of Guatemala City. That city also has a branch of Rental Store.

In 2012 it is planned to unite the two offices in Quetzaltengango and convert it into a branch to handle sales of machinery, spare parts and services. A second branch will also be opened in Teculután in the Department of Zacapa, in eastern Guatemala, and a third spares depot in the city of Morales, Department of Izabal, also in eastern Guatemala and a strategic location as spares can be shipped to several departments of Guatemala from Morales.



Furthermore, the company possesses 16 mobile stores on the installations of the most important clients. Gentrac Rental Store handles the following brands: Sullair, Genie, Wacker, Olympian, Carmix and Terex.

In 2011 the average market share was 49% and, despite the global economic situation, which also affected Guatemala, Gentrac obtained income for the year of US\$ 91 million, an increase of 52% compared with 2010, caused principally by increased machinery sales to the mining and hydrocarbons industries; September saw the company's best ever monthly sales, amounting to US\$ 12 million. In addition, profits obtained in 2011 were 23% higher than those for 2010 the higher performance resulting in an opportunity cost for shareholders.

It is important to mention that in 2011 Gentrac adopted the International Financial Reporting Standards when reporting its financial statements to the parent company



+ COMPAÑÍA GENERAL DE EQUIPOS S.A. / COGESA (EL SALVADOR)

Founded in 1926, Compañía General de Equipos S.A., trading as Cogesa, has been a Caterpillar distributor since 1930 and serves the following sectors: infrastructure construction in general, housing, energy generation, vehicles and industry.

It also represents leading quality brands such as: Mitsubishi-Cat fork lift trucks, Wacker lighting and compaction equipment, Lincoln Electric welding sets, Olympian Cat generating sets, Sullair compressors, Mack trucks and John Deere agricultural machinery. In almost all these lines Cogesa occupies the leading position in the local market.

In 2001 it was selected as a wholesale distributor of Exxon Mobil products. At present, lubricant sales represent 36.6% of the company's income.

In addition to the parent company in San Salvador, it has two branches, one in the west of the country in the city of Sonsonate and the other in the east, in San Miguel. Cogesa achieved sales in 2011 of US\$ 34 million, a 14% increase compared with 2010. In addition, profits obtained in 2011 were 88% higher than those for 2010 the higher performance resulting in an opportunity cost for shareholders.

It is important to mention that in 2011 Cogesa adopted the International Financial Reporting Standards when reporting its financial statements to the parent company.

+ GENERAL EQUIPMENT COMPANY LIMITED / GENTRAC (BELIZE)

General Equipment Company Limited, trading as Gentrac, was established in Belize in March 1998, when it acquired the assets and business of Belize Cemcol Limited, the Caterpillar distributor in Belize at that time. In 2011 its sales amounted to US\$ 4 million.

The company's principal business is the sale and servicing of Caterpillar products. It has a head office and 29 employees and is the only distributor of construction equipment in Belize that provides complete services for heavy equipment. The presence of Caterpillar in Belize as a distributor, dates from the nineteen seventies.

In addition, the company is distributor of the Wacker, Sullair and Twin Disc brands as well as Mitsubishi fork lift trucks and Olympian generators.

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+ SUBSIDIARIES THAT COMPLEMENT THE OFFER OF GOODS AND SERVICES TO DIFFERENT INDUSTRY SECTORS.

+ FIANSA S.A.

After 43 years of experience in engineering and electrical projects for the principal sectors of the economy, in 2011 Fiansa generated sales worth US\$ 16 million, a 40% drop compared with 2010.

This contraction was due mainly to a decision by the management to concentrate on the company's main lines of business, such as heavy and medium fabrication and boiler making, engineering and electro-mechanical erection work and electrical installations and to abandon its recent incursion into high-tension electricity distribution line construction, because of the higher risks involved and the company's limited capacity for this new business.

Since April 2011 Fiansa has been producing structures at its new plant located in Huachipa, which uses the latest structural steelwork technology and has a production capacity of one thousand tons of steel a month.

One of the most important projects completed in 2011 was the extension of the Shougang Hierro Peru plant, consisting of the Line 9 mechanical and electrical installations. This project involved structural steelwork and the erection and commissioning of mining equipment such as: a vertical mill, flotation cells and electricity generators, among others. As part of the same project, the fabrication and erection of structural steelwork for the magnetic plant was also completed, as was the installation of an additional bank of flotation cells.

Fabrication work for mining projects included building flotation cells for Outotec and carbon columns for FLSmidth to be installed at Barrick's Lagunas Norte mining project. Also worth mentioning is the fabrication of dust extraction ducts for sleeve filters and twin filters during the expansion of Concorcio Atocongo's Cementos Lima plant.

At the end of the year the company was starting fabrication of flotation cells for the Las Bambas mining project and had signed a contract with Barrick for installation and erection of electro-mechanical equipment in the power station at Lagunas Norte, which is due to be completed in the first quarter of 2012.

During the year the following projects that had begun in 2010 were completed: the Chilca I 500 KV transmission line (the first at this voltage in Peru), construction of the tallest high-tension pylons in the country, at 75 m high and, finally, completion of a 200 KV transmission line in Cajamarca.

+ MEGA REPRESENTACIONES S.A.

Mega Representaciones S.A. arose from a merger between Mega Caucho S.A. (acquired in 2007, which had eight years of operating experience), and Inlusa (Industria y Comercio S.A., acquired in 2009, which had been operating for 13 years). Mega Representaciones concentrates on the sale and support of consumables for the main sectors of the country's economy, such as mining, construction, transport, energy and manufacturing, among others. It is the official representative of Goodyear tires and Exxon Mobil lubricants.

Sales in 2011 reached US\$ 38.2 million compared with US\$ 26.5 million in 2010, health y growth of 44%.

These results arise from the significant market share enjoyed by Mega Representaciones in the mining sector and growth in the construction and transport sectors, in which its products and services have played an important role. This performance has led to important commercial agreements and support and supply contracts with the country's main mining and construction companies.



+ FARGOLINE S.A.

During 2011 and 2 years after the company was created, Fargoline has consolidated its success in the export logistics sector, becoming a benchmark for the market in which it operates. It is known for the quality of its services, its excellent and speedy customer service and the advice it provides to its clients, and for the high level of commitment of its employees to their work.

These qualities were rewarded by a 70% growth in sales over the year. Its most important line of business, "temporary warehousing, is responsible for 70% of its earnings. Traditional lines such as bonded and ordinary warehousing complement the offer. As a consequence of the increase in Peruvian exports Fargoline saw considerable growth in its services to exporters. Net profits doubled because of the dynamism of the company's operations.

During 2011 39% of the operating capacity of Fargoline was dedicated to the following companies of the organization: Ferreyros, Unimaq, Orvisa and Cresko. Thanks to Fargoline's they could add value to their products aimed at the mining and construction markets and generate greater efficiencies in their respective operations. Fargoline's other activities concentrated on clients in different markets, both import and export.

Investment by Fargoline this year exceeded one million dollars, used principally for the acquisition of lifting equipment and vehicles. It is important to point out that the company obtained BASC (Business Alliance For Secure Commerce) certification, the new alliance that promotes secure trade in cooperation with governments and international bodies, by establishing and administering global security standards and procedures for the logistics chain, in association with customs authorities and government departments.

During 2010, Fargoline successfully entered the port logistics market for export customers with its new temporary warehousing business, which accounted for 60% of its earnings. Traditional lines such as bonded and ordinary warehousing complement the offer.

Similarly, the company began a road haulage service from the docks to its own installations using Kenworth trucks, in order to guarantee an efficient flow of cargo and improve time management. Given the excellent performance by Fargoline so far, it is worth noting that the company's growth is the beginning of a more complex and ambitious foreign trade logistics operation.

Investment by Fargoline in 2011 exceeded US\$ 3 million, which spent on infrastructure and equipment.

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+ FERREENERGY S.A.C.

Ferrenergy was incorporated in 2006 by its shareholders Ferreyros S.A.A. and Energy International Corporation, each of which holds 50% of the shares.

The main business of the company is the sale and supply of energy to local clients when the same of engines or turnkey projects are not suitable options. At present, Ferrenergy has an 18 MW thermal power station and an electrical power and energy supply contract with an oil company for a period of five years terminating in September 2012, at which point the power station will become the property of the client under the conditions of the contract.

Over the last two years sales have remained at US\$ 5.2 million in virtue of the sole contract that the company manages. Nevertheless, all future energy sales projects, whether permanent or temporary, are being monitored.

In the final quarter of 2011, Ferrenergy completed two important negotiations for the supply of energy to state-owned companies. The first involves an installed capacity of 10 MW over 24 months, commencing in February 2012, and the second involves an installed capacity of 80 MW over 16 months, starting in June 2012. In order to perform these contracts, Ferrenergy will lease generator modules in the international market and also invest in some modules itself.

Thanks to these two projects sales will increase from US\$ 5.2 million to US\$ 20 million, and US\$ 26 million in 2012 and 2013 respectively.

+ CRESKO S.A.

Cresko started trading in October 2007 serving emerging clients that were not being covered by Ferreyros or Unimaq and that belonged to the building, mining, farming and general manufacturing segments. Specializing in the sale of products from Asia with some after sales service, different to that offered by Caterpillar distributors, Cresko currently covers different areas of Peru using an itinerant sales force. It also supplies chemicals, capital goods and used equipment.

It should be pointed out that in its fourth year of operations, the company achieved a turnover of US\$ 17.2 million, 20% more than in the previous year, thus increasing its presence in the market for Chinese loading shovels and introducing Chinese trucks as well.



4. FINANCIAL MANAGEMENT

2011 was certainly an important year for Ferreyros as the company's results reached historic levels, much higher than forecast at the beginning of the year. This enabled the company to achieve a new corporate dimension, consolidating its position as one of the most outstanding firms in its segment, in both the domestic and international markets.

At the end of 2011, Ferreyros' net sales totaled US\$ 1,037 million, a figure 34% higher than in the previous fiscal year. Furthermore, the consolidated sales of the group of companies that make up the Ferreyros Organization totaled US\$ 1,389 million, which is not only a new record for the company but is also four times the figure obtained 6 years ago.

Similarly, the net profit obtained by Ferreyros in 2011 was S/. 185 million, as a consequence of the following variables: increased sales; gross profits were maintained; the relative stability of operating expenses; cash dividends from investments in subsidiaries.

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During 2011, individually Ferreyros achieved an EBITDA of S/. 340 million (equivalent to US\$ 123 million), thus exceeding the S/. 232 million (equivalent to US\$ 82 million) obtained in 2010. If we add the operations of subsidiary companies to this figure, the EBITDA in 2011 rises to US\$ 155 million, 24% above the US\$ 125 million obtained during 2010. It should be noted that this result is lower than the growth in sales because of investment by the company in developing skills and talent, which initiatives were carried out to serve the future needs of the market.

Furthermore, sales and administration costs as a percentage of sales remained at 13.5%, showing a nominal increase of 26.7% compared with 2010. There are three reasons for this behavior:

- i. an increase in variable costs as a consequence of the growth of net sales;* +
- ii. an increase in the costs of support for equipment sold over the last two years;* +
- iii. hiring of technical and commercial personnel to meet future demand for after sales services.* +

Equally, it is worth pointing out that growth in financial expenses was less than growth of liabilities. In comparison with S/. 42 million in 2010, they reached S/. 46 million in 2011, representing growth of 11%. This increase is largely based on an increase in liabilities, however this was offset by good interest rates obtained by our financiers. The consolidated results also show a 10% increase in net financial expenses, which rose from S/. 73 million in 2010 to S/. 80 million in 2011.

Furthermore, the sustained increase in sales required a significant level of operational assets and fixed assets, financed by the company's own equity derived from the capitalization and accumulation of profits from the current fiscal year and liabilities, which were higher than in 2010. This situation caused the debt and gearing ratios to rise above forecast levels, above all because the increase in capital approved by the annual general meeting on the 31st of March 2011 was implemented only in the first few weeks of 2012.

This is an opportune moment to remember that the company's capital was increased to: finance the company's growth, to continue to invest in new businesses and to maintain a healthy financial structure. That is why the meeting approved the issue of up to 90'000,000 shares for which the existing shareholders have first refusal on two opportunities, followed by an initial public offering of any remaining shares. The meeting entrusted the board with the task of defining the conditions and timing of the two rounds of subscription and the public offering.

The procedures for structuring the placement of shares were carried out in 2011. However the operation did not take place during the year because of a series of events affecting the capital markets and the behavior of Lima Stock Exchange's general index. It should be

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pointed out that the performance of the latter was negative during 2011 caused by a higher perception of risk on the part of international finance houses and local investors. Factors such as the election, which cause a high degree of volatility in the local stock market during the first half of the year and other circumstances attributable to external events in the later months of the year –such the Euro zone crisis– made a decisive contribution to the fall in share prices.

This behavior was in line with a general fall in most share prices, as well as the prices of copper, zinc and gold. During the last months of the year yields on Lima Stock Exchange were affected by this situation and by serious social conflicts in Peru, most of which were related to large mining projects, which caused a great deal of uncertainty among businesses.

But despite this adverse situation, the company continued to operate normally thanks to the availability of credit from various sources of financing. Given the circumstances described, and mindful of its existing commitments, the company prioritized investment in the inventories needed to satisfy its clients' demands rather than in the acquisition of new businesses.

+ INVESTMENT IN ASSETS

As we have explained, Ferreyros' business model is capital intensive. This is because of its investments in current assets and in fixed assets, both operational (the rental fleet and elements for the component exchange program) and non-operational assets or infrastructure.

+ INVESTMENT IN FIXED ASSETS

In line with the above, Ferreyros' great competitive advantage is the location of its branches throughout Peru, a benefit of enormous strategic value that guarantees its clients: maximum efficiency in the dispatch of products, proximity for purchases of spare parts, world-class service at any of the company's 23 workshops (under rigorous standards of service) access to the latest technology and strict observance of contamination standards in accordance with the company's environmental protection standards. Both workshop and branch extensions involve a considerable investment. Only in this way is it possible to provide a permanently excellent level of provision of the services mentioned above.

Therefore in order to ensure that the company can maintain the highest levels of operability and also provide an optimum service to its clients through continually improving its abilities, Ferreyros invests in new premises and in the maintenance and refurbishment of its existing premises, workshops and warehouses throughout Peru. (Details of these investments can be found in the Integral Services section of this document).

One example of what we mean is the acquisition of a 25,000 m2 plot of land in Arequipa in 2011 for the construction of a Component Repair Center, which is now a strategic center serving clients in southern Peru.

+ INVESTMENT IN ACCOUNTS RECEIVABLE

The Ferreyros Organization has a significant portfolio of accounts receivable. As we have mentioned, the provision of financial solutions either directly or through third parties, is one of the company's differentiating characteristics and, at the same time, a determining factor in clients' decisions to acquire equipment and spares, as well as to make use of services and leasing.

The average time to close a sale through third parties or to receive payment of invoices for spares, services and leasing, is approximately 43 days. The average value of accounts receivable was US\$ 165 million during 2011.

The total trade accounts receivable portfolio as at the 31st December 2011 amounted to US\$ 195 million. Furthermore, short-term accounts receivable amounted to US\$ 165 million, higher than the US\$ 126 million at which it stood at the close of 2010, due to a significant increase in invoicing of spare parts and services, as well as a large sale of machinery to a mining client consisting of a set of off-road trucks for which payment is expected in the first few days of 2012.



The company's response to the increase in demand is based principally on the following: introduction of the 797 truck into the domestic market; expansion of the capacity of the Component Repair Center (CRC) in Lima; and investment in the Recovery Workshop (TR) aimed at maintaining its innovation and renovation program. Furthermore, 2011 saw construction start on the new Spare Parts Distribution Center (CDR) on a 28,000 m2 plot of land acquired in 2010 on Avenida Argentina, where we are also currently building a logistics complex that will also include the Spare Parts Distribution Center (CDR). As far as the last point is concerned, it is worth pointing out that we intend to use part of the terrain to build a corporate training center and retreading workshop, as well as warehouses and offices for corporate subsidiary Megacaucho.

The fixed assets of the company include the rental fleet –consisting of around 400 units– and the components that facilitate repairs to mining trucks. During 2011 investment in fixed assets amounted to about US\$ 30 million, compared with US\$ 20 million invested in 2010.



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Medium-term accounts receivable with a duration of up to 36 months, amounted to US\$ 30 million at the close of the year, 12% lower than the same period of fiscal year 2010.

Machinery and equipment was acquired by clients in the following manner: approximately 32% was paid for in full using clients' own resources. 40% were financed through the banks and leasing companies; and 25 % with the participation of Caterpillar Financial Services. In addition, Caterpillar International Services del Peru S.A. (CISPSPA), has increased in importance as an option for machinery deliveries, offering operating leasing to clients.

In order to reduce the amount of funds required by medium-term financing and also to control credit risk, Ferreyros maintained its strategy of limiting direct credit for equipment purchases. This safeguard explains why its share of the total financing for these sales is just 3%.

The arrears index for the portfolio of accounts receivable in more than 30 days was 2.4%, while for maturing receivable in more than 180 days was 0%. The provision for accounts receivable during the year was US\$ 2.1 million. This reserve for uncollectables was equivalent to 0.27% of the company's total sales in 2011, a figure considerably lower than in the past, reflecting the good macroeconomic environment.

+ SOURCES OF FINANCING

As at the 31st December 2011, total liabilities amounted to S/. 1,515 million, an increase of S/.436 million compared with the same period in the previous year. At a consolidated level, liabilities at the close of the year amounted to S/. 2,294 million, a 28% increase resulting from: an increase in business, the incorporation of the assets and liabilities of the Central American companies and the financing required for these acquisitions.

It should be pointed out that Ferreyros' principal source of financing is, in the first instance, reinvestment of profits in accordance with the parameters set forth in our dividends policy. In addition, the company's financing strategy consists of: the acquisition of credit from local and foreign banks; from Caterpillar Financial Services; and via active participation in the capital market by the sale of corporate bonds. The choice of sources of finance is based on choosing the best terms and conditions and in a concern for maintaining access to diversified sources.

Furthermore, the decision to impose inventory controls enables us to maintain an adequate stock to borrowing ratio, which, as at the 31st of December 2011 was 1.59, not far from the 1.41 obtained in 2010. The general liquidity ratio or current ratio the ability of the company with capital programmed for 2010 to meet its short-term debts using current assets was 1.41 at the end of the year, less than the 1.47 obtained at the end of 2010 with an objective ratio of 1.50. This was because short-term financing operations were carried out throughout the year as a strategy to, firstly, reduce the low rates for short-term credit and, secondly, to ensure that we are ready to repay these loans early, without incurring an early repayment penalty, with funds deriving from the increase in capital. Furthermore, and in order to improve levels of gearing, the company repaid some financial liabilities early. The level of financial debt increased from US\$ 239 million as at the 31st December 2010 to US\$ 345 million as at the 31st December 2011.

Given that the company intended to increase its capital during 2011, a strategy was designed to finance its short-term operations, which significantly reduced the average interest rate that had been 4.2%. Thus Ferreyros managed to finance its operations at annual short-term rates between 1.4% and 2.9%, as well as annual medium-term rates between 4% and 6%. The average annual rate applicable to financing from different sources was 4% in 2011.

+ PARTICIPATION IN THE CAPITAL MARKET

Since its shares were registered with Lima Stock Exchange in 1962, Ferreyros has taken an active part in the Peruvian capital market. It was in 1994 that the company, now a large and highly reliable business group with an impeccable stock market record, began to issue debt instruments such as commercial paper and corporate bonds, which it issues regularly because of the demand for such instruments in the market. It should also be pointed out that between 1994 and 2004, the company placed four bond issues and two commercial paper issues. Later, in 2004, it registered a corporate bond and commercial paper program that was succeeded by the First Debt Instruments Program (IRD) in 2007 and a Second Debt Instruments Program in 2009.

During 2011 and despite the complications affecting the local capital market, as mentioned earlier, Ferreyros placed corporate bonds at competitive rates of 5.56% and 5.75% respectively, both maturing in 5 years. These good levels of profitability are achieved because fixed yield investors see the Ferreyros Organization as a reliable and mature player in the capital market that for many years has produced excellent financial results and sustained growth in sales, as well as having good corporate governance.

As at the 31st December 2011 the current value of Ferreyros corporate bonds is US\$ 99 million, of which US\$ 12 million correspond to the First IRD Program and US\$ 87 million correspond to the Second IRD Program. In 2010 the company placed US\$ 37 million of bonds, with bonds valued at US\$ 43 million registered with the SMV for issue over the next few months



COMMITTED TO OUR PEOPLE

THE FERREYROS ORGANIZATION IS A SIGNIFICANT EMPLOYER IN PERU, WITH MORE THAN 5,000 PERUVIANS ON ITS PAYROLL; THE COMPANY ENCOURAGES, PROMOTES AND FACILITATES THE DEVELOPMENT OF ITS COLLABORATORS THROUGH COMPLETE TRAINING PROGRAMS AND CAREER OPPORTUNITIES. FERREYROS PERSONNEL TAKE PART IN DIFFERENT PROGRAMS THAT ENABLE THEM TO ACQUIRE NEW SKILLS TO ENHANCE THEIR CAREER DEVELOPMENT.



5. ORGANIZATION AND HUMAN RESOURCES



BOARD OF DIRECTORS

The board of directors of Ferreyros consists of ten directors elected by the general meeting of shareholders in accordance with the Companies Act and in compliance with the provisions of article 32 of the by-laws of the company, for a period of three years. The general meeting of shareholders held on the 31st of March 2011 elected the directors for the 2011-2014 period. The board of directors is made up of the following members:

- Óscar Espinosa Bedoya** +
- Carlos Ferreyros Aspillaga** +
- Aldo Defilippi Traverso** +
- Eduardo Montero Aramburú** +
- Juan Manuel Peña Roca** +
- Andreas von Wedemeyer Knigge** +
- Manuel Bustamante Olivares** +
- Ricardo Briceño Villena** +
- Carmen Rosa Graham Ayllón** +
- Raúl Ortiz de Zavallos Ferrand** +

At their first meeting on the 1st of April 2011, the board chose Óscar Espinosa Bedoya as President and Carlos Ferreyros Aspillaga as Vice-president.

In accordance with practices of good corporate governance, the company has independent directors whose participation ensures a plurality of opinions and guarantees impartiality in decision-taking on matters that could present potential conflicts of interest. The independent directors, who have no links with the company's management or its main shareholders, are:

- Ricardo Briceño Villena** +
- Aldo Defilippi Traverso** +
- Eduardo Montero Aramburú** +
- Carmen Rosa Graham Ayllón** +
- Raúl Ortiz de Zavallos Ferrand** +
- Manuel Bustamante Olivares** +



+ PROFESSIONAL CAREERS OF THE DIRECTORS

Óscar Espinosa Bedoya
(President)

Executive Chairman of Ferreyros since March 2008. Has been managing director of the company since 1983. Joined the company in 1981. Civil engineer graduated from the Universidad Nacional de Ingeniería. Holds master's degrees from North Carolina State and Harvard universities; also holds specialist diplomas from ISVE, Italy; CEO Management Program, Kellogg School of Northwestern University, postgraduate degree in economics from the Institute of Economics of the University of Colorado: Universidad de Piura PAD in engineering studies, economics and business administration. Has held senior executive and management positions with Cofide, the World Bank, Banco Internacional del Peru and other financial

institutions. At present he is a member of the boards of various companies, including La Positiva Seguros y Reaseguros, La Positiva Vida Seguros y Reaseguros and AFP ProFuturo, as well as of important business associations. He is a member of the managing council of Tecsup, Vice-president of Asociación Pro Universidad del Pacífico and a member of the board of trustees of Ruiz Montoya University. Winner of the IPAE award in 1999.

Carlos Ferreyros Aspillaga
(Vice-president)

Member of the board since January 1971 and president from September 1993 to March 2008. Currently the Vice-president of Ferreyros. Also a director of La Positiva Seguros y Reaseguros and a member of the Group of 50 (Carnegie Endowment for International Peace & Inter-American Dialogue). Graduate in business administration from the University of Princeton.

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Ricardo Briceño Villena

Owner of mining, industrial and farming businesses. Graduated as an industrial engineer from the Universidad Nacional de Ingeniería and holds a master's degree in economics and finance from the Universities of Lovaine and Antwerp in Belgium. Began working in the mining industry in the 1970s in Minero Peru Comercial (MINPECO) in both Lima and London. Worked for AYS S.A. between 1980 and 2001, a company representing the commercial interests of the Glencore Group in Peru, as General Manager and Executive President, as well as occupying the post of Executive President of all the Glencore Group companies in Peru. Mr Briceño is a past president of the Sociedad Nacional de Minería, Petróleo y Energía and Confederación Nacional de Instituciones Empresariales Privadas - CONFIEP (National Confederation of Private Businesses.) He was recently awarded the 2010 IPAE Prize and is chairman of the board of directors of farm product exporter Don Ricardo S.A.C., he is also executive director Textil del Valle S.A., a textile exporting company. In addition, he is a director of Interbank and Ferreyros.

Manuel Bustamante Olivares

President of the Manuel J. Bustamante de la Fuente Foundation (1960 - to date); Member (foreign trainer) of Shearman & Sterling, New York (1962-1963); Founding partner and current member of law firm Llona & Bustamante Abogados (1963 - to date); President of the Banco de la Nación and member of Peru's Foreign Debt Committee (1980-1983); Member of the board of directors of Corporación Financiera de Desarrollo (COFIDE) (1980-1983); First Vice-president of Banco Interandino S.A.E.M.A, later bought by Banco Santander (1991-1995); President of Profuturo AFP (1993-1999); President of the audit committee of La Positiva Vida Seguros y Reaseguros S.A. (2006 - to date); Member of the executive committee of Profuturo AFP (1993 - 2010); Vice-president of La Positiva Seguros y Reaseguros S.A. (1985 - to date). Graduate of the Faculty of Law at the Universidad Católica del Perú.

Aldo Defilippi Traverso

Member of the board of directors of Ferreyros since March 2005, chosen by the pension funds. He is also a director of the American Chamber of Commerce of Peru (AmCham Peru) and chairman of the Fundación de Cancer. Director of various institutions, including Microsoft, Amrop, Universidad Metropolitana de San Juan de Puerto Rico, Pennyinvest, Perú 2021, BASC, United Way, Solidar and Fondo Nesst. Formerly finance manager of Ferreyros and general manager of the Banco Industrial, Banco de Comercio and Banex in Peru; he has also been an executive director of Bladex in Panama; investment banking manager of the Inter-American Investment Corporation (IIC) in Washington; head of the economic studies division of INTAL (IDB) in Argentina; and economist at the World Bank, Washington. He was formerly president of the National Foreign Investment and Technology Commission (CONITE), manager of Proinversion and director of several public and private companies in Peru. He has also taught at the Universidad del Pacífico, Universidad de Lima and Universidad Católica del Perú. He is also a doctoral candidate in economics and holds master's degree in economic policy and economic development from the University of Boston. Has taken the Chief Executive Officers' Program at Northwestern University and holds a BSc in economics from Universidad del Pacífico.

Carmen Rosa Graham Ayllón

Member of the board of directors of Ferreyros S. A. A. since April 2011. Also a member of the boards of Red i3, Corferias del Pacífico, the Managing Council of OWIT Peru, Businesses for Education and Asociación Pro-Universidad del Pacífico, as well as being the president of the board of the Fundación Backus. International consultant in the management of higher education institutions. Formerly rector of Universidad del Pacífico and general manager of IBM Colombia, IBM Peru and IBM Bolivia. Graduated in business administration from Universidad del Pacífico and has taken part in a number of systems engineering and executive development programs in IBM Corporation, Georgetown University, Harvard Business School, Universidad de Monterrey and Adolfo Ibáñez School of Management



Eduardo Montero Aramburú

Member of the board of directors since March 1980 and Vice-president board from September 1993 to March 2008. At present he is president of Indus and a director of Agrícola BPM. Formerly a director of the Central Reserve Bank and executive president of Industrias Pacocha. Graduated in economics from Lehigh University and possesses a master's degree in business administration from Wharton School at the University of Pennsylvania.

Raúl Ortiz de Zevallos Ferrand

Member of the board of directors since April 2011. Also president of the board of Consorcio La Parcela S.A., and director of Agrícola Comercial & Industrial S.A. (ACISA), Inversiones Quinta Heeren S.A. and BARRIALTO SAC, deputy director chosen by AFP pension funds and ENERSUR S.A. (SUEZ Group), and advisor to the board of directors of CARGOMAR S.A. and the miners union of ORCOPAMPA S.A., of which he was a director from 1999 to 2009. Has been Vice-minister of Trade and Tourism and a director of other companies such as Inversiones COFIDE S.A. Fertilizantes Sintéticos S.A., PROLANSA (ARMCO Group), Cerveceria del Norte S.A. (Backus Group), and was president of the Club Nacional from 2002 to 2004. He is an attorney graduated from the Universidad Católica del Perú, where he has also taught and is currently a partner in Ortiz de Zevallos Abogados SCRL.

Juan Manuel Peña Roca

Member of the board of directors since December 1984. Also president of La Positiva Seguros y Reaseguros and La Positiva Vida, Seguros y Reaseguros; president of Alianza Compañía de Seguros y Reaseguros (Bolivia); director of Seguros América (Nicaragua); Martinizing del Peru; and Profuturo AFP. Formerly he was the managing director of Bland Welch (Brazil), responsible for Latin America and the Caribbean and also president of Federación Interamericana de Empresas de Seguros - Fides. (Inter-American Federation of Insurance Companies). He graduated as a civil engineer from the Universidad Nacional de Ingeniería.

Andreas Von Wedemeyer Knigge

Member of the board of directors since July 2003. Also executive president and general manager of Corporación Cervesur and president of several of the companies that make up this group (Creditex, Alprosa, Transaltisa and Proagro, among others). At present he is also: president of Euromotors, Altos Andes and Renting; director of La Positiva Seguros y Reaseguros; and, Corporation Financiera de Inversiones, among others. Member of the managing council of the National Manufacturing Society and of Comex Peru, where he also sits on the executive committee. director of Tecsup; member of the advisory council on international business of UPC; and a member of the advisory council of Universidad San Pablo, Arequipa. Formerly director and general manager of Cia. Cervecera del Sur del Perú and president of the board of directors of Profuturo AFP. He holds an MBA, graduated in Hamburg, Germany and attended the Program for Management Development, Harvard Business School and the Universidad de Piura.

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+ SPECIAL BODIES WITHIN THE BOARD OF DIRECTORS

The board of directors of Ferreyros contains the following three committees:

- General Management and Subsidiaries Committee.* +
- Audit Committee* +
- Organizational Development and Corporate Governance Committee* +

Each committee is made up of a minimum of three directors, at least one of whom must be an independent director as defined in Principle V, paragraph e.1 of the company's Principles of Good Corporate Governance. The president of the board of directors, vice-president and general manager take part in all committees, which meet every three months or every six months.

General Management and Subsidiaries Committee

Its function is to act as a consultant to the management regarding the general management of the company and to supervise on behalf of the board of directors. This committee has the following powers:

- a. To review the strategic plans and annual business plans.
- b. To evaluate in detail the operation of affiliated companies.
- c. To make recommendations to the board of directors on investment policies, acquisitions and disposals of fixed assets.
- d. To evaluate and give instructions on the company's levels of borrowing and the structure of its liabilities, and to monitor guarantees granted.
- e. To carry out a periodical evaluation of the position of loans granted by the company.
- f. To operate as advisor and consultant to the management on such matters as may be submitted to it.

Audit Committee

The function of this committee is to supervise the integrity of the accounting systems and analyze the external auditors' report on the financial statements.

It has the following powers:

- a. To supervise the integrity of the accounting systems through an appropriate external audit.
- b. To review and analyze the company's financial statements from time to time.
- c. To review external audit reports on the financial statements.
- d. To supervise the annual work plan of the internal auditor and receive the relevant reports.
- e. To propose the external auditors.

Organizational Development and Corporate Governance Committee

Its function is to support the management in updating the organizational structure of the company and in evaluating the performance, training and professionalism of the company's executives. As far as good corporate governance is concerned, its function is to ensure compliance with good practices.

It has the following powers:

- a. To supervise organizational development programs through reports on the administrative structure and human resources programs.
- b. To supervise performance management programs, salaries policy and training and development, among others.
- c. To confirm the hiring of main executives, the salary scales for management and executive positions and to monitor the general management's supervision of its performance.
- d. To supervise the effectiveness of the management practices under which the company operates, and propose and approve improvements in the company's management practices.
- e. To review the self-assessment process for the 26 principles of good corporate governance contained in the company's Annual Report
- f. To supervise the policy of reporting "significant events" and privileged and protected information.
- g. To identify possible conflicts of interest between the management, directors and shareholders, as well as supervising monitoring of these potential conflicts by the management.



+ MANAGEMENT AND PRINCIPAL OFFICERS

+ GENERAL MANAGER

Mariela García Figari de Fabbri
 General Manager of Ferreyros since March 2008. Joined the company in 1988 and held various posts in the finance division, the last one being finance manager, from 2001 until January 2005. After acting as deputy general manager from January 2005 to March 2008 as part of a succession plan, and was then appointed general manager of the company. Graduated in economics from the Universidad del Pacífico and holds an MBA from Adolfo Ibañez University in Chile and Incae in Costa Rica. At present she is a member of the board of directors of the American Chamber of Commerce of Peru (AmCham Peru), Peru 2021, the National Mining, Petroleum and Energy Society and the Consulting Committee of OWIT. Furthermore, since 2010 she has been Companies President of the Latin American Companies Circle, an organization that brings together 20 Latin American companies with outstanding corporate governance. In addition, she is a member of the Advisory Council of the Faculty of Economics at Universidad del Pacífico and of the master's degree in international business at that university's postgraduate school. She has been a member of the board of Procapitales and president of its corporate governance committee until the end of 2006, director of IPAE between 2002 and 2004 and of Cosapi from 2007 to 2009. Formerly she worked as a researcher and member of the editorial committee for publications issued by Consorcio La Moneda.



+ CENTRAL MANAGERS

Luis Bracamonte Loayza
 Central Branches, Transport and Agriculture Manager since October 2005. Joined the company in 1980 and has held various senior positions, such as assistant credit and collections manager. In 1996 he was appointed as branches manager before taking over the management of the agriculture and automotive divisions. He is currently responsible for supervising the company's branches. Studied at the Universidad de Lima and obtained specialist diplomas from the Escuela de Administración de Negocios (ESAN) and the senior management program at Incae in Costa Rica. Holds a master's degree in marketing and commercial management from the EOI Business School in Spain and is currently a director of Lima Chamber of Commerce.

Gonzalo Díaz Pro
 Central Business Manager of Ferreyros since 2007. Joined the company in August 2004 and was initially in charge of the mining division. Qualified as a civil engineer from the Universidad Católica del Perú, and possesses an MBA from Adolfo Ibañez University in Chile and Incae in Costa Rica. He has also participated in various specialization courses in Peru and abroad. Has more than 20 years of experience in the management implementation of construction, open pit mining and energy projects in both Peru and Chile. Before joining the company he held a number of posts with the Cosapi Group, including commercial manager of its Chilean associate and was project manager in a joint venture with Bechtel Corporation. At present he is a member of the board of the Suppliers Committee of the Peruvian Chamber of the Construction Industry (CAPECO), the Infrastructure, Energy and Mining Committee of the American Chamber of Commerce of Peru (AmCham-Peru), and the committee responsible for Peru's participation in the Prospectors and Developers Association of Canada (PDAC).

José Miguel Salazar Romero
 Central Marketing Manager since 2007. Joined the company in 1969 and until 1990 held different positions in the commercial and finance departments. In 1988 he was appointed Finance Division Manager. Between 1990 and 1995 he occupied similar posts in other companies in this field. He rejoined the Ferreyros Organization in 1996 as general manager of Matreq Ferreyros, exclusive distributor of Caterpillar equipment in Bolivia, which was a subsidiary of Ferreyros until April 2003. Between 2001 and 2004 he was manager of the mining division and from 2004



onwards was central client relations and commercial development manager. He has taken part in courses in Peru and seminars organized by Caterpillar, including the Caterpillar Leading for Growth and Profitability program, and has taught at the Kenan-Flagler Business School of the University of North Carolina.

Hugo Sommerkamp Molinari
 Central Management Control and Systems Manager since July 2001. Joined the company in 1985 and until 1990 was comptroller of the company's affiliated companies. Between 1990 and 1996 he worked in Paraguay as finance director of the different subsidiaries of the ECOM Group (Lausanne, Switzerland). He rejoined Ferreyros in 1996 as administration and finance division manager, a position he occupied until 2001. He is a registered public accountant and qualified at the Universidad Católica del Perú and has taken specialist courses in Peru and abroad, including the Caterpillar Leading for Growth and Profitability program, and has taught at the Kenan-Flagler Business School of the University of North Carolina.



+ DIVISIONAL MANAGERS

Victor Astete Palma

Manager of the comptroller division since 1996. Joined the company in 1977 and has occupied different management posts in the accounts, budget, accounting advice and investment comptroller's departments. He is a registered public accountant who graduated from Universidad Nacional Mayor de San Marcos and has taken various specialist courses in Peru and abroad.

Carlos Dongo Vásquez

Manager of the Component Repair Center since 2005 and general manager of Motorindustria since 2002. Joined the company in 1979 and has occupied several posts in the commercial and services departments. Formerly spares and service sales manager and machinery and engines division manager. Mechanical engineer, graduate of the Universidad Católica del Perú. In 2007 he took the Caterpillar Leading for Growth and Profitability program, taught at the Kenan-Flagler Business School of the University of North Carolina.

Jorge Durán Cheneaux

Ferreyros' large-scale mining division manager since February 2007. Joined the company in 1994 as field service engineer responsible for the Cerro Verde mining operation. He then became Head of Services - Southern Region. In 1999 he became National Service Manager; and in 2001 became manager of the Component Repair Center (CRC) and Lima workshops. In 2005 he was appointed mining operations manager. He is a mechanical engineer who graduated from the Universidad Católica del Perú and holds an MBA from Universidad Adolfo Ibáñez in Chile and Incae in Costa Rica. He has taken part in various Caterpillar courses and forums, he is a certified Black Belt in the Six Sigma continual improvement program and in 2007 took the Caterpillar Leading for Growth and Profitability program at the Kenan-Flagler Business School of the University of North Carolina.

Andrés Gagliardi Wakeham

Human resources division manager since 1986. Between 1973 and 1980 he was assistant industrial relations manager at Laboratorios Efesa when that company was an affiliate of Ferreyros. He has occupied similar positions in other prestigious companies. He graduated in relations from the Universidad San Martín de Porres and has taken several specialist courses and programs.

Patricia Gastelumendi Lukis

Administration and finance division manager of Ferreyros since 2005. Joined the company in 1987. After several jobs in the credit and collections department she was appointed credit manager in 1998 and occupied this position until 2005. Graduated in business administration from the Universidad de Lima; has taken specialist courses at ESAN and possesses an MBA from Universidad Adolfo Ibáñez in Chile and Incae in Costa Rica. In 2007 she took part in the Caterpillar Leading for Growth and Profitability program at Kenan-Flagler Business School of the University of North Carolina. In 2009 she took part in the global economies administration program at Harvard Extension School Faculty.

At present she is vice-president of Procapitales and a member of its corporate governance committee. Between 2007 and 2009 she was a member of the board of directors of IPAE and president of the organizing committee of CADE Universitaria in 2010.

José López Rey Sánchez

Product support division manager since 2001. Joined the company in 1981. Services manager from 1994 to 1998 and spares and service manager from 1999 to 2001. A mechanical engineer graduated from the National Engineering University, has taken courses at ESAN and the Universidad de Piura PAD course, and in 2007 he took part in the Caterpillar Leading for Growth and Profitability program taught at Kenan-Flagler Business School of the University of North Carolina.

Eduardo Ramírez del Villar

Corporate affairs division manager since 2010. Joined the company in 1999 as legal manager. He is an attorney who graduated from the Universidad Católica del Perú and holds a master in law from George Washington University (as a Fulbright scholar). He handled the legal aspects of the vice-president's office of the Corporación Andina de Fomento (CAF) at the head office of that body in

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Caracas, Venezuela, responsible for debt transactions; before that he was an attorney at Consultoría Jurídica providing support for public and private sector financing activities in Peru and in the structuring of large projects at regional level. Previously he worked as the legal manager of Cosapi Organización Empresarial, providing legal advice on matters relating to the construction industry. He has studied several specialist courses in Peru and abroad. In 2007 he took the Caterpillar Leading for Growth and Profitability program taught at the Kenan-Flagler Business School of the University of North Carolina.

Oscar Rubio Rodríguez

Light construction division manager since 2007. He is also the general manager of our Unimaq subsidiary. He joined the company in 1975 and has held several management positions since 1983. At present he is president of the Peruvian Langoustine Association. He graduated as an economist from the Faculty of Economics of Universidad Nacional Mayor de San Marcos. He has taken other courses in Peru and abroad. He has diplomas from ESAN, IPAE and Universidad La Salle in Argentina.

Enrique Salas Rizo-Patrón

Ferreyros' construction and mining division manager since February 2010, after working as general manager of the Mega Representaciones subsidiary since January 2007. Since 1999 he has been the founder and general manager of Mega Caucho, the leading distributor of off-road tires and industrial lubricants in Peru. He was formerly sales director of Andean Trading, exclusive representative of Goodyear International in Peru, with which he worked since 1986. He has more than 25 years of experience in sales and service of added value industrial products for mining, construction, transport and industry. He studied at the Universidad de Lima and specialized in sales, marketing and services at ESAN, as well as taking other courses in commercial, administration and financial management for businessmen. He has taken part in Caterpillar courses and forums and continues to do so.

Raúl Vásquez Erquicio

Internal audit division manager since 1978, when he joined the company. Before that Mr Vásquez was the administration and finance manager of Compañía Pesquera Estrella del Perú and audit manager of Arthur Andersen & Co. He holds a bachelor's degree in economics and business sciences and is a registered public accountant; he also holds a doctorate from Universidad Nacional Mayor de San Marcos. Mr Vásquez has been president of the Peruvian Institute of Internal Auditors, district director for Latin America of The Institute of Internal Auditors (United States), president of the Latin American Federation of Internal Auditors (FLAI) and president of its ethics committee. At present he is a member of the Professional Issues Committee of the Institute of Internal Auditors and an international speaker on internal auditing.

Henri Borit Salinas

Automotive manager since September 2011. An industrial engineer, he graduated from the Universidad de Lima and holds an MBA from Universidad del Pacífico. He began his career in the consulting division of Arthur Andersen & Co. in 1992 and left that organization as manager in 1998. He was the general manager of Indumotor del Perú from 1999 to 2011. He has 13 years of experience in the automotive sector. A former member of the board of directors of ARAPER between 2005 and 2011.

+ RELATIONSHIPS

As at the 31st of December of the 2011, none of the directors were related (by blood or marriage) to any other directors or to the managers.

Messrs Carlos Ferreyros Aspillaga, Óscar Espinosa Bedoya, Juan Manuel Peña Roca, Manuel Bustamante Olivares and Andreas von Wedemeyer Knigge are directors of La Positiva Compañía de Seguros y Reaseguros, which holds 9.47% of the shares in Ferreyros.

+ REMUNERATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT

Total remuneration paid to members of the board and the management as a percentage of total earnings, as shown in the financial statements of Ferreyros is 0.79%.

+ HUMAN RESOURCES

At the end of 2011 the company had 3,442 permanent employees at the head office and at the different points of sale throughout Peru.

Changes in the number of employees over the last seven years are shown below:

	2006	2007	2008	2009	2010	2011
Officers	37	50	49	48	49	62
Employees	712	906	1,030	984	1,160	1,395
Technical personnel and operators	738	1,017	1,310	1,221	1,527	1,985
	1,487	1,973	2,389	2,253	2,736	3,442

Beyond the products services it offers, Ferreyros' most important competitive advantage is its human capital. For this reason it is essential to guarantee a good working environment in order to attract and retain the best talent.

Wages, salaries and benefits above the market average and strict punctuality in paying them are basic elements of our human resources policy. Ferreyros prioritizes this point, seeking to encourage, promote and facilitate the development of the company's professional and technical personnel through different development and training programs. Other relevant aspects of this set of policies are respect for diversity, consideration for the work-life balance and benefits aimed at increasing the level of satisfaction and commitment of our personnel to the company. Strict compliance with these principles led Ferreyros to become a founder member of the Association of Good Employees of Peru, sponsored by the American Chamber of Commerce (AmCham), an institution that contains companies characterized by respect for their collaborators and, also, by their encouragement of a good working environment by applying good human resources practices throughout their processes.

The aim of the social welfare department is to provide permanent attention in matters of health, education, housing, legal advice and family problems. It also seeks to encourage family integration and recreation.

Ferreyros also respects labor unions. The technical personnel are represented by a union, which has an excellent relationship with the company helps in the creation of policies to improve working conditions and the quality of life of collaborators and their families.

For more information on human resources see the chapter entitled Social Responsibility in the section about our work force.



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+ INTERNAL TRAINING PROGRAMS

Providing permanent training to the company's personnel is an essential accompaniment to the company's growth. Ferreyros therefore gives priority to providing the knowledge and skills that its collaborators need to reach and maintain optimum levels of professional and personal achievement, as well as unbeatable performance in their daily tasks. During 2011, both technical and administrative personnel had access to different training and development programs.

One of the initiatives implemented by the company in the field of education was the launch of the Ferreyros Leadership Program, developed together with the Harvard Business Review, Latin America. This program aims to develop and promote skills such as leadership and management among 250 key collaborators of the organization. Furthermore, more than 395 administrative staff took advantage of master's degree programs, diploma courses, workshops and other courses.

Furthermore, technical personnel from Ferreyros took part in the Service Pro development program that enables continual certification of participants' skills and monitoring of their personal careers. Similarly, the company also provided training for new technical staff through the Accelerated Basic Course (ABC), a tool that helps them to increase their skill levels and productive capacity.

As we explained at the beginning of this section, providing training and development for every department of the company is a priority for Ferreyros. In accordance with this policy, it also provides programs such as Logistics Pro, aimed at collaborators specializing in logistics services and warehousing; and the Automotriz-Fortec Technical Training course, for support personnel in the automotive division.

Furthermore, and to ensure that ever more young people can enter the capital goods market through the acquisition of knowledge and skills, Ferreyros promotes the Think Big program together with its principal Caterpillar and in alliance with the Tecsup educational organization.

Senior technicians from Ferreyros have played a leading role in the certification programs run by Caterpillar in other countries. They enable the company's professionals to demonstrate their knowledge of the service they provide in the mining, construction and energy sectors. During 2011, 30 certifications were achieved - evidence of the high degree of training of the company's technical staff.

For more information on training, consult the chapter entitled Social Responsibility in the section in collaborators.



6. ANNEXES TO THE REPORT

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+ ANNEXE 1: GENERAL DETAILS OF THE COMPANY

1.1 TRADING NAME AND DOMICILE

Trading name	Ferreyros S.A.A.
Type of company	Public limited company
R.U.C.	20100027292
Address	Jr. Cristóbal de Peralta Norte 820 Monterrico, Santiago de Surco Lima, Perú
Telephone	511 - 6264000
Fax	511 - 6264504
Web page	www.ferreyros.com.pe
Dedicated client line	511 - 6265000
Dedicated shareholder line	0800 - 13372

1.2. INCORPORATION AND REGISTRATION AT THE PUBLIC RECORDS OFFICE

Ferreyros was incorporated as Enrique Ferreyros y Compañía Sociedad en Comandita, by public deed on the 14th of September 1922 drafted by notary public of Lima Dr Agustín Rivero y Hurtado. It was registered under entry 1, page 299, volume 15 of Lima Companies Registry. That company was dissolved, as shown in entry 10, page 296, volume 30 at Lima Companies Registry.

Enrique Ferreyros y Compañía S.A. took over the assets and liabilities of the previous company by means of a public deed dated the 21st of February 1931 drafted by notary public of Lima Dr Agustín Rivero y Hurtado, registered under entry 1, page 457, volume 31 at Lima Companies Registry. The change of name to Enrique Ferreyros S.A. took place by public deed on the 23rd of November 1981 drafted by notary public of Lima Dr Jorge Orihuela Iberico, registered under Companies Registry entry N° 11007355.

The change of name to Ferreyros S.A. took place by public deed on the 6th of May 1996 drafted by notary public of Lima Dr Jorge Orihuela Iberico, registered under item 2B of entry 117502 in the Companies Register. On the 24th of March 1998, a general meeting of shareholders agreed to modify the trading name of the company to Ferreyros S.A.A., registered under entry N° 11007355 at the Companies Registry.

In accordance with its by-laws, the business of Ferreyros S.A.A. is the sale and purchase of merchandise and products of Peruvian and foreign origin; importing and exporting merchandise and articles in general; the provision of services, investment and commissions. Its duration is indefinite and its business is covered by group 5150, division N° 51 of the United Nations CIU classification.

1.3. BRIEF SUMMARY OF THE COMPANY

Ferreyros was founded in 1922 by Enrique Ferreyros Ayulo and three partners, to distribute consumer products. In 1942, it entered the capital goods market when it became the Caterpillar Tractor representative, which signified an about-tern in the company's activities. From then on it consolidated its operations in two large business units: consumer goods and capital goods.

In 1962, in order to expand the company, the shareholders decided to register its shares on Lima Stock Exchange (LSE) thus laying the foundations for a diversified shareholder base; today the company has more than 2,500 shareholders.

In 1965, with a view to achieving greater coverage in order to sell its products, Ferreyros began to decentralize, open offices in provincial towns and create a number of affiliated companies. It currently has a presence in more than 60 places in Peru; it has a network of branches and offices throughout the country, including the Amazon region through its subsidiary Orvisa and has personnel permanently deployed on site with certain of its clients.

At the end of the 1980s, Ferreyros left the consumer goods market and decided to concentrate on what is now its main business: capital goods; it took on the representation of other products to complement its Caterpillar line. This enables it to provide better service to its clients in the different sectors of the economy. In the 1990s the company decided to increase its range of products and, in addition to the sale of new units, to rent equipment and sell used machinery. In the same decade, it began to sell to open pit mining operations that had recently been offered on concession or been privatized, and imported the first Caterpillar off-road mining trucks.

In 1994 it entered the capital market with a corporate bond issue and commercial paper. The company soon became an important participant, leading to much success and a high level of demand from investors.



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From 1995 onwards the company made significant investments to improve its office and workshop infrastructure, as well as to train its service personnel to perform maintenance and repair contracts covering the large fleet of mining trucks that were being imported to operate in large open pit mines developed thanks to the concessions granted during the wave of privatization of state mining companies in the 1990s. Furthermore, after a few years the company decided to start selling machinery for deep mining after the purchase of Caterpillar.

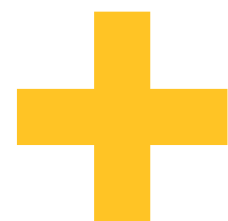
In response to growth, in 1997 the company had a successful share issue both in Peru and abroad, which enabled it to increase its capital by 22 million dollars. The deceleration in economic growth between 1998 and 2001 had a negative effect on Ferreyros' sales and the company had to adjust its organization and finances to a smaller market.

Between 2002 and 2010, the company experienced a period of accelerated growth. Ferreyros achieved an accumulated expansion of 367%, thanks to the incorporation of new products and services, as well as the acquisition of clients with large investment

projects in Peru in the mining, energy and oil sectors and the creation of new infrastructure. In addition, Ferreyros expanded its client base. All of this was possible because of the company's investment in infrastructure, systems and training for its personnel.

In 2008 the company started using the SAP business system to manage its accounting and financial operations. Similarly, the period 2002 to 2010 saw strong growth among its subsidiaries, which now represent 25.3% of the organization's business and share many clients with Ferreyros.

In 2010, Ferreyros began its international expansion with the acquisition of Gentrac Corporación in Panama, owner of the Caterpillar distributors in Guatemala, El Salvador and Belize.



1.3.1. Product lines

In addition to Caterpillar trucks, machinery, equipment and engines, both new and used, Ferreyros handles a wide range of products made by well-known manufacturers, such drilling rigs from Atlas Copco Drilling Solutions, Sullair compressors, Terex cranes, Kenworth trucks, Iveco vehicles, Yutong buses, Massey Ferguson tractors and Zaccaria rice mills, as well as Kepler Weber grain silos and driers, Metso crushers, Paus forklift trucks and Oldenburg equipment.

Ferreyros has a large fleet of Caterpillar machinery for hire, for those clients who prefer this option to buying, particularly in infrastructure projects. For more information about this service consult the machinery rental section.

Ferreyros provides after-sales service to its clients from a large network of workshops in strategic locations throughout Peru and staffed by highly qualified mechanics who receive continual training, as well as the latest generation of equipment.

In order to guarantee prompt supply of spare parts for all the lines it distributes, the company has warehouses and distribution centers at all of its branches and in strategic locations near its clients' operations.



1.3.2. Competition

The range of products it distributes means that Ferreyros competes in different segments with a large number of suppliers who import and distribute different makes. Nevertheless, and thanks to the loyalty of our clients, Ferreyros is the leading company in almost all the market segments in which it participates.

In auxiliary machinery and off-road trucks for large-scale mining, Caterpillar's main competitor is Komatsu. Its competitors in the supply of low-profile loaders for deep mining are Atlas Copco and Sandvik.

For earth moving in both light and heavy construction projects, the Caterpillar equipment distributed by Ferreyros competes with Komatsu, Volvo, Hyundai, Case, JCB, Daewoo and John Deere. Furthermore, since 2008 Chinese earth moving machinery has been imported into Peru aimed at the heavy construction sector; in 2011 this equipment - made by 10 different manufacturers and imported by 15 importers - had a market share of approximately 5% by FoB value and 15% of all units imported into the country.

As far as diesel engines are concerned, the Caterpillar brand distributed by Ferreyros competes with Detroit Diesel, Cummins, FG Wilson and Volvo; in the heavy fuel-oil segment, with Wartsila and Man; and in the gas engine segment with Wartsila and Waukesha.

The company distributes Atlas Copco drilling rigs for mining, which compete with Sandvik, Drilltech, Reedrill and Bucyrus. In cranes of different characteristics and capacities it represents Terex and competes with Manitowoc and Grove. Ferreyros distributes Sullair portable air compressors and Unimaq handles Compare. In both cases the company competes with Atlas Copco.

As far as farm machinery is concerned it distributes Massey Ferguson and Landini and competes with John Deere and Ford New Holland.



In the tipper truck and tractor markets, Ferreyros sells its Kenworth and Iveco brands and competes with Volvo, Scania, Mercedes Benz, Freightliner, Hino and Volkswagen, as well as Chinese makes FAW, Sinotruk and Dongfeng. The company sells Iveco and Yutong buses and competes with Mercedes Benz, Volkswagen, Scania and Agrale.

Ferreyros' supplies spare parts for the various makes it distributes and competes with distributors of copy-cat spares supplying small segments of the market.

1.4. OTHER INVESTMENTS

Ferreyros has investments in the following companies:

Company	Number of shares	Shareholding
La Positiva Seguros y Reaseguros	28'152,919	13.7928%
La Positiva Vida Seguros y Reaseguros	4'984,295	3.7809%
Plural transactions	1'698,660	16.1305%
Special transactions	16,599	0.5165%

1.5. CAPITAL, SHARES AND SHAREHOLDINGS

As at the 31st December 2011, Ferreyros' capital was represented by ordinary shares having a nominal value of 1.00 nuevos soles each, fully subscribed and paid up, of which 86.63% is held by Peruvian investors and 13.37% by foreigners.

The year's opening price was 4.25 nuevos soles and the shares closed at 2.28, a fall of -46.4%. The maximum price during the year was 4.95 nuevos soles in February, and the minimum was 2.22, in October and December. The average share price in 2011 was 3.08 nuevos soles (Annex 2).

The following shareholders held 5% or more of the company's capital as at the 31st December 2011:

Given names and surnames	Number of shares	Share holding	Origin
La Positiva Vida Seg. y Reaseg.	59'677,037	9.57%	Peruvian
AFP Prima Fund 3	49'578,902	7.95%	Peruvian
AFP Integra Fund 3	45'393,274	7.28%	Peruvian

The distribution of voting shares is as follows:

Holding	N° of share holders	N° of shares	Share holding.
Less than 1%	2,505	153'037,783	24.54%
From 1% to less than 5%	16	315'948,181	50.66%
From 5% to less than 10%	3	154'649,213	24.80%
10% and over	0	0	0.00%
Total	2,524	623'635,177	100.00%

+ ANNEXE 2: INFORMATION ON CAPITAL MARKET INSTRUMENTS

2.1. SHARE PRICES

Ferreyros S.A.A.

Variable income

ISIN Code	Mnemonic	Year - Month	2011 Quotes				Price
			Opening S/.	Closing S/.	Maximum S/.	Minimum S/.	Average S/.
PEP736001004	FERREYC1	2011-01	4.25	4.50	4.50	3.85	4.20
PEP736001004	FERREYC1	2011-02	4.60	4.35	4.95	4.20	4.52
PEP736001004	FERREYC1	2011-03	4.35	3.80	4.40	3.60	3.91
PEP736001004	FERREYC1	2011-04	3.75	3.15	3.75	2.65	3.17
PEP736001004	FERREYC1	2011-05	3.14	3.20	3.55	2.95	3.29
PEP736001004	FERREYC1	2011-06	3.24	2.62	3.35	2.45	3.00
PEP736001004	FERREYC1	2011-07	2.62	2.80	2.91	2.27	2.64
PEP736001004	FERREYC1	2011-08	2.80	2.70	2.93	2.27	2.54
PEP736001004	FERREYC1	2011-09	2.70	2.46	2.75	2.42	2.58
PEP736001004	FERREYC1	2011-10	2.40	2.43	2.45	2.22	2.35
PEP736001004	FERREYC1	2011-11	2.40	2.47	2.48	2.26	2.39
PEP736001004	FERREYC1	2011-12	2.45	2.28	2.45	2.22	2.32



2.2. CURRENT DEBT INSTRUMENT ISSUES

Maturity of placements in force as at the 31st of December 2011
(In US\$ million)

First IRD Program Series

Resolution CONASEV N° 055-2007-EF/94.11	
Face Value	US\$ 1,000 each
Series	One or more
Máximo issue amount	US\$ 90'000,000
Term	2 years renewable
Payment of interest	End of quarter

First IRD Program Series Registered	Characteristics of the placement current as at December 2011					
IRD Issues	Balance	Term (years)	Placement Rate	Date of Issue	Date of Redemption	Amortization
Sixth Issue of Bonds Series B	12'000,000	3	7.3125%	12/02/2009	13/02/2012	100% of capital at redemption
	12'000,000					

Second IRD Program Series

2009-EF/94.06.3	
Face Value	US\$ 1,000 each
Series	One or more
Máximo issue amount	US\$ 130'000,000
Term	2 years renewable
Payment of interest	End of quarter

Second IRD Program Series Registered	Characteristics of the placement current as at December 2011					
Second IRD Issues	Balance	Term (years)	Placement Rate	Date of Issue	Date of Redemption	Amortization
First Issue of Bonds Series A	10'000,000	3	4.6250%	25/11/2009	25/11/2012	100% of capital at redemption
First Issue of Bonds Series B	10'000,000	3	4.6876%	12/05/2010	12/05/2013	100% of capital at redemption
First Issue of Bonds Series C	10'000,000	3	4.5625%	23/06/2010	23/06/2013	100% of capital at redemption

COMMITTED

+ ANNEXE 3: GUARANTEES, CONTINGENCIES AND COMMITMENTS

As at the 31st of December 2011, the company had guaranteed group companies and clients to banks and financial institutions. Furthermore, it has granted bank guarantees to cover participation in public and private tenders and calls for bidders. Total guarantees granted as at the 31st of December 2011 amounted to US\$ 72.2 million, representing 20.4% of the company's equity.

3.1 BANK GUARANTEES

As at the 31st December 2011, bank guarantees used by Ferreyros to guarantee various transactions, principally bids in public tenders and advance payments, amounted to US\$ 23.5 million.

3.2 GUARANTEES TO SUBSIDIARIES

The company provided guarantees for subsidiaries to banks amounting to US\$ 41.7 million.

It should be pointed out that the finance companies required guarantees from Ferreyros to cover credit lines to certain subsidiaries and medium-term lending operations. However thanks to growth and the financial consolidation of some subsidiaries, this requirement is reducing.

3.3 GUARANTEES TO CLIENTS

As part of its sales operations, the company grants direct financing to its clients or supports their applications to financial institutions. In some cases it will guarantee them to the finance institutions, which requires the specific approval of the board of directors.

Such guarantees were granted for applications to Caterpillar Financial Services, Caterpillar International Services del Peru, Caterpillar Leasing Chile and some local banks.

At the close of fiscal year 2011, the balance of guarantees to clients amounted to US\$ 7.0 million, backed by collateral from the clients themselves or by cash flow trusts

3.4 GUARANTEES DRAWN ON ASSETS

As at the 31st of December 2011, the company has no guarantees drawn on its assets.

3.5. CONTINGENCIES AND COMMITMENTS

As at the 31st December 2011, the company has received various observations from the tax authorities concerning its income tax and value added tax for fiscal years 2001-2006, covering a total of approximately S/. 115 millions including fines and interest. The company has submitted appeals to the tax authority (Sunat) and the Tax Tribunal as appropriate.

Furthermore, as at the 31st of December 2011 the company is a party to lawsuits claiming US\$ 0.42 million and S/.0.15 million in compensation for damages and loss, initiated by third parties.

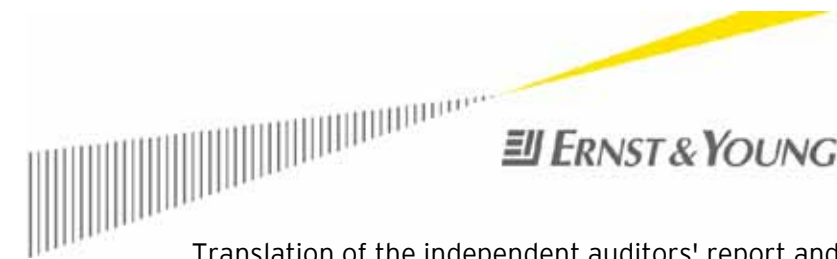


COMMITTED TO DEVELOPMENT

THE ACTIVITIES OF FERREYROS AND ITS CENTRAL AMERICAN SUBSIDIARIES GENTRAC AND COGESA, ARE CLOSELY LINKED TO THE DEVELOPMENT OF PERU, GUATEMALA, EL SALVADOR AND BELIZE THANKS TO OUR PARTICIPATION IN THE CREATION OF INFRASTRUCTURE FOR ECONOMIC DEVELOPMENT AND MARKET INTEGRATION. HIGH-QUALITY MACHINERY AND EQUIPMENT, WORLD-CLASS WORKSHOPS, SPECIALIZED SUPPORT, TECHNOLOGY AND INNOVATION ARE KEY ELEMENTS THAT CONNECT US TO THE LARGE PROJECTS BEING IMPLEMENTED IN THESE COUNTRIES.



AUDITED FINANCIAL STATEMENTS AND MANAGEMENT ANALYSIS



Medina, Zaldívar, Paredes & Asociados
Sociedad Civil de Responsabilidad Limitada

Translation of the independent auditors' report and separate financial statements originally issued in Spanish - Note 28 to the financial statements

Independent Auditors' Report

To the Shareholders and Directors of Ferreyros S.A.A.

We have audited the accompanying separate financial statements of Ferreyros S.A.A. (a Peruvian Company), which comprise the statements of financial position as of December 31, 2011, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Peru. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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





Translation of the independent auditors' report and separate financial statements originally issued in Spanish - Note 28 to the financial statements

Independent Auditors' Report (continued)

Opinion

In our opinion, the accompanying separate financial statements, prepared for the purposes set forth in the foregoing paragraph, present fairly, in all material respects, the financial position of Ferreyros S.A.A. as of December 31, 2011, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis on separate financial statements

The separate financial statements of Ferreyros S.A.A. have been prepared to comply with the financial reporting requirements in force in Peru. These financial statements present the value of its investments in subsidiaries and associates under the cost method and not on a consolidated basis, so these separate financial statements must be read together with the consolidated financial statements of Ferreyros S.A.A. and its subsidiaries presented separately and audited by us expressed an unqualified opinion on February 15, 2012.

Other matters

The separate financial statements of Ferreyros S.A.A. as of and for the year ended December 31, 2010 and the statement of financial position as of December 31, 2009 (January 1, 2010), before conversion adjustments to International Financial Reporting Standards, presented in note 2.3, were audited by other independent auditors whose report dated February 22, 2011 expressed an unqualified opinion.



Translation of the independent auditors' report and separate financial statements originally issued in Spanish - Note 28 to the financial statements

Independent Auditors' Report (continued)

As part of our audit of the 2011 financial statements, we have audited the conversion adjustments to International Financial Reporting Standards included in the 2010 financial statements and in the 2009 statement of financial position, presented in note 2.3. In our opinion, such adjustments are fair and were duly recognized. We were not engaged to audit, review or apply procedures to audit the 2010 and 2009 financial statements, other than those related to the conversion adjustments and consequently, we do not express an audit opinion on the 2010 and 2009 financial statements taken as a whole.

Lima, Peru
February 15, 2012

*Medina, Zaldiver, Perdomo y
Asociados*

Countersigned by:

W. Rubinos
Wilfredo Rubinos
C.P.C.C. Register N° 9943

**STATEMENT OF FINANCIAL POSITION**

As of December 31, 2011 and 2010 and as of January 1, 2010

	Note	As of December 31		
		2011	2010	01.01.2010
		S/.000	S/.000	S/.000
Asset				
Current asset				
ECash and cash equivalents	4	42,985	42,683	93,775
Trade accounts receivable, net	5	451,121	313,398	296,030
Accounts receivable from related parties	24(a)	55,456	26,634	15,248
Other accounts receivable, net	6	44,679	24,569	26,399
Inventories, net	7	879,526	677,513	452,967
Prepaid expenses		8,812	2,222	1,183
Total current asset		1,482,579	1,087,019	885,602
Trade accounts receivable, net	5	16,872	19,936	30,127
Accounts receivable from related parties	24(a)	29,683	8,945	-
Other accounts receivable, net	6	5,448	6,989	-
Investments	8	253,586	226,203	193,595
Property, machinery and equipment, net	9	672,334	488,288	480,700
Other assets, net		9,281	5,662	5,372
Total asset		2,469,783	1,843,042	1,595,396

**STATEMENT OF FINANCIAL POSITION**

As of December 31, 2011 and 2010 and as of January 1, 2010

	Note	As of December 31		
		2011	2010	01.01.2010
		S/.000	S/.000	S/.000
Liability and net equity				
Current liability				
Other financial liabilities	10	431,429	298,064	146,431
Trade accounts payable	11	248,706	185,829	187,644
Salaries, workers' profit sharing, taxes and other accounts payable	12	350,696	254,641	121,916
Accounts payable to related parties	24(a)	7,957	994	867
Income tax payable	13(d)	18,108	1,672	9,338
Total current liability		1,056,896	741,200	466,196
Other financial liabilities	10	445,522	335,872	434,228
Deferred income tax liabilities, net	13	12,932	2,558	3,565
Total liability		1,515,350	1,079,630	903,989
Net equity				
Issued capital	14	623,635	530,961	467,298
Other capital reserves		63,692	49,855	39,805
Retained earnings		165,222	118,723	120,901
Other equity reserves		101,884	63,873	63,403
Total net equity		954,433	763,412	691,407
Total liability and net equity		2,469,783	1,843,042	1,595,396

+ INCOME STATEMENT

	Note	For the years ended December 31	
		2011	2010
		S/.000	S/.000
Net sales	16	2,856,292	2,196,728
Other operating income		1,723	192
Total operating income		2,858,015	2,196,920
Cost of sales	16	(2,271,866)	(1,735,496)
Gross profit		586,149	461,424
Selling expenses	17	(271,282)	(208,460)
Administrative expenses	18	(117,626)	(98,370)
Other income and expenses	22	8,944	2,496
Operating profit		206,185	157,090
Dividends from subsidiaries	8	41,425	-
Financial income	20	17,503	18,483
Financial expenses	21	(46,119)	(42,277)
Exchange difference, net	3	32,931	12,823
Profit before income tax		251,925	146,119
Income tax	13(b)	(67,060)	(47,794)
Net profit		184,865	98,325
Basic and diluted earnings per share (in Nuevos Soles)	23	0.296	0.158
Weighted average shares outstanding (in thousands of units)		623,635	623,635

+ STATEMENT OF COMPREHENSIVE INCOME

	Note	For the years ended December 31	
		2011	2010
		S/.000	S/.000
Net profit		184,865	98,325
Other comprehensive income	14(d)		
Revaluation of lands		53,687	-
Valuation of hedging derivatives		619	2,454
Income tax effect		(16,292)	(736)
Other comprehensive income for the year, net of income tax		38,014	1,718
Total comprehensive income		222,879	100,043

**STATEMENT OF CHANGES IN EQUITY**

For the years ended December 31, 2011 and 2010

	Number of shares outstanding	Issued capital	Other capital reserves	Retained earnings	Other equity reserves	Total
	(in thousands)	S/.000	S/.000	S/.000	S/.000	S/.000
Balance as of January 1, 2010	424,816	467,298	39,805	120,901	63,403	691,407
Net profit	-	-	-	98,325	-	98,325
Transfer to retained earnings	-	-	-	1,248	(1,248)	-
Other comprehensive income	-	-	-	-	1,718	1,718
Total comprehensive income	-	-	-	99,573	470	100,043
Transfer to other capital reserves, note 14(b)	-	-	10,050	(10,050)	-	-
Dividends, note 14(c)	-	-	-	(28,038)	-	(28,038)
Capitalization of retained earnings, note 14(a)	57,876	63,663	-	(63,663)	-	-
Balance as of December 31, 2010	482,692	530,961	49,855	118,723	63,873	763,412
Net profit	-	-	-	184,865	-	184,865
Revaluation of lands	-	-	-	-	37,581	37,581
Other comprehensive income	-	-	-	-	433	433
Total comprehensive income	-	-	-	184,865	38,014	222,879
Transfer to legal reserve, note 14(b)	-	-	13,837	(13,837)	-	-
Dividends, note 14(c)	-	-	-	(31,858)	-	(31,858)
Capitalization of retained earnings, note 14(a)	84,249	92,674	-	(92,671)	(3)	-
Change in number of shares upon variation of nominal value, note 14(a)	56,694	-	-	-	-	-
Balance as of December 31, 2011	623,635	623,635	63,692	165,222	101,884	954,433

COMMITTED**STATEMENT OF CASH FLOWS**

	For the years ended December 31	
	2011	2010
	S/.000	S/.000
Operating activities		
Collections from customers	3,325,528	2,753,511
Payments to suppliers	(2,965,423)	(2,383,366)
Payments to employees and others	(289,321)	(223,507)
Taxes paid	(137,664)	(111,210)
Other collections	19,837	19,339
Net cash provided by (used in) operating activities	(47,043)	54,767
Investing activities		
Loans to related parties	(76,512)	(40,923)
Purchase of property, machinery and equipment	(69,902)	(30,475)
Acquisition of investments	(12,849)	(25,653)
Purchase of other non-current assets	(4,548)	(954)
Dividends received	3,960	6,484
Proceeds from sale of fixed assets	-	7,331
Net cash used in investing activities	(159,851)	(84,190)
Financing activities		
Proceeds from financial liabilities	283,162	52,255
Dividends paid	(31,858)	(28,038)
Interest paid	(44,108)	(45,886)
Net cash provided by (used in) financing activities	207,196	(21,669)
Net increase (decrease) in cash and cash equivalents		
Exchange difference, net	302	(51,092)
Cash and cash equivalents at the beginning of the period	42,683	93,775
Cash and cash equivalents at the end of the period	42,985	42,683
Non-cash transactions		
Capitalization of retained earnings	92,674	63,663



NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2011 and 2010



1. ECONOMIC ACTIVITY

Ferreyros S.A.A. (hereinafter "the Company") was incorporated in Lima, Peru on September 1922; under the legal name of Enrique Ferreyros y Cía Sociedad en Comandita. After several changes in its legal name, in June 1998 modified its legal trade name, under the Peruvian General Corporation Law, currently its name is Ferreyros S.A.A. The Company's main activity is importing and selling machinery, engines, automotive and spare parts, machinery and equipment rent and workshop services. The Company's legal address is Avenida Cristóbal de Peralta Norte No.820, Surco, Lima, Peru.

The financial statements 2011, 2010 and the statement of financial position at January 1, 2010 prepared in accordance with the International Financial Reporting Standards ("IFRS") have been approved by the Company's Management on February 8, 2012 and will be submitted for approval to the Board of Directors and the General's Shareholder's Meeting within the deadlines established by law.

In the Management's opinion, these financial statements will be approved without modifications.

The accompanying financial statements reflect the Company's individual activity, excluding the effects of consolidation with its subsidiaries, domiciled both nationally and abroad (see note 8) and whose main activities are buying and selling machinery and spare parts, workshop services, mechanical services, metalworking services, tire distributors, storage services, purchase and sale of chemical supply and real estate, among others. The Company prepares separately consolidated financial statements under IFRS, which shows the following amounts in millions of Nuevos Soles, as of December 31, 2011 and 2010 and January 1, 2010:

	2011	2010	01.01.2010
Current asset	2,045	1,594	1,171
Current liability	1,576	1,201	677
Total asset	3,359	2,604	1,906
Total liability	2,294	1,791	1,192
Net equity	1,065	813	714
Total operating income	3,828	2,950	-
Operating profit	278	195	-
Net profit	195	121	-

COMMITTED



2. BASIS OF PRESENTATION AND PREPARATION, ACCOUNTING PRINCIPLES AND PRACTICES

2.1 BASIS OF PREPARATION

According to the International Financial Reporting Standards ("IFRSs") in force at December 31, 2011, it is not necessary to prepare the separate financial statements; but Peruvian law requires the preparation of separate financial the statements. For this reason, the Company made the separate financial statements according to IAS 27, "Consolidated and Separate Financial Statements". The Company will publish its financial statements in the Superintendency of Securities Market by deadlines established by law.

The Company also prepares consolidated financial statements according to the IAS 27 (paragraph 9), which are presented separately. For better understanding of the separate financial statement these must be read in conjunction with the consolidated financial statements.

The separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and in force as of December 31, 2011.

The financial statements as of December 31, 2011 are the first prepared under IFRS. The note 2.3 includes the information about how the Company adopted the IFRS for first time in its financial statements. The financial statements before December 31, 2011 were prepared under accounting principles generally accepted in Peru.

The accompanying financial statements have been prepared on a historical cost basis, except for land and derivative financial instruments, that have been measured at their fair value. The carrying amounts of assets and liabilities recognized that have been designed as hedged items at fair value and that otherwise would have carried at amortized cost, were adjusted for changes in the fair value attributable to the risks covered in effective hedging relations.

The accompanying financial statements are presented in millions of Nuevos Soles (functional and presentation currency), except when otherwise indicated.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND PRACTICES

The following are the significant accounting policies applied by the Company in the preparation and presentation of its financial statements:

(a) Financial instruments: Initial recognition and subsequent measurement

(a.1) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as: (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) available-for-sale financial assets, (iv) held-to-maturity investments, as appropriate. The Management determines the classification of its financial assets at initial recognition.

The classification of the financial instruments on initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognized on the trade date, said otherwise, the date that the Company commits to purchase or sell the asset. Derivatives are recognizes on trade date of the transaction.



Subsequent measurement

The subsequent measurement of financial assets depends on their classification. The Company has the financial assets classified in the category to loans and receivables, below we explain the criteria for this category:

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, for which the entity does not intend to sell them immediately or in the near future and have no recovery risk other than credit deterioration.

After their initial recognition, loans and accounts receivable are carried at amortized cost using the effective interest method, less any provision for impairment. Losses are recognized in the statement of income when loans and accounts receivable are derecognized or impaired.

The Company has in this category is cash and cash equivalents and accounts receivable, which are expressed to the value of the transaction, net of estimated doubtful accounts when applicable.

In connection with accounts receivable, the Company recognizes an allowance account when there is objective evidence (insolvency or serious financial difficulties of debtor) that the Company cannot collect the amount of the receivable within the original terms agreed. Also, for those individually significant accounts, the Company made specific evaluations to determine whether there is objective evidence of loss in the value of accounts receivable. The book value of the receivable is impaired through the use of an allowance account and the amount of loss is recognized in the statement of income. Accounts written-off are de-recognized from the statement of financial position when they are deemed uncollectible. According to the Company's management, this procedure allows reasonably estimate the loss for doubtful accounts, considering the characteristics of clients in Peru and the criteria established by IAS 39, in order to adequately cover to the risk of loss accounts receivable according to market conditions where the Company operates.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired, or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (iii) the Company has transferred substantially all the risks and rewards of the asset, or (iv) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(a.2) Financial liabilities**Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as: (i) financial liabilities at fair value through profit or loss, (ii) loans and borrowings and (iii) as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Management determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus, in the case of financial liabilities not carried at fair value through profit or loss, incremental costs related to the transaction that are directly attributable to the acquisition or issue of the instrument.

As of December 31, 2011 and 2010 and as of January 1, 2010, the financial liabilities include trade accounts payable, remunerations and other accounts payable and other accounts payable.

Subsequent measurement

Financial liabilities are recognized when the Company is part of the contractual agreements of the instrument. After initial recognition, financial liabilities are subsequently measured at amortized cost using the method of the effective interest rate. Amortized cost is calculated taking into account any discount or premium on the issue and the cost that are integral to the effective interest rate. Gains and losses are recognized in the income statement when the liabilities are derecognized.

Financial liabilities are classified as current liabilities unless the Company has an irrevocable right to defer the agreement of the obligations for more than twelve months after the date of the statements of financial position. Borrowing costs are recognized on the accrual method, including fees related to acquisitions financing.

Derecognition

A financial liability (or, where applicable, a part of a financial liability or part of a group of similar financial liability) is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

(a.3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts, and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(a.4) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include: using recent market transactions between knowledgeable willing parties acting on mutual independence, the reference to the fair value in the fair value of instrumental financial instruments that are substantially similar, the analysis of discounted values of cash flows and others valuations models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 27.6.



(b) Derivative financial instruments

Derivative financial instruments in accordance with the rules of IAS 39 are classified as marketable and coverage. The most important aspects of each category are described below:

Hedging

Hedging derivatives are used to manage the Company's exposure to interest rates and foreign currency. Hedge accounting under IAS 39, applies in order to manage particular risks for transactions that meet specific criteria for this.

The Company uses derivative financial instruments (interest swaps and forward exchange rate) to manage its exposure to risk associated with fluctuations in interest rates and currency respectively. In order to manage risk particularly mentioned, the Company applies hedge accounting for transactions that qualify for this. Derivative financial instruments are recognized at fair value on the date on which they are signed and subsequently remeasured to fair value and recorded as an asset when its value is positive and as a liability when the value is negative.

At the beginning of the hedging relationship, the Company designs and formally documents the relationship between hedging item and hedging instrument, including the nature of risk, the objective and the strategy to perform coverage, and the method used to evaluating the effectiveness of the hedge.

Also, at the beginning of the hedging relationship, the formal evaluation to ensure that the hedging instrument is highly effective in offsetting the risk of the designated item. Hedges are formally assessed at the end of each statement of financial position, and are considered highly effective if it is expected that changes in the fair value or cash flows, attributable to the hedged risk during the period for which coverage is designated, are in a range of 80 percent to 125 percent. Such changes in fair value are calculated based on interest rates and exchange rates at the assessment date for similar contracts.

The coverage of the Company are cash flow and consequently, the effective portion of changes in the fair value of hedging instruments are recognized in the statement of comprehensive income, and the party is not effective is recognized immediately in the income statement. The amounts are recorded in equity are transferred to the income statement when recognized or occurs an income or expense for the financial instrument coverage. If the item to hedge is a non-financial asset or liability, the amounts recorded in equity will be added to the cost of non-financial asset or liability.

Any gain or loss resulting from changes in fair value of derivative financial instruments during the year, not qualifying as hedges, is included directly in the income statement. If the transaction is expected to forecast or commitment no longer occur, the amounts before recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without being relocated, or if its designation as a hedge is revoked, amounts previously recognized remain in equity until the forecasted transaction or commitment occur.

(c) Foreign currency transactions

The Company has determined that its functional and presentation currency is the Nuevo Sol. Currency transactions are considered foreign to those made in a currency other than the functional currency. Foreign currency transactions are initially recorded in the functional currency using the exchange rates prevailing at the dates of transactions. Assets and liabilities denominated in foreign currency are then adjusted to the functional currency using the exchange rate prevailing at the date of the statement of financial position. Gains or losses from exchange differences resulting from the settlement of such transactions and from the translation of assets and liabilities denominated in foreign currency exchange rates from the date of the statement of financial position are recognized in the categories "Differences net change" in the income statement, except those operations exchange differences on foreign currency cash flow hedges, which are directly recorded in equity until the disposal of them, at which recognizes in the income statement.

(d) Cash and cash equivalents

For purposes of preparation and presentation of cash flow statement, cash and cash equivalents correspond to the areas of cash, current accounts, remittances in transit and deposits with original maturity less than 90 days, all recorded in the balance financial. These accounts are not subject to significant risk of changes in value.

(e) Inventories

Inventories are valued at cost or net realizable value, the lower estimate net of any impairment. Cost is determined using the specific identification method, except for parts that are registered by the weighted average cost method. The net realizable value is the estimated selling price in the ordinary course of business, net of discounts and other costs and expenses incurred to bring inventories in a condition of sale.

The estimate for impairment is determined according to an analysis performed on the conditions and inventory turns. In the case of failed equipment and those with no movement in average 2 years, a provision is made equal to its carrying amount. The estimate is recorded under the year's results, which is determined.

(f) Investments

Investments in subsidiaries and associates are recorded at cost less provisions for impairment. The Company assesses impairment of investments by events or changes in circumstances indicate that the carrying value of investments may not be recoverable.

If any indication of impairment, the Company makes an estimate of its recoverable amount. When the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is reduced to its recoverable amount. If, in the 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, the impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the profit and loss account, to the extent that the asset's carrying amount does not exceed its amortized cost at the reversal date.

The cash dividends earned on investments are credited to income when declared.

(g) Property, machinery and equipment

Property, machinery and equipment, except land, are stated at historical cost, net of accumulated depreciation and/or accumulated impairment losses, if any. That cost includes the cost of replacing components of property, machinery and equipment.

When significant parts of property, machinery and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the molds and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred.

Land is measured at fair value less impairment losses recognized after the date of the revaluation. Revaluations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ significantly from their carrying amount.

Any increase on revaluation is recognized in comprehensive income and accumulated in equity under "Other equity reserves" revaluation of assets, except that this increase corresponds to the reversal of a revaluation decrease of the same asset previously recognized in the results, in which case the increase is recognized in the income statement. A revaluation decrease is recognized in the income statement except to the extent that this reduction offsets an increase in the same asset previously recognized in the asset revaluation reserve. At the time of sale of a revalued asset, any revaluation reserve relating to that asset is transferred to retained earnings.

Depreciation is calculated on a straight line basis over the estimated useful lives of assets according to hours and equipment used, as shown below:

	Years
Buildings and other structures	
Structural work	between 78 and 80
Finishes and additional work	20
Facilities	20
Machinery and equipment	between 5 and 15
Machinery and equipment rental (*)	
Transports units	5
Furniture and fixtures	4 y 10

(*) Depending on the actual machine hours used.

An item of property, machinery and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

Residual values, useful lives and depreciation methods and rates of assets are reviewed at each year end date and adjusted prospectively.

(h) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Financial leases that substantially transfer to the Company all the risks and inherent benefits to ownership of the leased item, are capitalized at the beginning of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between financial charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financial charges are recognized in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

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Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

(i) Intangible

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives (software) are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(j) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

(k) Impairment of long-term assets

The net book value of property, machinery and equipment and finite lived intangible assets are reviewed to determine if there is no impairment. Every year, the Company evaluates the presence of signs of possible impairment of non-current assets. If such indication exists, the Company estimates the recoverable amount, being the higher of fair value less costs to sell and value in use. When the value of an asset is below its carrying value is considered impaired in value.

The assessment of impairment of goodwill is performed at the end of each period. Impairment is determined by assessing the recoverable amount, considering that when this is less than its book value is recognized an impairment loss. Impairment losses relating to goodwill cannot be reversed in future periods.

The recoverable amount of an asset is defined as the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in a free market, while the value in use is the present value of future cash flows, net estimates of continued use of an asset and available at the end of its useful life. In determining value in use, future cash flows, discounted to net present value using a discount rate before tax that reflects the assessment of current market conditions, the value of money over time and the specific risks the asset.

When there are new events or changes in existing circumstances, that evidence that an impairment loss recorded in an earlier period might have disappeared or been reduced, the Company made a new estimate of the profitability of the related asset, this evaluation is made in each year. The impairment losses previously recognized are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the date of the last recognized an impairment loss. If this is the case, the value of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, if he had not recognized an impairment loss for the asset in prior years. Such reversal is recognized in income. Obtained after reversal the depreciation charge is adjusted in future periods to distribute the asset's carrying value over its remaining useful life.

(l) Financing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily requires a considerable period of preparation to be available for use or sale are capitalized as part of the cost of the respective asset. All borrowing costs are recognized as additional expense in the period in which they occur. Borrowing costs are comprised of interest and other costs that an entity incurred in connection with the funds raised.

During 2011 and 2010, the Company did not have assets that qualified for the capitalization of financing costs.

(m) Income tax and employee participation**Income tax and employee participation currents**

The asset or liability for current income tax is measured as the amount expected to be recovered from or paid to the tax authorities. The income tax is calculated on the basis of individual financial information of the Company. According to legal regulations, the participation of employees is calculated on the same basis as is used to calculate the current income tax. The rate of income tax and the percentage of employee involvement applicable to the Company are 30 percent and 8 percent respectively.

COMMITTED**Deferred income tax**

The deferred income tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and those determined for tax purposes. The deferred assets and liabilities are measured using tax rates expected to apply to taxable income in the years when these differences are recovered or settled. The measurement of deferred assets and liabilities reflects the tax consequences arising from the manner in which the Company expects to recover or settle the carrying amount of assets and liabilities at the date of the statement of financial position.

Deferred tax assets and liabilities are recognized regardless of when it deems that the temporary differences will disappear. Deferred tax assets are recognized when it is likely that there are sufficient future benefits for the deferred tax assets can be applied. As of the date of the statement of financial position, the Company assesses unrecognized deferred assets and the recorded accounting balances.

(n) Recognition of revenues, costs and expenses

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, taxes and other items related to sales. The following criteria must be met to recognize an entry:

- Revenues from sales of machines, engines, automotive and spare parts are recognized when transferred to the buyer all the risks and rewards of such ownership.
- Service revenues workshop, maintenance and repair and rental of machinery and equipment are recognized in the period in which services are rendered.
- Other income of the Company is recognized as follows:
 - Rental income and interest on installment sales financing: on an accrual basis.
 - Fee income from direct request: when the provider sees the order.
 - Financial interest income: on the basis of actual performance.
 - Dividend income: when established the Company's right to receive such payment.

Other revenues, costs and expenses are recognized as earned, regardless of when they are performed, and recorded in the periods to which they relate.

(o) Provisions**General**

A provision is recognized only when the Company has a present obligation (legal or constructive) as a result of a past event, it is likely that resources will be required to settle the obligation and its amount can be reasonably estimated. Provisions are reviewed at each period and are adjusted to reflect the best estimate as to the date of the statement of financial position. When the effect of the value of money over time is important, the amount of the provision is the present value of expenditures expected to settle the obligation.

When the Company expects some or all of the provision to be recovered, these recoveries are recognized as assets, provided you have the certainty of recovery. The amount accrued is presented in the income statement net of recoveries.

Possible contingencies are not recognized in the financial statements. These are disclosed in notes to financial statements, except that the possibility of an outflow of economic benefits is remote.

Warranty

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

(p) Earnings per share

Earnings per basic and diluted share are calculated by dividing net income by the weighted average number of common shares outstanding during the period. The actions arising from the capitalization of profits, or similar transactions, are a stock split and therefore for the calculation of weighted average shares considered that these actions were always in circulation.

At December 31, 2011 and 2010, the Company has no financial instruments with effects so dilutive earnings per share basic and diluted are the same.

(q) Subsequent events

What happened after the end of the period that provides information about the Company at the date of the statement of financial position (adjusting events) is included in the financial statements. Significant subsequent events, that are not adjusting events, are disclosed in the notes to the financial statements.

2.3 FIRST APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

As part of the adoption of International Financial Reporting Standards ("IFRS") in Peru, on October 14, 2010, through Resolution No. 102-2010-EF/94.01.1, the Superintendency of Securities Market (hereinafter the "SMV" for its acronym in Spanish) required to the corporations, under the scope of its supervision, adopt IFRS from the financial year 2011.

In order to comply with Peruvian law, the Company has adopted IFRS in the year 2011. The standards are applied retrospectively at the transition date of and recorded all adjustments to assets and liabilities held under accounting principles generally accepted in Peru against the item "Retained earnings", less certain exemptions listed in the rule.

Until the year ended December 31, 2010, the Company prepared its financial statements in accordance with accounting principles generally accepted in Peru. The financial statements for the year ended December 31, 2011 are the first financial statements that the Company prepared in accordance with International Financial Reporting Standards ("IFRS"). In preparing these financial statements under IFRS, the Company has considered the transition date January 1, 2010 and therefore has set the information for that year in accordance with IFRS.

The exemptions set out in IFRS 1 that the Company has decided in their adoption of IFRS are as follows:

(i) Measurement of investments in subsidiaries taken as a cost attributable to the carrying value was maintained at 1 January 2010 under accounting principles generally accepted in Peru (paragraph D15 of IFRS), which corresponded to the equity at that time, approximately S/.193,595,000.

(ii) Measurement of property, machinery and equipment

The Company has taken the exemption specified in paragraph D5 of IFRS 1, using fair value as deemed cost at January 1, 2010 for buildings and other structures.

The explanatory notes provide a detailed description of the main differences between accounting principles generally accepted in Peru and International Financial Reporting Standards ("IFRS") applied by the Company and the impact on shareholders' equity as of December 31, 2011, as of December 31, 2010 and January 1, 2010, and net profit for the year 2010.

(a) Reconciliation of the statement of financial position

(a.1) The reconciliation between the statement of financial position under Peru GAAP to IFRS as of 1 January, 2010 (transition of date to IFRS) is as follows:

Asset	Note	Peru GAAP as at	Adjustments	IFRS as at
		01.01.2010 (*)		01.01.2010
		S/.000	S/.000	S/.000
Current asset				
Cash and cash equivalents		93,775	-	93,775
Trade accounts receivable, net		294,082	1,948	296,030
Accounts receivable from related parties		13,710	1,538	15,248
Other accounts receivable, net		28,609	(2,210)	26,399
Inventories, net	(e.i)	454,532	(1,565)	452,967
Prepaid expenses		1,183	-	1,183
Total current asset		885,891	(289)	885,602
Long term trade accounts receivable, net		30,127	-	30,127
Investments	(e.ii)	196,464	(2,869)	193,595
Properties, machinery and equipment, net	(e.iii)	397,329	83,371	480,700
Deferred tax assets		15,187	(15,187)	-
Other assets, net		4,882	490	5,372
Total asset		1,529,880	65,516	1,595,396

Liability and net equity

	Note	Peru GAAP as at 01.01.2010 (*)	Adjustments	IFRS as at 01.01.2010
		S/.000	S/.000	S/.000
Current liability				
Other financial payables		146,431	-	146,431
Trade accounts payable		187,644	-	187,644
Remunerations, workers' profit sharing, taxes and other accounts payable		117,672	4,244	121,916
Accounts payable to related parties, net		867	-	867
Income tax payable		9,338	-	9,338
Total current liability		461,952	4,244	466,196
Other financial liabilities		434,228	-	434,228
Deferred tax liabilities, net		-	3,565	3,565
Total liability		896,180	7,809	903,989
Net equity				
Issued capital		467,298	-	467,298
Other capital reserves		39,805	-	39,805
Retained earnings	(e.v)	100,503	20,398	120,901
Other equity reserves	(e.v)	26,094	37,309	63,403
Total net equity		633,700	57,707	691,407
Total liability and net equity		1,529,880	65,516	1,595,396

(*) Balances at December 31, 2009 (January 1, 2010) as reported under Peru GAAP were audited by another independent auditor, whose report, dated February 16, 2010, contained no exceptions.

COMMITTED

(a.2) The reconciliation between the statement of financial position under Peru GAAP to IFRS as of 31 December, 2010 is as follows:

Asset

	Note	Peru GAAP as at 31.12.2010 (*)	Adjustments	IFRS as at 31.12.2010
		S/.000	S/.000	S/.000
Current asset				
Cash and cash equivalents		42,683	-	42,683
Trade accounts receivable, net		311,051	2,347	313,398
Accounts receivable from related parties		26,390	244	26,634
Other accounts receivable, net		25,533	(964)	24,569
Inventories, net	(e.i)	679,057	(1,544)	677,513
Prepaid expenses		2,222	-	2,222
Total current asset		1,086,936	83	1,087,019
Long term trade accounts receivable, net		19,936	-	19,936
Non-current accounts receivable from related parties		8,945	-	8,945
Other accounts receivable, net		7,606	(617)	6,989
Investments	(e.ii)	282,979	(56,776)	226,203
Properties, machinery and equipment, net	(e.iii)	406,776	81,512	488,288
Deferred tax assets		19,589	(19,589)	-
Other assets, net		4,359	1,303	5,662
Total asset		1,837,126	5,916	1,843,042

Liability and net equity

	Note	Peru GAAP as at 31.12.2010 (*)	Adjustments	IFRS as at 31.12.2010
		S/.000	S/.000	S/.000
Current liability				
Other financial liabilities		298,064	-	298,064
Trade accounts payable		185,829	-	185,829
Remunerations, workers' profit sharing, taxes and other accounts payable		250,474	4,167	254,641
Income Tax payable		1,672	-	1,672
Accounts payable to related parties, net		994	-	994
Total current liability		737,033	4,167	741,200
Other financial liabilities		335,872	-	335,872
Deferred tax liabilities, net	(e.iv)	-	2,558	2,558
Total liability		1,072,905	6,725	1,079,630
Net equity				
Issued capital		530,961	-	530,961
Other capital reserves		49,855	-	49,855
Retained earnings	(e.v)	138,365	(19,642)	118,723
Other equity reserves	(e.v)	45,040	18,833	63,873
Total net equity		764,221	(809)	763,412
Total liability and net equity		1,837,126	5,916	1,843,042

(*) Audited balances as reported under Peru GAAP by another independent auditor, whose report, dated February 22, 2011, contained no exceptions.

COMMITTED**(b) Reconciliation of the income statement**

The reconciliation between the income statements under Peru GAAP to IFRS for the year 2010 is as follows:

	Note	Peru GAAP 2010 (*)	Adjustments	IFRS 2010
		S/.000	S/.000	S/.000
Net sales		2,196,728	-	2,196,728
Other operating income		192	-	192
Total operating income		2,196,920	-	2,196,920
Cost of sales	(e.iv)	(1,734,077)	(1,419)	(1,735,496)
Gross profit		462,843	(1,419)	461,424
Selling expenses	(e.iv)	(207,889)	(9)	(207,898)
Administrative expenses	(e.iv)	(98,072)	(860)	(98,932)
Other income and expenses		2,519	(23)	2,496
Operating profit		159,401	(2,311)	157,090
Financial income		18,424	59	18,483
Equity in income of subsidiaries by the equity method	(e.iii)	34,816	(34,816)	-
Financial expenses		(40,913)	(1,364)	(42,277)
Exchange difference, net		12,823	-	12,823
Profit before income tax		184,551	(38,432)	146,119
Income tax		(46,186)	(1,608)	(47,794)
Net profit		138,365	(40,040)	98,325

(*) Audited balances as reported under Peru GAAP by another independent auditor, whose report, dated February 22, 2011, contained no exceptions.

(c) Reconciliación del estado de cambios en el patrimonio neto

(i) Reconciliación del patrimonio neto desde PCGA en el Perú y NIIF al 1 de enero y al 31 de diciembre de 2010:

	Note	As at December 31, 2010 S/.000	As at January 01, 2010 S/.000
Equity according to Peru GAAP		764,221	633,700
Addition (deduction) adjustments to retained earnings:			
Revaluation of buildings and facilities	(e.ii)	31,014	31,014
Fair value of accounts receivable		2,237	1,948
Higher (lower) value for deferred income tax		(695)	1,269
Lower amortization of intangible assets		1,078	490
Elimination of equity in earnings of subsidiaries and associates	(e.iii)	(34,816)	-
Elimination of deferred shares of workers	(e.iv)	(6,711)	(5,455)
Fair value of accounts payable		(4,884)	(4,244)
Further depreciation of property, machinery and equipment	(e.ii)	(3,733)	(2,387)
Provision for inventories	(e.i)	(1,550)	(1,565)
Other accounts receivable and accounts receivable related to fair value		(1,582)	(672)
		(19,642)	20,398
Addition (deduction) adjustments to unrealized:			
Revaluation of land		54,744	54,744
Liabilities Deferred income tax	(e.ii)	(16,423)	(16,423)
Elimination of equity in unrealized income from associates and subsidiaries	(e.iii)	(19,488)	(1,012)
		18,833	37,309
Equity according to IFRS		763,412	691,407

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(ii) Reconciliation of profit from Peru GAAP and IFRS for the year ended December 31, 2010 is as follows:

	Note	At the end of 31 December 2010 S/.000
Net income to December 31, 2010 according to Peru GAAP		138,365
Add (Less):		
Elimination of the equity method in results of subsidiaries and associated	(e.iii)	(34,816)
Liabilities deferred income tax		(1,964)
Further depreciation of property, machinery and equipment	(e.ii)	(1,346)
Elimination of deferred employee participation	(e.iv)	(1,256)
Other accounts receivable, accounts receivable related to fair value		(895)
Other accounts payable at fair value		(640)
Trade accounts receivable at fair value		289
Lower amortization of intangible assets		588
		(40,040)
Net income according to IFRS		98,325

(d) Reconciliation of cash flow statement

The adoption of IFRS has no effect on cash flows generated by the Company; however some movements were generated by the conversion settings that are not significant.

(e) Notes to the reconciliation of the statement of financial position and income statement**Opening Balances**

The opening balances are derived from financial statements in accordance with Peru GAAP, which include IFRS formalized through resolutions issued at the date of issuance of financial statements by the Peruvian Accounting Standards Board ("CNC" for the acronym in Spanish).

Adjustments

The adoption of IFRS has required adjustments to the balances of the financial statements under accounting principles generally accepted in Peru. The most important settings are:

(e.i) Inventories

As part of the first adoption, the Company conducted a specific assessment of their inventories in order to assess whether there were slow moving inventories, and inventories devalued.

As a result of the above, there was a decrease in the caption "Inventories" to January 1, 2010 of approximately S/.1,565,000 (approximately S/.1,544,000 at December 31, 2010) and adjustment of transition to IFRS with a credit to the account "Retained earnings" in equity.

(e.ii) Investments in subsidiaries

IAS 27 "Consolidated and Separate Financial Statements" and IAS 28 "Investments in Associates", states that investments in subsidiaries and associates, should be recorded in the separate financial statements by the method of cost or fair value. As a result of adopting IFRS, the Company has decided to apply IAS 27 "Consolidated and Separate Financial Statements" and IAS 28 "Investments in Associates", to record its investment in its subsidiaries under the cost method, using as such, its value to January 1, 2010, as set out in paragraphs D14 and D15 of IFRS 1 "First-time Adoption of International Financial Reporting Standards".

According to the above, there was a decrease in the caption "Investments in subsidiaries and associates" at December 31, 2010 of approximately S/.35,245,000 as an adjustment of transition to IFRS under the account "Retained earnings" in equity. Additionally, there was a decrease to January 1, 2010 of approximately S/.2,869,000 (approximately S/.18,662,000 at December 31, 2010) and adjustment of transition to IFRS under the caption "Other equity reserves".

(e.iii) Property, machinery and equipment

As part of the first adoption, the Company chose to value its fixed assets, other than land, at fair value based on valuation work performed by an independent expert and use this value as deemed cost, covered by the exemption permitted by IFRS 1. Assets carried at fair value relate mainly to buildings and facilities. The Company also conducted a review of the cost and the componentization of the major assets of the Company, reviewing residual values, useful lives and depreciation methods.

As a result, there was an increase for the category "Property, machinery and equipment" to January 1, 2010 of approximately S/.28,627,000 as an adjustment of transition to IFRS and credited to the account "Retained earnings" in equity.

(e.iv) Participation in the workers' profit sharing

At the meeting of the Council's Interpretations of International Financial Reporting Standards ("IFRIC") held in November 2010 concluded that workers participation in the profits must be registered in accordance with IAS 19 "Employee Benefits" and not according to IAS 12 "Income Taxes". Accordingly, an entity is only required to recognize a liability when an employee has served, therefore, one should not calculate deferred workers' profit sharing in temporary differences, as this concept corresponds to future services that should not be considered as obligations or rights under IAS 19. In Peru, the practice was to calculate and record the deferred employee participation in the financial statements.

As a result of the transition adjustment of IFRS was a decrease of deferred tax assets by category of workers' profit sharing of approximately S/.6,520,000 to January 1, 2010, (approximately S/.7,776,000 at December 31, 2010). These decreases were recorded under the account "Retained earnings".

Following the application of IAS 19, expense for the current workers' profit sharing participation is distributed in the following items in the income statement for 2010:

- The category "Selling Expenses" increased approximately S/.10,546,000 for personnel costs related to sales, see note 18.
- The category "Administrative Expenses" increased approximately S/.2,841,000 for personnel costs related to the administrative area, see note 19.

(e.v) Net equity

Net equity is the difference between assets and liabilities after making adjustments for the first adoption of IFRS, as detailed in the preceding paragraphs. The distribution of adjustments to equity items was conducted in accordance with IFRS 1 and considering the following: i) the items of issued capital, additional capital and other capital reserves, have remained unchanged, because their amounts are application of legal laws in Peru and allocation decisions represent equity items taken by shareholders, and ii) all remaining effects were included in retained earnings at January 1, 2010.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with the International Financial Reporting Standards requires management to make judgments, significant estimates and assumptions in determining the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the years ended December 31, 2011 and 2010.

In the management's opinion, these estimates were made based on their best knowledge of relevant facts and circumstances at the time of preparation of financial statements, but the results could differ from those estimates. The Company's management does not expect significant changes if any, on the financial statements.

The most significant estimates considered by management in relation to the financial statements relate primarily to:

- Allowance for doubtful accounts
- Allowance for impairment of inventories
- Depreciation of property, machinery and equipment
- Amortization of intangible assets
- Allowance for impairment of long-lived assets
- Deferred assets and liabilities
- Provision for contingencies
- Estimated fair value of derivative financial instruments

Any no material differences in the estimates in subsequent actual results are recorded in the statements of income in the year in which it occurs.



2.5 NEW ACCOUNTING PRONOUNCEMENTS

The following lists the IFRS issued but were not in effect at the date of issuance of the financial statements of the Company. In this regard, the rules indicate that the Company reasonably expected to be applicable in the future. The Company intends to adopt these rules when entering into force.

IAS 12 "Income Taxes — Recovery of Underlying Assets"

The amendment clarified the determination of deferred tax in investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement to calculate deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16, always be measured on the sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

IFRS 7 "Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements"

The amendment requires additional disclosures about financial assets that have been transferred, but not derecognised, to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosure only and has no impact on the Company's financial position or performance. This amendment affects only disclosures and has no effect on the financial position or on the financial performance of the Company.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 "Consolidated Financial Statements"

Published in May, 2011 by the IASB, is defining principles for the presentation and preparation of consolidated statements of income when an entity controls one or more additional entities. IFRS 10 replaces the existing consolidation requirements in SIC-12 "Consolidation - Special Purpose Entities" and IAS 27 "Consolidated financial statements and separate" and is effective for annual periods beginning on or after January 1, 2013. The Company is still evaluating the impact, if any exist, the adoption of these regulations.

IFRS 12 "Disclosure of Involvement with Other Entities"

Published in May, 2011 by the IASB, is a new comprehensive standard regarding disclosure requirements for all types of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is still evaluating the impact, if any exist, the adoption of these regulations.

IFRS 13 "Fair Value Measurements"

Published in May 2011, sets new requirements on how to measure fair value and required disclosures. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is still evaluating the impact, if any exist, the adoption of these regulations.

+ 3. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are carried out at market exchange rates fee. At December 31, 2011, the weighted average open market exchange rate for transactions in U.S. dollars published by the Superintendencia de Banca, Seguros y AFP was S/.2.695 for \$ 1 for purchase and S/.2.697 for \$ 1 for sale (S/.2.808 for \$ 1 for purchase and S/.2.809 by \$ 1 for sale to December 31, 2010).

As of December 31, 2011 and 2010, the Company had the following assets and liabilities in US dollars:

	2011	2010
	US\$ 000	US\$ 000
Assets		
Cash and cash equivalents	13,818	12,568
Trade accounts receivable, net	147,530	112,340
Other accounts receivable, net	27,877	20,740
Trade accounts receivable to related	1,052	467
	190,277	146,115
Liabilities		
Other financial liabilities	(318,688)	(225,573)
Trade accounts payable	(82,312)	(58,057)
Remuneration, taxes and other accounts payable	(90,810)	(57,553)
Trade accounts payable to related companies	(733)	(1,458)
	(492,543)	(342,641)
Net liability position	(302,266)	(196,526)

At December 31, 2011, the Company's inventory and fleet of equipment to rent for U.S. \$ 434,000,000 (U.S. \$ 305,000,000 at December 31, 2010) which offset the net liabilities in foreign currency and all of which are traded in foreign currency. Management has assessed the risk on the position of their fleet inventories and machinery, not taking a risk on this position.

During 2011, the Company has recorded a net gain difference up shift approximately S/.32,931,000 (approximately S/.12,823,000 in 2010), which is presented under "Difference, net" of statement of comprehensive income.

+ 4. CASH AND CASH EQUIVALENTS

(a) This item is made up as follows:

	2011	2010	01.01.2010
	S/.000	S/.000	S/.000
Demand deposits (b)	38,180	40,475	14,902
Remittances in transit	4,262	-	1,316
Petty cash	543	523	592
Time deposits	-	1,685	76,965
	42,985	42,683	93,775

(b) Demand deposits are maintained in domestic and foreign banks, in local currency and in U.S. Dollars. These deposits are freely available and do not earn interest.

+ 5. TRADE ACCOUNTS RECEIVABLE, NET

(a) This item is made up as follows:

	2011	2010	01.01.2010
	S/.000	S/.000	S/.000
Invoices (b)	403,859	253,797	218,171
Bill of exchange (b)	104,196	119,518	147,800
Related parties, note 24	2,907	1,332	2,729
Unearned interests	(7,035)	(8,198)	(13,027)
	503,927	366,449	355,673
Less - Allowance for doubtful accounts receivable (e)	(35,934)	(33,115)	(29,516)
	467,993	333,334	326,157
Less:			
Non-current portion -	(16,872)	(19,936)	(30,127)
	451,121	313,398	296,030

Trade accounts receivable are denominated in local and foreign currency. Do not bear interest, except for the bills of exchange receivable which bear an annual interest rate between 14 and 20 percent.

(b) Corresponds to trade accounts receivable from sales of inventories to various domestic companies.

COMMITTED

(c) As of December 31, 2011 and 2010 and January 1, 2010, the trade accounts receivable aging is as follows:

	Not impaired	Impaired	Total
	S/.000	S/.000	S/.000
As of December 31, 2011			
Outstanding	369,821	2,122	371,943
Past due			
Up to 1 month	97,348	6,158	103,506
From 1 to 3 months	4,952	1,372	6,324
From 3 to 6 months	-	4,939	4,939
More than 6 months	-	21,343	21,343
Total	472,121	35,934	508,055
As of December 31, 2010			
Outstanding	292,212	3,223	295,435
Past due			
Up to 1 month	44,804	4,365	49,169
From 1 to 3 months	3,184	1,467	4,651
From 3 to 6 months	-	3,454	3,454
More than 6 months	-	20,606	20,606
Total	340,200	33,115	373,315
As of January 1, 2010			
Outstanding	267,875	5,362	273,237
Past due			
Up to 1 month	54,547	329	54,876
From 1 to 3 months	9,282	609	9,891
From 3 to 6 months	4,506	952	5,458
More than 6 months	245	22,264	22,509
Total	336,455	29,516	365,971

(d) The movement in the allowance for doubtful accounts receivable for the year ended December 31, 2011 and 2010 and January 1, 2010 is as follows:

	2011	2010	01.01.2010
	S/.000	S/.000	S/.000
Beginning balances	33,115	29,516	25,844
Provision charged to results, note 18	7,622	5,514	7,126
Sale of trade accounts receivable	(3,033)	-	-
Exchange difference	(1,732)	(1,403)	(2,496)
Write-offs of the year	(38)	(512)	(958)
Ending balances	35,934	33,115	29,516

In Management's opinion, the allowance for doubtful accounts receivable adequately covers the credit risk for the years then ended as of December 31, 2011 and 2010. Trade accounts receivable are collateralized with inventory sold and, in some cases, depending on the significance of the transaction, additional collateral is requested.

+ 6. OTHER ACCOUNTS RECEIVABLE, NET

(a) This item is made up as follows:

	2011	2010	01.02.2010
	S/.000	S/.000	S/.000
Accounts receivable from Caterpillar for guarantees	20,096	13,186	21,909
Value added tax credit (c)	11,220	2,809	-
Accounts receivable Domingo Rodas Inc. (b)	9,256	9,057	-
Accounts receivable from employees	7,174	4,970	2,300
Claims to insurance companies	780	495	735
Other accounts receivable	2,160	1,681	3,753
	50,686	32,198	28,697
Less:			
Allowance for doubtful accounts receivable (e)	(559)	(640)	(2,298)
	50,127	31,558	26,399
Less:			
Non-current (b)	(5,448)	(6,989)	-
	44,679	24,569	26,399

(b) This account receivable was originated in previous year, back in 2008 the Company granted a loan to Domingo Rodas S.A. (former subsidiary) for S/.5,150,000. In 2010, the Company subscribed a contract to transfer its shares in Domingo Rodas S.A. to a subsidiary of a leading agri-business group in the country. As consequence of such transaction, the new shareholders recognized the loan payable to the Company, which was duly refinanced and will be repaid starting in 2012.

(c) The value added tax credit mainly corresponds to the expenditure on the purchase of inventory, fixed assets and other expenditures related to the Company's operations. In Management's opinion, the value added tax credit will be recovered through the development of the Company's current business operations.

(d) As of December 31, 2011 and 2010, the other accounts receivable aging is as follows:

	2011	2010	01.01.2010
	S/.000	S/.000	S/.000
Outstanding	47,726	30,910	26,232
Past due-up to 30 days	2,401	648	167
Past due - more than 181 days	559	640	2,298
	50,686	32,198	28,697

COMMITTED

(e) The movement in the allowance for other doubtful accounts receivable is as follows:

	2011	2010	01.01.2010
	S/.000	S/.000	S/.000
Beginning balances	640	2,298	2,497
Provision charged to results, note 18	-	67	-
Write-offs of the year	(59)	(1,715)	-
Exchange difference	(22)	(10)	(199)
Ending balances	559	640	2,298

In Management's opinion, the allowance for other doubtful accounts receivable adequately covers the credit risk as of December 31, 2011 and 2010, respectively.

+ 7. INVENTORIES, NET

(a) This item is made up as follows:

	2011	2010	01.01.2010
	S/.000	S/.000	S/.000
Machinery, engines and vehicles	582,137	467,759	285,047
Spare parts	183,775	150,486	110,697
Workshop services in process (b)	52,969	52,418	32,427
Inventories in transit	67,189	19,716	35,710
	886,070	690,379	463,881
Allowance for obsolescence of inventories (c)	(6,544)	(12,866)	(10,914)
	879,526	677,513	452,967

(b) Mainly corresponds to workshop and repair services that the Company provides to customers (inventory in progress). As of December 31, 2011 and 2011 and January 1, 2010, said services were pending of completion.

(c) The movement in the allowance for obsolescence of inventories is as follows:

	2011	2010
	S/.000	S/.000
Beginning balances	12,866	10,914
Provision charged to results, note 22	3,770	7,535
Transfer to fixed assets, note 9	248	1,059
Applications for sales	(8,919)	(6,286)
Recoveries	(1,302)	(7)
Applications for the destruction of inventories	(119)	(349)
Ending balances	6,544	12,866

The provision for obsolescence of inventories is calculated based upon the inventory rotation levels and other assumptions based on the periodical assessment made by Management and its technical and financial areas. In management's opinion, the balance of this provision adequately covers the risk of inventory obsolescence as of December 31, 2011 and 2010, respectively.

+ 8. INVESTMENTS

(a) This item is made up as follows:

	Principal activity	Percentage of capital participation			Book value		
		2011	2010	01.01.2010	2011	2010	01.01.2010
		%	%	%	S/.000	S/.000	S/.000
Common shares in subsidiaries:							
Orvisa S.A.	Purchase and sale of machinery and spare parts and workshop services	99.00	99.00	99.00	19,286	23,247	29,523
Unimaq S.A.	Purchase and sale of machinery and spare parts and workshop services	99.99	99.99	99.99	59,825	59,825	59,825
Fiansa S.A. (common shares)	Metalworking services	99.57	99.57	99.57	30,749	12,255	11,134
Fiansa S.A. (investment shares)	Metalworking services	96.55	96.55	96.55	1,529	1,529	1,529
Mega Representaciones S.A.	Tires representative and distributor	99.99	99.99	99.99	17,479	14,060	14,060
Fargoline S.A.	Storage services	99.87	99.87	99.87	19,589	19,589	19,589
Cresko S.A.	Purchase and sale of machinery, equipment and chemical supplies	99.99	99.99	99.99	16,582	16,582	16,582
Intl Inversiones Interamericanas Corp.	Holding that groups abroad the business	100.00	100.00	-	8,697	28	-
Inmobiliaria CDR S.A.C. (b)	Real estate	99.99	99.99	-	39,182	39,182	-
Motorindustria S.A.	Without activity since March 2006	99.99	99.99	99.99	2,080	2,080	2,080
Common shares in other listed companies:							
La Positiva Seguros y Reaseguros S.A.	Insurance	13.79	13.79	13.79	28,035	28,035	28,035
La Positiva Vida Seguros y Reaseguros S.A.	Insurance	3.51	3.51	3.51	4,677	4,327	4,327
Interest in joint ventures:							
Ferrenergy S.A.	Energy generation and supply	50.00	50.00	50.00	4,566	4,566	4,566
Non listed companies:							
Others					1,310	898	2,345
					253,586	226,203	193,595

(b) In General Shareholders' meeting held on September 2010, the Company approved the acquisition of Inmobiliaria CDR S.A.C., and became effective at the end of September 2010, date when the Company acquired 99.99 percent of the shares of Inmobiliaria CDR S.A.C., owner of a property used by the Company to expand the its premises infrastructure required to growth its business activities in the short and medium term. The amount paid was S/.39,182,000, of which S/.3,472,000 exceeds the fair value of the net assets acquired.

(c) In General Shareholders' meeting, held between December 7 and 9, 2011, several subsidiaries approved the distribution of dividends to the Company, for an amount of approximately S/.41,425,000. These distributions shall be paid during April 2012, date on which the Company will receive the cash flows from the profits of its subsidiaries, Note 25.

+ 9. PROPERTY, MACHINERY AND EQUIPMENT, NET

(a) This item is made up as follows:

	Lands	Buildings and other constructions	Machinery and equipment	Rental fleet machinery and equipment	Vehicles	Furniture and fixtures	Work in progress	2011	2010	01.01.2010
	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Cost										
Balance as of January 1	124,659	140,178	169,422	245,255	4,512	50,860	495	735,381	731,243	593,788
Additions (b)	63,069	7,188	42,765	65,801	264	7,570	2,701	189,358	43,333	104,514
Disposals and/or sales	(90)	(26)	-	(19)	(785)	(117)	-	(1,037)	(8,519)	(17,593)
Other additions	-	-	-	-	-	-	-	-	-	20,929
Transfers from inventories	-	21	13,989	167,860	825	-	-	182,695	124,993	92,040
Transfers to inventories used	-	-	(12,624)	(145,453)	-	-	-	(158,077)	(155,669)	(62,435)
Other transfers	-	2,290	30	-	-	-	(2,320)	-	-	-
Balance as of December 31	187,638	149,651	213,582	333,444	4,816	58,313	876	948,320	735,381	731,243
Accumulated depreciation										
Balance at 01 January	-	32,756	112,040	58,693	3,238	37,635	-	244,362	246,753	209,530
Additions (g)	-	4,501	17,724	45,553	617	4,356	-	72,751	55,275	53,440
Other additions	-	-	-	-	-	-	-	-	-	2,387
Disposals and/or sales	-	-	(83)	(19)	(175)	(84)	-	(361)	(4,991)	(3,607)
Transfers from inventories	-	-	-	1,632	-	-	-	1,632	3,179	3,390
Transfers to inventories used	-	-	(6,047)	(39,622)	-	-	-	(45,669)	(55,854)	(18,387)
Remeasurements	-	-	4	-	-	-	-	4	-	-
Balance at 31 December	-	37,257	123,638	66,237	3,680	41,907	-	272,719	244,362	246,753
Provisions for impairment										
Balance as of January 1	-	-	-	2,731	-	-	-	2,731	3,790	1,425
Additions	-	-	-	865	-	-	-	865	-	1,321
Disposals and/or sales	-	-	-	(81)	-	-	-	(81)	-	-
Transfers from inventories, note 7	-	-	-	368	-	-	-	368	1,951	1,383
Transfers to inventories used, note 7	-	-	-	(616)	-	-	-	(616)	(3,010)	(339)
Balance as of December 31	-	-	-	3,267	-	-	-	3,267	2,731	3,790
Net book value	187,638	112,394	89,944	263,940	1,136	16,406	876	672,334	488,288	480,700

(b) As of December 31, 2011 the Company maintains buildings and installations under finance leases for a net book value of approximately S/. 21,739,000 (S/.22,483,000 as of December 31, 2010).

(c) In Management's opinion, the Company has insurance policies that cover all of its fixed assets.

(d) During 2011, rental income from machinery operating leases, which are included in the income statement, amounted to S/.88,898,000 (S/.66,458,000 for the year 2010).

(e) As of December 31, 2011, the Company does not maintain liens on the buildings.

(f) The depreciation expense for the year was recorded in the following captions of the income statement:

	2011	2010
	S/.000	S/.000
Cost of sales	51,976	38,947
Selling expenses, note 17	13,255	9,484
Administrative expenses, nota 18	7,520	6,844
	72,751	55,275

+ 10. OTHER FINANCIAL LIABILITIES

(a) This item consists of the following:

	2011		
	Current portion	Non-current portion	Total
	S/.000	S/.000	S/.000
Bank overdrafts (b)	300	-	300
Amounts owed to banks (b)	228,871	-	228,871
Bonds (c)	65,691	201,374	267,065
Non-current amounts owed to Banks (c)	136,567	244,148	380,715
	431,429	445,522	876,951

	2010		
	Current portion	Non-current portion	Total
	S/.000	S/.000	S/.000
Bank overdrafts (b)	-	-	-
Amounts owed to banks (b)	30,308	-	30,308
Bonds (c)	162,922	174,158	337,080
Non-current amounts owed to Banks (c)	104,834	161,714	266,548
	298,064	335,872	633,936

	01.01.2010		
	Current portion	Non-current portion	Total
	S/.000	S/.000	S/.000
Bank overdrafts (b)	499	-	499
Amounts owed to banks (b)	-	-	-
Bonds (c)	50,593	231,280	281,873
Non-current amounts owed to Banks (c)	95,339	202,948	298,287
	146,431	434,228	580,659

+ 10. OTHER FINANCIAL LIABILITIES

(b) Bank overdrafts and debts with banks

This item consists of the following:

	Average effective interest rate fixed annual			Original currency	2011	2010	01.01.2010
	2011	2010					
	%	%					
Bank overdrafts	-	-	S/.	300	-	499	
Debts with banks							
Mercantil Commercebank	-	1.440	US\$	-	30,308	-	
Banco de Crédito del Perú S.A.A.	1.900	-	US\$	72,819	-	-	
Mercantil Commercebank	1.529	-	US\$	45,849	-	-	
Interbank	2.000	-	US\$	40,455	-	-	
Caterpillar Americas CO.	2.150	-	US\$	37,384	-	-	
Mercantil Commercebank	1.799	-	US\$	26,970	-	-	
Scotiabank	1.100	-	US\$	5,394	-	-	
				228,871	30,308		

At December 31, 2011 and 2010, the foreign currency bank loans obtained from financial institutions locally and abroad were used primarily for working capital, have a maturity of between 6 and 176 days and they may be renewed at maturity up to 180 days.

Interest expense accrued during the years ended December 31, 2011 and 2010, related to bank loans amounts to approximately S/.4,558,000 and S/.1,687,000, respectively, which are presented under "Financial expenses" of the income statement, note 21. Accrued interest outstanding at December 31, 2011, amounted to approximately S/.1,147,000 (S/.482,000 at December 31, 2010), see note 12.

At December 31, 2011, the Company has credit lines for working capital up to S/.107,880,000 with most banks in the financial system, which are intended for short-term financing.

Based on cash flows from normal marketing activities of the Company, management believes will meet the payment of its obligations within the deadlines previously established with the financial institutions.

+ 10. OTHER FINANCIAL LIABILITIES

(c) Bonds and bank long-term banking

This item consists of the following:

Creditors	Expiration	Original currency	Annual effective interest rate	Balance as of December 31, 2011			Balance as of December 31, 2010		
				Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
				S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Bonds Ferreyros (c)									
First corporate bond program									
Fourth issue, Series A	Until September, 2011	US\$	6.250	-	-	-	42,135	-	42,135
Fourth issue, Series B	Until November, 2011	US\$	6.125	-	-	-	28,090	-	28,090
First issue, Series B	Until March, 2011	US\$	6.500	-	-	-	42,135	-	42,135
First issue, Series C	Until September, 2011	US\$	6.313	-	-	-	21,068	-	21,068
Sixth issue, Series A	Until December, 2011	US\$	8.000	-	-	-	29,494	-	29,494
Sixth issue, Series B	Until February, 2011	US\$	7.313	32,364	-	32,364	-	33,708	33,708
Second corporate bond program									
First issue, Series A	Until November, 2011	US\$	4.625	26,970	-	26,970	-	28,090	28,090
First issue, Series B	Until May, 2013	US\$	4.688	-	40,455	40,455	-	42,135	42,135
First issue, Series C	Until June, 2013	US\$	4.563	-	26,970	26,970	-	28,090	28,090
First issue, Series D	Until August, 2013	US\$	4.000	-	40,455	40,455	-	42,135	42,135
Seventh issue, Series A	Until May, 2016	US\$	5.563	6,357	44,503	50,860	-	-	-
Seventh issue, Series B	Until October, 2016	US\$	5.750	-	48,991	48,991	-	-	-
Borrowing									
Caterpillar Financial									
Caterpillar Financial Services Corporation	Between August and December 2011	US\$	6.400	-	-	-	7,193	784	7,977
Caterpillar Leasing Chile	Until December, 2011	US\$	5.000	-	-	-	7,834	1,959	9,793
Caterpillar Leasing Chile	Until March, 2012	US\$	Libor + 2.5%	977	-	977	4,070	1,017	5,087
Caterpillar Leasing Chile	Until September, 2012	US\$	Libor + 2.5%	10,867	-	10,867	15,091	11,318	26,409
Caterpillar Leasing Chile	Until March, 2013	US\$	Libor + 1%	2,342	586	2,928	2,440	3,050	5,490
Caterpillar Leasing Chile	Until May, 2015	US\$	Libor + 2.5%	1,190	2,975	4,165	1,239	4,338	5,577
Caterpillar Leasing Chile	Until June, 2015 and December 2016	US\$	Between 4.50 and 5.95	31,396	77,424	108,820	5,127	22,963	28,090
Borrowings with local and foreign institutions									
Standard Chartered New York	Until January, 2011	US\$	Libor + 2%	-	-	-	2,497	-	2,497
Banco de Crédito del Perú S.A.A.	Until May, 2012	US\$	7.750	5,057	-	5,057	10,534	5,266	15,800
Banco de Crédito del Perú S.A.A.	Until October, 2012	US\$	3.453	18,602	-	18,602	18,718	19,375	38,093
Banco de Crédito del Perú S.A.A.	Until March, 2013	US\$	Libor + 6.6%	10,114	2,528	12,642	10,534	13,167	23,701
Interbank	Until July, 2014	US\$	4.900	8,666	16,201	24,867	-	-	-
Banco Continental	Until October, 2014	US\$	5.080	16,182	29,667	45,849	-	-	-
Banco de Crédito del Perú S.A.A.	Until November, 2015	US\$	4.080	10,788	32,364	43,152	11,236	44,944	56,180
Interbank	Until November, 2015	US\$	4.000	5,179	16,812	21,991	5,186	22,904	28,090
Banco de Crédito del Perú S.A.A.	Until August, 2016	US\$	5.550	9,794	41,789	51,583	-	-	-

+ 10. OTHER FINANCIAL LIABILITIES

Creditors	Expiration	Original currency	Annual effective interest rate	Balance as of December 31, 2011			Balance as of December 31, 2010		
				Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
				S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Financial leasing (d)									
Banco Crédito del Perú S.A.	Until August, 2012	US\$	4.230	341	-	341	-	-	-
Banco Crédito del Perú S.A.	Until November, 2012	US\$	12.000	294	-	294	-	-	-
Banco Crédito del Perú S.A.	Until January, 2013	US\$	6.800	2,663	6,152	8,815	2,598	9,175	11,773
Banco Crédito del Perú S.A.	Until June, 2013	US\$	7.150	376	198	574	-	-	-
Banco Crédito del Perú S.A.	Until July, 2013	US\$	7.150	430	265	695	-	-	-
Banco Crédito del Perú S.A.	Until September, 2013	US\$	4.900	377	391	768	-	-	-
Banco Crédito del Perú S.A.	Until November, 2013	US\$	4.900	381	365	746	-	-	-
Banco Crédito del Perú S.A.	Until May, 2014	US\$	6.950	551	842	1,393	537	1,454	1,991
Borrowing from third	2013	US\$	5.050	-	15,589	15,589	-	-	-
				202,258	445,522	647,780	267,756	335,872	603,628

(i) Accrued interest expense in the year ended December 31, 2011, related to promissory notes and long-term obligations, is approximately S/.34,956,000 (S/.31, 611,000 at December 31, 2010) and recorded in the caption "Financial expenses" of the statement of comprehensive income, see note 23. Of this amount, the accrued interest outstanding at December 31, 2011 amounted to approximately S/.3,432,000 (S/.2, 803,000 at December 31, 2010), see note 13.

(ii) Corresponds to a loan from Horseshoe Bay Limited (unrelated) for working capital and cancellation of various liabilities, which earns an interest rate of 5.05 percent and matures in 2013. This account payable does not have specific guarantees.

The bond of the Company debt is as follows:

Description	Amount issued	Date of posting	Due date	Fixed annual interest rate	Method of payment of interest
	S/.000			%	
First Corporate Bond Program					
Sixth issue, Series B	32,364	February, 2009	February, 2012	7.3125	Quarterly
Second Corporate Bond Program					
First issue, Series A	26,970	November, 2009	November, 2012	4.6250	Quarterly
First issue, Series B	40,455	May, 2010	May, 2013	4.6875	Quarterly
First issue, Series C	26,970	June, 2010	June, 2013	4.5625	Quarterly
First issue, Series D	40,455	August, 2010	August, 2013	4.0000	Quarterly
Seventh issue, Series A	50,860	May, 2011	May, 2016	5.5625	Quarterly
Seventh issue, Series B	48,991	October, 2011	October, 2016	5.7500	Quarterly
	267,065				

The Shareholders' General Meeting of held on 28 March 2007 agreed to structure the first program of corporate bond issuance, up to a maximum outstanding amount of U.S.\$90,000,000 or its equivalent in local currency, which is valid for five years from registration in the Public Registry of Securities, renewable for a period or similar periods. Likewise, in Shareholder's General Meeting Held on March 30, 2010, agreed to structure the second program of Corporate Bond Issuance, up to a maximum outstanding amount of U.S.\$ 130,000,000, the same is valid for five years. The purpose of emissions is raise funds to finance investments in short and medium term of the Company.

The bonds are backed by a generic guarantee of the Company's assets and must meet the following ratios:

- Maintain a debt ratio no greater than 3.2.
- Maintain service coverage rate of interest not less than 1.5.

The fulfillment of obligations are monitored by the Company's Management and validated by the representative of the bondholders. In case of breach of the safeguards mentioned will incur early termination event. In the Management's opinion, the Company has accomplished with those obligations at December 31, 2011 and 2010.

The Company has been complying with the amortization schedule of debt and bonds during 2011 has paid an amount up to S/.159,786,000 (S/.49,458,000 in 2010), so that by December 31, 2011, there is an outstanding balance of approximately S/.267,065,000 (S/.337,080,000 at December 31, 2010), net of disbursements restructuring commission.

(d) Applies to financial leases entered into by the Company with the Banco de Crédito del Perú S.A.A. for real estate in the district of Santiago de Surco and the department of Lambayeque. These contracts expire between 2012 and 2016, bears interest at an average annual rate of 6.6 percent and are secured by the same assets related to these contracts. At December 31, 2011, the carrying value of these contracts amounted to S/.13,626,000 (S/.13,764,000 at December 31, 2010).

+ 10. OTHER FINANCIAL LIABILITIES

At December 31, 2011 and 2010, the repayment schedule of long-term debt is as follows:

Year	2011	2010
	S/.000	S/.000
2011	-	267,756
2012	158,886	141,070
2013	179,089	142,872
2014	122,162	27,601
2015	34,315	24,329
2016	153,328	-
	647,780	603,628

Leases financial obligations are guaranteed by the property rights over the assets, which will return to the lessor in case of default by the Company.

	2011	2010
	S/.000	S/.000
Obligations from finance leases - minimum lease payments:	-	-
Within 1 year	6,126	3,951
After one year but not more than five years	8,731	11,747
	14,857	15,698
Future finance charges on finance lease	(1,231)	(1,934)
Present value of finance lease obligations	13,626	13,764
The present value from finance lease obligations is as follows:		
Within 1 year	5,918	3,813
After one year but not more than five years	7,708	9,951
	13,626	13,764

+ 11. TRADE ACCOUNTS PAYABLE

(a) This item is made up as follows:

	2011	2010	01.01.2010
	S/.000	S/.000	S/.000
Invoices (b)	175,375	144,740	99,438
Related parties, see note 24	2,267	4,491	3,720
Bills of exchange (b)	71,064	36,598	84,486
	248,706	185,829	187,644

(b) As of December 31, 2011, the invoices and bills of exchange payable, primarily include accounts payable to Caterpillar Americas Co. for US\$ 21,700,000 and \$ 26,300,000, respectively (US\$ 31,800,000 and \$ 11,300,000 respectively as of December 31, 2010). The promissory rates for financed invoices bear interest at annual rate of 2.34 percent.

+ 12. SALARIES, WORKERS' PROFIT SHARING, TAXES AND OTHER ACCOUNTS PAYABLE

(a) This item is made up as follows:

	2011	2010	01-01-2010
	S/.000	S/.000	S/.000
Advances from customers (c)	198,802	138,633	19,889
Salaries payable	48,807	43,592	35,409
Sundry provisions (d)	32,175	10,313	13,477
Guarantees provisions (e)	29,471	15,412	8,431
Workers' profit sharing	21,858	15,163	13,728
Payroll taxes payable	6,890	5,586	13,295
Provision for contingencies	5,503	4,167	4,244
Interest payable, Note 10(b) and (c)	4,579	3,285	4,144
Pacific Services & Trading inc.	-	2,333	7,624
Provision for severance indemnities	2,611	2,112	1,675
Account payable for acquisition of subsidiary	-	14,045	-
	350,696	254,641	121,916

(b) The accounts comprised in this category have current maturities, do not bear interest and have no specific guarantees.

(c) Advances from customers mainly correspond to the advances received for mining trucks sales that will be delivered in the following years.

(d) This balance includes various provisions registered by the Company in accordance with the accounting practice described in note 2.2 (m), based on its best estimates of the expenses to would require to settle some obligations as of the date of the statement of financial position.

(e) Corresponds to the guarantee given by the Company for sales of machinery and services, such provision is annually reviewed in accordance with the accounting policy described in note 2.2. (o).

+ 13. ASSETS AND LIABILITIES FOR DEFERRED INCOME TAX

(a) The following table presents the composition of the deferred income taxes liability as of December 31, 2011 and 2010:

	As of January 1, 2010	(Charge) / credit to the statement of comprehensive income	As of December 31, 2010	(Charge) / credit to the statement of comprehensive income	(Charge) / credit to equity	As of December 31, 2011
	\$/,000	\$/,000	\$/,000			
Deferred asset						
Sundry provisions	9,396	3,142	12,538	7,121	-	19,659
Difference in depreciation rates	13,307	158	13,465	2,015	-	15,480
Provision for doubtful accounts receivable	5,517	720	6,237	1,557	-	7,794
Provision for vacations	3,893	723	4,616	24	-	4,640
Provision for obsolescence of inventories and fixed assets impairment	4,133	70	4,203	(1,461)	-	2,742
Provision for impairment of investments	2,560	(2,044)	516	(129)	-	387
Total	38,806	2,769	41,575	9,127	-	50,702
Deferred liability						
Revaluation surplus of land	27,611	285	27,896	-	16,089	43,985
Revaluation of buildings and intellections	9,304	-	9,304	-	-	9,304
Financial leasing	3,244	1,768	5,012	(117)	-	4,895
Exchange rate difference	(1,203)	1,531	328	3,083	-	3,411
Deferred gain on sales, net	2,444	(1,274)	1,170	(288)	-	882
Other provisions	971	(548)	423	734	-	1,157
Total	42,371	1,762	44,133	3,412	16,089	63,634
Total deferred income tax liability, net	(3,565)	1,007	(2,558)	5,715	(16,089)	(12,932)

+ 13. ACTIVOS Y PASIVOS POR IMPUESTOS A LAS GANANCIAS DIFERIDOS

(b) The expense for income taxes recorded in the statement of comprehensive income is as follows:

	2011	2010
	S/.000	S/.000
Income tax		
Current	75,207	50,611
Deferred	(5,715)	(1,007)
Adjustments for IFRS conversion	(2,432)	(1,810)
Total income tax	67,060	47,794

(c) The reconciliation between the statutory income tax rate and the effective tax rate is as follows:

	2011		2010	
	S/.000	%	S/.000	%
Profit before income tax	251,925	100.00	146,119	100.00
Theoretical expense	75,578	30.00	43,836	30.00
Effect on (income) expense non-deductible				
Expenses not deductible	3,909	1.55	3,958	2.71
Non-taxable income	(12,427)	(4.93)	-	-
Expense for income tax	67,060	26.62	47,794	32.71

(d) The income tax payable is presented net of the tax payment made in advance during the year.

COMMITTED

+ 14. EQUITY, NET

(a) Issued capital

As of December 31, 2011, the Company's capital is represented by 623,635,177 common shares fully subscribed and paid with a nominal value of S/.1.00 each (530,961,159 common shares subscribed and paid as of December 31, 2010 with a value nominal of S/.1.10 each). The General Shareholders' Meeting held on March 31, 2011 agreed to amend the common share par value from S/.1.10 to S/.1.00. Of the total shares, 86.63 percent is owned by domestic investors and 13.37 percent by foreign investors.

The General Shareholders' meeting held on March 31, 2011, agreed the capitalization of the results of the year 2010 for S/.92,674,018. Likewise, in General Shareholders' meeting held on March 31, 2010, agreed the capitalization of the results of 2009 for S/.63,663,376.

As of December 31, 2011, the Company's shareholding composition was as follows:

Percentage of individual share capital	Number of shares	Total participation
	S/.000	S/.000
Up to 1.00	2,505	24.54
From 1.01 to 5.00	16	50.66
From 5.01 to 10.00	3	24.80
	2,524	100.00

(b) Other capital reserves

Under the terms of the "General Corporation Law", it is required that at least 10 percent of the distributable income of each year, less income tax, has to be transferred to a legal reserve until it equals 20 percent of the issued capital. The legal reserve can be used to absorb losses or be capitalized, existing in both cases the obligation to replenish it.

(c) Dividend distribution

General Shareholders' Meeting held on March 31, 2011, approved the distribution of dividends with charge to retained earnings of to previous years for an amount of S/.31,857,670, which were paid in May 2011.

General Shareholders' Meeting held on March 31, 2010, approved the distribution of dividends with charge to retained earnings of previous years for an amount of S/.28,037,867, which were paid in May 2010.

(d) Other equity reserves

Mainly corresponds to the revaluation surplus, net of its deferred income tax. Additionally, includes the net gains and losses from changes in the estimated fair value of cash flows hedge derivative financial instruments, where the change in value is initially shown in equity, subsequently affecting the income statement depending on how it is influenced by the underlying cover.

+ 15. TAX SITUATION

(a) The Company is subject to Peruvian tax system. As of December 31, 2011 and 2010, the income tax rate is 30 percent on taxable income.

Legal entities and individuals not domiciled in Peru are subject to an additional tax of 4.1 percent on the dividends received.

(b) For purposes of determining the Income Tax and Value Added Tax, the transfer prices for transactions with related entities domiciled in territories with little or no taxation must be substantiated with documentation and information on the valuation methods used and the criteria considered for their determination.

Based on the analysis of the Company's operations, the Company's Management and its legal advisors believe that, as a result of the application of these standards, no material contingencies will arise for the Company as of December 31, 2011 and 2010.

(c) The Tax Authority is legally entitled to review and, if necessary, amend the income tax calculated by the Company up to four years after the tax return was filed. The Company's income tax and value added tax for the years 2007 to 2011 are pending to review by the Tax Authority. The filed tax returns for the years 2000 to 2006 were reviewed by the Tax Authority, Note 26.

Since tax regulations are subject to interpretations by the Tax Authority, it is not possible to determine as of this date, if whether the reviews will result in additional liabilities for the Company. Any increased tax or surcharge that could arise from possible tax reviews would be applied to the results of the year in which is determined.

In Management's opinion, any additional tax settlement would not be material to the separate financial statements as of December 31, 2011 and 2010.

COMMITTED

+ 16. SALES AND COST OF SALES

This item is made up as follows:

	2011	2010
	S/.000	S/.000
Sales		
Sales of machinery, engines, equipment and vehicles	1,707,413	1,208,460
Sales of spare parts	852,777	743,599
Workshop services	207,768	179,120
Rental services of machinery, engines and equipment	88,334	65,549
	2,856,292	2,196,728
Cost of sales		
Opening balance of inventories, note 7	670,663	428,171
Purchase of inventories	2,179,748	1,805,099
Labor and workshop expenses	180,068	131,787
Operating costs of rental fleet	67,688	45,445
Others	(7,420)	(4,343)
Ending balance of inventories, note 7	(818,881)	(670,663)
	2,271,866	1,735,496

+ 17. SELLING EXPENSES

(a) This item is made up as follows:

	2011	2010
	S/.000	S/.000
Personnel expenses, note 19	131,699	103,755
Sundry provisions (b)	72,363	58,434
Services provided by third parties (c)	47,467	30,726
Depreciation, note 9 (f)	13,255	9,484
Severance indemnities	5,671	5,536
Taxes	827	525
	271,282	208,460

(b) Mainly corresponds to sundry expenses related to supporting services, fleet repair and machinery workshop.

(c) Primarily includes expenses related to the workshop equipment and buildings, maintenance freight and advertising.

+ 18. ADMINISTRATIVE EXPENSES

This item is made up as follows:

	2011	2010
	S/.000	S/.000
Personnel expenses, note 19	57,874	48,425
Services provided by third parties	34,423	28,766
Depreciation, note 9 (f)	7,520	6,844
Sundry provisions	4,012	4,209
Provision for doubtful accounts, notes 5 (d) y 6 (e)	7,622	5,514
Severance indemnities	4,107	3,113
Taxes	1,139	833
Amortization of intangibles	929	666
	117,626	98,370

+ 19. PERSONNEL EXPENSES

(a) This item is made up as follows:

	2011	2010
	S/.000	S/.000
Salaries	134,520	107,197
Legal bonuses	25,951	24,514
Payroll taxes	13,195	10,895
Other payment to workers	6,096	4,061
Vacations	3,843	1,961
Others	5,968	3,552
	189,573	152,180

(b) Under the current workers' profit sharing system regulated by Legislative Decree N° 677, workers are entitled to receive a profit sharing equivalent to 8 per cent of the taxable income, notably distributed among all workers based upon the number of days worked, and the remaining balance in proportion to the basic pay received during the year. The workers' profit sharing is recorded in the "Salaries, workers' profit sharing, taxes and other account payables" caption.

The Company's average number of directors, officers and employees was 3,442 in 2011 and 2,736 in 2010.

Personnel expenses have been recorded in the following captions of the income statement:

	2011	2010
	S/.000	S/.000
Selling expenses, note 17	131,699	103,755
Administrative expenses, note 18	57,874	48,425
	189,573	152,180

COMMITTED

+ 20. FINANCIAL INCOME

This item is made up as follows:

	2011	2010
	S/.000	S/.000
Interest on installment sales	6,451	10,446
Interest on arrears	5,676	5,648
Interest on bank deposits	251	670
Interest on loans to related parties	3,068	1,660
Other financial income	2,057	59
	17,503	18,483

+ 21. FINANCIAL EXPENSES

This item is made up as follows:

	2011	2010
	S/.000	S/.000
Interest on corporate bonds, note 10(b) y (c)	17,923	18,176
Interest on overdrafts and borrowings, note 10(b) y (c)	21,591	15,122
Tax on financial transactions	2,423	4,776
Other financial expenses	4,182	4,203
	46,119	42,277

+ 22. OTHER INCOME AND EXPENSES

This item is made up as follows:

	2011	2010
	S/.000	S/.000
Income (expenses)		
Recovery of impaired inventories sold	9,418	6,294
Income from sale of other assets	-	3,831
Income from rental property	571	931
Provision for impairment of net inventories, Note 7 (c)	(3,770)	(7,535)
Other income (expenses)	2,725	(1,025)
	8,944	2,496

+ 23. EARNINGS PER SHARE

The earnings per share calculation as of December 31, 2011 and 2010 are as follows:

	As of December 31, 2011		
	Net profit (numerator)	Shares (denominator)	Earnings per share
	S/.000		S/.
Earnings per share - basic and diluted	184,865,000	623,635,177	0.296
	As of December 31, 2010		
	Net profit (numerator)	Shares (denominator)	Earnings per share
	S/.000		S/.
Earnings per share - basic and diluted	98,325,000	623,635,177	0.158

COMMITTED

+ 24. TRANSACTIONS WITH RELATED PARTIES

(a) The following table shows the detail of accounts receivable and payable to the Principal and related parties as of December 31, 2011 and 2010:

	2011	2010	01-01-2010
	S/.000	S/.000	S/.000
Short-term receivable			
Trade (b), note 5			
Orvisa S.A.	1,708	568	1,496
Unimaq S.A.	670	590	875
Others	529	174	358
	2,907	1,332	2,729
Other			
Unimaq S.A.	14,529	-	-
Orvisa S.A.	13,832	473	414
Fargoline S.A.	10,074	-	351
Inmobiliaria CDR S.A.C. (g)	7,131	292	-
Mega Representaciones S.A.	3,310	-	-
Inti Inversiones Interamericanas Corp. (d)	4,648	15,600	-
Domingo Rodas S.A.	-	-	9,318
Fiansa S.A. (e)	1,932	9,967	-
Cresko S.A.	-	-	3,510
Ferrenergy S.A.	-	302	1,655
	55,456	26,634	15,248
Long-term receivable			
Other			
Inti Inversiones Interamericanas Corp. (d)	25,778	8,945	-
Fiansa S.A. (e)	3,905	-	-
	29,683	8,945	-
Short-term payable			
Comerciales (b), nota 11			
Unimaq S.A.	909	2,282	1,033
Mega Representaciones S.A.	422	1,068	184
Fargoline S.A.	522	440	392
Orvisa S.A.	34	377	1,853
Fiansa S.A.	380	319	256
Motorindustria S.A.	-	5	2
	2,267	4,491	3,720
Other			
Inti Inversiones Interamericanas Corp.	7,148	-	-
Motorindustria S.A.	809	843	867
Unimaq S.A.	-	151	-
	7,957	994	867

(b) Trade accounts receivable and payables arise from sales and / or services provided and received by the Company, there are considered to have current maturity, do not bear interest and have no specific guarantees, see note 5 (a).

(c) Below are the main transactions between related:

	2011	2010
	S/.000	S/.000
Sale of assets	13,336	14,993
Sale of services	804	1,279
Purchase of goods	49,707	51,636
Purchase of services	13,966	12,053

The Company's management believes that runs its operations with companies affiliated under the same conditions as those made with third when comparable market transactions, so that, as applicable, no difference in pricing policies or the base tax settlement. Regarding the payment, they do not differ from policies issued to third parties.

(d) The accounts receivable from Inti Inter-American Investment Corp. relates to a loan related to the acquisition of the shares of Gentrac Corporation (resident in Panama), which owns the Caterpillar dealerships in Guatemala, El Salvador and Belize. This loan was given in U.S. dollars, is not warranted specific and bears interest at an annual rate of 9.3 percent and matures in 2018.

(e) The account receivable to Fiansa S.A. corresponds to enabling funds in Nuevos Soles which were used for working capital. This loan has no specific warranty and bears interest at a rate of 11 percent.

(f) Shareholders' General Meeting held between 7 and 9 December 2011, several subsidiaries approved the distribution of dividends to be received by the company for an amount of S/.41,425,000, which will become effective during the month of April 2012, see also note 8.

(g) Corresponds to enabling of funds in Nuevos Soles granted to such subsidiary for working capital, which earns an interest rate of 7.55 percent and has no guarantees and specific maturity.

(h) Salaries to key personnel

The total remuneration received by directors and key officers of Management in 2011 amounted approximately to S/. 22,985,000 (approximately S/.21,498,000 for the year 2010), which include short-term benefits and compensation for length of service.

+ 25. COMMITMENTS

As of December 31, 2011, the company has the following commitments:

(a) Guarantees for US\$41,706,000 and US \$6,988,000, which guarantee credit operations of subsidiaries and affiliates, and third parties purchases, respectively.

(b) Bank guarantees in favor of financial institutions for US\$23,527,000 to mainly guarantee the seriousness of the offer of the Company, and the faithful fulfillment of the delivery of the goods sold through public tenders and the payment of custom duties related to the importation of goods.

+ 26. CONTINGENCIES

(a) As of December 31, 2011, the Company has several tax assessments received from the Tax Authority for income and value added taxes as a result of 2001 to 2006 reviews for approximately S/.115,025,000, including fines and interest. The Company has filed appeals before the National Superintendency of Tax Administration ("SUNAT" for its acronym in Spanish) and the Tax Court.

Regarding the review processes resulting on the above mentioned tax assessments, in accordance with the established procedures, the Tax Authority before issuing its report-informed the Company the results of each review giving time to assess and amend the alleged omissions and tax offenses. In this sense, the Company opportunely complies with amending and paying for the omissions and tax offenses that, in accordance with a detailed review by its tax advisors, were considered appropriate.

As of December 31, 2011, the Company has claims in process for US\$42,000 and S/.150,000, as compensation for damages brought by third parties.

In the Company's Management and its legal and tax advisors opinion, such tax assessments and judgments are inadmissible and the final result would be favorable to the Company; therefore has not considered necessary to record additional liabilities to those recorded in the financial statements for these processes.

+ 27. FINANCIAL RISK MANAGEMENT

By the nature of its activities, the Company is exposed to credit risk, interest-rate risk, liquidity risk, exchange-rate risk and operating risk, which are managed through a process of ongoing identification, measurement and monitoring, subject to the risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual is accountable for the risk exposures relating to this or her responsibilities.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These are monitored through the Company's strategic planning process.

(a) Risk management structure

The risk management structure has as base the Board of Directors, which is responsible for identifying and controlling risks in coordination with other supporting areas as follows.

(i) Boards of Directors

The Boards of Directors is responsible for the overall risk management approach. The Board provides principles written for overall risk management, as well as written policies covering specific areas such as foreign exchange-risk, interest rate-risk, credit risk, use of derivative financial instruments and non-derivatives.

(ii) Internal audit

The Company's risk management processes are monitored by the internal audit function, which examines both the adequacy of the procedures and the compliance of them. Internal audit discusses the results of all assessments with Management, and reports its findings and recommendations to the Board of Directors.

(iii) Finance Department

The finance department is responsible for managing the Company's assets and liabilities its overall risk and the overall financial structure. It is primarily responsible for managing the Company's funds and liquidity risks; assuming the related liquidity, interest rate and exchange-rate risk under the policies and limits currently effective.

(b) Risk mitigation

As part its overall risk management, the Company uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risk and credit risk. The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Company.

(c) Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or have similar economic or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Identified concentrations of credit risk are controlled and monitored continuously.

27.1. CREDIT RISK

The Company takes on positions subject to credit risk, which is the risk that a customer will cause a financial loss by not complying with an obligation. The Company's financial assets potentially exposed to concentrations of credit risk primarily consist of bank deposits and trade accounts and order accounts receivable.

As of December 31, 2011, the Management has estimated the maximum amount of credit risk to which the Company is exposed in approximately S /580,930,000 (S/.431,532,000 as of December 31, 2010), which represents the book value of the financial assets. In Management's opinion, there are no significant concentrations of credit risk as of December 31, 2011 and 2010.

27.2. INTEREST RATE RISK

The Company policy is to maintain financial instruments that earn a fixed rate of interest and, at December 31, 2011 and 2010, maintain financing from financial institutions. Operating cash flows of the Company are substantially independent of changes in market interest rate; due to the individual credit rating, the Company gets competitive interest rates in local markets. It should be noted that the Company hedge its variable interest rate derivatives (swaps), so that in the opinion of the Management, the Company has no significant exposure to interest rate risk.

The following table summarizes the Company's exposure to interest rate risk. The Company's financial instruments are shown at their carrying amounts, categorized according to their different contractual terms:

	As of December 31, 2011					Average interest rate at 2011
	Until 3 months	From 3 to 12 months	From 1 to 5 years	Non-interest bearing	Total	
	S/.000	S/.000	S/.000	S/.000	S/.000	%
Asset						
Cash and cash equivalents	-	-	-	42,985	42,985	-
Trade accounts receivable, net	77,789	7,693	16,872	365,639	467,993	14% y 20%
Other accounts receivable, net (*)	7,174	9,256	5,448	17,029	38,907	7.55%
Accounts receivable from related parties	-	55,456	29,683	-	85,139	7.55% y 11%
Total asset	84,963	72,405	52,003	425,653	635,024	
Liability						
Trade accounts payable	33,674	37,390	-	177,642	248,706	2.34%
Remunerations, worker's profit sharing, taxes and other accounts payable	-	-	-	350,696	350,696	-
Accounts payable to related parties	-	7,957	-	-	7,957	2%
Other financial liability	-	228,871	647,780	300	876,951	4.78%, libor+6.6%, 5.24%, 6.69%, 5.63% y Libor +2.27%
Total liability	33,674	274,218	647,780	528,638	1,484,310	
Gap Marginal	51,289	(201,813)	(595,777)	(102,985)	(849,286)	
Gap Cumulative	51,289	(150,524)	(746,301)	(849,286)	-	

27.2. INTEREST RATE RISK

	As of December 31, 2010					
	Until 3 months	From 3 to 12 months	From 1 to 5 years	Non-interest bearing	Total	Average interest rate at 2010
	S/.000	S/.000	S/.000	S/.000	S/.000	%
Asset						
Cash and cash equivalents	1,685	-	-	40,998	42,683	1%
Trade accounts receivable, net	41,122	-	-	292,212	333,334	14% y 18%
Other accounts receivable, net (*)	4,970	9,057	6,989	7,733	28,749	7.55%
Accounts receivable from related parties	-	26,634	8,945	-	35,579	7.55% y 11%
Total asset	47,777	35,691	15,934	340,943	440,345	
Liability						
Trade accounts payable	36,598	-	-	149,231	185,829	2.34%
Remunerations, worker's profit sharing, taxes and other accounts payable	-	-	-	254,641	254,641	-
Accounts payable to related parties	-	-	-	994	994	-
Other financial liabilities	-	30,308	603,628	-	633,936	4.32 %, libor+6.6%,5.78%,6.80%, 6.40%, 4.63% y Libor +2.05%
Total liability	36,598	30,308	603,628	404,866	1,075,400	
Marginal gap	11,179	5,383	(587,694)	(63,923)	(635,055)	
Cumulative gap	11,179	16,562	(571,132)	(635,055)	-	

(*) As of December 31, 2011, other accounts receivable included in this table do not consider an amount up to S/.11,220,000 (S/.2,809,000 at December 31,2010) Tax Credit for the General Sales Tax payable.



27.2. INTEREST RATE RISK

The following table shows the sensitivity to a possible change in interest rates, holding all other variables constant, in the statement of comprehensive income before income taxes. The sensitivity in the statement of comprehensive income is the estimated effect of changes in interest rates on net interest income for one year, based on financial assets and financial liabilities exposed to changes in interest rates at December 31, 2011 and 2010:

Currency	As of December 31, 2011		As of December 31, 2010	
	Changes in basis points	Sensitivity in net profit S/.000	Changes in basis points	Sensitivity in net profit S/.000
Nuevos Soles	+/-50	2,076	+/-50	2,410
Nuevos Soles	+/-100	4,153	+/-100	4,821
Nuevos Soles	+/-200	8,306	+/-200	9,642
Nuevos Soles	+/-300	12,458	+/-300	14,463

The sensitivities of interest rates shown in the tables above are illustrative and are based on simplified scenarios. The figures represent the effect of proforma transactions net interest income based on projected scenarios of the yield curve and the profile of interest rate risk. However, this effect does not include actions that would be taken by the Management to mitigate the impact of this risk in interest rates. The Company also seeks to proactively change the risk profile of interest rates to minimize losses and maximize net income. The earlier projections also assume that the interest rate of all maturities move by the same amount and therefore do not reflect the potential impact on net interest income of some rates that change while others remain unchanged. The projections also include assumptions for ease of calculation, for example, that all positions are held to maturity or, to win in the year, renewed for the same amount.

27.3. LIQUIDITY RISK

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with financial liabilities when due and to replace funds when they are withdrawn. The consequence would be the default in payment of its obligations to third parties.

The Company controls the liquidity required by the proper management of the maturities of assets and liabilities, so as to achieve the fit between the revenue stream and future payments, allowing you to carry out their activities normally.

The main source of cash income of the Company is collections from sales of imported merchandise. The average term of payment to its main suppliers was 60 days for fiscal years 2011 and 2010. The Company believes that management and payment collection periods tend to improve due to improvements made in their policies for collection management. In the event the Company does not have, at any given time, with the necessary resources to meet its obligations in the short term, has credit lines with financial institutions and because of their economic solvency has managed to acquire loans and short medium term at lower rates than the market average.

The following table shows the cash flows payable by the Company in accordance with the contractual terms agreed on the dates of statement of financial position. The amounts are the cash flows according to contracted terms undiscounted and include their respective interests:

	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Total
	S/.000			S/.000
As of December 31, 2011				
Other financial liabilities:				
Amortization of capital	300	228,871	647,780	876,951
Trade accounts payable	177,642	71,064	-	248,706
Remunerations, worker's profit sharing, taxes and other				
accounts payable	350,696	-	-	350,696
Accounts payable to related	-	7,957	-	7,957
Total	528,638	307,892	647,780	1,484,310
As of December 31, 2010				
Other financial liabilities:				
Amortization of capital	-	30,308	603,628	633,936
Trade accounts payable	185,829	-	-	185,829
Remunerations, worker's profit sharing, taxes and other				
accounts payable	254,641	-	-	254,641
Accounts payable to related	994	-	-	994
Total	441,464	30,308	603,628	1,075,400

27.4. EXCHANGE RATE RISK

The Company is exposed to the effects of fluctuations in foreign currency changes prevailing in its financial position and cash flows. Management sets limits on level of exposure by currency and total daily operations.

Assets and liabilities transaction are mainly performed in local currency. Foreign currency transactions are performed at rates of supply and demand and are detailed in note 3.

The Company manages foreign exchange risk by monitoring and controlling the position values not in Nuevos Soles (functional currency) and that is exposed to changes in exchange rates. The Company measures its performance in Nuevos Soles, so if the net foreign exchange position is positive, any depreciation of the U.S. dollar would affect negatively the Company's statement of financial position. The current position in a foreign currency comprises exchange rate-linked assets and liabilities in that currency Note 3. Any depreciation/appreciation of the foreign exchange would affect the income statement.

The foreign currency net liabilities exchange risk is economically covered with inventories and rental fleet whose selling prices are set in U.S. dollars.

The table below shows the sensitivity analysis of the U.S. dollars, the currency to which the Company had significant exposure as of December 31, 2011 and 2010 on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in of U.S. dollar exchange rate, with all other variables held constant in the statement of income, before income taxes.

A negative amount in the table reflects a potential net reduction in the statement of income, while a positive amount reflects a net potential increase:

Sensitivity analysis	Change in currency rates	2011	2010
		\$/,000	\$/,000
	%		
Devaluation -			
Nuevos Soles	5%	40,802	27,609
Nuevos Soles	10%	81,603	55,219
Revaluation -			
Nuevos Soles	5%	(40,802)	(27,609)
Nuevos Soles	10%	(81,603)	(55,219)

27.5. CAPITAL MANAGEMENT

The Company actively manages a capital base to cover the inherent risks in its activities. The Company's capital adequacy is monitored using, among other measures, ratios set by the Management.

The Company's objectives when managing capital, which is a broader concept than the "Net equity" on the face of the statements of financial position, are: (i) to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders; and (ii) to maintain a strong capital base to support the development of its business activities.

As of December 31, 2011 and 2010, there were no changes in the Company's activities and capital management's policies.

27.6. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction, under the assumption of a going concern entity.

When a financial instrument is traded in an active and liquid market, its quoted market price in an actual transaction provides the best evidence of its fair value. When a quoted market price is not available, or may not be indicative of the fair value of the instrument, to determine such fair value, the current market value of another instrument that is, substantially similar, discounted cash flow analysis or other estimation techniques may be used all of which are significantly affected by the assumptions used. Although Management uses its best judgment in estimating the fair values of these financial instruments, there are inherent weaknesses in any estimation technique; as a result the estimated fair value may not be indicative of net realizable or liquidation value.

The methodologies and assumptions used to determine the estimated market values depend on the terms and risk characteristics of various financial instruments and include the following:

(a) Assets whose fair value is similar to the book value - For assets financial assets and liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the book value is similar to their fair value. This assumption is also applied to time deposits, savings accounts without a specific maturities and financial instruments at variable rate.

(b) Fixed rate financial instruments – The fair value of fixed rate financial assets and liabilities carried at amortized cost is estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments. The estimated fair value of interest-bearing deposits is determining by discounting cash flows using market interest rates in the prevailing currency, with similar maturity and credit risk.

Based in the aforementioned, set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments that are carried in the statement of financial position (the table does not include the fair value of non-financial assets and liabilities):

	2011		2010	
	Book value	Fair value	Book value	Fair value
	\$/,000		\$/,000	
Assets				
Cash and cash equivalents	42,985	42,985	42,683	42,683
Trade accounts receivable, net	467,993	467,993	333,334	333,334
Other accounts receivable, net	38,907	38,907	28,749	28,749
Accounts receivable to related parties	85,139	85,139	35,579	35,579
Total	635,024	635,024	440,345	440,345
Liabilities				
Trade accounts payable	248,706	248,706	185,829	185,829
Remunerations, worker's profit sharing, taxes and other accounts payable	350,696	350,696	254,641	254,641
Accounts payable to related parties	7,957	7,957	994	994
Other financial liabilities	876,951	876,951	633,936	633,936
Total	1,484,310	1,484,310	1,075,400	1,075,400

28. EXPLANATION ADDED FOR ENGLISH TRANSLATION

The accompanying financial statements were originally issued in Spanish and are presented on the basis of International Financial Reporting Standards ("IFRS"), as described in Note 2.3. Certain accounting practices applied by the Company that conform to those IFRS may not conform to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.

MANAGEMENT ANALYSIS AND DISCUSSION OF THE FINANCIAL STATEMENTS

COMMITTED

The following section gives an explanation for the most important variations in the company's financial statements as at the 31st December 2011 and the 31st December 2010. For the purpose some figures have been reclassified in the statement of results shown below, to include direct sales within net sales and sales cost.

+ ANALYSIS OF THE COMPANY'S FINANCIAL POSITION

Balance Sheet (in millions of nuevos soles)	31.12.11	31.12.10	Amount	Variation %
Assets				
Current Assets				
Cash and deposits	43.0	42.7	0.3	0.7
Trade account receivables, net	451.1	313.4	137.7	43.9
Trade account receivables, to related entities	55.5	26.6	28.8	108.2
Other accounts receivable	44.7	24.6	20.1	81.9
Inventories, net	879.5	677.5	202.0	29.8
Prepaid expenses	8.8	2.2	6.6	296.6
Total Current Assets	1,482.6	1,087.0	395.6	36.4
Trade account receivables, net	16.9	19.9	-3.1	-15.4
Trade account receivables, to related entities	29.7	8.9	20.7	231.8
Other accounts receivable	5.4	7.0	-1.5	-22.0
Financial Investments	253.6	226.2	27.4	12.1
Property, machinery and equipment	672.3	488.3	184.0	37.7
Other assets	9.3	5.7	3.6	63.9
Total	2,469.8	1,843.0	626.7	34.0



Balance Sheet				Variation
(in millions of nuevos soles) continued	31.12.11	31.12.10	Amount	%
Liabilities and Stockholders' Equity				
Current Liabilities				
Other Financial Liabilities	425.1	298.1	127.0	42.6
Trade accounts payable	248.7	185.8	62.9	33.8
Salaries, employee participation, taxes and other accounts payable	350.7	254.6	96.1	37.7
Affiliates accounts payable	8.0	1.0	7.0	700.5
Taxes Liabilities	18.1	1.7	16.4	983.0
Total current Liabilities	1,050.0	741.2	309.3	41.7
Other financial Liabilities	451.9	335.9	116.0	34.5
Deferred earnings taxes liabilities	12.9	2.6	10.4	405.6
Total liabilities	1,515.4	1,079.6	435.7	40.4
Patrimony				
Issued Capital	623.6	531.0	92.7	17.5
Other patrimony reserves	101.9	63.9	38.0	59.5
Other capital reserves	63.7	49.9	13.8	27.8
Accumulated reserves	165.2	118.7	46.5	39.2
Total patrimony	954.4	763.4	191.0	25.0
Total	2,469.8	1,843.0	626.7	34.0

As at the 31st of December 2011, total assets amounted to S/. 2,469.8 million, compared with S/. 1,843.0 million as at the 31st of December 2010, an increase of S/. 626.7 million (34.0%). The main variations in the assets account that explain this increase are as follows:

- a. Net increase in inventories amounting to S/. 202.0 million due principally to larger purchases of our main products and spare parts valued at S/.114.4 million and S/. 33.6 million, respectively. These increased purchases were the result of a 30% increase in sales.
- b. Net increase in fixed assets S/. 184.0 million, resulting from: i) purchase of rental equipment valued at S/. 126.2 million, to meet increased demand for these items, mainly from clients in the construction sector. ii) Purchases of workshop machinery and equipment amounting to S/. 50.2 million, to cover increased maintenance and repair work. (iii) Net revaluation of real estate amounting to S/. 53.7 million and iv) other additions valued at S/.26.7 million, and v) reduction of S/. 72.8 million in depreciation for the period.
- c. Increase in financial investments amounting to S/. 27.4 million, which is explained by capital contributions to subsidiary companies of S/. 31 million and by a reduction in equity participation recorded before 31-12-09, caused by cash dividends of S/. 4 million, received from a subsidiary.
- d. An increase in trade accounts receivable of S/. 137.7 million as a consequence of increased sales in general.

As at the 31st December 2011, total liabilities amounted to S/. 1,515.4 million, compared with S/. 1,079.6 million as at the 31st December 2010, an increase of S/. 435.7 million (40.4%). This increase is explained by the growth of the assets mentioned.

+ LIQUIDITY

The current ratio as at the 31st of December 2011 is 1.41, due to the company's strategy of mainly using short-term financing for its obligations in order to obtain better interest rates. The company has begun a process of replacing medium-term debt with short-term debt and will thus improve the current ratio over the next few months.

The financial indebtedness ratio as at the 31st December 2011 was 0.93 compared with 0.82 on the 31st of December 2010. Cash and banks and liabilities to suppliers that do not generate financial expenses were not taken into account when calculating this ratio.

The total indebtedness ratio as at the 31st December 2011 was 1.59 compared with 1.41 as at the 31st December 2010. The increased indebtedness ratio arises from a need to invest in more assets to accompany the growth in sales. The increase in capital agreed by the general meeting of shareholders in March 2011 was structured and organized throughout the year and implemented in January, injecting fresh resources into the company, resulting in a reduced indebtedness ratio.

+ ANALYSIS OF THE RESULTS

Income Statement (in millions of nuevos soles)	2010		2009		Variation	
		%		%		%
Net Sales	2,858.0	100.0	2,196.9	100.0	30.1	
Cost of Sales	-2,271.9	-79.5	-1,735.5	-79.0	30.9	
Income from sales	586.1	20.5	461.4	21.0	27.0	
Sales and administration expenses	-388.9	-13.6	-306.8	-14.0	26.8	
Miscellaneous income (expenditure) net	8.9	0.3	2.5	0.1	258.3	
Income from operations	206.2	7.2	157.1	7.2	31.3	
Other income (expenses):						
Income from cash dividends	41.4	1.4				
Financial income	17.5	0.6	18.5	0.8	-5.3	
Financial expenses	-46.1	-1.6	-42.3	-1.9	9.1	
Foreing Exchange difference, net	32.9	1.2	12.8	0.6	156.8	
	45.7	1.6	-11.0	-0.5	-516.9	
Earnings before income tax	251.9	8.8	146.1	6.7	72.4	
Income tax	-67.1	-2.3	-47.8	-2.2	40.3	
Net earnings	184.9	6.5	98.3	4.5	88.0	

+ NET SALES

En millions of nuevos soles	2011		2010		Variation	
		%		%		%
Caterpillar equipment:						
Large scale mining	490.4		359.8		36.3	
Other	951.1		605.4		57.1	
	1,441.5		965.2		49.3	
Farming equipment	52.8		31.5		67.6	
Automotive	138.9		129.9		6.9	
Used and rental	163.7		143.7		13.9	
	1,796.9		1,270.3		41.5	
Spare parts and service	1,061.1		926.6		14.5	
Total	2,858.0		2,196.9		30.1	

Net sales in 2011 amounted to S/. 2,858.0 million, compared with S/. 2,196.9 million in the previous year, a significant increase of 30.1%.

The sales of several product lines grew in 2011. In first place was Caterpillar equipment for large-scale mining, which saw significant growth of 36.3% compared with the previous year. Furthermore, there was significant growth of 57.1% in sales of Caterpillar equipment to clients in sectors other than large-scale mining, particularly the construction sector.

Equally, there was a 67.6% increase in sales of agricultural machinery.

Sales of spare parts and services grew by 14.5% compared with the previous year, as a result of an increase in demand from the construction sector and large-scale mining operations.

Caterpillar sales represented 92% of the company's total income from both machinery and equipment (new, used and rented) as well as spare parts and services. It should be pointed out that sales of Caterpillar spares and services represent 35% of the company's total sales and are the most profitable and fastest growing income flows, the result of the very large fleet of Caterpillar units operating in Peru.

+ PROFIT FROM SALES

The profit from sales in 2011 amounted to S/. 586.1 million, 27.0% higher than the S/. 461.4 million generated the previous year. In percentage terms, the gross margin in 2011 was 20.5%, slightly lower than the 21.0% achieved in 2010, and was due to principal products taking a higher share of the company's total sales. Gross profit from principal products is less than that generated by sales of spares and services.

+ SALES AND ADMINISTRATION COSTS

Sales and administration costs in 2011 amounted to S/. 388.9 million compared with S/. 306.8 million in the previous year, which represented growth of 26.8%; this was caused by an increase in variable costs arising from the 30% rise in net sales and from a rise in fixed costs caused primarily by: i) improved remuneration for key personnel and qualified technicians. ii) hiring of mechanics to meet future demand for after-sales service; and (iii) hiring of commercial personnel in order to expand market coverage.

+ INCOME (EXPENDITURE) VARIOUS - NET

In 2011 this item saw net income of S/. 8.9 million, compared with a net income of S/. 2.5 million generated in the previous year. The difference was because in 2011 there was: i) a lower net provision for reduction in the value of inventories amounting to S/. 6.9 million; ii) lower income from the sale of fixed assets of S/. 3.8 million; and iii) higher income from various concepts amounting to S/. 3.4 million.

+ CASH DIVIDENDS

In 2011 the company received dividends in cash from its subsidiaries amounting to S/. 41.4 million. In 2010 no income from this source was registered.

+ FINANCIAL INCOME

Financial income in 2011 amounted to S/. 17.5 million, 5.3% less than the S/. 18.5 million earned in the previous year, which can be explained by a reduction in sales financed by the company as a result of measures to reduce the risk of bad debts. In line with this policy part of our client financing has been transferred to financial institutions.

COMMITTED

+ FINANCIAL EXPENSES

Financial expenses amounted to S/. 46.1 million in 2011 and S/. 42.3 million in the previous year, which represents an increase of 9.1% caused by an increase in average liabilities subject to interest payments. (S/. 967 as at 31-12-11; S/. 729 million as at 31-12-10), which is explained principally by: i) higher inventory purchases so that units are in stock for immediate sale to clients; ii) purchases of equipment for rental and workshop machinery to cover the increased demand for rental services, maintenance and repairs; and (iii) an increase in trade accounts receivable resulting from the general growth in sales.

+ EXCHANGE RATE EARNINGS (LOSSES)

In 2011 net liabilities in foreign currency gave rise to exchange rate earnings of S/. 32.9 million compared with earnings of S/. 12.8 million generated in the previous year. Exchange rate earnings in 2011 were the result of the Peruvian nuevo sol strengthening 4.0% against the United States dollars (the exchange rate of S/. 2.809 as at the 31st of December 2010 fell to S/. 2.697 as at the 31st of December 2011). Exchange rate earnings in 2010 were the result of the Peruvian nuevo sol strengthening 2.8% against the United States dollars (the exchange rate of S/. 2.891 as at the 31st of December 2009 fell to S/. 2.809 as at the 31st December 2010).

+ INCOME TAX

Income tax for 2011 and 2010 was calculated in accordance with current tax legislation.

+ NET EARNINGS

Because of the variations explained above, net earnings for the year amounted to S/. 184.9 million compared with S/. 98.3 million in the previous year, representing an increase of 88%.

+ EARNINGS BEFORE INTEREST, DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA in 2011 amounted to S/. 339.6 million compared with S/. 232.3 million in 2010, representing an increase of 46.2%.

+ CHANGES IN THOSE RESPONSIBLE FOR DRAWING UP AND REVISING FINANCIAL INFORMATION

During 2011 and 2010 there were no changes in personnel responsible for preparing and reviewing the company's financial information.



COMMITTED TO OUR VALUES

INTEGRITY, FAIRNESS, A VOCATION FOR SERVICE, EXCELLENCE AND INNOVATION, RESPECT FOR THE INDIVIDUAL, TEAM WORK AND COMMITMENT ARE THE FOUNDATIONS FOR FERREYROS' WAY OF THINKING AND ACTING. THESE SEVEN VALUES ARE WHAT HAVE MADE THE ORGANIZATION, A LEADER IN CAPITAL GOODS AND SERVICES, LAST SO LONG.



COMMITTED



SOCIAL RESPONSIBILITY

Ferreyros sees the private company as an agent of change and driver of progress in Peru, and act accordingly. For many years the company has been working in the field of social responsibility, showing commitment to sustainable development and concentrating its efforts on economic, social and environmental aspects.

In the firm belief that social responsibility should be part of the management of all companies, in 2011 the organization continued to have a positive impact on all its interest groups: collaborators, shareholders, the community, clients, government and society, suppliers and the environment.

Thus Ferreyros has implemented programs and projects in areas as diverse as education in values and citizenship, preparing young people for the labor market, encouragement of mechanization in poor areas, good corporate governance, inclusion in the labor force and environmental protection. This is what distinguishes Ferreyros as a socially responsible company.

An example of its commitment to sustainable development was the creation in 2010 of the principles of corporate social responsibility, which have since then established the values and standards of conduct used in managing the company. Thus Ferreyros intends to be a reference point and active promotor of these standards, applying them to all of its activities and, at the same time, encouraging all its interest groups to join in the effort.

Furthermore, it should be pointed out that the organization has a strategic plan for social responsibility governing its action during the period 2011-2015, which was drafted by a multi-discipline team.

A summary of the actions carried out by Ferreyros in this field and, in particular, by each of its interest groups, is given below.



1. COLLABORATORS

Ferreyros believes that its best competitive advantage, apart from its products and services, is its human capital. The organization's collaborators are those who forge the company's leadership and solidity. For that reason the efforts of each one are rewarded by optimum working conditions and the stimuli necessary for adequate professional and personal development.

The human resources department is considered a strategic partner. With its support we are effective carry out the company's activities with success. The department ensures that everyone working in the organization possesses this key competence: a vocation for service.

In order to measure the working environment in the organization, identify possible improvements and take appropriate action, this year we held the second satisfaction opinion survey (SOS). The company has made progress in various survey indicators, confirming the validity of the different processes carried out by human resources. Furthermore, the performance evaluation system has been refreshed to provide users with a flexible and modern system that helps to estimate the true performance of our collaborators.

Equally, in 2011 we began to implement the Harvard Business Review Leadership Program for 264 of the company's leaders. This program lasts for 2 years and covers subjects such as effective leadership, effective client management and communication among high-performance teams, among others.

Furthermore, and as a result of the excellent management displayed by the human resources department, since 2007 Ferreyros has been a member of the Association of Good Employers (ABE) sponsored by the American Chamber of Commerce of Peru (AmCham), which brings together companies of recognized excellence in the application of good practices and the creation of a good working environment.

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+ 1.1. VALUING AND RESPECTING DIVERSITY

Ferreyros has a multi-discipline team consisting of 3,442 collaborators from different regions of the country. One of the commitments assumed by the company is that of maintaining a working environment free from discrimination. It has therefore established a specific policy that favors equality of opportunity based on the merits of each collaborator, regardless of sex, ethnic origin, religion or social background. Approximately 22% of our administrative personnel and 14.5% of the management are women, including our general manager. Furthermore, there are 10 women among our technical personnel. It should be stressed that the company's collaborators come from different geographical areas and various social strata.

Equally, Ferreyros has introduced a program of labor inclusion to promote the employment of people with disabilities. At present, 8 people with different abilities work in the organization. Two tele-operators and one programmer with severe visual disabilities and an equipment management specialist with motor disability work at the administrative offices in Lima. Furthermore, three people with mental disabilities work as a warehouse auxiliary, an internal messenger and a dining room auxiliary. The latter is the result of joint work with the concessionaire. Furthermore, the Arequipa branch has a collaborator with a hearing disability, who works as assistant in the spare parts warehouse.

Ferreyros therefore favors social inclusion of these useful and productive employees, strengthening their security and self esteem and bringing them into the world of work. Thus the company firmly believes that people with disabilities should have the opportunity to enter the labour market. We therefore assumes the responsibility for promoting this program, not only internally but also in the business sector.

+ 1.2. PROFESSIONAL TRAINING AND DEVELOPMENT

Ferreyros promotes and facilitates the professional development of its collaborators. Careers and succession plans are established in accordance with good performance and training.

As far as administration and commercial personnel were concerned, 2011 saw training plans arising from the performance administration and commercial development programs. Both aim to form a strong organizational culture, maximizing the performance of our collaborators and their satisfaction at work. With that aim in mind emphasis was placed on training for supervisors with a program to develop their skill at handling people and acquire knowledge and techniques to enable them to reinforce their leadership abilities.

The further development of technical personnel continued through the following programs:

SERVICE PRO

A training and practical program at the technical development center, which offers a career path for technicians, who may be promoted through five successive grades. Thus, in 2011 more than 11,673 certificates were issued and 402 people promoted or re-categorized out of a total of more than 1,200 technicians registered with the scheme. This adds up to more than 103,000,000 man-hours of classroom training and 368 technical courses held during the year.



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ABC PROGRAM

The ABC accelerated training program is a tool for training new technicians joining the company. Its aim is to increase the level of knowledge and skills in order to raise productivity after only a short time with the organization. In 2011, 198 technicians graduated from the program and these, added to those already trained, amount to a total of 442 collaborators trained in the ABC program.

THINK BIG

A training program for mechanics specializing in Caterpillar equipment. The program lasts 2 years and combines periods at Tecsup with practical weeks at Ferreyros. At the end of the program graduates are offered jobs with a defined career path at Ferreyros. 2011 saw the culmination of the eighth program in Lima and the first in Arequipa.

ACCELERATED TRAINING PROGRAM (ATP)

The ATP program seeks to identify the most talented young technicians and to provide accelerated technical training to enable them to carry out diagnoses of equipment and systems on-site after a period of three years. This year 238 collaborators from the offices in Arequipa, Cajamarca, Huancayo, Huaraz, Trujillo, Piura and Lima received training. In addition, 12 technicians graduated from the ATP during 2011 after completing the program's three phases.



MACHINE SHOP PRO

2011 saw the official launch of the Machine Shop Pro self-training program designed for the company's recovery workshop (RW) technicians, based on the work they do and the level of skills they need to do it.

Furthermore, Ferreyros gives its collaborators the opportunity to attend training courses organized by Caterpillar in Peru and abroad. During 2011, 20 of the company's senior technicians received certificates from Caterpillar: 6 from the mining section, 3 from construction, 6 from marine equipment and electricity generation and 5 from applied fault analysis.

+ 1.3. HEALTH, SAFETY AND WORKING CONDITIONS

Ferreyros is guided by a culture of corporate responsibility and the need to provide security and protection for its collaborators and the environment, as such it assumes a commitment to create safe and healthy workplaces and to ensure the welfare of its personnel. The company uses the employment risks management model to guarantee compliance with the highest health, safety and environmental standards and to recognize, evaluate and control all acts, omissions and conditions that could give rise to illness or injury among its employees, damage to its installations and equipment or cause a negative impact on the environment.

In compliance with the annual health and safety at work plan 2011, the company's business units held monthly meetings to examine safety, management and the evaluation of workplace risks and to report and investigate accidents, to provide safety education and prepare emergency responses, monitor industrial hygiene and implement medical examinations and internal audits and monitor contractors.

Furthermore, during 2011 the health, safety and environment department was preparing the company to implement an integrated management system (IMS) based on ISO 14001 and OHSAS 18000 standards and introducing continual improvement in safety matters.

+ 1.4. PERSONAL AND FAMILY DEVELOPMENT

Ferreyros is characterized by its respect for its collaborators' working hours; it encourages them to spend time with their families and to take the time for other interests and activities. Thus, the company believes that there should be a proper balance between professional obligations and private life as the only way to achieve maximum levels of welfare and productivity.

It should be pointed out that in 2011 the social welfare department organized a number of activities for the company's collaborators and their families, such as human development, motivation and self esteem workshops and training in productive activities to generate extra income. Equally, we implemented family integration programs.

In compliance with the aim of continually reducing accidents at the different units of the company to "zero accidents involving lost time", the company's efforts during 2011 enabled it to consolidate its preventive work, resulting in a significant improvement in the index of reportable accidents (IRA), which fell by 9% compared with the previous year.

Ferreyros' overriding aim is to guarantee the physical safety and health of its collaborators and to eliminate occupational illnesses from the workplace. For that purpose it has designed a health program, a basic aspect of which is the identification and evaluation of medical risks, noise monitoring and the identification of ergonomic risks to personnel in certain departments such as the component repair center and the recovery workshop. This program also includes education and training about possible risks to health. Occupational medical examinations have also been carried out in order to evaluate the risks to which our collaborators are exposed at work.

Furthermore, Ferreyros partially subsidizes the cost of insurance from health service providers (HSP), to its collaborators and to their direct family members, to a greater degree than current legislation requires. In complementary fashion—and in order to detect and prevent possible illnesses affecting collaborators—during 2011 we held a festival of health, which included medical checks and assistance in different specialties. Similarly, we held a nationwide influenza vaccination campaign.

The company's social welfare department provided personalized and permanent attention in matters of health, education, housing, economics, legal problems and family problems. In 2011 coverage by our social workers was extended to the whole country.



Basic computing, bartender and cocktail courses were arranged for our collaborators. Their wives and mothers opted for courses among a series of activities aimed at female personnel that included cosmetology, face painting and Christmas handicrafts workshops. School vacation programs were organized for the children of our collaborators, including swimming, volleyball and football workshops, modern dance and art using recycled material; as well as mini-chef and other workshops. Similarly, we have agreements with Universidad Nacional Mayor de San Marcos to allow our collaborators access to courses at affordable prices.

The end of the year saw Christmas activities for the children of our workforce. They enjoyed children's shows at the company's branches throughout the country.

+ 1.5. CHANNELS OF COMMUNICATION

Ferreyros has an open-door policy to facilitate communication between all of its collaborators and the management. It also promotes and strengthens horizontal communication, providing continual information on the organization and its activities. This is achieved through such channels as the company magazine Imagen available to all personnel; the suggestion box for anyone who wants to express an opinion or make recommendations; notice boards, to publish the company's activities; and, finally, the Intranet. This channel was developed to publish the company's news in real time, enabling all collaborators to keep in contact regardless of their physical location and to obtain access to the resources and systems they need for their work.

The company's regulations are available to all employees in the regulations and procedures system on the Intranet. In addition, each new employee receives a welcome manual containing information relevant to their work in the organization. Similarly, the company shares public information on its web site, as part of its policy of clarity and transparency in matters of corporate governance.

Furthermore, we have been using the Six Sigma and Caterpillar Production System (CPS) methodologies since 2003 in order to improve processes leading to increased customer satisfaction and, at the same time, to encourage our employees to help to improve the organization. In this way we are stimulating the profitable and sustained growth of the business in line with the strategic aims of the company.

In 2011 we created a process management department to document the organization's processes. So far it has recorded 35% of processes and issued ninety working directives. During fiscal year 2011 we also began deployment of methodologies to improve our branches, starting with Arequipa and continuing with our Unimaq and Orvisa subsidiaries. Demonstrations of improvement projects were used to train more than 190 collaborators. As a result of these actions, 63 short, medium and long-term improvement initiatives have been implemented, which have had a positive impact on customer satisfaction. A good example of this is the 33% reduction in the time taken for repairs in our workshops. At the end of the year we mounted 5 project gallery walks at our Monterrico, Industrial and Arequipa branches and at Unimaq and Orvisa, which were attended by more than 800 collaborators.

COMMITTED

+ 1.6. RELATIONSHIPS WITH OUR LABOR UNIONS

The Ferreyros Organization respects its collaborators' union rights. From 1946 —and without interruption— our workforce have been represented by a union that has an excellent relationship with the company and takes part in the creation of policies aimed at improving working and living conditions for our personnel and their families.

It is important to point out that as a result of the annual meeting between the company's directors and the labor union, at which the latter submits its plea for better working conditions and salaries, communication between us is fluid and permanent. In 2011, as a consequence of these good relations, a solution to the workforce's pay demands was reached in a very short period. These were later extended to all the company's hourly-paid workers who do not belong to the union.

A special mention should be made of the sense of responsibility and close collaboration between the union and the company, attributes that are important when challenging circumstances arise. This constant joint effort shows the openness, solidarity and commitment of the union to the Ferreyros Organization.

+ 1.7. SOCIAL ACTIVITIES

2011 saw the organization of the first Inter-regional football tournament. Representatives of our branches and mining operations who classified in their respective cities took part. The Southern Region emerged as the champion of this tournament, with a team representing the Arequipa branch, while the runner up was the Eastern Region represented by a team from Orvisa.

We also held the 3rd Ferreyros Organization Inter-Company Football Tournament. CAT Inc., took part as a special guest, together with teams from subsidiaries companies Unimaq, Fargoline, Fiansa, Cresko and Mega Representaciones. The tournament was won by Fargoline, with Unimaq as the runner up.

In December, as has become customary, the Ferreyros Organization held its annual family day. On this occasion the meeting was entitled "The Ferreyros legacy, 89 years growing together", in which our collaborators represented each decade of the company's life from 1922 the year it was founded to date. Practically 90 years of sustained growth thanks to the hard work of everyone in the great Ferreyros family.



2. SHAREHOLDERS

Ferreyros employs the principles of good corporate governance, which guarantee: respect for the rights of the shareholders, equal treatment, transparent and timely information and an efficient board of directors to represent them. As we describe in the section on corporate governance and in the self-assessment, the company believes that it possesses high standards of compliance and that its responsible implementation of the principles make it a model for many other companies that have begun a process of continual improvement as the most earnest expression of their commitment to corporate governance.

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The Ferreyros Organization has had a distinguished history at national and international levels and proof can be seen in the fact that it reached the final of the Garrigues-Affinitas Good Corporate Governance Latin America award granted in Madrid in 2006. It is equally interesting to note that in 2006 it joined the (Companies Circle of the Latin American Corporate Governance Roundtable), which consists of 20 leading Latin American companies in the field of good corporate governance and is supported by the Organization for Economic Cooperation and Development (OECD) and the International Finance Corporation (IFC).

In Peru, good corporate governance as practiced by the Ferreyros Organization has also won awards from entities such as Procapitales and the Universidad Peruana de Ciencias Aplicadas (UPC), where the company took first place in the category 'best treatment of shareholders' (2006); the company also won the special prize for furthest progress in implementing good corporate governance (2007); and, finally, the best treatment of shareholders and best board of directors policy awards (2008). It should be noted that in 2010, Ferreyros won the 'best treatment of shareholders' award for the third consecutive year.



3. COMMUNITY: EDUCATION FOR YOUNG PEOPLE

In 2011, Ferreyros continued to devote considerable effort to the community, putting special emphasis on a subject it considers to be of vital importance: education for the young people who will be the future of the country.

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+ 3.1. ASOCIACIÓN FERREYROS' PROPOSALS FOR EDUCATION

In order to promote the education of young professionals in values and responsibility, for 14 years the Asociación Ferreyros has organized workshops aimed at transmitting the skills that will help them to achieve success in productive activities.

By means of the Ferreyros Career Management Program, the Asociación Ferreyros seeks to help with the training of professionals committed to the development of Peru, providing them with strategies and attitudes that are fundamental to their careers. This enables them to look ahead to the medium and long term and thus develop skills and respond to future demands with a competent and ethical profile. Furthermore, the program reaffirms the conviction that the practice of values is essential in achieving professional success.

The program—an integral proposal to complement a university education— consists of four modules:

1. *Projecting my career*
2. *Developing my competences*
3. *Employability*
4. *My future and my role as a professional*

These are addressed in an interactive manner, with theory support in the form of reading material and a methodology that encourages reflection and self-analysis.

The program is decentralized and completely free of charge. It is also aimed at young university students in all specializations in the final years of their courses in both state and private universities, and concentrates especially on universities outside Peru's capital.

During 2011 the program was implemented in 30 universities (20 state and 10 private) in 20 cities throughout the country; there were a total of 1,068 participants. As recognition of the importance of the program, 22 cooperation agreements have been signed with different universities.

Furthermore, Ferreyros continues to help financing the Annual Conference of University Students (CADE Universitaria), an event organized each year by the

Instituto Peruano de Acción Empresarial (IPAE) and attracts more than 600 young people from all over the country. Since 1997, the Asociación Ferreyros has been responsible for training the moderators of the working groups at Cade Universitaria. It is worth emphasizing the participants in these sessions reflect and draw up the final conclusions and recommendations. Since 2005, moderators have been chosen from among participants in the Asociación Ferreyros workshop program.

+ 3.2. "INCREASING THE EMPLOYABILITY OF YOUNG PEOPLE FROM POOR BACKGROUNDS" PROJECT - ENTRA 21

The project entitled Increasing the Employability of Young People from Poor Backgrounds, run by Ferreyros and Caterpillar, offers training free of charge in different fields to young people from poor backgrounds who have insufficient education to obtain good jobs. These young people come from marginal urban and rural areas of Peru.

The project is implemented in accordance with the needs of the labor market with information being collected on the requirement for skilled labor and the technical abilities needed to fill the vacant positions. This information is used to offer free training to participants in different parts of Peru in fields such as mechanical and electrical maintenance, industrial production, warehousing and logistics, materials handling and welding. Thus the program not only offers training but also guides students to specific jobs, previously identified and arranged with companies who agree to offer contracts of at least 6 months.

The Ferreyros Organization also helps to finance the program and offers jobs to its graduates. 17 such graduates already work with us, most as warehouse assistants in the spare parts distribution center.



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During this period the program has provided training for 593 young people between the ages of 18 and 29. 95% of these have found jobs, easily exceeding the target figure (50%). It should be pointed out that of all participants, 135 are women, 85 beneficiaries did not finish secondary school and 270 live in rural areas of the country.

This initiative has received an investment of more than US\$ 680,000, financed principally by the Multilateral Investment Fund (Fomin) of the Inter American Development Bank (IDB), the Caterpillar Foundation and Ferreyros; the International Youth Foundation (IYF) provides finance and acts as administrator; while Tecsup is the local ally implementing the training.

+ 3.3. THINK BIG PROGRAM

The demand for qualified technical personnel in Peru is considerable, particularly in the capital goods sector. This has led to the company making active contributions to educational institutions providing specialist technical training. For ten years, Ferreyros and Caterpillar have been operating the Think Big program aimed at training young people as mechanics.

The program, launched in 2002, trains specialist technicians in Caterpillar products for a period of two years. This program trains participants to service Caterpillar engines and equipment using modern maintenance systems and the latest generation of tools and technologies. At the end of the Think Big program they have the option to join Ferreyros' labor force with a defined career path.

In 2011 the eighth entry of 23 technicians graduated from the program while in Arequipa the first entry of 11 students also graduated. It is worth mentioning that the Think Big program was promoted in schools belonging to the Fe y Alegría, Humtec and Junior Achievement network.

+ 3.4. PROGRAM FOR YOUNG ACHIEVERS IN SCHOOLS IN CAJAMARCA

Since 2005, Ferreyros has been supporting the training for young achievers program in the schools of Cajamarca and Celandin, in collaboration with the Asociación Los Andes, which is also supported by Compañía Minera Yanacocha. The program, aimed third, fourth and fifth year secondary school students and their teachers aims principally to encourage an entrepreneurial spirit, better understanding of the free market and enable young people to find jobs; this work involves schools, universities, professional associations and companies in the province of Cajamarca.

The third stage of the program began in 2011. From its inception, it has benefited more than 25,000 students from 68 educational institutions in Cajamarca. They have understood the importance of study and training continually in order to achieve their personal goals and have acquired a good perception of the business world and the role of businessmen in society.

+ 3.5. SENATI DUAL APPRENTICESHIP PROGRAM

Ferreyros sponsors the Senati dual apprenticeship system being implemented in Lima and Cajamarca. This program enables young mechanical maintenance students to complement their technical training a practical apprenticeship in the company's workshops. The program's students have been given 5,520 hours of practical training in our workshops over the 3 year training period.

Participants in the program have been contracted by the company and work in its Cajamarca branch and nearby operations.

+ 3.6. PRE-GRADUATION PRACTICE PROGRAM AND ACADEMIC RESEARCH

As in previous years, in 2011 Ferreyros implemented a summer program of pre-graduation practice. This initiative applied to a talented group of 67 students, who made contact with the world of work, learning the culture of the Ferreyros Organization and assimilating the company's values on-site: integrity, commitment, a vocation for service and excellence, and innovation. The company is convinced that learning and applying these principles will be equally important in the future professional lives of these young people in any organization.

The pre-graduation practice plan applies only to students in their final year of study, who are assigned a mentor to guide them through a program that is of high value to the students and provides feedback for the development of their professional competences.

Furthermore, we also support students carrying out academic research work concerning Ferreyros.

+ 3.7. VOCATIONAL GUIDANCE

In 2011, Ferreyros took responsibility for the sixth year running, for enabling pupils in their final year of secondary school to see their future profession at first hand. Students from Trener, André Malraux and San Jorge schools visited the company and were able to see its workshops and talk to different executives of the organization; this enabled them to see at first hand the functions and activities of the different professionals working for Ferreyros and thus confirm their own career choices.

+ 3.8. CORPORATE VOLUNTEERING

Through its corporate voluntary work program, Ferreyros took part in initiatives that make a difference. Once a week two collaborators from different departments of the company volunteer for the Aprendo Contigo (learning with you) program, an educational-recreational initiative aimed at children from the Instituto Nacional de Enfermedades Neoplásicas (INEN) cancer treatment center who, for health reasons cannot attend school regularly. Through recreational activities, the volunteers help the children to play and, above all, assuage their concerns about their illnesses and prevent the latter from becoming central to their lives.

Furthermore, the principal activity of corporate volunteering in Lima consists of the construction of emergency housing in collaboration with an organization called Un Techo para Mi País, benefiting families in the San Juan de Lurigancho marginal settlement who live in conditions of extreme poverty.

In order to raise funds for this initiative the company organized the "Ferreyros 4k, Corporate Volunteer Run" for the second consecutive year. This activity attracted more than 350 participants, including collaborators of the company and family members. Welcome support was provided by the following companies: Anita Food, Amsa Radio, Gatorade, Gloria, Rehder and La Positiva.

Similarly, and as in previous years, personnel from Ferreyros branches in different parts of the country visited marginal areas to help in rural schools, implementing an initial education program and assisting at homes for the elderly, among other social support work. In addition to the traditional Christmas celebrations, much work was done, such as refurbishment of schools, provision of classroom equipment and bathrooms, as well as the installation of recreational equipment, among other items.



+ 3.9. YOUNG PEOPLE WITH A FUTURE PROGRAM

Young people with a future is an innovative program by Ferreyros that trains poor people from communities in the areas of influence of our clients, in the operation and maintenance of Caterpillar equipment; they are offered concrete opportunities for technical development in jobs that are greatly in demand in today's labor market.

This program also seeks to give young people an optimistic view of the future and to understand that they are the main drivers of their own destiny and the development of their communities.

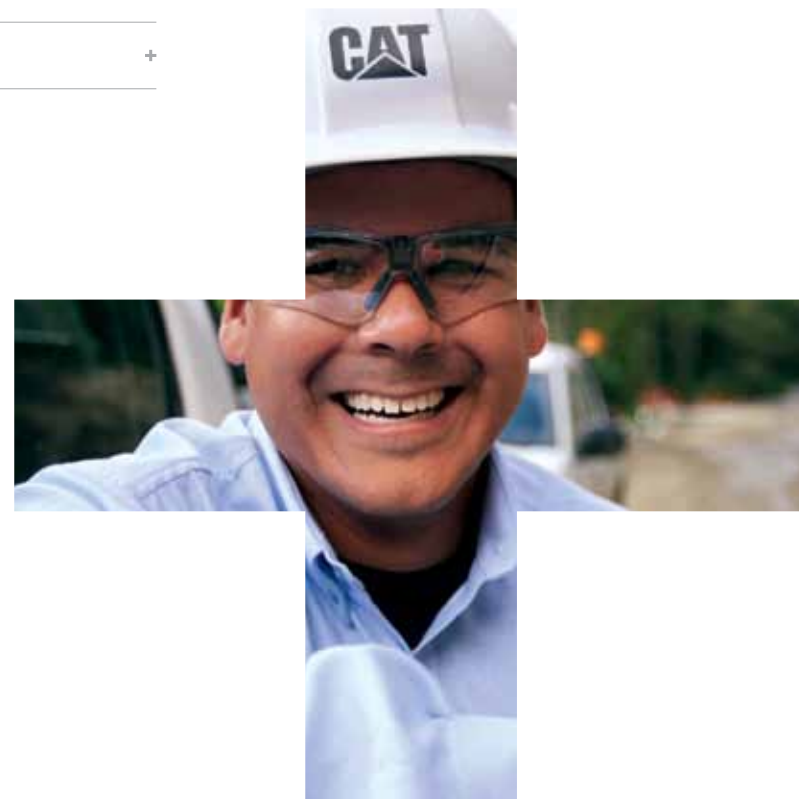
Young people with a future is a modular program and covers the following:

- Educational updating for fifth grade secondary students* +
- Integral heavy machinery program* +
- Caterpillar heavy machinery operator trainin* +
- Caterpillar basic accelerated courses (Accelerated Basic Course-ABC)* +
- Caterpillar Think Big program* +
- Tecsup heavy machinery program* +

Because of its academic flexibility, the program meets the needs of the community, offering different development opportunities in line with the potential of each young person and the specific needs of Ferreyros' clients.

This program started in the community of Espinar in Cusco, with Xstrata Tintaya as our ally and Tecsup as the strategic partner and executive agency of the program.

During 2011 the educational update and integral heavy machinery modules were implemented. The 8 students who produced the best performance went to the School for Operators in Mala (Lima) while another group —consisting of 10 people— attended the Caterpillar accelerated basic course - ABC in Arequipa.



4. COMMUNITY: PROMOTION OF MECHANIZATION AND INFRASTRUCTURE IN PERU

Aware of the role of the private company as an agent of change in Peru's development, in December 2008 the Ferreyros Organization included a program called Promueve-Maquinaría para el Desarrollo (Machinery for Development) into its social responsibility initiatives.



At the end of 2011 the Promueve-Maquinaría para el Desarrollo program, an important initiative of Asociación Ferreyros was completed, having been developed in collaboration between Ferreyros, Unimaq and its principal, Caterpillar. The aim of the program for its 3 year duration was to improve the living conditions of people in the least-developed parts of Peru through mechanization. In order to create basic infrastructure in these zones, as well as to train machinery operators from among the local population, Ferreyros provided in use and free of charge to 11 local and provincial councils 39 units of machinery for light construction and 59 Caterpillar tools. It also trained their operators, helping them to identify needs, projects and work to be carried out and providing preventive maintenance and servicing for the machinery.

This initiative, implemented in 2008, has benefited the provincial councils of Huamanga and Huanta (Ayacucho); Juliaca and Ayaviri (Puno); Chíncha Alta (Ica); and the district councils of Nuevo Chimbote (Áncash); La Tinguiña and Parcona (Ica); and, finally, Villa María del Triunfo and Independencia in Lima.

The Ferreyros Organization made available to these entities a fleet of machines especially prepared for the purpose, consisting of: 14 x 420E backhoes, 16 x 242B2 skid-steer loaders, 3 x 257B2 skid-steer loaders, 2 x 314C excavators, 4 x D5K tractors and 59 tools to be used exclusively for work in communities in poor zones within their respective areas of influence.

Similarly, Promueve-Maquinaría para el Desarrollo has made available a full team of specialists in after-sales service and an administrator dedicated exclusively to these projects. These Ferreyros professionals provided continual monitoring of progress with the work as well as permanent supervision and evaluation. It should be pointed out that the Ferreyros branches nearest to the municipalities benefiting, also made their technical and engineering personnel available and offered their workshops for the maintenance of this fleet.

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At the end of 2011, the principal results of the program were:

<i>143,000 hours of machinery operation</i>	+
<i>30,000 families benefiting</i>	+
<i>130 different municipal projects using the program machinery.</i>	+
<i>US\$ 3.6 million invested in the program, machinery, training and maintenance</i>	+
<i>200 people from communities given training</i>	+

The work carried out by the machines in the projects undertaken by the beneficiary municipalities included: clearing and removing rubble, excavating and covering trenches, preparing and leveling land, drainage channels, debris removal, preliminary work for road and path maintenance, drilling and removal of material, road repair and maintenance, refurbishing and improving drains and drinking water networks and dredging river beds, among others.

Promueve-Maquinaría para el Desarrollo is the first initiative of its type that Caterpillar has implemented anywhere in the world, and it has been implemented successfully together with the Ferreyros Organization.

The Promueve-Maquinaría para el Desarrollo program gave special emphasis to skill creation among local people in the beneficiary regions. The machinery operators—inhabitants of some of Peru’s least developed areas—received training in the proper use of the equipment, which, in addition to improving their living conditions and those of their communities, gave them new skills that increased the

likelihood of them finding employment. It should be pointed out that more than 200 operators from these communities, designated by the municipalities, have been trained under the program.

Finally, after verifying compliance with the objectives and conditions stipulated in the agreement, and as a way of furthering the beneficiaries’ commitment, Ferreyros decided to donate the equipment to the 11 municipalities.

In order to extend the program to the most deprived regions of the country, Ferreyros will continue to create more alliances with its clients, thus achieving two objectives: the development of basic infrastructure in poor areas and the possibility of clients forming a sustained relationship with the areas of influence of their operations. Companies that include this program in their social responsibility plans will create skills and better employment opportunities for the people of these communities.



5. THE ENVIRONMENT

Ferreyros has assumed the responsibility for taking a preventive approach to protecting the environment. Thus the Company's efforts aim to prevent environmental impacts and to continually improve its performance in this field, in accordance with its integrated health, safety and environmental policy.

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ENVIRONMENTAL MANAGEMENT SYSTEM

Ferreyros has developed a standard environmental management system based on ISO 14001 standard, in order to improve its compliance with the environmental requirements and standardize its performance throughout Peru.

This program is implemented, monitored and audited by the environmental management programs (EMP) of each of the company's branches, which include four elements:

i) Planning: to identify environmental impacts and the legal requirements applicable.

ii) Training and awareness raising: through an annual environmental training program that includes subjects relevant to the handling of waste, chemical spillages and environmental inspections, among others. Environmental talks and campaigns are also used to raise the awareness of our personnel regarding care of the environment.

iii) Operational control: aimed at proper management of the main environmental aspects of the business, especially the policy of minimizing waste at its source, effluent treatment and prevention and control systems at each branch, control of emissions through preventive maintenance programs and vehicle monitoring, as well as pollution control and spill management through training for our collaborators in prevention techniques.

iv) Verification: of monthly indices of resource consumption, such as water, electricity and fuel, as well as the quantity of waste generated at each branch. Similarly, the company carries out monthly monitoring of corrective and preventive action arising from inspections, the recording of environmental incidents and internal audits.



6. SUPPLIERS

Ferreyros has a policy of contracting suppliers based on clearly established principles such as transparency and equal treatment. Its aim is to develop reliable and fair relationships for both suppliers and the company, with a view to mutual growth.

COMMITTED

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

It should be pointed out that the company's main suppliers —customs agents, road haulage companies, security companies and construction contractors— are chosen by tender, thus avoiding monopolistic practices that restrict competition. This policy enables us to have at least two suppliers for each service used by the company.

In addition, it is of vital importance to Ferreyros that its suppliers apply good human resources practices and share the conviction that this: increases motivation among collaborators, increases productivity, benefits clients and consumers, raises the quality of the products and services and, finally, improves the welfare of Peruvians in general. For this reason the company wishes to encourage these practices and encourage its suppliers to join the Association of Good Employers (ABE).

Since the middle of 2010, contracts with suppliers include —in the supplier's obligations clause— the need to comply with the principles of corporate social responsibility established by the company, so that they apply to all the company's activities and actions.

The Ferreyros code of ethics specifically includes certain principles concerning its relationship with suppliers, for example:

"We do not contract suppliers who do not respect ethical principles or obey the law". +

"We do not accept gifts, favors or invitations from any supplier other than mere courtesy, and we do not accept money under any circumstances". +

Furthermore, during 2011 we continued to impose security on our transport operations. Committees consisting of a directive elected from the truckers themselves reports on service indicators, incidents and observations are duly submitted and commented on. Furthermore, the truckers describe their experiences and good practices with which to improve the processes and solve problems.

At the close of each year prizes are awarded to the three best truckers who have had the fewest incidents and have rigorously and consistently applied the best safety practices.

As far as customs agents are concerned, a climate of mutual confidence is maintained through a process of collaboration aimed at implementing the best solutions to achieve the joint goal of speedy, safe processes in line with customs legislation.



7. CLIENTS

Ferreyros encourages mutually beneficial and long term commercial relationships with its clients, based on the availability of the best solutions, the backing of a leading organization with a presence all over Peru, excellent service and a tradition of integrity and values implemented over nearly 90 years of the company's existence.

Much of this Annual Report details the added value that Ferreyros provides to its clients, a summary of which is given below.

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+ 7.1. HIGH QUALITY PRODUCTS AND SERVICES TAILORED TO THE NEEDS OF EACH SECTOR

Ferreyros offers a wide range of products and services with the highest added value for clients and the most prestigious international makes that provide the best and most effective response to the needs of their business. The company has a large portfolio of products from prestigious international manufacturers, including Caterpillar, which we have represented since 1942 and Atlas Copco, Terex, Kenworth, Iveco, Massey Ferguson, Zaccaria, Sullair, Paus, Oldenburg and Metso, among others.

As the introduction to this Annual Report mentions, Ferreyros covers the whole of the Peruvian market, with 23 provincial branches, 7 branches in Lima and a series of operations on our clients' sites throughout the country, thus facilitating access by our clients to the company.

Ferreyros is present at the most important projects being implemented in different parts of the country. Regardless of whether these are in the mining, construction, farming, forestry, marine, automotive, industrial or energy sectors, the company makes technicians and engineers available to all to guarantee a specialized service of the highest level. Spare parts and components are also offered when required. Ferreyros offers its clients nationwide coverage through on-site service whenever necessary.

One of Ferreyros' key differential factors is the excellence of its after-sales service, which gives its clients the maximum possible support for their capital goods. The company therefore offers: a decentralized network of specialist workshops; the largest inventory of spare parts and components, and impeccable logistics; first class technical personnel trained to international standards and backed by the brands

we represent; specialized services such as the fluid analysis laboratory (SOS), that can detect possible anomalies that could reduce the life of a component, so that corrective and preventive action can be taken in a timely manner; training for the technical personnel of our clients; and a complete portfolio of technological solutions designed to maximize the productivity of the equipment acquired, among other advantages.

In another field, Ferreyros' financial services department, consisting of a team of specialists, provides clients with advice on the different forms of financing (loans from local or foreign institutions, export credit insurance from international agencies or financial leasing), as well as a consulting service for the process of selection of the appropriate form of financing. Similarly, the company can offer clients direct financing at terms appropriate to their requirements. It also provides short-term commercial credit for the acquisition of spare parts, maintenance and repair services and renting.

It is worth mentioning that in order to provide specialized attention to its many target clients, the Ferreyros Organization is segmented in accordance with the profiles and needs of the markets in which it operates.



+ 7.2. CLIENT SATISFACTION AND MANAGEMENT OF COMPLAINTS

Ferreyros' client service office (O.A.C.) was created in 2007 to capture the 'voice of the client' (VOC) in order to identify and develop opportunities for improving the organization. This office is also responsible for proactively monitoring clients' experiences in each of their interactions with the company, in order to improve their levels of satisfaction with our products and services; similarly, a basic aim of the O.A.C. is to encourage and consolidate lasting and profitable relationships for our clients' businesses.

It is vitally important to the Ferreyros Organization to be skilled at client service. With this in mind, in 2011 we gave training in Service Recovery (techniques for managing complaints and concerns), to a total of 126 collaborators from our branches in Iquitos, Pucallpa, Huaraz, Ica, Piura, Chiclayo, Tarapoto, Trujillo, Cusco, Cajamarca and Arequipa. The program emphasized

the provision of a quality service and on how to take the best advantage of information in surveys by Caterpillar. It should be pointed out that in 2011 we carried out more training at national level to deepen knowledge of the matters mentioned above, which included guidelines on the management of client experiences.

CLIENT SATISFACTION

Client satisfaction is measured through surveys by Ferreyros in its capacity as representative of Caterpillar. These surveys identify opportunities for improvements to the products and services we offer. In 2011, the surveys show a level of satisfaction of 8.6 with sales of new equipment and 7.49 with services, on a scale of 1 to 10.

In 2012 we plan to implement new projects to improve the experience of our clients, in order to optimize aspects such as: levels of satisfaction, loyalty to Ferreyros' services and recommendation. In summary, more attention to the essential variables required to build successful relationships with our clients.

COMPLAINTS MANAGEMENT

Complaints management operates from a web platform to which it is easy for clients to gain access. The aim is to solve complaints and analyze their causes, generating knowledge within the organization that will enable the company to anticipate future problems.

During 2011 there were a total of 463 complaints 44% more than in 2010 as a logical consequence of the increased market coverage. It is particularly noteworthy that the number of complaints dealt with in less than 30 days was 16% higher than in 2010.

In 2012 we expect to shorten the time required to settle complaints and to start a program to share the knowledge gained from such cases, standardizing the criteria for anticipating possible concerns on the part of clients.

The effort to provide a better client experience will be strengthened by efficient application of the customer relationship management (CRM) tool, which will help to provide better support for the commercial process and enable us to anticipate future requirements and provide personalized service to our clients.

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+ 7.3. MARKETING AND COMMUNICATIONS POLICIES

Ferreyros' marketing and communications policies comply strictly with the principles of respect for competence and proper management of business information. One of these principles involves not pointing out the defects of competitors' products and services in order to promote ours, and we do not engage in misleading advertising or make false or exaggerated claims about our products.

Equally, the company is convinced that giving clear, up to date and accurate information is commercially ethical. For this reason it trains its sales force continually, both in-house and otherwise, providing them with knowledge of the products and services we offer, to be passed on using the same principles to our clients.

The company's code of ethics includes the following principle concerning sales, marketing and proper business management:

"It is not acceptable to give deliberately misleading messages, to omit important facts or make false claims about our competitors' offers. We do not exaggerate the attributes of our products and we provide complete, clear and accurate information about them."

Ferreyros is committed to ethical selling in accordance with the values that have characterized the organization for more than 89 years. The company's code of ethics includes three specific mentions of this aspect:

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

"We treat everyone with which the organization does business in a fair and honest manner, thus maintaining our reputation for integrity in all our commercial relationships."

"We do not expect any special treatment from our clients, therefore we do not accept gifts, favors or invitations other than common courtesy and we do not accept money under any circumstances."

+ 7.4. RESPECT FOR CLIENT PRIVACY

The Ferreyros code of ethics includes a specific principle concerning the protection of clients' confidential information:

"We must protect the confidentiality of information received from third parties, particularly clients and suppliers, and we use such information only when authorized to do so."



8. GOVERNMENT AND SOCIETY

Ferreyros adopts a policy of absolute honesty in each one of its operations. For this reason the code of ethics states that the interests of the organization will never be furthered by fraudulent or illegal conduct on the part of its collaborators and specifically prohibits the use of unethical practices in commercial dealings with the State. Furthermore, the company requires all its personnel without exception to comply with the laws and regulations applicable to the organization's business.

COMMITTED

As mentioned earlier, the company encourages responsible citizenship and values among young people through the Asociación Ferreyros. It thus encourages opinions on matters of public interest, such as social responsibility, foreign trade and the capital market. This work is pursued through participation in organizations such as: chambers of commerce; the Peruvian Confederation of Private Business Institutions; the Peruvian Chamber of the Construction Industry; Peruvian Mining Petroleum and Energy Society, the Association of Mining Suppliers; the Automotive Association of Peru; the Association of Capital Market Companies (Procapitales); the Foreign Trade Association (Comex); and Peru 2021, among many others. Similarly, the company reinforces its educational task by including some of its officers in the boards of committees of these institutions.

With a view to sharing the social responsibility initiatives, in June 2011 the company took part in the fifth Social Responsibility Projects Fair organized by Peru 2021 and the Universidad Católica del Perú. At this event the company demonstrated two Caterpillar machinery simulators used for training purposes, which gave participants a most realistic experience of the operation of the equipment sold by the company.

In order to measure, understand and improve the economic, social and environmental performance of the Ferreyros Organization, the company committed itself to produce a sustainability report using the global Reporting Initiatives (GRI) methodology.

+ 8.1. GLOBAL COMPACT

One example of the commitment to an active role in social responsibility is the company's adhesion to the Global Compact, an initiative headed by the United Nations Organization (UN), which entities all over the world incorporate into their operations. The Compact consists of 10 principles of conduct and action in human rights, labor, the environment and the fight against corruption.

The 10 principles of the Global Compact, to which Ferreyros has been committed since 2004 are:

1. Businesses should support and respect the protection of internationally proclaimed human rights (to life, integrity, liberty, equality, non-discrimination, etc.)
2. To make sure it is not complicit in human rights abuses.
3. To uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. To eliminate of all forms of forced and compulsory labor.
5. To promote the abolition of child labor.
6. To support the elimination of discrimination in respect of employment and occupation.
7. To support a precautionary approach to environmental challenges.
8. To undertake initiatives to promote greater environmental responsibility.
9. To encourage the development and diffusion of environmentally friendly technologies.
10. To work against corruption in all its forms, including extortion and bribery.

Having decided to incorporate and encourage social responsibility in all its activities, Ferreyros will continue to implement programs and practices that enable it to interact with its different interest groups in accordance with these principles. It should be added that on assuming the commitment to comply with and respectfully each of the ten points in the Global Compact, Ferreyros sends an annual progress report to the UN detailing its achievements in this respect.



COMMITTED TO THE FUTURE

OUR LONG EXPERIENCE THROUGHOUT 90 YEARS IS THE FOUNDATION FOR OUR COMMITMENT AND FUTURE GROWTH. A CLEAR STRATEGIC VISION OF THE FUTURE ENCOURAGES FERREYROS TO CONTINUE GROWING AND SERVING ITS TARGET MARKET IN EVER BETTER WAYS. THIS INCLUDES THE GRADUAL EXPANSION OF OUR RANGE OF PRODUCTS AND SERVICES, THE EQUIPMENT OF WORKSHOPS AND PREMISES THROUGHOUT THE COUNTRY AND COMPETENT AND HIGHLY MOTIVATED STAFF, AMONG OTHER ASPECTS.



CORPORATE GOVERNANCE

COMMITTED

Ferreyros has taken as its own the principles of good corporate governance, which include, among others, the following: Protection of the rights of all shareholders minority and foreign through equal treatment; ensuring that there is prompt and adequate diffusion of all matters relevant to the company, including its financial situation, performance, the risks it faces and individual shareholdings, and, furthermore, guaranteeing the strategic guidance of the firm through effective monitoring by the board of directors, and its responsibilities to its shareholders.

Thus, Ferreyros is convinced that adopting good practices of corporate governance helps to increase the value of the company. As a consequence of this belief, it will redouble its efforts to create more value for its shareholders, it will be more successful in attracting new investors and will differentiate itself from other participants in the capital market.

The company has not only made an effort to comply fully with the principles of good corporate governance, it is helping to make them known in the market; by participating in different events with own testimonials and sharing its experiences on the matter in order to motivate other companies to apply these ideals that will contribute to the growth and development of Peru.

Concepts such as corporate governance are becoming ever more important in the world of business. The term refers to a system by which a company is led and controlled in the pursuance of its business, concentrating on the responsibilities and rights that every member of the organization should assume, as well as on the rules to be followed in making decisions. In addition, corporate governance covers all formal and informal practices that establish the relationships between the board of directors (responsible for defining the goals of the company), the management (who administer and operate it) and the shareholders (who invest in the company).

The purpose of each one of these actors is corporate transparency, which is achieved through: better publishing, diffusion and accessibility of information about the company, and motivating those involved to take a more active part.

In Peru the concept of corporate governance was introduced in 2000. It was then that Ferreyros decided to join a group of entities supporting Conasev in the publication of a Peruvian code of "principles of good governance for Peruvian companies", In July 2002. Based on these guidelines, the company implemented changes in certain practices employed by the board of directors, as well as in the diffusion of information and management of risks, among other things. These actions obliged it to make amendments to its by-laws so that some of the changes mentioned could be implemented. One example of these amendments was: delegation of shareholders' representation, the appointment of independent directors to the board of directors and the creation of committees in the board of directors.

Now with nearly ninety years of experience, Ferreyros is an outstanding company in Peru and abroad in virtue of its good corporate governance and social responsibility, which have been recognized on many occasions. As the Annual Report of 2002 says, the company believes that throughout its life ethical principles have been its most important guide. These principles are also included in the concept of corporate governance.

Transparency, fairness and seriousness are some of the founding principles of the company, which also include the principles of good corporate governance and reaffirm its international prestige in the eyes of its clients, suppliers and investors, both regional and local. Without a doubt, this is an element that differentiates the company from its competitors in the Peruvian market.

Furthermore, continual improvements carried out within the organization are possible thanks to the fact that the directors and senior management have always understood clearly the positive implications of good corporate governance within the organization, as well as the advantages that they bring to all aspects of its business. It is for this reason that it has encouraged and developed exemplary corporate practices such as: equal treatment for all shareholders; adequate and opportune presentation of all matters relevant to the company, including its financial situation, performance, the risks it faces and individual shareholdings; as well as compliance with the company's strategic guidelines through monitoring and self-assessment by the board of directors and its responsibilities to the shareholders.

Nevertheless, the company accepts that certain aspects of management may be susceptible to improvement. With this in mind, during recent years improvements have been made to its processes in a totally voluntary manner and arising from its own decisions. To give one example, in 2011 the number of independent directors was increased so that the personal and professional experiences of these directors, as well as novel points of view would add more value to different aspects of the company. Furthermore, the roles of the board's internal committees were modified to concentrate in greater detail on the responsibilities of each one.

Due to the impressive growth experienced by the company, and in order to maintain its leadership in its field, Ferreyros has adequate sources of finance available so that it can acquire the assets that its activities require. Ferreyros has thus based its growth on the reinvestment of profits and alternative sources of finance, commencing with the traditional local and foreign banks and entities such as Caterpillar Financial Services; but fundamentally it relies on the Peruvian capital market.

As far as this last point is concerned, closely linked as it is with the subject of corporate governance, it should be pointed out that Ferreyros' shares have been quoted on Lima Stock Exchange since the 1960s. To date, the company has more than 2,500 shareholders and a significant percentage of its shares are in the hands of Peruvian pension funds (AFPs). Another relevant aspect related to the capital market, is Ferreyros' active participation issues of debt instruments since the 1990s. It currently offers a program of current debt instruments, which is the principal source of financing for the company, enabling it to reduce its costs.

The board of directors and senior management of Ferreyros firmly believe that corporate governance is a means by which the company can obtain financing from different sources and reinvest its profits. Companies that are quoted on the stock exchange must make improvements in this field in order to retain existing shareholders and to attract

new investors. Similarly, the company is intent on improving its corporate governance in order to create confidence among its minority and foreign shareholders and assure them that their rights will be respected and protected by equal treatment with the majority shareholders. The more a company's shares are traded on the stock market — thanks to free quotation— the easier it is for minority shareholders to increase and/or reduce their shareholdings. It is also believed that with more liquid shares, the price will continue to rise.

It should be pointed out that the board of directors thought it necessary to modify the by-laws in 2005. These changes were proposed in accordance with the Principles of good corporate governance and published after the said document had been drawn up. Similarly, it should be pointed out that other documents, regulations and internal rules, deriving from the efforts of the board and the management to establish and comply with specific measures concerning the concept of good corporate governance, included recommendations aimed at bringing the company's organization into line with these standards.

This clearly shows the company's concern for good corporate governance and how these practices govern its conduct, and the Ferreyros Organization is proud that it has received the highest classification and various awards in annual evaluations by the authority responsible for verifying compliance with these principles.



+ ACKNOWLEDGEMENTS

In 2006, Ferreyros took part for the first time in the good corporate governance competition organized by Procapitales and the Universidad Peruana de Ciencias Aplicadas (UPC). This important competition required us to submit information on: treatment of shareholders; practices employed by the board of directors (including the appointment of independent directors) as well as constitution of committees within the board; information transparency; the administrative structure and risk management; and, finally, a list of internal and external agents.

Ferreyros took part in this competition to seek recognition, given that it is aware that investors reward good corporate governance, and to obtain feedback from the organizers on where to improve its practices.

Thanks to the priority the company gives to good corporate governance, it has received award nominations and recognition both in Peru and abroad.

Ferreyros' aim is to become a standard for the country and the region and this inspires and drives the company to continue with its work in this important field. An important milestone was its incorporation in mid 2006 into the Latin American Companies Circle, an initiative created in 2005 by the Organization for Economic Cooperation and Development (OECD) and the International Finance Cooperation (IFC), together with the eight founder members.

At present, Companies Circle consists of 19 Latin American companies, all of which are leaders in the implementation of good corporate governance. This association seeks to encourage a wider understanding of the concept of corporate governance in the region. One of its goals is to be a forum for discussion and the exchange of experiences on the challenges and achievements of its members in this field. It should thus be remembered that Companies Circle in which member companies, the OECD, the World Bank's Good Corporate Governance Forum and the IFC collaborate is already recognized as a group of experts with vast knowledge and experience of good corporate governance throughout Latin America. One of its functions is to report to the international community on national and regional initiatives for reform in this field.

Sharing with the Latin American business community improvements and practical solutions it has found and implemented in the field of corporate governance, is one of the main objectives of Companies Circle. Thus, the vision and experience of companies that have already undergone extensive reforms considerably enrich the work of the Latin American Companies Circle. The general manager of Ferreyros represents the company at this organization and has presided over it since 2010.

It is relevant to note that the 2011 annual meeting of Companies Circle took place in Lima, hosted by the Ferreyros Organization on its own premises. Equally, in collaboration with two other members of the Circle — Graña y Montero and Compañía de Minas Buenaventura— Ferreyros organized the Awareness Event, the purpose of which was to share the experiences of the most outstanding members of the Companies Circle with senior executives from Peru's financial and business world; directors and senior managers from local corporations also took part in this event.

COMMITTED

In 2011 the company's stock was included for the fourth year running in Lima Stock Exchange's corporate governance index, which consists of just 10 Peruvian stocks, which enjoy the highest standing in this field. 2011 also saw the Ferreyros Organization awarded the "Keys to Lima Stock Exchange" for the second time; an important award for companies that have made the most progress in good corporate governance.

Internationally, in 2011 Ferreyros' work was recognized by prestigious European magazine World Finance, one of the world's most respected economics, finance and business publications. The magazine described Ferreyros as "the leading Peruvian company for good corporate governance" and awarded it the Corporate Governance Award 2011. It should be pointed out that this award, among other factors, rewarded the progress of companies in the application of good corporate governance during 2010, accepting that they have achieved the highest levels of excellence in the field. The winners, therefore, are those who have: implemented practices above and beyond the formal requirements of regulations are totally transparent in the information they reveal and, finally employ the best practices for interaction with their shareholders and other interested parties.

During 2011, Ferreyros took part in other activities, such as seminars and events, and published articles, in order to spread and promote the concept of good corporate governance among companies and members of the capital market in general. It also took a very active part in the managing board of Procapitales and in its good corporate governance committee. The important role of the company's collaborators as exhibitors, both in Peru and abroad, is worth a special mention.

+ GOOD PRACTICES

The general meeting of shareholders held on the 31st of March, was called through: notices of calling published in daily newspapers El Comercio and El Peruano, notices posted in the company, its web site, by telephone, mail and e-mail to those contained on the shareholder database. The result was the presence of 141 shareholders who, together with proxies, produced a quorum of 87.4% at the meeting. The agreements adopted by the meeting were revealed to the market the following day as "significant events" and published on Ferreyros' web site. Similarly, the minutes of the meeting were also published on the web page on the fifth business day after the meeting.

In 2011 —and for the fourth consecutive year— the meeting was broadcast live on the company's web page, enabling shareholders to take part in real time.

In accordance with the current dividend policy updated in March 2007 the meeting approved a cash dividend and the capitalization of profits. The board of directors recommended the distribution of S/. 0.06600 per share (6%) as a cash dividend and the provision of shares equivalent to S/. 0.191994118 per share, which represents 17.45%. These were handed to shareholders on the following dates:

Dividends

Date payable	Term	Amount to distribute	Total shares	Capital	Amount per share	Cutting date	Quotation with rights	Quotations without rights	CONASEV record (importance fact)
28/05/2003	2002	2'491,779.80	161'850,384.00	178'035,422.40	0.01539557	15/05/2003	1.05	1.05	30/04/2003
05/05/2004	2003	9'134,393.00	205'000,000.00	225'500,000.00	0.04455801	20/04/2004	1.51	1.49	2004010119
02/05/2005	2004	11'990,000.00	218'000,000.00	239'800,000.00	0.05500000	13/04/2005	1.75	1.70	2005008248
08/05/2006	2005	13'308,900.00	241'980,000.00	266'178,000.00	0.05500000	11/04/2006	1.90	1.90	2006008478
12/06/2007	2006	28'419,600.00	258'360,000.00	284'196,000.00	0.11000000	29/05/2007	7.30	6.65	2007015084
30/04/2008	2007	40'289,898.53	305'226,504.00	335'749,154.40	0.13204256	10/04/2008	5.95	5.82	2008008965
15/05/2009	2008	20'772,425.03	377'778,844.00	415'556,728.40	0.05500000	16/04/2009	2.40	2.35	2009010698
14/05/2010	2009	28'037,867.02	424'816,167.00	467'297,783.70	0.06600000	15/04/2010	2.92	2.85	2010010368
23/05/2011	2010	31'857,670.00	482'691,963.00	530'961,159.30	0.06600000	18/04/2011	3.00	2.93	2011011194

The meeting also agreed to modify the nominal value of the company's shares from S/.1.10 each to S/.1.00.

This variation had no economic effect on the investments of Ferreyros' shareholders, rather the adjustment provided them with more shares having a lower nominal value, but maintaining the value of their investments. The purpose of the modification was to simplify shareholder's calculations when deciding investments and receiving dividends or shares.

Compliance with standards of good corporate governance is the best guarantee of transparency in the conduct of the company's business, as it makes constant use of the capital markets through debt instrument issues. This demonstrates how such practices become an element of maximum convenience as the market values transparent and professional management of the companies that make use of it.

Since 2004 Conasev has required companies listed on the BVL to include in their Annual Reports a questionnaire to measure adhesion to the 26 principles contained in the Peruvian code of corporate governance. Ferreyros is happy to reproduce this questionnaire.

INFORMATION ON COMPLIANCE WITH THE PRINCIPLES OF GOOD GOVERNANCE FOR PERUVIAN COMPANIES, FOR FISCAL YEAR 2011

COMMITTED

Trading name:	Ferreyros S.A.A. (Hereinafter the COMPANY)
RUC:	20100027292
Address:	Jr. Cristóbal de Peralta Norte 820, Monterrico, Santiago de Surco
Telephone:	6264000 - 6264254
Dedicated client line:	0800-13372
Fax:	6264504
Web page:	www.ferreyros.com.pe
Stock market representative:	Mariela García Figari de Fabbri Emma Patricia Gastelumendi Lukis Víctor Astete Palma

Section one of this report evaluates 26 recommendations of the principles of good governance for Peruvian companies.

The level of compliance with each recommendation is evaluated on a scale of 0 to 4, with 0 meaning no compliance and 4 meaning full compliance.

The information requested is completed in detail for the objective evaluation.

Section two of this report evaluates a series of aspects concerning shareholders' rights, the board of directors, the responsibilities of the COMPANY, the shareholders and shareholdings.



SECTION ONE: EVALUATION OF THE 26 RECOMMENDATIONS OF THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE



I. SHAREHOLDERS' RIGHTS



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

Generic matters should not be included on the agenda, the points to be discussed should be defined so that each subject is discussed separately, facilitating analysis and avoiding the joint resolution of matters upon which different opinions may be held.

Compliance: 4

the COMPANY does not include generic matters on the agenda, the points to be discussed are defined so that each subject is discussed separately, facilitating analysis and avoiding the joint resolution of matters upon which different opinions may be held.



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

The general meetings should be held where the shareholders can attend them.

Compliance: 4

Ferreyros' general meetings of shareholders are held where access by shareholders is easy. In addition, and so that meetings can be followed by shareholders who cannot attend personally, they are transmitted in real time on the web site of the COMPANY. Thus all the shareholders can take part in the meetings.

a. The COMPANY called one general meeting of shareholders during 2011 and no extraordinary general meetings.

b. Date of calling: 4th of March 2011
Date of meeting: 31st March 2011
Location of meeting: Jr. Cristóbal de Peralta Norte 820, Monterrico, Santiago de Surco (local institucional de Ferreyros)
Quorum: 89.45%
Shareholders present: 180
Meeting started: 11.00
Meeting adjourns: 13.00

c. The COMPANY called the meeting through notices of calling in newspapers El Comercio and El Peruano on the 4th of March 2011. In addition, and in order to ensure that as many shareholders as possible could attend the meeting, a notice of calling was posted on COMPANY notice boards in its premises throughout Peru, by telephone, through the Ferreyros web site and by mail and e-mail to those on the shareholder database.

d. The procedure for calling the general meeting is governed by:

- The by-laws of the COMPANY.
- The internal regulations of the shareholders meeting, board of directors and committees of directors.
- Manual of Good Corporate Governance.



e. The agreements adopted by the meeting were revealed to the market the following day as "significant events" and published on Ferreyros' web site.

Shareholders can request information by various means, as establishes in the companies act and, in particular, through the company's web site in the "investor service" or "contact us" sections.

They may also ask for copies of the minutes from the securities department on a dedicated shareholder line (0800-13372).

The minutes of the 2011 meeting were published on the web site on the fifth business day after the meeting.

+ 3. PRINCIPLE (I.C.2)

Shareholders must have the opportunity to introduce points for debate, within a reasonable limit, onto the agenda of shareholders meetings.

Subjects included in the agenda must be of interest to the company and within the legal or statutory competence of the meeting. The board of directors must not reject applications of this kind without giving the shareholder an acceptable reason.

Compliance: 4

a. Shareholders in the COMPANY can include matters on the agenda using an additional mechanism to that contemplated in the Companies Act.

Ferreyros' by-laws state that if the shareholders see that their rights are being affected, they may apply for items to be included in the agenda by letter or e-mail to the president of the board of directors and/or through the company's web site no later than the 15th of February. Furthermore, they establish that it is the president's duty to place such matters before the board of directors when it approves the calling of a general meeting and defines the agenda of that meeting. The board of directors will evaluate applications by shareholders and, if it considers them to be in the company's interest, will include them on the agenda. However, if any application is rejected, the board of directors shall report this decision through its president and in writing to the shareholder in question, giving reasons, the day after the board meeting that has evaluated the applications.

The internal regulations applying to the shareholders, board of directors and committees of directors establishes the procedure. Furthermore, article 19 of the by-laws gives shareholders representing 5% of the shares the right to apply to the board of directors to call a general meeting to discuss any particular matter.

b. The meeting may only discuss the matters set forth in the notice of calling, unless all the shareholders are present and decide unanimously to discuss a matter that has not been included in the agenda (universal meeting).

c. The procedure for calling the general meeting is governed by:

- By-laws of the COMPANY.
- The internal regulations of the shareholders meeting, board of directors and committees of directors.
- Manual of Good Corporate Governance

d. The COMPANY did not receive any applications from shareholders during 2011.

COMMITTED

+ 4. PRINCIPLE (I.C.0.4.I.)

The by-laws must not impose limits on the ability of all shareholders with the right to participate in general meetings to be represented by anyone they deem appropriate.

Compliance: 4

a. The by-laws do not limit the powers of all shareholders with the right to take part in general meetings, who may be represented by such proxies as they may see fit to appoint. The by-laws of the COMPANY do not limit the right to representation.

During the general meeting held on the 31st of March 2011, those present represented 431'782,190 shares in the COMPANY as shareholders or proxies, equivalent to 89.45% of the capital, greatly exceeding the required quorum of 50%.

39.12% were represented by proxies and 50.33% were directly represented.

The COMPANY requires shareholders to write to the company at least 24 hours in advance to formalize their attendance at the meeting.

b. The procedure for formal representation at meetings is regulated in:

- The by-laws of the COMPANY.
- The internal regulations of the shareholders meeting, board of directors and committees of directors.
- Manual of Good Corporate Governance



II. EQUAL TREATMENT FOR SHAREHOLDERS



5. PRINCIPLE (II.A.1. PARAGRAPH THREE)

It is recommended that the company issuing investment shares or other securities which do not carry the right to vote, offer their holders the opportunity to exchange them for ordinary voting shares or that this possibility is envisaged at the time of issue.

Compliance: 4

a. Not applicable. The COMPANY has one type of share having the same rights.



6. PRINCIPLE (II.B)

A sufficient number of directors must be elected who are capable of exercising independent judgment on matters where there is a potential conflict of interest and who may, for that purpose, take into account the non-controlling shareholders.

The independent directors are those chosen for their professional standing and who are not connected with the administration of the company or with its main shareholders.

Compliance: 4

a. A sufficient number of directors must be elected who are capable of exercising independent judgment on matters where there is a potential conflict of interest and who may, for that purpose, take into account the non-controlling shareholders. The independent directors are chosen for their professional standing and who are not connected with the administration of the company or with its main shareholders.

The board of directors of the COMPANY consists of four dependent directors and six independent directors.

The independent directors are:

- Carmen Rosa Graham Ayllón
- Ricardo Briceño Villena
- Aldo Defilippi Traverso
- Eduardo Montero Aramburú
- Manuel Bustamante Olivares
- Raúl Ortiz de Zavallos Ferrand

b. There are no special requirements other than those contained in the applicable regulations.

c. Chapter 4 of the Manual of Good Corporate Governance gives a description of the independent directors. ("Characteristics: they should not be employees of the COMPANY. They should not have family relationships with executives or majority shareholders. They should be expressly empowered to uphold the interests of all shareholders equally. They should not receive any economic benefit from the company").

d. There should be no blood relationship between the shareholders, directors and managers of the COMPANY.

e. Director Óscar Espinosa Bedoya was the managing director from August 1983 to March 2008, when he was elected as executive chairman of the COMPANY.

COMMITTED

f. List of directors who sit on the boards of other companies listed in the stock exchange public registry:

Given names and surnames of director	Shareholding in the company(ies)	Date	
		Start	End
Óscar Espinosa Bedoya	La Positiva Seguros y Reaseguros	1996	
	La Positiva Vida Seguros y Reaseguros	2005	
	Cosapi	2011	
Carlos Ferreyros Aspíllaga	La Positiva Seguros y Reaseguros	1983	
Manuel Bustamante Olivares	La Positiva Seguros y Reaseguros	1975	
	La Positiva Vida Seguros y Reaseguros	2005	
	Transacciones Financieras	2000	
	Corporación Financiera de Inversiones	2005	
	Empresa Agraria Azucarera Andahuasi	2009	
Juan Manuel Peña Roca	Profuturo AFP	1992	
	La Positiva Seguros y Reaseguros	1985	Marzo de 2010
	La Positiva Vida Seguros y Reaseguros	2005	
Andreas von Wedemeyer Knigge	Corp. Cervesur	1979	
	La Positiva Seguros y Reaseguros	1991	
	Cia. Industrial Textil Credisa Trutex	1995	
	Corporación Financiera de Inversiones	1999	
	La Positiva Vida Seguros y Reaseguros	2005	
	Corporación Aceros Arequipa	2010	
Raúl Ortiz de Zavallos Ferrand	Enersur S.A.	2011	
Ricardo Briceño Villena	Interbank	2010	



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

Although in general, external audits concentrate of financial information, they may also examine opinions or specialist reports on the following aspects: accounting audits, operating audits, systems audits, evaluation of projects, evaluation or implementation of cost systems, tax auditing, adjustments in the value of assets, portfolio evaluation, inventories or other special services.

It is recommended that this work is carried out by different auditors, or if it is carried out by the same auditors, it should not affect the independence of their opinion. The company must reveal all the audits and special reports made by the auditor.

It must report on all the services provided by the audit company or auditor, specifying the percentage represented by each one and its share of the income of the audit company or auditor.

Compliance: 4

a. The COMPANY contracts external audit or consulting services from different companies unrelated to the company that audits its financial information. In isolated cases, it may contract consultants from the same audit firm, provided that there is no conflict with the audit of its financial statements. Furthermore, it reveals all of these services and the percentage that each payment represents of the total paid for services provided to the COMPANY.

COMMITTED

The following audit companies have provided services to the COMPANY in the last five years:

Trading name of the audit firm	Service	Period	Payment US\$
Medina, Zaldivar, Paredes & Asociados S. C.R. L.	Audit of financial statements	2011	76.03%
	Money laundering prevention audit	2011	
	Help with the process of selecting software Others		
Dongo-Soria Gaviglio y Asociados Sociedad Civil, member firm of Price Waterhouse Coopers	Audit of financial statements	2010	80.90%
	Money laundering prevention audit	2010	
	Other Services		
Dongo-Soria Gaviglio y Asociados Sociedad Civil, member firm of Price Waterhouse Coopers	Audit of financial statements	2009	93.10%
	Money laundering prevention audit	2009	
	Other Services		
Dongo-Soria Gaviglio y Asociados Sociedad Civil, member firm of Price Waterhouse Coopers	Audit of financial statements	2008	94.0%
	Money laundering prevention audit	2008	
	Queries about accounting		
Dongo-Soria Gaviglio y Asociados Sociedad Civil, member firm of Price Waterhouse Coopers	Audit of financial statements	2007	77.30%
	Money laundering prevention audit	2007	
	Other Services		
Deloitte & Touche S.R.L. (*)	Tax advice	2007-2011	

(*) Although this is an audit company, the service provided to Ferreyros was not an audit, but principally advice on tax matters.

b. (*) Although this is an audit company, the service provided to Ferreyros was not an audit, but principally advice on tax matters.

c. In accordance with article 21 d of the by-laws, the annual general meeting of shareholders is responsible for appointing or delegating the appointment of the external auditors. The annual general meeting normally delegates this function to the board of directors. Furthermore, the audit committee recommends the audit firm to the board of directors.

The meeting on the 31st of March 2011 approved, in item 6, to delegate to the board of directors the appointment of auditors for the fiscal year, as well as to determine their fees.

d. The mechanisms described above are contained in the by-laws and in the internal regulations of the board of directors and committees of directors.

e. The audit company contracted to give an opinion on the financial statements of the COMPANY for fiscal year 2010 also gave an opinion on the financial statements for the same fiscal of other companies in the economic group:

Orvisa S.A.	Fargoline S.A.	Inti Inversiones Interamericanas Corp.
Unimaq S.A.	Ferrenergy S.A.C.	Inmobiliaria CDR S.A.C.
Motorindustria S.A.	Mega Representaciones S.A.	
Fiansa S.A.	Cresko S.A.	

f. The internal auditor held two meetings during fiscal year 2011 with the external audit firm.

+ 8. PRINCIPLE (IV.D.2)

Particular requests for information from the shareholders, investors in general or interest groups related to the company, must be answered by an instance and/or person appointed for the purpose.

Compliance: 4

a. Specific requests for information from shareholders, investors in general or related interest groups are answered by a representative appointed for that purpose.

During 2011 the shareholders and COMPANY interest groups requested information using the following means:

	Shareholders	Interest groups
E-mail	X	X
Directly in the COMPANY	X	X
By telephone	X	X
Web site	X	X
By mail	X	Not applicable

b. The responsibilities for information which fall upon the general manager in accordance with article 190 of the Companies Act notwithstanding, the persons responsible for receiving and processing requests for information from the shareholders are:

Augusta Ponce Zimmermann	Departamento de Valores	División Finanzas
Elizabeth Tamayo Maertens	Relaciones con Inversionistas	División Finanzas

The securities executive is responsible for answering requests from shareholders, particularly those concerning shareholdings, released shares, cash dividend payments, participation in the general meeting, etc.

The investor relations executive is responsible for answering requests for information from shareholders, investors, analysts, ratings agencies and the general public and for ensuring compliance with the principles of good corporate governance, particularly those concerning information transparency.

The functions of the securities department and investor relations representatives are governed by the internal standards of conduct for protecting confidentiality, transparency and diffusion of information in the capital market, as well as the functions and procedures manual of the administration and finance division.

c. The COMPANY procedure for dealing with requests for information from shareholders and/or COMPANY interest groups is governed by the regulations of the general meeting and board of directors, in the internal conduct regulations for compliance with obligations deriving from registration in the stock market public registry and in the manual of good corporate governance..

All requests are centralized by the administration and finance division, including those addressed to the marketing department or general management. Databases are used to answer individual requests for information. Responses are coordinated at meetings with investors, several of which were attended by the general manager.

The investor relations executive keeps a record of meetings with investors held during the year.

d. 381 applications for information were received and accepted during 2011, from shareholders and/or the COMPANY's interest groups.

e. The COMPANY has a corporate web site and another specially designed for matters of good corporate governance, including a section on relationships with shareholders and investors.

f. During fiscal year 2011, the COMPANY received no complaints from any shareholders about limits on access to information.

+ 9. PRINCIPLE (IV.D.3)

Doubts over the confidential nature of information requested by shareholders or interest groups related to the company must be resolved. The criteria must be adopted by the board of directors and ratified by a general meeting, as well as included in the by-laws or internal regulations of the company. In any case, the release of information must not endanger the COMPANY's competitive position or affect the normal course of its activities.

Compliance: 4

The criteria to be applied in the event of a doubt about the confidential nature of information requested by shareholders or by any interest groups are established by the board of directors and included in the by-laws or internal regulations of the company. In any case, the release of information must not endanger the COMPANY's competitive position or affect the normal course of its activities. According to the by-laws, the board is responsible for supervising compliance with the policy for handling confidential information, whether reserved or privileged, in accordance with standards issued by the company and regulatory authorities.

COMMITTED

The confidential nature of a given piece of information is established by the board of directors, the general manager, the stock market representatives and the regulatory compliance committee, in accordance with the internal conduct regulations for compliance with obligations deriving from registration with the stock market public registry.

a. The aim is not to divulge privileged information that has not been revealed to the market as a "significant event".

b. The document entitled "internal conduct regulations to safeguard the confidentiality, transparency and diffusion of information in the capital market" mentions the functions of the regulatory compliance committee.

This committee is responsible for classifying information as privileged and reserved and its secretary is responsible for keeping a register of such information. It resolves any doubt that may arise concerning the confidential nature of information requested by shareholders or interest groups, in accordance with the criteria and guidelines established by Ferreyros' board of directors. Those aware of the existence of privileged and reserved information are required to sign confidentiality agreements to ensure that they act in accordance with the law and keep such information and documents confidential.

The by-laws and the glossary contained in the manual of good corporate governance also mention the handling of confidential information.

Furthermore, the induction manual for new personnel contains a code of conduct, which has a section on the communication of "significant events" that defines the means for safeguarding privileged and reserved information to be transmitted either within the COMPANY or in the market.

+ 10. PRINCIPLE (IV.F, PARAGRAPH ONE)

The company must have an internal audit department. In carrying out his duties, the internal auditor must maintain his professional independence of the company by which he is engaged. He must observe the same principles of diligence, loyalty and confidentiality as are required of the board of directors and management.

Compliance: 4

a. The company has an internal audit division. In carrying out his functions the internal auditor maintains professional independence from the company and employs the principles of diligence, loyalty and reservation demanded by the directors and management.

b. The internal auditor reports to the president of the board of directors and carries out periodic presentations to the audit committee of the board of directors.

c. The main responsibilities of the internal auditor are:

- To manage and direct internal audits and information technology systems audits at the head office, branches and mining projects, as well as at the company's subsidiaries.
- To evaluate the internal control system for preventing money laundering in accordance with the regulations issued by the financial intelligence unit of the Banking, Insurance and Pensions Regulator (SBS) and to submit a report to the compliance officer.
- To report periodically to the senior management and the management committee on the results of the internal audit, including successful practices, compliance with objectives and significant results.

- To take into account reviews carried out by the external auditors in developing his working program, in order to avoid the duplication of efforts.
- To issue a report after each audit, containing observations and suggestions agreed with the audit department that may be necessary to correct any deficiencies.

The internal auditor prepares an annual plan based on an evaluation of risks, establishing priorities for review at both Ferreyros and its subsidiary companies. Over the course of the year he adds to the program any urgent requests made by the management.

Internal audits include both financial and operational audits. Among the most important are the review of the valuation of the receivables portfolio and physical inventories of spare parts, machinery and equipment; reviews of cash and bank operations (balances, confirmation and reconciliation of bank accounts with the accounts kept by the COMPANY); evaluation of accounts payable to suppliers and banks; reviews of other asset and liability accounts; reviews of the main sales of machinery and spare parts, as well as the corresponding costs; reviews of the main expenditure accounts in the profit and loss account, etc.

d. The responsibilities described are governed by the human resources department's job description manual.

e. The internal audit department has its own multi-discipline team.



III. RESPONSIBILITIES OF THE BOARD OF DIRECTORS



11. PRINCIPLE (V.D.1)

The board of directors must carry out certain key functions: Evaluate, approve and direct corporate strategy; establish the aims and objectives as well as the principal plans of action, the monitoring, control and risk management policy, annual budgets and business plan; controlling their implementation; and supervising the principal expenses, investments, acquisitions and disposals.

Compliance: 4

a. The board of directors enjoys full management powers and legal representation necessary to conduct the business of the company, with the sole exception of matters which the law or these by-laws reserve for a general meeting of shareholders.

Therefore the board of directors has the following functions, among others:

COMMITTED

- To call general meetings of shareholders.
- To draw up its own regulations.
- To evaluate, approve and direct corporate strategy, the business plan and the company's annual budget.
- To establish committees of directors and appoint their members, which should include independent directors.
- To submit the Annual Report, balance sheet and profit and loss account to the shareholders every year and make recommendations on how the profits should be applied.
- To ensure the integrity of the financial statements, accounting systems and risk control systems.
- To accept the resignations of its members and elect replacements in the cases set forth in the act and these by laws.
- To appoint and dismiss the general manager and, if it deems it appropriate or necessary, the other officers of the company, determine their obligations and grant and revoke their powers of attorney as appropriate.
- To grant, in general, such the powers of attorney as it deems appropriate.
- To oversee all the company's business with powers to review its accounts.
- To agree on the payment of interim dividends to be charged to the year-end results.
- To decide upon all commercial, financial and administrative matters relevant to the pursuance of the company's business, with no limitations.
- To sell and/or dispose of COMPANY assets having a value at the time of disposal that must not exceed 50% of the company's capital.
- To create guarantees in general, such as pledges, mortgages, warrants and others upon the company's moveable property and real estate, in order to guarantee its different operations and those of its subsidiaries or affiliates, as well as to modify the terms of existing guarantees and to agree subscription by the company of such documents as may be necessary to draw, modify and release the said guarantees.
- To supervise compliance with the policy for handling confidential information, whether reserved or privileged, in accordance with regulations issued by the company and regulatory authorities.
- To ensure compliance with the company's code of ethics and to approve changes and modifications thereto.
- To delegate to the directors and/or officers of the company powers to implement the agreements adopted by the board of directors; they shall be specifically empowered to sign such public and private documents as they may be required to sign in their capacity as legal representatives and to complete the procedures necessary to implement the said agreements.
- To carry out periodic evaluations of its own performance.
- To exercise all other powers deriving specifically or tacitly from the by-laws.

The functions and responsibilities of the board of directors are governed by:

- The by-laws of the COMPANY
- The internal regulations of the board of directors and committee

COMMITTED

+ 12. PRINCIPLE (V.D.2)

The board of directors should select, control and, when necessary, replace the main executives, and set their remuneration.

Compliance: 4

The board of directors has the power to appoint and dismiss the general manager and, if it deems it appropriate or necessary, the other officers of the company, determine their obligations and grant and revoke their powers of attorney as appropriate.

To choose, replace, supervise and set the remuneration of the president and general manager and, through the organizational development and corporate governance committee, approve the main parameters main of the COMPANY remunerations policy. To delegate to the general manager the choice of principal executives.

a. The above functions are governed by the by-laws and the internal regulations of the board of directors and its committees.

+ 13. PRINCIPLE (V.D.3)

To evaluate the remuneration of the principal executives and members of the board of directors, ensuring that the procedure for electing the directors is formal and transparent.

Compliance: 4

a. The board of directors has a formal process for self-assessment of its joint and individual performance. The directors use this self-assessment to propose improved the practices and procedures of the board of directors.

b. The entity responsible for:

Function	Board of directors	General Manager	Other (give details)
Hiring and replacing the general manager	X		
Hiring and replacing the managers		X	
Setting the remuneration of the principal executives	X	X	
Evaluating the remuneration of the principal executives	X	X	
Evaluating the directors' remuneration	X		General meeting

c. The by-laws define the functions of the president of the board of directors, which include: proposing the general manager to the board, approving the organizational structure of the COMPANY and appointments of the managers proposed by the general manager and setting their remuneration.

d. These policies are also governed by the by-laws and the internal policies of the COMPANY, in the regulations for general meetings of shareholders, the board of directors and committees of directors.

+ 14. PRINCIPLE (V.D.4)

The board of directors should monitor and control possible conflicts of interest between the management, the members of the board of directors and shareholders, including the fraudulent use of corporate assets and abuse of transactions between interested parties.

Compliance: 4

a. One of the functions of the board of directors is that of monitoring and controlling possible conflicts of interest between the management, the directors and the shareholders, including fraudulent use of corporate assets and abusive transactions between interested parties.

The subject of conflicts of interest is mentioned in the code of ethics and in the regulations for general meetings of shareholders, the board of directors and committees of directors.

b. Ferreyros has had no cases of conflict of interest that have been discussed by the board of directors during fiscal year 2011.

c. The COMPANY has a code of ethics that governs any conflicts of interest that may arise. Furthermore, it possesses a code of conduct and internal conduct regulations governing compliance with obligations deriving from its registration with the stock exchange public registry.

d. Pre-established procedures for approving transactions between non-arms-length parties include ensuring that such transactions take place in accordance with market conditions.

+ 15. PRINCIPLE (V.D.5)

The board of directors should ensure the integrity of the company's accounting systems and financial statements, including an independent audit and the existence of proper control, particularly control of financial and non-financial risks and compliance with the law.

Compliance: 4

The board of directors of the COMPANY ensures the integrity of the company's accounting systems and financial statements, including the contracting of an independent auditor and the existence of proper risk control systems. This function of the board is contained in the by-laws, the regulations governing the board of directors and committees of directors and the manual of good corporate governance.

The board of directors' audit committee reviews the work plan of the internal auditor annually, as well as the recommendations of the external auditors and monitors implementation of improvements to the accounting systems mentioned in these recommendations.

COMMITTED

- a. The internal audit division determines the main risks and organizes its work plan in accordance with the incidence and probability of these risks. The central management control department is responsible for monitoring and control of the main risks faced by the COMPANY, and a risks committee has been created.
- b. The control systems are governed by the job description manual (human resources department).
- c. The audit committee meets four times a year to discuss aspects of risk management and internal control, as well as to review the work of the internal and external auditors.

+ 16. PRINCIPLE (V.D.6)

The board of directors should supervise the effectiveness of the management practices governing its operation, making such changes as may be necessary.

Compliance: 4

- a. The board of directors' organizational development and corporate governance committee supervises the effectiveness of the corporate governance practices to which it adheres and makes changes as they become necessary.
- b. Since 2005 the board of directors has carried out an annual self-assessment. This document identifies improvements to be implemented and procedures that should be documented.
- c. The organizational development and corporate governance committee met four times in 2010. The procedure is governed by the internal regulations of the board of directors and committees of directors.

+ 17. PRINCIPLE (V.D.7)

The board of directors supervises information policy.

Compliance: 4

- a. The board of directors supervises information policy, which is governed by the by-laws and the internal regulations of the board of directors and committees of directors.
- b. In accordance with the company's by-laws and regulations, its information policy is supervised by the board of directors. According to this policy, the functions of the board of directors include that of supervising compliance with the policy for managing confidential information, whether reserved or privileged, according to the company's rules and those of the regulatory authorities.

Furthermore, the COMPANY by-laws also include a procedure for handling confidential information within the board of directors. Directors are obliged to keep the company's business and any privileged and confidential information to which they have access confidential, even after they have ceased to be directors, in compliance with applicable regulations.

c. The COMPANY policy on the revelation and communication of information to investors is governed by the by-laws and internal regulations, but details of the procedure are given in the internal conduct regulations for compliance with obligations deriving from registration with the stock exchange public registry. The COMPANY also has a compliance committee and stock market representatives, so that "significant events" are reported in the periods envisaged in the applicable legislation. In accordance with these regulations, the "committee is responsible for classifying information as privileged and reserved and the committee secretary shall keep a record of such information. Resolving any doubt that may arise as to the confidential nature of the information requested by the shareholders or interest groups, in accordance with the criteria and guidelines established by Ferreyros' board of directors. The committee should ensure that the persons involved sign confidentiality agreements regarding the privileged and reserved information, so that they shall act in accordance with the law and keep such information and documents confidential".

Financial information is sent periodically (quarterly and annually) to the market and the company has a specialist department to resolve queries. Finally, it takes part in meetings with investors.

The above procedure is governed by the internal conduct regulations for compliance with obligations deriving from registration with the stock exchange public registry.

+ 18. PRINCIPLE (V.E.1)

The board of directors may constitute special bodies in accordance with the needs and size of the company, especially those responsible for the auditing function. These special bodies may also examine the appointment, payment, control and planning functions.

These special bodies shall be created within the board of directors as support mechanisms, and should preferably be composed of independent directors, in order that impartial decisions can be taken on matters where conflicts of interest may arise.

Compliance: 4

- a. The board of directors created three committees, which are special entities in accordance with the needs of the COMPANY and provide support; they are made up of dependent and independent directors who take impartial decisions on aspects where conflicts of interest could arise.

The presidents of each of these committees and their functions are described below:

General Management and Subsidiaries Committee

I) Date created:

January 2005 (formerly the general management and corporate governance committee; its name was changed in 2010)

II) Functions:

- a) To review the strategic plans and annual business plans.
- b) To carry out a detailed evaluation of the operation of affiliated companies.
- c) To draft recommendations to the board of directors on investment policy, acquisitions and disposals of fixed assets.
- d) To review and issue directives on the levels of indebtedness of the COMPANY, as well as the structure of its liabilities, and monitor the guarantees it has granted.
- e) To review periodically the status of credit granted by the COMPANY.
- f) To function as an advisory and consulting body to the management on matters submitted to it for consideration.

III) Principal rules governing organization and function:

The committee consists of at least three directors, one of whom must be an independent director. The president of the board of directors, the vice president and the general manager sit on all the committees.

Insofar as possible, the committee must meet at least every three months.

The general management shall propose to the board of directors an annual meeting program for the committees, which may be modified as circumstances require.

IV) Members of the committee

Given names and surnames	Date		Position within the committee
	Start	End	
Óscar Espinosa Bedoya	January 2005		President
Carlos Ferreyros Aspillaga	January 2005		
Eduardo Montero Aramburú	January 2005		
Juan Manuel Peña Roca	January 2005		
Ricardo Briceño Villena	April 2011		

V) Number of meetings held during the fiscal year:

3 (18th January 2011, 12th July 2011 and 12th October 2011)

VI) It has powers delegated in accordance with article 174 of the Companies Act: Yes

COMMITTED

Audit Committee

I) Date created: January 2005

II) Functions:

To supervise the integrity of the accounting systems and to analyze the external auditors' report on the financial statements.

Special functions:

- a) To supervise the integrity of the accounting systems by means of an appropriate external audit.
- b) To review and analyze the financial statements of the COMPANY periodically.
- c) To review the external audit reports on the financial statements.
- d) To supervise the annual work plan of the internal auditor and receive the relevant reports.
- e) To propose the external auditors.

III) Principal rules governing organization and function:

The committee consists of at least three directors, one of whom must be an independent director. The president of the board of directors, the vice president and the general manager sit on all the committees.

Insofar as possible, the committee must meet at least every three months.

The general management shall propose to the board of directors an annual meeting program for the committees, which may be modified as circumstances require.

It should review the recommendations of the external auditors and the internal audit plan and progress with that plan.

IV) Members of the committee:

Given names and surnames	Date		Position within the committee
	Start	End	
Óscar Espinosa Bedoya	January 2005		
Carlos Ferreyros Aspillaga	January 2005		
Andreas von Wedemeyer K.	January 2005		President
Manuel Bustamante Olivares	April 2011		
Carmen Rosa Graham Ayllón	April 2011		

V) Number of meetings held during the fiscal year:

4 (14th March 2011, 14th June 2011, 12th September 2011 and 13th December 2011)

VI) The committee has powers delegated in accordance with article 174 of the Companies Act: Yes

Organizational Development and Corporate Governance Committee

I) **Date created:** January 2005 (formerly the organizational development committee; its name was changed in 2010)

II) **Functions:**

To support the management in bringing the company's organizational structure into line with changes and evaluations of the performance, training and professional skills of the COMPANY personnel. As far as good corporate governance is concerned, its function is to ensure compliance with good practices.

- a) To supervise the organizational development programs through reports on the administrative structure and human resources programs.
- b) To supervise the performance administration programs and remunerations, training and development policies, among others.
- c) To approve hiring of the principal executives, the salary scales of management and executive positions and to monitor the general management's supervision of performance.
- d) To supervise the effectiveness of the governance to which the company adheres, proposing or approving improved practices of governance.
- e) To review the self-assessment of the 26 principles of good corporate governance contained in the company's Annual Report.
- f) To supervise the policy concerning "significant events" and privileged and reserved information.
- g) To identify possible conflicts of interest between the administration, directors and shareholders, and to supervise monitoring by the management.

III) **Principal rules governing organization and function:**

The committee consists of at least three directors, one of whom must be an independent director. The president of the board of directors, the vice president and the general manager sit on all the committees.

Insofar as possible, the committee must meet at least every three months.

The general management shall propose to the board of directors an annual meeting program for the committees, which may be modified as circumstances require.

IV) **Members of the committee:**

Given names and surnames	Date		Position within the committee
	Start	End	
Óscar Espinosa Bedoya	January 2005		
Carlos Ferreyros Aspillaga	January 2005		President
Aldo Defilippi Traverso	January 2005		
Raúl Ortiz de Zavallos Ferrand	April 2011		

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

3 (9th February 2011, 31st August 2011 and 8th November 2011)

VI) **Powers are delegated in accordance with article 174 of the Companies Act: Yes**

COMMITTED

+ 19. PRINCIPLE (V.E.3)

The number of members of the board of directors must ensure a plurality of opinions, such that decisions are adopted after appropriate discussion, always observing the best interests of the company and its shareholders.

Compliance: 4

a. The members of Ferreyros' board of directors provide a plurality of opinion within the board, given their different professional fields and business activities. Thus the decisions taken are arrived at after appropriate deliberation and in line with the best interests of the COMPANY and of the shareholders.

The following is information on the COMPANY's directors during the fiscal year covered by this report.

Given names and surnames	Training	Date		Shareholding (1)	
		Start	End	Nº of shares	Shareholding (%)
Dependent directors					
Óscar Espinosa Bedoya	Industrial engineer, Universidad Nacional de Ingeniería Postgraduate degree in Engineering from North Carolina State University, USA. Master, University of Harvard Diploma in Economic Development, ISVE, Italy. Postgraduate degree in Economics, Inst. Economics Univ. Colorado CEO Management Program, Kellogg School, Northwestern University Diploma, PAD Universidad de Piura	1987		Not applicable	
Carlos Ferreyros Aspillaga	Business Administration, University of Princeton, USA.	1971		Not applicable	
Juan Manuel Peña Roca	Civil Engineer, Universidad Nacional de Ingeniería	1984		Not applicable	
Andreas von Wedemeyer Knigge	Master in Business (DiplomKaufmann), University of Hamburg, Germany Program for Management Development (PMD) and others at Harvard Business School, USA and the Universidad de Piura	2003		Not applicable	

Given names and surnames	Training	Date		Shareholding (1)	
		Start	End	N° of shares	Shareholding (%)
Independent directors					
Carmen Rosa Graham Ayllón	Graduate in Business Administration, Universidad del Pacífico, has taken part in different systems engineering and executive development programs at IBM Corporation, Georgetown University, Harvard Business School, Universidad de Monterrey and Adolfo Ibáñez School of Management	2011		Not applicable	
Aldo Defilippi Traverso	Bachelor in Economics, Universidad del Pacífico Master's degree in Economic Policy and Economic Development, Boston University; Ph. D. Candidate in Economics, Boston University Chief Executive Officer's Program, Northwestern University	2005		Not applicable	
Ricardo Briceño Villena	Industrial engineer, Universidad Nacional de Ingeniería Master in economics and finance at the universities of Lovaine and Antwerp, Belgium	2011			
Manuel Bustamante Olivares	Universidad Católica del Perú, faculty of law.	2011			
Eduardo Montero Aramburú	Bachelor in economics from Lehigh University, USA. Master in business administration, Wharton School of Finance and Commerce, University of Pennsylvania, USA.	1980		Not applicable	
Raúl Ortiz de Zevallos Ferrand	Attorney, bachelor of law from Universidad Católica del Perú	2011		Not applicable	

(1) Obligatory if the person holds 5% or more of the COMPANY's shares.

COMMITTED

+ 20. PRINCIPLE (V.F., SECOND PARAGRAPH)

Information in the matters to be discussed at each meeting must be made available to the directors sufficiently in advance for them to examine it, except for strategic matters where confidentiality is essential, in which case mechanisms must be established to enable the directors to examine these matters adequately.

Compliance: 4

a. Information on the agenda for each meeting is sent to the directors for review by e-mail in advance of the meetings. This is the normal procedure, except for strategic matters that require confidentiality, in which case there are mechanisms to allow the directors to study these matters adequately

b. The agenda is sent to the directors five days before a board meeting, by e-mail.

Confidential information or matters that require a more rigorous analysis are examined firstly by the committees of directors and then in greater detail by the board.

c. The COMPANY has a procedure governed by the internal regulations for the board of directors and committees of directors.

+ 21. PRINCIPLE (V.F., PARAGRAPH THREE)

Following clearly established and defined policies, the board of directors decides on such specialized consulting services as the company may need in order to take decisions.

Compliance: 4

a. The practice in question is that as the management is responsible for identifying the need for advice, it contracts such advice for specialist matters. Advice contracted by the company is therefore limited. When the matters subject to consultation are vital or their cost is high, a report is submitted to the board, in which the management describes the relevant conclusions.

b. These policies are governed by the general management manual of regulations and procedures.

c. The following specialist advisors have provided services to the board of directors and management of the COMPANY during fiscal year 2011.

Deloitte & Touche S.R.L.
Hay Group
Price Waterhouse Coopers
Estudio Muñiz, Ramírez, Pérez-Taiman & Olaya, Abogados, S.C.R.L.
Real Time Management
Esan

Asix
Llorete & Cuenca
Jaime Tori Fernández & Asociados
Pablo Moreyra Almenara
EQUBO

+ 22. PRINCIPLE (V.H.1)

New directors should be instructed on their powers and responsibilities, as well as the characteristics and organizational structure of the company.

Compliance: 4

a. New directors are instructed on their powers and responsibilities, as well as the characteristics and organizational structure of the company, in induction meetings during which detailed presentations are given.

The regulations for the board of directors and committees of directors establish the mechanism by which new directors should be instructed about their powers, responsibilities, the characteristics of the business, the market in which the company operates and the operation of the company's different entities. Induction is performed by the general manager, who may involve the other managers of the company. The induction process starts with a meeting with the new directors within 30 days after their election and may be complemented by documentation and information about the COMPANY, as well as meetings with other managers.

New directors were elected in 2005 and they were given information on the operations and the corporate and financial structure of the COMPANY

+ 23. PRINCIPLE (V.H.3)

Procedures must be established for the board of directors to follow when electing one or more replacements of there are no deputy directors and one or more directorships become vacant, in order to make up the number of directors during the period remaining for the board to serve, when no procedure is set forth in the by-laws.

Compliance: 4

a. No directorships became vacant during 2011.

b. The procedure followed by the board of directors in electing one or more replacements is described in the by-laws of the COMPANY. If there are no deputy directors and one or more directorships become vacant, an interim director may be appointed to complete the remaining period of service if no other procedure is detailed in the by-laws.

c. Article 33 of the By-laws. "A directorship becomes vacant on the death, resignation or permanent impairment of a director, dismissal by a general meeting of shareholders, unauthorized absence for a period of more than six months or any other impediment accepted by a unanimous vote of the remaining directors. Except for dismissal by a general meeting of shareholders, when the meeting itself must fill the vacancy, the board of directors shall decide upon any other vacancies and may fill the vacancy by appointing an interim director who shall serve until the end of the mandate of the director he replaces."

d. The procedures described above are governed by article 33 of the by-laws.

COMMITTED

+ 24. PRINCIPLE (V.I, PARAGRAPH ONE)

The functions of the chairman of the board of directors, executive chairman if applicable, and the general manager must be clearly defined in the by laws or internal regulations of the company in order to avoid duplication of functions and possible conflicts of interest.

Compliance: 4

The functions of the chairman of the board of directors, executive chairman if applicable, and the general manager are clearly defined in the by laws or internal regulations of the company in order to avoid duplication of functions and possible conflicts of interest.

+ 25. PRINCIPLE (V.I, SECOND PARAGRAPH)

The organic structure of the company must avoid a concentration of powers, attributes and responsibilities with the chairman of the board of directors, executive chairman if applicable, general manager and other officers.

Compliance: 4

The structure of governance of Ferreyros avoids the concentration of powers, attributes and responsibilities with the executive president, general manager and other management officers.

a. Responsibilities of the president of the board of directors, the executive president, if applicable, the general manager and other management officers are contained in:

Responsibilities of	By-laws	Internal regulations	Manual	Others	Name of document*	Not regulated	Not applicable **
President of the board of directors	X						
Executive Chairman	X		X	X			
General Manager	X		X	X			
Management			X		Job description manual - human resources divisions		

+ 26. PRINCIPLE (V.I.5)

It is recommended that the management receive at least part of its remuneration as a function of the company's results, in order to ensure compliance with the objective of maximizing shareholder value.

Compliance: 4

a. The management receives at least part of its remuneration as a function of the results of the COMPANY, to ensure that they fulfill their duty to maximize the value of the COMPANY to the shareholders and comply with key indicators aligned with the business strategy.

b. The remuneration of the general manager and management is as follows:

	Fixed remuneration	Variable remuneration	Remuneration (%)*
General manager	X	X	0.52%
Management	X	X	

* Salaries of the managers and general manager as a percentage of gross earnings as shown in the COMPANY's financial statements.

c. The COMPANY does not have any type of guarantee or similar in the event of the general manager and/or management being dismissed, other than that set forth in current employment legislation.

SECTION TWO: ADDITIONAL INFORMATION



II.1 SHAREHOLDERS' RIGHTS

a. Shareholders' rights are defined in the by-laws and internal regulations for meetings of shareholders, the board of directors and committees of directors published on the Internet. Furthermore, the COMPANY has a good corporate governance web site on which the general public can view its rights.

New shareholders are not specifically informed of their rights or how to exercise them.

b. Shareholders can see the agenda of the meeting and documents pending approval such as the Annual Report and financial statements communicated as "significant events" in advance. At the meeting they are given a copy of the Annual Report and audited financial statements.

c. The finance division has two specialist departments that deal with shareholders and investors. Particularly anything relating to the general meeting of shareholders and its decisions, from the date of the notice of calling, as well as requests for information from analysts, investors and others.

The following people have been responsible for these activities during 2011:

Emma Patricia Gastelumendi Lukis	Administration and Finance Division Manager
Liliana Montalvo Valiente	Treasury Manager
Augusta Ponce Zimmermann	Securities Department Manager
Elizabeth Tamayo Maertens	Investor Relations Executive

d. The information on holdings by the COMPANY's shareholders is also found there. Updated shareholdings and publication of sales and purchases as "significant events" as required by law, is the responsibility of the securities department executive.

e. Share transfers are modified daily, including the number of shares, and this information is verified on a monthly basis with Cavali.

Address and telephone details are modified when Cavali sends this information. It should be pointed out that addresses provided by Cavali are sometimes incomplete or out of date, for which reason the information sent by the company to its shareholders is returned from time to time. For this reason the securities department makes every effort to locate shareholders in order to update their details, but this is a complicated task as most shareholders have no relation with the COMPANY or their stock brokers have not updated their addresses.

The database of addresses, e-mails and other shareholder details is updated periodically.

COMMITTED

f. The COMPANY has had a dividend policy since 1997, which was modified by a shareholders meeting on the 28th of March 2007.

Date of approval	28th of March 2007
Entity giving approval	General meeting of shareholders
Dividend policy (criteria for distribution of profits)	Cash dividends shall be equivalent to 5% of the nominal value of the shares in circulation on the date of the meeting and up to 50% of freely available earnings may be paid out. If 5% of the nominal value of shares in circulation on the date of the meeting is less than 50% of the freely available earnings obtained at the close of the fiscal year, the meeting may pay a higher cash dividend, the ceiling for which shall be 50% of freely available earnings.

Date of approval	18th of March 1997
Entity giving approval	General meeting of shareholders
Dividend policy (criteria for paying dividends)	Distribution, whether in cash or new issue shares, all of the freely available earnings of each year. The cash dividend shall be equivalent to 5% of the nominal value of shares in circulation on the date of the shareholders meeting, provided that it does not exceed 50% of the freely available earnings in each year. If it does, then 50% of the freely available earnings shall be paid out.

g. Details of dividends in cash and shares paid by Ferreyros in recent years:

Date of payment fiscal year	Dividend per share		Current policy
	In cash	In shares	
Share type: Ordinary			
Fiscal year 2009	S/. 0.06600000	13.6237270000%	2007
Fiscal year 2010	S/. 0.06600000	17.4540107269%	2007

+ II.2. BOARD OF DIRECTORS

h. During 2011, the board of directors met 15 times. No director was represented by deputy or replacement directors.

i. The COMPANY does not have bonus programs for directors. In accordance with the provisions of Article 36 of the by-laws, the remuneration of the board of directors shall be equivalent to 6% of the liquid earnings of the fiscal year before taxes and after covering the statutory reserve.

j. The board of directors may reduce its remuneration whenever it deems such action necessary or appropriate. Furthermore, it shall agree on the distribution of the global remuneration among its members.

k. Total remuneration paid to members of the board and the management as a percentage of gross earnings, as shown in the financial statements of Ferreyros, is 0.79%.

l. The board of directors does not discuss any matter without the presence of the general manager.

+ II.3. SHAREHOLDERS AND SHAREHOLDINGS

m. Ferreyros has one type of share only: the ORDINARY share and the 2,524 shareholders have the right to vote.

n. At the close of the fiscal year covered by this report, shareholders and holders of more than 5% of the shares were as follows:

Given names and surnames	Number of shares	Shareholding (%)	Origin
La Positiva Vida Seguros y Reaseguros	59'677,037	9.57%	Peruvian
AFP Prima Fondo 3	49'578,902	7.95%	Peruvian
AFP Integra Fondo 3	45'393,274	7.28%	Peruvian

Holding:

Holding	N° of shareholders	N° of shares	% participation
Less than 1%	2,505	153,037,783	24.54%
From 1% to less than 5%	16	315,948,181	50.66%
From 5% to less than 10%	3	154,649,213	24.80%
10% and over	0	0	0%
Total	2,524	623,635,177	100.00%

+ II.4 OTHERS

o. The COMPANY has a code of conduct on ethical criteria and social responsibility.

p. The COMPANY keeps a record of cases of non-compliance with the code of conduct.

q. This register is kept by the human resources division, which has an ethics officer.

r. Some of the documents mentioned in this report are detailed below:

Name of document	Entity giving approval	Date of approval	Date of latest modification
By-laws	Meeting	March 1998	March 2010
Job description manual	Management	Permanent	Permanent
Agreement by the general meeting of shareholders - dividend policy	General meeting	March 1997	March 2007
Internal conduct regulations for compliance with obligations deriving from registration of securities at the stock market public registry	Board of directors and general meeting	January 2005	March 2005
Internal regulations of the general meeting of shareholders	Board of directors	February 2006	October 2010
Internal regulations of the board of directors and committees	Board of directors	February 2006	October 2010
Manual of good corporate governance	Board of directors	2006	October 2010
Code of conduct	Management	August 2005	

FERREYROS S.A.A.

OFFICES IN LIMA

Central: 626-4000
www.ferreyros.com.pe

Administrative Offices

Cristóbal de Peralta Norte
820, Santiago de Surco

Workshops and spare parts

Av. Industrial 675, Lima

Automotive office - Lurín

Carretera Panamericana Sur
km 30.7, Lurín
T 430-2733

Automotive office - Ate Vitarte

Av. Evitamiento N° 1980, Urb.
Industrial Santa Rosa, Ate
Vitarte

Rentafer

Av. Argentina 1300, Lima

BRANCHES

Piura

Prolongación Av. Sánchez
Cerro Km. 1
Zona Industrial, Piura
T 073-303049 073-334593

Tumbes

Calle Miguel Grau 719, Tumbes
T 072-524926

Talara

Parque Industrial Mz. A-31
Talara Alta, Pariña, Talara, Piura
T 073-382526

Lambayeque

Carretera Panamericana Norte
Km.792, Lambayeque
T 074-266695 074-266646

Cajamarca

Km. 5.2 Carretera Cajamarca
Baños del Inca, Cajamarca
T 076-348381 076-348427

Trujillo

Av. Teodoro Valcárcel 925
Urb. Santa Leonor, Trujillo
T 044-223338 044-223345

Chimbote

Av. La Marina 161 Urb. Buenos
Aires, Chimbote, Ancash
T 043-311411 043-315899

Huaraz

Av. Centenario Km. 5.500,
Monterrey, Huaraz
T 043-427575 043-421585

Ica

Calle Fermín Tangüis 159,
Urb. San Miguel, Ica
T 056-233952 056-235041

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Av. Alfonso Ugarte 207,
Arequipa
T 054-380100 054-211030

Tacna

Av. Hipólito Unanue 799, Tacna
T 052-413273

Abancay

Av. Núñez N° 629 esq. Con la
Av. Inca Garcilazo de la Vega
S/N, Abancay, Apurímac

Puno

Av. Mártires del 4 de
noviembre 1660,
Urb. Mun. Taparachi, Juliaca
T 051-326931 051-326852

Cusco

Prolongación Av. de la Cultura
N°1051- E
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T 084-275772 084-275719

Huancayo

Av. Mariscal Castilla 2936,
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Jr. Independencia N° 1150,
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Tarapoto

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Printing

Forma e Imagen

