
FERREYROS



ESTABLISHING

MILESTONES

ANNUAL REPORT 2010



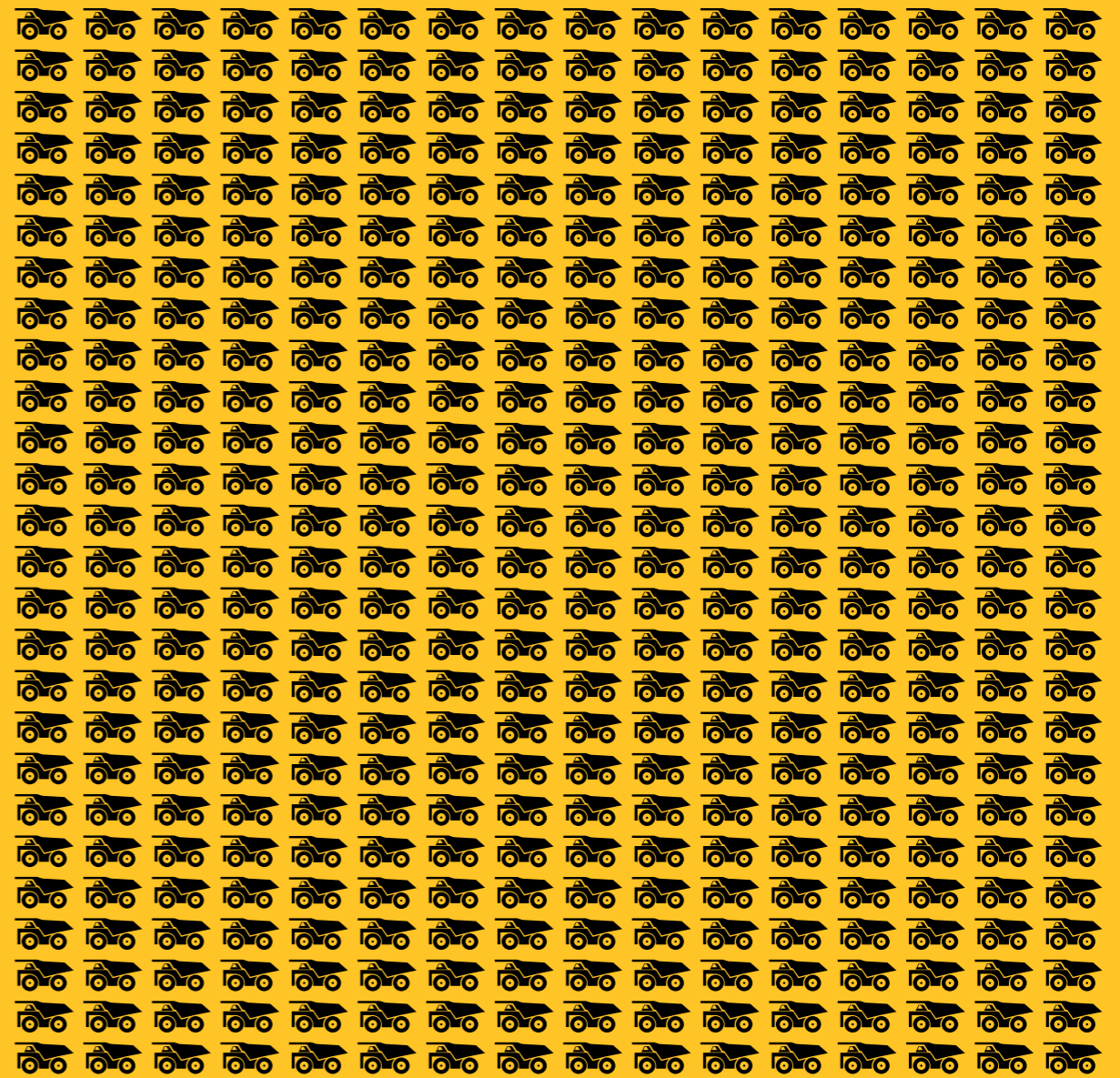
**MILESTONE.
IMPORTANT
EVENT THAT
SETS A MARK
IN HISTORY**

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1. ONE BILLION DOLLARS, ONE THOUSAND MACHINES SOLD



2010 will be remembered at the Ferreyros Organization by a milestone set by a team: Record sales of more than US\$1 billion reached in Peru and Central America. Hand in hand with this significant outcome and owing to the



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trust placed by its clients, during the year Ferreyros sold more than one thousand machines throughout the country, promising to offer first class post-sales support.

2. THE FERREYROS ORGANIZATION EXPANDS ITS BORDERS



The Ferreyros Organization achieved in 2010 a historic step: It reached beyond the borders of Peru with the acquisition of the companies of Gentrac Corporation, representatives of Caterpillar in Guatemala, El Salvador and Belize, leaders in the sales of machinery in their

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respective countries. Our internationalization already began to yield results by contributing to the success of the corporation and through the exchange of better practices.

3. THE LARGEST HAVE ALREADY ARRIVED IN PERU



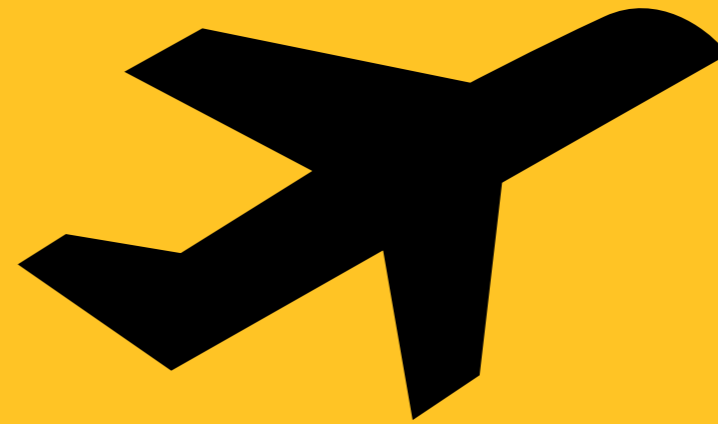
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They can load 400 short tons, are close to eight meters tall – equivalent to a three-story building – and they have 4,000 HP power. In 2010, the Caterpillar 797F mining trucks, the world's largest, arrived in Peru, where

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they are operating at more than 4,000 m.a.s.l. Thus, Ferreyros and Caterpillar express their commitment to offer solutions to take the efficiency of its clients' operations to their highest level.

4. A FIRM RELATIONSHIP WITH A LEADING DISTRIBUTOR



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James Owens, CEO of Caterpillar, visited Ferreyros in June 2010. It was a meeting to be remembered, which reflected the importance that Caterpillar places on its distributor in Peru and on the good business perspectives

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in the country. Owens visited the company's facilities and shared some moments with the clients, evidencing the close relationship between Caterpillar and Ferreyros, existing since 1942.

5. A BROADER PORTFOLIO, WITH FIRST CLASS BRANDS



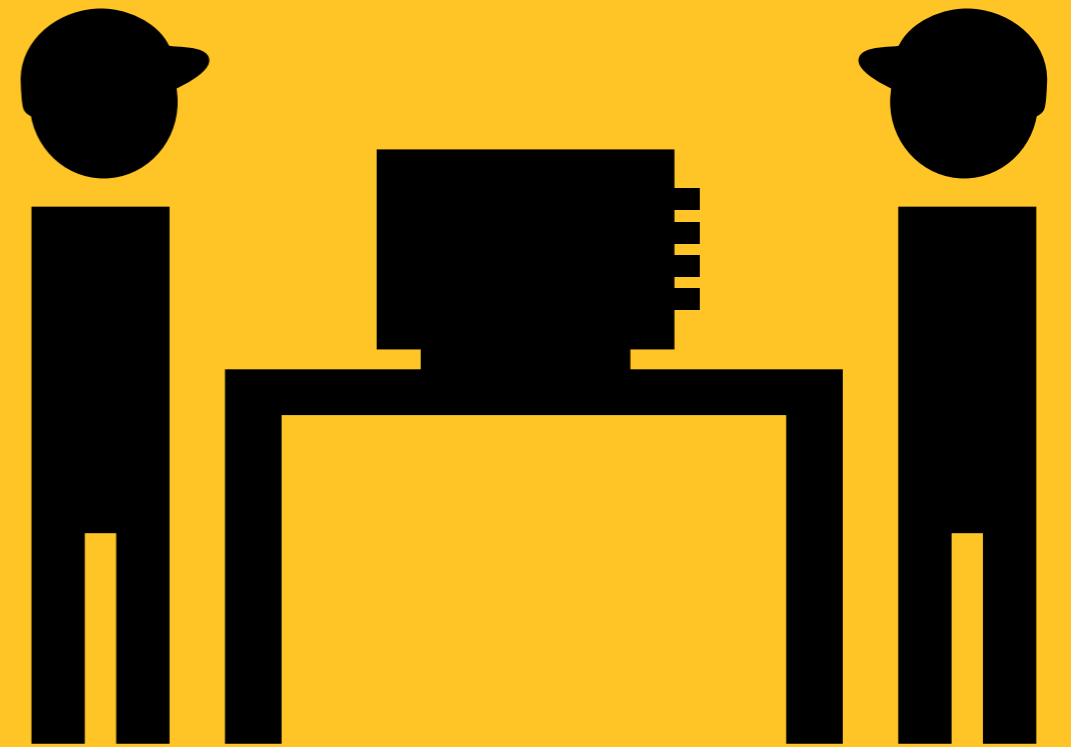
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Ferreyros expanded its array of products for underground mining with two new representations: Paus, of Germany, with utility equipment, payloaders and low profile trucks and Oldenburg, of the United States, with underground drilling equipment.

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We also launched successfully the line of Metso grinders – a global company headquartered in Finland – for construction. The company completes its portfolio with these brands, contributing to the productivity and operational safety of its clients.

6. MORE CERTIFIED SHOPS THROUGHOUT THE COUNTRY



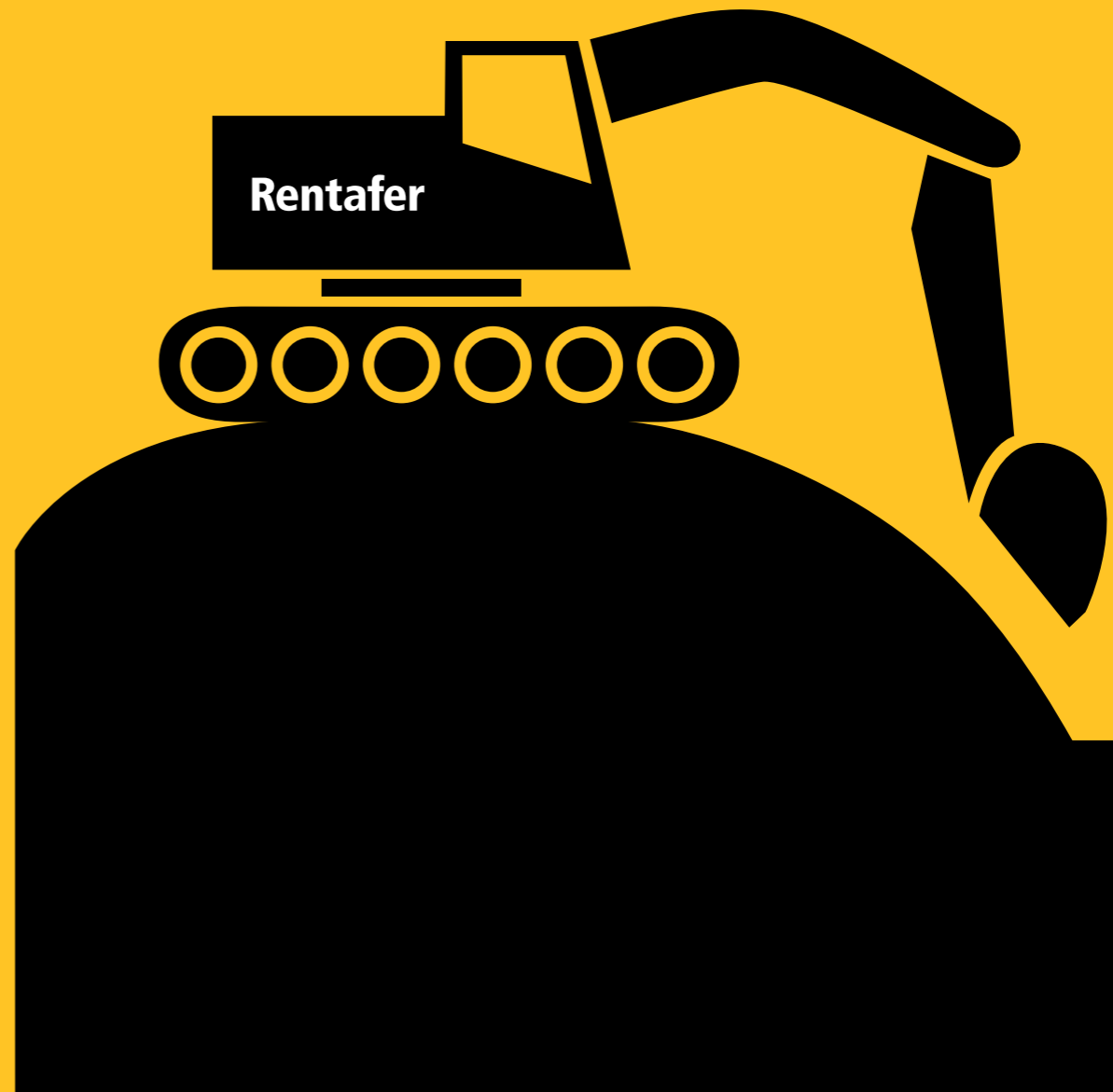
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In 2010, several of the workshops of Ferreyros received important Caterpillar certifications. The Components Repair Centers (CRC) of Lima and Arequipa, the Machinery Workshop of Arequipa and the workshops of Trujillo and Tarapoto were distinguished – some of

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them through recertifications – with the Five Stars in Contamination Control, the highest in this field. Today we have twelve workshops bearing this award. In addition, the Lima CRC was certified, for the fourth year in a row, as World Class Workshop.

7. RENTAFER: PROMOTING RENTAL AND SALES OF SEMI-NEW EQUIPMENT



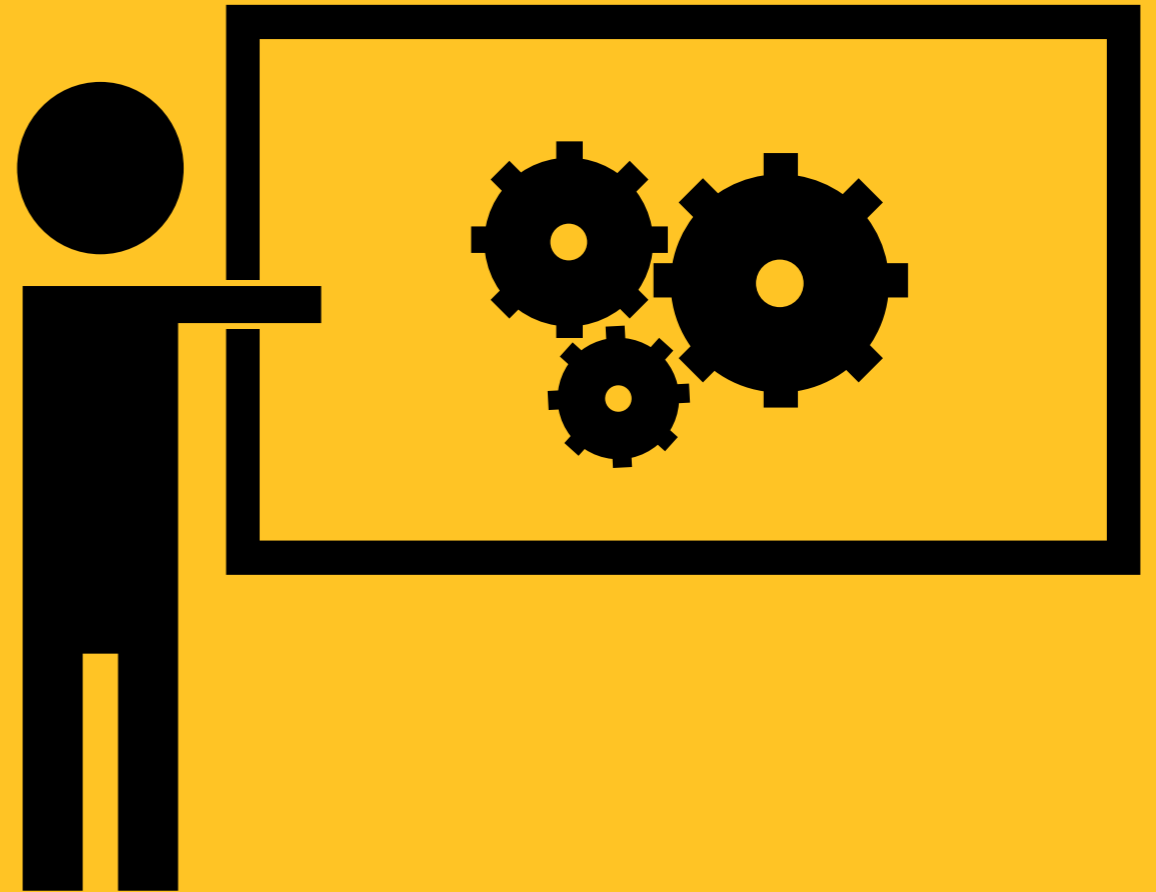
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For more than 15 years, Ferreyros has been offering the market heavy equipment rental and used machinery sales alternatives. This offer was integrated in a single and efficient channel: The strengthened Rentafer

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business unit, which in 2010 inaugurated its 14,000 m² operations facility at Avenida Argentina. Rentafer has a rental fleet consisting of about 300 units and offers Caterpillar semi-new and used equipment units.

8. MORE THAN 8,000 HANDS CONTRIBUTED TO BUILDING ITS SUCCESS



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With more than 4,000 employees in Peru and Central America, the human talent at the Ferreyros Organization, was responsible for weaving the threads in 2010. In this scenario, the technical teams – more than half of the personnel – continued playing a key role. Among

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its efforts to include more young people into its team, Ferreyros promoted for the ninth year its Think Big program, a joint initiative with Caterpillar and Tecsup, to train specialized technicians, which for the first time reached the City of Arequipa.

9. WE KEEP ON GROWING TO OFFER BETTER SERVICE



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Ferreyros seeks to keep on growing always. Hence, in 2010, we added a 20,000 m² facility in El Callao, where we will establish the Repairs Distribution Center that

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will supply spare parts and components to all Ferreyros warehouses countrywide. A great boost for the logistics area of our company.

10. GOOD CORPORATE GOVERNANCE RECOGNITION



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Ferreyros' good practices in the corporate governance area were once again distinguished. For the third time, in 2010 the company won the "Best Shareholder Treatment" award in the Good Corporate Governance

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contest. Furthermore, its stock was included, for the third consecutive year, in the Good Corporate Governance Index of the Lima Stock Exchange.

RESPONSIBILITY STATEMENT

This document contains true and sufficient information on the operations of Ferreyros S.A.A. during the year 2010.

Notwithstanding the issuer's responsibility, the undersigned assume responsibility for its content in compliance with applicable legal provisions.



Mariela García Figari de Fabbri
General Manager



Víctor Astete Palma
Controller's Division Manager



Patricia Gastelumendi Lukis
Administration and
Finance Division Manager



Bernardo Chauca Quispe
Accounting Manager

Lima, March 31, 2011

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JUAN PRADO BUSTAMANTE Director
HERNÁN BARRETO BOGGIO Director
ANDREAS VON WEDEMEYER KNIGGE Director

ÓSCAR ESPINOSA BEDOYA Chairman and Executive President
CARLOS FERREYROS ASPÍLLAGA Vice president
JUAN MANUEL PEÑA ROCA Director
ALDO DEFILIPPI TRAVERSO Director

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

In the year 2010, Peru once again experienced remarkable growth, with a nearly 9% increase in its gross domestic product (GDP), thereby consolidating a ten-year period of uninterrupted growth in which the GDP increased a cumulative 73%. In line with this performance, business sector confidence rose to the high levels observed in the second quarter of 2008, which is reflected in the confidence index published by Peru's central bank, Banco Central de Reserva. The performance of other macroeconomic variables, such as cumulative inflation, which was only 2.1%; the 2.8% appreciation rate of the nuevo sol against the United States dollar; and the fiscal deficit which was only 1% of GDP, contributed to the continuance of a scenario conducive to business activity.

In this context, private investment grew 22.1% over the year, while public investment rose 26.5%, driving the capital goods and services industry in which Ferreyros and its subsidiaries operate. Consequently, the year was marked by increased activity and continuous execution of investments in all of the sectors that the organization serves.

In mining, expansion plans formulated in preceding years were executed, and new projects that required and will continue to require equipment were announced, increasing the fleet of mining trucks and auxiliary equipment in the country.

In the construction sector, road maintenance and construction programs continued, particularly the completion of the inter-oceanic highways. Construction grew 17.4% in 2010, resulting in increasing interest in acquiring equipment for executing projects among new and established construction companies alike.

The cargo transportation sector resumed the high level of activity it had in 2008, whether due to continually increasing internal demand or increased exports that had to be transported from their production points to the country's ports and airports.

Due to a species protection policy, industrial fishing for indirect human consumption had one of the lowest catch volumes in recent years, totaling only three million tons, despite interest in boosting its growth among companies in the sector. The smaller catch, in addition to rationalization of the fishing fleet, which occurred following the recent

implementation of a quota system, resulted in very low operating levels among the fleet of fishing vessels, which are expected to rise in 2011 in line with the species protection policy. On the other hand, fishing for direct human consumption continued to increase, providing growth opportunities for the smaller-scale fishing fleet.

Agriculture continued to grow with the expansion of a portfolio of widely cultivated export products that complement traditional exports.

As a result of this favorable development in nearly all of the country's economic sectors, there was greater demand for Ferreyros and its subsidiaries' products and services in 2010, which enabled them to surpass the US\$ 1 billion sales mark for the first time. The organization's consolidated sales comprised those made in Peru, amounting to US\$ 181 million, and those made by its subsidiaries abroad, amounting to US\$ 91 million. The total amount of US\$ 1.045 billion, represents an increase of 42% compared to the preceding year and 208.4% for the five-year period from 2005 to 2010.

Ferreyros continued adding new products and services to its portfolio in order to better serve its customers' needs. In addition to the sale of new equipment, it continued offering used units, engines and machinery under leasing agreements, financing, training for customers' operators and technicians, and repair and maintenance services, as well as monitoring of the operating condition of products delivered in order to ensure their optimal use and care.

In this increased offering of products and services, the subsidiaries domiciled in Peru contribute considerable value: the revenues of US\$ 181 million they generated reflect growth of 31% compared to the preceding year. The purpose of Unimaq, Orvisa, Ferrenergy, Fiansa, Mega Representaciones, Fargoline and Cresko is to complement Ferreyros' work by reaching different market segments in a targeted manner or providing services to complement those offered by the parent company.

With regard to the increase in Ferreyros and its subsidiaries' revenues, it should also be noted that the sales of Gentrac companies, which are Caterpillar dealers in Guatemala, El Salvador and Belize that are now a part of Inti Inversiones Interamericanas Corp., a direct subsidiary of Ferreyros, played an important role. As a result, the company has begun to reap the benefits of the decision to make the organization international, which materialized early in the year with the acquisition of the aforementioned companies.



This important step for the organization is a clear sign of the value that Caterpillar, the company we represent, places on Ferreyros, as its distributor in Peru since 1942. Caterpillar decided to take advantage of the company's good business practices in order to serve the markets in the three Central American countries mentioned above.

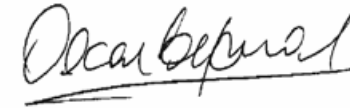
During the year, Ferreyros and its subsidiaries' commercial management was accompanied by proper execution of their business model, which enabled them to achieve significant profitability. In 2010, net profits were approximately S/. 139 million, an increase of 39% over the total for the preceding year. Along with growth in sales and gross profits of over 30% in both cases, the organization's operating efficiency, good financial management and profitability on investments contributed to the aforementioned final results. The market valued the company's performance for the year, which was reflected in an increase in the per share market value of Ferreyros' stock from S/. 2.64 at the end of 2009 to S/. 4.25 as of December 31, 2010.

The company maintained its strategy to retain leadership in the markets in which it operates, to achieve significant increases in both revenue and profitability, to take advantage of the development of its world class capacities and to make positive impacts on its stakeholders. Based on these objectives, it continued dedicating its efforts to developing its employees' talents and improving processes, as well as its infrastructure. It also maintained its commitment to important social responsibility programs and consolidated its image as a role model for good corporate governance practices.

Upon presentation of this report on the management and results for the year 2010, as we are beginning the operations of a year that once again presents great opportunities, I must reiterate our gratitude to the shareholders for placing their trust in the Board of Directors, to our customers for their loyalty and continued preference, to Caterpillar and the other prestigious companies we represent for their continuous support, and to those who have given us financial support due to their confidence in the company. Our management and employees in general deserve special recognition: without their loyal and efficient efforts, we could not have reached our goals.

I would especially like to express my personal gratitude to the directors who have accompanied me not only this year, but over the three-year period ending today; their contribution has been very valuable.

I am pleased to present the shareholders with the 2010 Management Report prepared by management and approved by the Board of Directors on February 28, 2011, as well as the Financial Statements, according to CONASEV Resolution No. 141.98 EF/94.10, which establishes the presentation of companies' annual reports, including the responsibility statement required by the aforementioned resolution.



Óscar Espinosa Bedoya
Executive President



2010 MANAGEMENT REPORT

MILESTONE 1

**ONE BILLION DOLLARS,
ONE THOUSAND MACHINES SOLD**

In 2010, clients trusted Ferreyros with the supply of more than one thousand units throughout the national territory. In line with this milestone, Organización Ferreyros in Peru and Central America reached record sales for the year of more than US\$ 1 billion.

BRIEF SUMMARY OF THE COMPANY

Ferreyros was founded in 1922 by Enrique Ferreyros Ayulo and three partners, in order to commercialize consumer products. In 1942, the company began its activities in the capital goods business as a Caterpillar Tractor dealer, which meant a total change in the company's activity. From then on, it consolidated its operations in two large business units: consumer goods and capital goods.

Starting in 1965, with the intention of expanding its coverage in order to sell its products, Ferreyros began a decentralization process, opening offices in provinces outside the capital, as well as diverse subsidiary companies. Currently, it has operations in more than 60 points throughout the country, with a network of branches and offices in provinces in the Amazon region through its subsidiary, Orvisa, and continuous on-site presence of its personnel in the operations of some of its customers.

In 1971, for the purpose of sustaining the company's growth, the shareholders decided to go public and list Ferreyros on the Lima Stock Exchange (BVL), laying the groundwork for turning it into the widely held company that now has over 1,500 shareholders.

Toward the end of the nineteen eighties, Ferreyros left the consumer goods business and decided to concentrate its efforts on capital goods, which are now its main line of business, taking on new dealerships to complement the Caterpillar line. In this way, it was better able to serve its customers, which operate in diverse productive sectors of the economy. In the nineteen nineties, the company decided to expand its offering to its customers. In addition to the sale of new units, it began offering equipment under a leasing arrangement, as well as the sale of used equipment. During the same decade, it began serving open-pit mining projects that had just been granted in concession or privatized, bringing the first Caterpillar off-highway mining trucks to Peru.

In 1994, the company began placing corporate bonds and became an important participant in the capital market, in which it now operates with great success.

Starting in 1995, the company made significant investments to improve the infrastructure of its offices and maintenance and repair shops, as well as to train its service personnel, in order to fulfill its contracts for maintenance and repair on the large fleets of mining trucks that were beginning to enter the country for major mining companies' open pit operations, which were being carried out as a result of the concessions granted. Some years later, the company decided to sell equipment for underground mining as well.

In 1997, in response to the growth it had experienced, the company held a successful national and international share placement, which enabled it to increase its capital by US\$ 22 million.

Brusque deceleration of the growth of the economy during the period from 1998 to 2001 had negative repercussions on Ferreyros' sales. The organization and its finances had to be adapted to the new size of the market.

From 2002 to 2010, the company underwent a period of accelerated growth. Ferreyros S.A.A. achieved cumulative expansion of 367% due to the incorporation of new service and product lines, as well as to serving customers in charge of large investment projects in the country, among which those of the mining, energy and petroleum sectors and those related to the creation of new infrastructure stand out. In addition, Ferreyros expanded its customer base. All of this was possible due to the large investments made in infrastructure, systems and the training of personnel. In 2008, the company adopted the SAP business system to manage its accounting and finance operations. Similarly, from 2002 to 2010, its subsidiaries experienced considerable growth. Currently, they account for 26.7% of the organization's business and complement the service Ferreyros provides to many customers that they have in common. As a result, Ferreyros and its subsidiaries' consolidated sales experienced 443% growth in the aforementioned period.

COMMERCIAL MANAGEMENT

Ferreyros, which is known as the largest distributor of capital goods in Peru, directs its commercial activities toward meeting the demand and providing solutions for diverse sectors of the country's economy, such as mining, construction, energy, hydrocarbons, fishing, government, transportation and agriculture.

The year 2010 offered the company many business opportunities due to the high level of growth the country experienced, particularly in the sectors that Ferreyros serves. In this scenario, the company achieved very good commercial management that enabled it to serve the vast majority of investment projects executed in the country that required capital goods, maintaining its leadership with high market shares.

The following is a succinct description of the performance of each market sector and its relation to company operations in the year 2010.

MINING SECTOR

La The variety of minerals being discovered and exploited in Peruvian territory allows a natural diversification that creates a certain balance in the performance of the sector as a whole. The behavior of the prices of basic and precious metals affects mining producers with certain differences. For example, when the prices of basic metals are down, gold, which is used as a value refuge, may follow the opposite trend. On other occasions, as occurred in the year 2010, good performance of world economies and saving capacity make the entire basket of minerals that the country produces show positive behavior. As a result of the favorable metal price scenario, the country's mining revenue grew 26% during the year.

In Peru, open-pit mining, which produces large quantities of mineral and requires moving huge volumes of material, is mainly used for gold, copper and, in some mines, zinc. For this reason, the country continued benefiting from vigorous increases in the prices of gold and copper, the quotes for which rose consistently throughout the year. The gold quote continued to rise, exceeding the US\$ 1,400 per ounce mark in the month of November. Copper has also followed an upward trend, especially in the latter months of the year, exceeding US\$ 9,400 per ton.

In large open-pit mining operations, for which investment decisions require advance planning and analyses are mainly based on long-term metal prices, the purchase of machinery and equipment has continued to grow in comparison with previous years. In 2010, Ferreyros received orders for over US\$ 200 million in new equipment, benefiting greatly from the confidence of its customers. Due to the investment amounts involved, purchase orders for two projects that are very significant for the industry merit mention; one for US\$ 50 million and another one for more than US\$ 73 million will be filled during the year 2011.

In addition to these two cases, large mining customers that the company has been serving for several years have made purchases as part of the expansion or replacement of their fleets. Among them, the incorporation of the first 400-ton trucks, the largest produced in the world and, of course, the largest in Peru, merit mention. These units are already operating at an altitude of over 4,000 masl in Peru. The arrival of this Caterpillar truck model, the 797F, strengthens Ferreyros' performance in the large truck market and points toward continued reduction in the cost per ton of material moved, the primary and constant objective of its customers and, therefore, of Ferreyros and Caterpillar, the company it represents.

During the year 2010, this market was billed for dozens of mining trucks and auxiliary equipment. The large mining segment alone accounted for US\$ 318 million in revenue for Ferreyros. In addition to off-highway trucks and new machinery and equipment, this amount includes post-sales service, which covers the parts, maintenance and repairs that the company provides to each mining operation, in some cases at the mines, as well as other work performed at the Component Repair Centers (CRC) in Lima and Arequipa.

The fact that during the year 2010 several open-pit mining exploitation projects received government approval on their Environmental Impact Assessments (EIA), reinforcing this sector's development and growth in the coming years, is of great importance to the future development of mining in the country, which has a portfolio of projects totaling more than US\$ 40 billion. In this regard, the approval of EIA for four new mining projects of great importance to the country stand out.



Similarly, the development of surface or open-pit mining contractors that already have trucks with a 100 to 150 short-ton capacity should be noted. In this regard, during this year, outsourced operations have been strengthened at three of the country's mines. In the future, the execution of the previously mentioned portfolio of projects may require dedicating greater attention to this type of contractors, which the company is already serving.

With regard to market share, during the year 2010, once again Ferreyros led in the importation of units of equipment for large mining operations. Seven of every ten trucks or machines that entered Peru for use by this sector bear the Caterpillar brand name. Due to the abovementioned approvals, as well as orders for planned fleet replacement or expansion from the company's traditional customers, Ferreyros expects to continue leading in market share in the coming years.

Like the open-pit mining sector, underground mining, which is normally polymetallic (zinc, silver and lead), enjoyed high prices during the year 2010, especially that of silver, which rose more than 60%. This development was reflected in business optimism and, consequently, in significant mining expansion that required making new and larger investments in equipment for this sector. This situation was also reflected in fleet replacements in both surface and underground mining operations.

Due to this favorable scenario and customer preference, during the year 2010, billing and deliveries of Caterpillar low-profile loaders showed an increase of 57% in units, compared to the year 2009. In addition, a very high market share was obtained, 82% in terms of FOB values in the segment of low-profile loaders with a capacity of more than 4 yd³.

For the purpose of consolidating sales and completing an integral portfolio of products for underground mining, Ferreyros took on two important dealerships in 2010. The first is the Paus brand, with low-capacity loaders and trucks, as well as utilitarian equipment with less than 4 yd³ capacity. The latter is the Oldenburg brand of underground drilling equipment. Neither type of equipment was included in the Caterpillar portfolio. In this manner, the Ferreyros organization can now offer a complete portfolio to this important productive sector in the country.

CONSTRUCTION SECTOR

In the year 2010, the country showed growth of 17.4% in the construction sector, according to figures from the Peruvian Chamber of Construction (Capeco), which made it possible to invigorate this industry quickly, spurring demand for heavy machinery. The deceleration of the economy as a result of the impact of the world crisis in the latter part of 2008 and 2009 remained in the past, as confidence was restored and significant public and private investments were made in a decentralized manner.

During the year, important works were completed, such as sections 2 and 3 of the Interoceanic Highway and a new gas pipeline to transport gas from Camisea. In both projects, the presence of Caterpillar equipment provided by Ferreyros, whether under sales or leasing agreements, has been very significant. The company's commitment to the success of these projects has involved assigning personnel to accompany contractors full-time throughout the execution of their projects, providing expert advice, supplying parts and doing maintenance on Caterpillar equipment.

Equally important, in the early months of the year, the government initiated an exhaustive public tender program for the construction of highways that form part of the national road network and are mainly located in the Peruvian highlands. Among them the Pontón-Quebrada Seca- Puente Santa; Salaverry- Trujillo- Shirán- Otuzco Detour; Camaná- Desvío- Quilca- Ilo- Tacna; Ayacucho- Abancay; Tingo María- Aguaytía- Pucallpa; Cusco- Quillabamba; Casma- Yaután- Huaraz; and Churín- Oyón highways stand out among others.

In urban areas, important works were executed, such as mass transportation projects in Lima (the electric train and the Metropolitano bus system); sanitation works in Greater Lima; the South Pier at the Port of Callao; the modernization of Peruvian airports, road interchanges, etc. In short, many activities have been fostered, bringing progress to Peruvian cities and therefore, significant demand for earthmoving equipment, such as excavators, frontloaders, tractors, motorgraders, compactors, generators and crushing equipment.

As mentioned previously, favorable mineral prices had a positive influence on investments made by mining companies that entailed hiring construction contractors. Therefore, in 2010, construction customers performed more road maintenance work and built more access roads, dams, heap leach pads, platforms and, generally, more mining infrastructure.

Because of these projects and, once more, due to its customers' confidence, in 2010 Ferreyros has served the construction market by supplying Caterpillar machinery and equipment, dump trucks, parts and services, for an amount exceeding US\$ 190 million. This figure is 60% higher than the total for the year 2009 and 28% higher than the record level reached in 2008. It should be noted that, in line with its plan to expand its portfolio according to its customers' needs, in the year 2010 the company successfully commercialized the Metso line of crushers for construction work.

In this sector, Ferreyros' good results are also based on its customers' generous continued preference, which is the result of the support that the company offers them in relation with their projects, accompanying them in the most remote places in the national territory and ensuring optimal operativity of their equipment that, in addition to the features of the equipment itself, guarantees the success of their projects.

ENERGY AND PETROLEUM SECTOR

At the beginning of the year 2010, following lower economic growth in 2009 and the startup of some hydraulic and thermal power plants, installed capacity was maintained in excess of the peak demand, with a reserve of nearly 20% of installed power capacity. The National Interconnected System is following a plan to reinforce the power transmission lines by 500 Kv and 220 Kv, which makes it possible to guarantee a reliable supply of energy to the major cities and companies with a high demand for power, such as mining, industrial, steel and fishmeal processing companies, among others.

Within this framework, activity related to energy generation by generators was focused on the use of equipment as an emergency energy source in the event of a power loss and the lack of a timely supply of energy. Shopping centers, telephone companies, entertainment centers, clinics, office buildings and hotels have been some of the major customers in this sector, which has made it possible to maintain an 82% market share in generators, measured in FOB import dollars.

Given the growth projections for the country's economy for the coming years, the energy supply is expected to fall short again in relation with demand, as it will be some years before the hydraulic energy projects being analyzed will enter into operation and

contribute to the interconnected system. Thermal energy projects that demand the use of natural gas are waiting for increased transmission capacity, which means that some cold standby units that use diesel fuel will need to be installed. Ferreyros has made arrangements to have the equipment available, in the event that it is necessary, without increasing the current investment in additional inventory for this type of project.

It should be noted that in the latter part of 2010, construction began on the first thermal power plant using gas produced by a sanitary landfill in Lima, which should be ready to enter into operation in the second quarter of 2011. At this plant, three 1,200 rpm model G3520 generators with nominal total power of 4.8 MW will be installed and connected to the public network, as part of the mechanism for the development of clean energy generation.

In the hydrocarbon sector, the price of petroleum has maintained a slight upward trend in relation with the beginning of 2010, with the WTI price per barrel improving by nearly 2% compared to the average for the year and reaching a peak of US\$ 89.2 per barrel, but still far from 2008 values. The highest demand in the hydrocarbon sector was concentrated in generators for drills requiring 2 MW to 5 MW of autonomous power generation, depending on the size of the drill. This energy is provided by four or five generators that provide flexibility, as they can be transported to remote places such as the Peruvian jungle.

Additionally, in the hydrocarbon market, commercial relations with contractor customers in the sector have been reinforced, which has permitted the sale and leasing of Caterpillar equipment (such as frontloaders and excavators) and Terex cranes for adequate equipment loading. Due to this business, Ferreyros' sales have increased in this sector compared to the year 2009.



MARITIME AND FISHING SECTOR

With regard to the fishing sector, 2010 was the second year the so-called Quota Law was applied, meaning that the majority of industrial fishing companies have performed their fishing activities according to a schedule, with only 60% of their fleets' operating capacity, seeking the greatest possible efficiency with the equipment they have. For this purpose, the vast majority of fishing companies have not needed to refurbish their vessels in 2010; nor have they needed to build new ones. In general, the sector's fleet has relatively new engines. However, for 2011, some have defined a limited tentative refurbishment plan.

As a result of fishing planned, the quality of fish, the main raw material, has improved, which has resulted in better fishmeal, a product that has garnered a better price on the market and whose average value per ton has risen from US\$ 1,286 in 2009 to US\$ 1,421 in 2010, reaching a peak level of US\$ 1,684 per ton. Good international fishmeal prices and access to the hydrobiological resource, due to better preservation of the species, indicate that the sector will show good performance in the coming years, with the resulting need to refurbish vessels periodically.

Among the fishing companies with a larger percentage volume of the catch, few have refurbished their vessels in 2010, due to the fact that the majority have vessels with relatively new engines. Some have defined a limited refurbishment plan for 2011.

In late 2010, ship owners with a lower hold capacity began a refurbishment plan that includes the redesign of some of their vessels in order to improve their efficiency, with lower fuel consumption for the power required. This scenario has spurred the sale of model 3508B 775 HP electronic marine engines, to be delivered in early 2011.

In the artisan fishing sector, Ferreyros has maintained a very important presence in the northern region, having introduced some electronic marine engines and sold some Caterpillar equipment and Kenworth trucks to customers that, due to the high price per ton of fish, have begun to diversify their investments.

It is equally important to note that in 2010, the first marine Customer Support Agreement (CSA) was signed for the repair and maintenance of 36 marine engines installed in 18 vessels, for the purpose of maximizing the availability and operativity of vessels for optimal

fulfillment of their functions. In addition, construction has begun on two new tugboats in the country that will be equipped with four marine engines in the 3500 family, with 2575 HP, 1600 rpm, and C series generators that meet fuel consumption requirements and produce low emissions. This equipment will be supplied during the first semester of 2011.

Due to active, continuous market coverage, Ferreyros has been able to maintain its leadership and obtain an 80% market share in marine engines, measured in FOB import dollars.

GOVERNMENT SECTOR

In the year 2010, Ferreyros continued leading in sales of capital goods to the government sector, despite the fact that total purchases by the State were 30% lower than in the year 2009. Within the universe of State purchases, the "goods" category was affected most, with a 48% reduction. The central government, regional governments and municipalities prioritized public investment in infrastructure works, a trend continuing from the preceding year.

However, during the year 2010, the company participated in 427 purchasing processes in the national arena, winning contracts in 224. The main lines in which it participated were Caterpillar parts, generators, and general and heavy construction machinery, with a 40% market share.

As a result, during the year, Ferreyros delivered 52 Caterpillar machines and 31 Caterpillar engines; 18 Iveco trucks and buses; and 12 Massey Ferguson tractors, among other goods and services, billing the government sector a total of US\$ 21.5 million.

TRANSPORTATION SECTOR

Ferreyros represents and commercializes two important brands of trucks, Kenworth and Iveco; the latter also has a bus chassis model. It also commercializes the Chinese Yutong brand, with buses mainly destined for the urban sector. During the year 2010, these dealerships generated sales of US\$ 46 million in vehicles and US\$ 12.3 million in post-sales services, which is an increase of 10% and 17%, respectively, compared to the preceding year. In 2010, post-sales service accounted for 21% of total sales.

The recovery of the market for heavy cargo vehicles exceeding 16 tons gross weight was noted in its 55% growth, which surpassed forecasts made at the beginning of the year. Therefore, during the year the company continued its investment program launched in 2009, with improvements in the facilities in Lurín and elevator equipment for Lurín and Ate. In the latter case, service was provided on over 1,200 occasions in 2010. These investments will contribute to a better working environment, as well as increased speed in serving customers.

The total number of Kenworth and Iveco trucks sold was 369, which was an increase of 15% compared to the preceding year. If only the sales made in the Peruvian market are considered for both years, and operations are isolated, the increase in sales is 29%. In the 380 HP tractor segment, the Kenworth brand had a 12% share.

In the rigid truck segment, especially Iveco dump trucks, the market share decreased from 16% to 12%, mainly due to increased aggressiveness by the competition in negotiations for fleets, as well as the entry of Chinese products at a very low price.

In the urban transportation subsegment, Ferreyros sold 67 12-meter Iveco buses, an increase of 12% over the preceding year. Including sales of Yutong buses, a 10% market share was maintained in the subsegment, similar to results for 2009.

During the first half of the year, the Automotive Division had to continue to reduce excess inventory accumulated in the year 2009, as a result of an abrupt decrease in demand in the sector. The division's results, which suffered a strong impact due to this occurrence, began to improve significantly, starting in the third quarter of the year when an adequate inventory level was reached.

Ferreyros maintains its commitment to the transportation sector with plans for the incorporation of new models in its portfolio, as well as its investments, and continues banking on the future of the sector.

AGRICULTURE SECTOR

The year 2010 was a year of recovery for the agriculture sector. Prices of products in the domestic market improved, increasing for some crops and remaining stable for others. The crops affected were onion – for which the price remained low – and rice, only in the first half of the year. Agricultural exports recovered in the early months of the year, with asparagus, grapes, avocado and citrus crops leading a sustained growth trend.

Committed to the country's agricultural vocation and anticipating the agricultural development expected in the coming years, Ferreyros is working on offering its customers better solutions, providing a better product portfolio with more versatile equipment with advanced technology. This makes it possible to have more efficient, precision agriculture, as has occurred in the case of Trimble, a company it represents, which is meeting new demands for application technology with Montana sprinklers, in order to provide a wider range of agricultural equipment for tilling, sowing and harvesting. This year, Massey Ferguson launched the new MF4200 line in the market, with new models and specifications, and enhanced the Italian Landini tractor line. In agroindustry, Kepler Weber silos and dryers and Zaccaria rice milling machines proved to be the best options with regard to specifications and technical support.

Ferreyros sold 228 agricultural tractors, the demand for which came from the Peruvian coast. The main segments served were rice, sugar cane and agroexportation. For 2011, growth in demand for these tractors is forecasted.

With regard to the forestry sector, 2010 was a year of recovery with potential future business due to an increase in the exportation of products derived from wood. During the year, the installation of a complete line of Mendes brand sawmill equipment was completed for an important company operating in the city of Iquitos.

For 2011, continued growth similar to that seen in the second half of the year 2010 is expected, mainly due to recovery in the prices of major agroexport crops.





MILESTONE 2

**THE FERREYROS ORGANIZATION
EXPANDS ITS BORDERS**

Gentrac Corporation companies, representatives of Caterpillar in Guatemala, El Salvador and Belize, joined Organization Ferreyros in 2010, reaffirming a vision of future and commitment to the clients.

PRODUCT LINES

The Ferreyros organization is the only Caterpillar dealer in Peru. It has been representing Caterpillar since 1942.

In addition to new and used Caterpillar trucks, machines, equipment and engines, Ferreyros commercializes a wide range of products of other high-quality brands, such as Atlas Copco drills, Metso crushers, Sullair compressors, Terex cranes, Kenworth trucks, Iveco vehicles, Yutong buses, Massey Ferguson tractors, and Zaccaria rice milling machines, as well as Kepler Weber grain dryers and silos, among others.

Starting in 2010, Ferreyros incorporated two new dealerships. The first is the Paus brand, which offers utilitarian equipment, trucks and low-capacity loaders with less than 4 yd³ capacity for underground mining. The second is the Oldenburg brand of underground drilling equipment. It is important to note that both brands complement Ferreyros' current portfolio.

Also in 2010, the line of Metso crushers for construction was launched successfully.

For the purpose of serving customers needing to lease rather than buy equipment, Ferreyros has a large fleet of Caterpillar equipment to meet the demand, essentially from infrastructure projects. For further information on this service, please see the Equipment Leasing section.

In order to provide post-sales service to its customers, Ferreyros has an ample network of maintenance and repair shops located throughout the national territory, which have high-technology equipment and qualified mechanics who receive on-going training.

In addition, in order to guarantee the supply of parts for all of the lines it distributes, the company has warehouses and parts distribution centers at all of its branches, as well as in strategic locations where its major customers conduct their activities.

COMPETITION

Because Ferreyros distributes a wide range of product lines, the company competes in a segmented manner with a large number of suppliers that import and distribute different brands. Due to customer preference, Ferreyros is the leader in nearly all of the market segments in which it operates.

In auxiliary equipment and off-highway trucks for large mining operations, the Caterpillar brand faces competition from Komatsu. With regard to low-profile loaders for underground mining, the competitors are Atlas Copco and Sandvik.

In earthmoving equipment, for both heavy and light construction, the Caterpillar equipment that Ferreyros distributes competes with Komatsu, Volvo, Hyundai, Case, JCB, Daewoo and John Deere equipment. In addition, since the year 2008, some lots of Chinese earthmoving equipment for heavy construction have entered the country, with an approximately 5% market share based on FOB values and 15% of the total units imported to Peru, entailing 10 different brands and 15 importers.

In the engine line, Ferreyros distributes Caterpillar and competes with Detroit Diesel, Cummins, FG Wilson and Volvo in the diesel segment; with Wartsila and Man in the heavy fuel segment; and with Wartsila and Waukesha in the gas engine segment.

In drills for surface mining, it distributes Atlas Copco and competes with Sandvik, Drilltech, Reedrill and Bucyrus. In cranes with diverse characteristics and capacities, it represents Terex and competes with Manitowoc and Grove. In portable air compressors, it distributes Sullair through Ferreyros and Compair through Unimaq. In both cases, it competes with Atlas Copco.

In the agricultural line, it distributes Massey Ferguson and Landini, competing with John Deere and Ford New Holland.

In trucks, in both the dump truck and tractor truck markets, Ferreyros commercializes the Kenworth and Iveco brands, in competition with Volvo, Scania, Mercedes Benz, Freightliner, Hino and Volkswagen, as well as Chinese brands FAW, Sinotruk and Dongfeng. In buses, it offers the Iveco and Yutong brands and competes with Mercedes Benz, Volkswagen, Scania and Agrale.

In parts lines, the different brands it commercializes face competition from entities that distribute imitation parts in small market segments.

VALUE PROPOSAL

The commercial success described in the preceding section is the result of a business strategy that includes not only the sale of equipment with international prestige, but also the provision a set of services that enable Ferreyros to meet the different needs of its customers, some of which are detailed below.

POST-SALES SUPPORT

During the year 2010, the company maintained its commitment to work closely with its customers and employ strategies that increase the productivity and availability of the equipment it sells. For this purpose, it has solutions tailored to suit each customer's needs.

Ferreyros post-sales service is based on two major fronts: service at its own maintenance and repair shops and field service; that is, in the same place where the machinery and equipment operate.

The company has 24 maintenance and repair shops in the national territory, with over 60,000 m² of facilities. These shops regularly undergo inspection by Caterpillar to evaluate good practices in their processes and adequate pollution control. Many of them have 5-star certification, the highest given by Caterpillar. This high standard indicates that the highest level of control over processes and work that may cause pollution has been reached at the maintenance and repair shops, both in infrastructure and components being repaired.

One of the company's maintenance and repair shops with the highest level of activity is the Component Repair Center (CRC) that, as its name indicates, makes repairs on major components, restoring them to their new condition. In the year 2010, 2,152 major components, including engines, converters, transmissions, final drives and wheels, entered the Lima CRC and the center in Arequipa, which was 17% more than the number for the preceding year, due to continuous adaptation of the infrastructure and processes of these maintenance and repair shops in order to make more repairs. In addition, in preparation for increased demand, based mainly on the introduction of 797 trucks in the domestic market, at the CRC in Lima 1,200 m² have been outfitted with 14 additional bays for disassembling and assembling major components.

Maintaining the approach of being the country's best option for component repair, the Lima CRC obtained Caterpillar certification as a World-Class maintenance and repair shop for the fourth year in a row. By means of a detailed audit, Caterpillar verifies the quality and consistency of aspects such as repair processes, infrastructure, training, failure analysis, pollution control and diverse productivity indicators.

The activities of the CRC are complemented by the Recovery Shop (RS), in which the company continued investing during the year 2010 as part of its continuous improvements in infrastructure and its innovation and renovation program. This workshop, whose main activity is to provide support for the repairs made by different service operations by means of recovering large pieces of metal and through coating, welding and grinding procedures, maintained its strategy of offering specialized large component repair services, mainly for its mining customers.

Four continuous improvement projects were carried out at the RS in 2010, under the CPS methodology (Caterpillar Production System), modifying a number of the plant's processes in order to improve their efficiency. In addition, service capacity was expanded through the purchase of a second and more modern mechanized monoblock center, as well as the replacement of machine tools with state-of-the-art computerized numerical control (CNC) machines, which will improve the efficiency of the services it provides.

Another important service center is the Machine Shop, which at the end of the year 2009 added 12 bays – covered by a ten-ton overhead crane – to the 20 it already had. Currently, it offers a total of 32 bays for overhauling customers' equipment. In the Machine Shop, different levels of repairs can be made, with the possibility of complete, factory-certified repairs. Through the latter, machines are made as reliable as new units, under the Caterpillar guarantee.

The Technical Pre-delivery Shop is where equipment is prepared to be dispatched to customers, following thorough inspection of its main systems. It is located next to the inventory warehouse, which results in shorter delivery time, as well as lower cost of moving stored equipment, from where it is dispatched to customs agencies. This workshop has 22 bays located in a 2,000 m² area.



The other maintenance and repair shops are located at the company's branches, which are strategically located throughout the country. Every year, the investments required to keep the equipment and tools at these maintenance and repair shops up to date are reviewed. For example, in order to continue providing customers better service on a timely basis in the southern part of the country, the company has continued to invest in the facilities of the maintenance and repair shops of its Arequipa branch.

The plant capacity of all of these maintenance and repair shops is complemented by inspection of customers' machinery and equipment at its operation site. During the year, the Ritmo 5 program was well received, as it basically consisted of field inspections that made it possible to monitor the condition of equipment and anticipate the need for maintenance and repairs.

During the year 2010, new support agreements designed according to customers' individual requirements were signed. At the end of the year, these agreements covered over five hundred pieces of equipment belonging to a long list of customers, whose units undergo corrective and preventive maintenance. In order to fulfill these agreements, which represent billing of close to US\$ 20 million in parts and services, Ferreyros has technicians specialized in equipment maintenance at major mining operations and infrastructure projects.

The most complex maintenance services provided in the field, due to the intensity with which the equipment is used, are those offered to large open-pit mining customers at the sites of their mining projects. Through its Large Mining Division, Ferreyros has personnel assigned to each of the operations it serves throughout the country. Each one has engineers, technicians and employees with experience in mining. These organizations provided service and support to over 300 mining trucks and a similar number of pieces of auxiliary equipment, 24 hours a day, seven days a week, working rotating shifts corresponding to the shifts of the mining companies' employees and technicians. They also assembled trucks and auxiliary equipment sold during the year and put them into operation. In addition, 400 thousand items kept on consignment at the operations were delivered, for a total value of US\$ 85 million.

The aforementioned services are provided by a team of mechanics, technicians, supervisors and engineers, who are highly specialized and receive on-going training. In 2009, still within the shadow of uncertainty brought by the world financial crisis and the lower level of growth announced for the country, the company managed to retain its team of technicians. The size of this group was increased substantially in 2010, numbering over 1,500 technicians at the end of the period, which will enable the company to keep up with growth in demand during the coming years. In line with these plans, the company proceeded with its training program, with courses taught both locally and abroad. Under the premise that training is fundamental in order to provide high quality service, technical personnel have been trained on the latest technological advances related to the equipment commercialized. During the year, a total of 1,325 technicians and engineers received training.

The company maintained its Six Sigma and CPS (Caterpillar Production System) programs as tools for continuous improvement, with special emphasis on the post-sales areas.

EQUIPMENT LEASING

As part of the value proposal for its customers, and in response to market demand, especially from the construction and mining sectors, in April of 2010 Ferreyros opened new facilities for the operations of Rentafer, its business unit dedicated exclusively to equipment leasing and the sale of semi-new and used equipment.

Through this enhanced unit, the leasing business and the sale of used equipment are integrated in a single channel for the purpose of making them more accessible to customers. Rentafer has facilities with 14,000 m² of space in Lima, where equipment available for lease and sale are exhibited, and where the maintenance and repair shops for the leasing fleet and used equipment are located. Throughout the country, customers have access to Rentafer products through more than 20 branches and Ferreyros offices in the national territory.

During the year 2010, the leasing business and sales of used equipment grew approximately 40%, with over US\$ 50 million billed, especially due to good market response to new products. Among them, semi-new equipment or Caterpillar Certified Used equipment, which are used units with a factory guarantee that are currently in great demand by Ferreyros customers, stood out. Good positioning was also obtained for Caterpillar Certified Rebuild equipment, which is completely rebuilt used equipment commercialized with a new serial number assigned by the manufacturer.

At the end of 2010, the Rentafer fleet consisted of approximately 300 units of heavy construction equipment, such as tractors, excavators, motorgraders, loaders and rollers, with a replacement value of US\$ 63 million. During that year, 30 generators that produce over 200 KW of power were added to the fleet, in order to expand the supply of leasing equipment. Additionally, during the year 2010, the company began leasing equipment with maintenance included, providing a product / service combination that increases customers' productivity.

TECHNOLOGICAL TOOLS

Currently, considering the productivity of a piece of equipment without taking into account how that equipment and the fleet within which it operates are managed is insufficient. Proof of this is Ferreyros customers' tireless search for high levels of production, reliability and availability, which are considered essential ingredients of equipment productivity that, in turn, lend tangibility to the real savings of efficient management.

For this reason, in its efforts to continue adding value to its customers' operations, Ferreyros and Caterpillar continue to develop technological tools geared toward efficient operating management, the maximization of production, cost reduction and the prediction and minimization of events that may affect equipment productivity.

Among them, Product Link, which monitors, controls and manages the entire Caterpillar fleet remotely, using satellite data transmission of data on diverse electronic modules and a GPS system, stands out. Product Link gives customers immediate Internet access to reports with the geographical location of each of their machines, fuel consumption, hours of operation, significant events, alerts on improper equipment use and a listing of maintenance activities. Nearly 1,700 Caterpillar units commercialized by Ferreyros throughout Peru have this system, which makes it possible to schedule timely maintenance and repairs, with the resulting cost reduction. These units are largely geared toward construction and include units in the leasing fleet.

For large-scale open-pit mining machinery, Ferreyros has developed the Ferreyros Monitoring Management System (FMMS), which has been implemented successfully in the operations served by the company in this sector. This system combines and integrates the different monitoring techniques used frequently in the maintenance management of mining equipment in a single platform. Among these are fluid analysis results, wear particle inspections, electronic information downloads, application evaluations and visual inspections or performance tests. The use of FMMS permits on-target decision making to guarantee the operativity of components and orderly planning of repairs or part replacement, ensuring greater availability of operative machinery.



It is important to point out the successful use of Caterpillar's Minestar Health for more than a year. It is a wireless tool that, by monitoring alarms in real time, gathers all kinds of information, historical trends and operating parameters of on-line systems and downloads wireless information to produce reports. Unlike traditional monitoring, which only permits this type of practices during preventive maintenance or inspection, this system provides constant diagnostic and predictive capacity.

Along the same line, Ferreyros is promoting the use of Caterpillar AccuGrade, which automates the blades of motorgraders, crawler tractors, hydraulic excavator buckets and roller compaction systems with great accuracy, enabling operators to finish earthmoving work faster, with large increases in productivity, reduced equipment wear and less operator fatigue. During the year 2010, its dissemination in the market was continued.

Lastly, during the year 2010, Ferreyros successfully concluded the first tests on the monitoring system for PL 1000 generators, which enable it to monitor Caterpillar generators remotely. With this new product, customers can verify the different operating parameters of generators remotely, in real time and over the Internet.

CUSTOMER TRAINING

During the year 2010, the company continued offering technical training and equipment operation training geared toward customers' employees, in order to enable them to maximize machine capacity and take full advantage of their investment. Ferreyros has offered courses and seminars to more than 4,500 people working for more than 500 customers. With regard to technical training, 2,660 people participated in a total of 158 technical courses and 18 seminars. In addition, more than 1,880 operators who provide service to the large, medium-size and small mining segments, as well as construction, were trained in more than 450 courses provided by the Operator Training Center (OTC), a unit that combines ample educational experience with the use of latest generation technologies, such as heavy equipment simulators.

Additionally, in a joint effort between Ferreyros and Tecsup, in 2010 the Operators' School located in Mala continued operating for the purpose of providing intensive education for the new generation of operators in Peru. During the year, 176 operators were trained. The majority opted for this training on their own, in order to increase their knowledge of the operation of Caterpillar excavators, frontloaders and crawler tractors

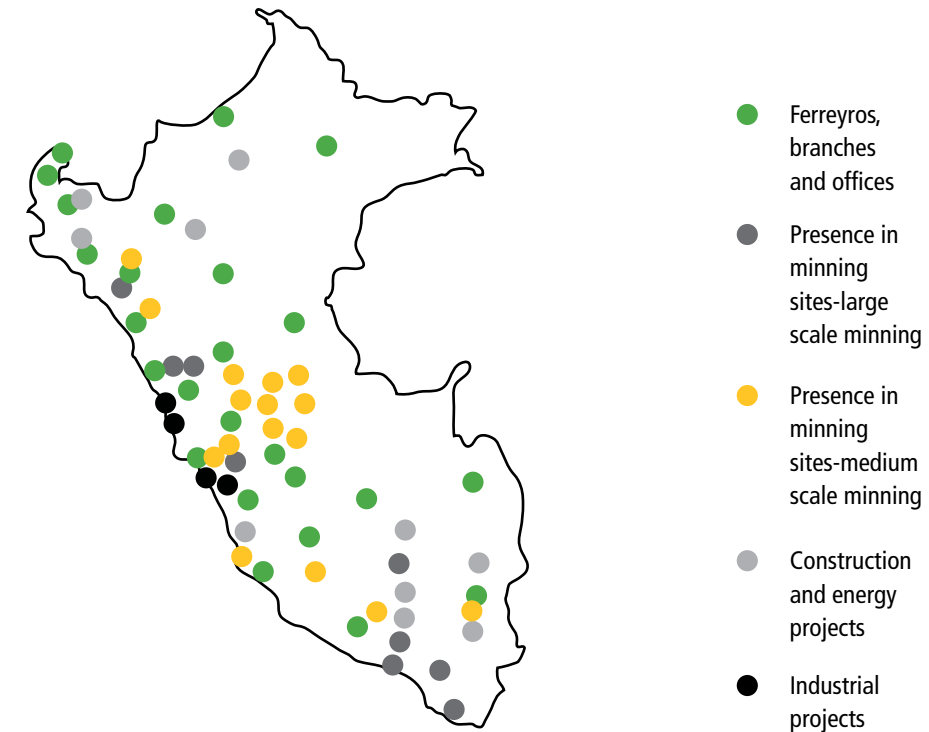
GEOGRAPHICAL COVERAGE

Ferreyros' value proposal involves being present where the customers need us, providing parts and services and volumes of parts that make it possible to protect their machine fleets, anywhere in the national territory. For this reason, the company has commercial and administrative offices in seven locations in the capital and more than 60 points throughout Peru, comprising branches and offices in provinces outside the capital and the continuous presence of personnel at a number of projects. In Lima, the company's headquarters are located in the Santiago de Surco district; its maintenance and repair shops and central parts warehouse are on Avenida Industrial, and the maintenance and repair shops for the leasing and used lines are on Avenida Argentina. To serve the trucks and buses line, it has facilities in Lurín and a new location in Ate, strategically located on Avenida Evitamiento. The latter has modern infrastructure for administrative and commercial service, as well as for providing specialized services. In addition, in the year 2010, with the acquisition of Inmobiliaria CDR, Ferreyros incorporated a new and important place of business on Avenida Argentina with 28,000 m²

of space, where its Parts Distribution Center will be located and a corporate training center will cover subjects for the technical and professional development of the company's employees and those of its customers. The company also has 10,000 m² of space on Avenida Gambetta in Callao for warehouses and equipment pre-delivery shops.

Additionally, Ferreyros has operations throughout the country through 12 branches in the cities of Piura, Lambayeque, Cajamarca, Trujillo, Chimbote, Huaraz, Ica, Arequipa, Puno, Cusco, Huancayo and Cerro de Pasco, as well as four offices in Tumbes, Talara, Ayacucho and La Merced. It is present in the eastern part of the country through its subsidiary, Orvisa, which has branches in Iquitos, Pucallpa and Tarapoto, as well as offices in Puerto Maldonado, Bagua, Tingo María and Andoas.

The branches continue making a significant contribution to the market positioning of the brands that Ferreyros represents, guaranteeing coverage that consolidates its leadership in the commercialization of capital goods, ensuring its expansion and enabling it to play a leading role in regional economic development.



In order to improve operating efficiency at the branches, the organization was adapted for a regional approach. In this manner, the territories are managed appropriately, resulting in better coverage. As a result of this approach, the North, Central, Southern and Amazon regions have emerged.

In addition, the company is continuously present at a number of mining, construction, industry and energy projects throughout the country. At the same time, through field service and other service alternatives, it guarantees timely response to the market's growing demand and personalized service to its customers throughout the country.

In 2010, the sales of the branches and Orvisa grew 28% compared to the preceding year, mainly due to greater activity in the primary sectors, spurred by the recovery of the prices of major commodities and the noteworthy performance of medium-size mining companies and large-scale mining contractors, construction, agriculture, government and transportation.

As part of their social responsibility work, the branches maintain an adequate relationship with agents in their area of influence; that is, with industry associations, public institutions, etc., proposing social responsibility projects with some of their customers and holding volunteering activities, all within a framework of respect and participation in the traditions and customs of the places where they conduct their operations.

LOGISTICS MANAGEMENT

The scenario for logistics management was one of increasing demand. Therefore, the company handled a greater volume of acquisitions of fleets of machinery for projects and their transportation from the manufacturer to the operation location.

For many years, Ferreyros has maintained the leading position among importers of capital goods, in terms of amounts imported annually. This year was no exception. In addition, in the overall ranking of importers, Ferreyros is in third place following PetroPeru and the La Pampilla refinery.

Imports increased 75% compared to 2009, reaching a total CIF value of US\$ 727 million, of which US\$ 540 million correspond to capital goods.

In order to handle this volume of imports, the availability of 80,000 m³ of maritime space for loose cargo has been ensured for transporting machines, engines, equipment and vehicles arriving from different ports in a number of countries, among which the United States and Brazil stand out among others. In 2010, Ferreyros received nearly 550 containers with small parts and equipment and, lastly, used air space to meet the need for quick importation of parts and accessories for a total of 4,500 tons, an average of 15 tons per day, on cargo and passenger flights, holding its record as the largest importer using this means of transportation.

Inventory levels were managed for the purpose of maintaining adequate balance between good turnover and a high level of service and availability, which enables the company to maintain its leadership in market share and customer service. In this manner, it was possible to meet the growing demand in compliance with the policy of maintaining levels of stock for at least three months' future demand and a protective inventory, in order to provide support for equipment models that have begun to be used in operations. The prime product inventory corresponding to machines, equipment and vehicles ended the year at US\$ 163.8 million, which is a 63% increase compared to December of 2009, with average turnover of 3.7 times per year. Among this inventory, there are orders for immediate delivery to mining and construction customers during the first two months of 2010, for US\$ 40 million. In turn, the parts inventory at the end of the year totaled US\$ 58 million, an increase of 48% compared to the end of the year 2009, with average turnover of 4 times per year. It should be noted that 96% of parts orders were filled within the agreed time period.

In addition, Ferreyros has 50 warehouses, some of which house machinery, equipment and parts inventories, while others only house parts. The total warehouse area is 50,000 m²; 34 warehouses are located in Lima and at the branches, and 16 others are located at customers' operation locations. The warehouse capacity has made it possible to house an average of 150 thousand parts and 800 prime units. During the year, the parts warehouses received a total of two million items and dispatched 2.5 million items.

FINANCIAL SERVICES PROVIDED TO CUSTOMERS

Financial arrangements are of key importance in Ferreyros customers' decision making, due to the significant amounts of investment that their projects entail. For this reason, one of the policies that the firm has maintained in recent years with regard to its customers has been to offer them lower-cost alternatives for financing their investments in capital goods through the financial system, taking into account that they involve considerable amounts and fixed assets that not only generate revenue over time, but that are also a significant part of the initial investment in a project.

In this regard, in addition to establishing alliances and negotiating programs with different financial entities, Ferreyros provides personalized advice to customers on access to different types of credit or leasing programs, both locally and from abroad. It is well known that through these institutions, customers can obtain better credit terms, due to the experience and financial structure of these institutions.

During the year 2010, 60% of the financing on the machinery sold by the company came from third parties, among which were Caterpillar

Financial Services, the financial branch of Caterpillar Inc., which provided 35%, and local financial institutions, which provided financing for 25% of the total sales. Through direct financing, Ferreyros provided only 4%, as the financing alternatives proposed were well received by the customers.

In addition, the company is considering the possibility of advising its customers by providing them with information on new tools, such as financing from multilateral entities, programs to promote exportation in the manufacturers' countries, promotional lines in Peru and financial or operating lease formulas, among others. It also has a specialized area for advising its customers on the preparation of the documentation required by financial entities for credit analysis and approval.

Lastly, Ferreyros makes efforts to disseminate the benefits of the capital market and good corporate governance practices, especially in the case of family-owned companies, which compose the majority of its customer portfolio. The intention is to encourage them to consider the capital market (bonds, commercial paper) as a source of financing, or other financing structures that mitigate the risk of high leveraging, among which is the sale of shares to investment funds in order to gain access to capital from diverse sources, with options such as the Lima Stock Exchange

FINANCIAL MANAGEMENT

Net profits for the year 2010 amounted to S/. 138.4 million, which was a significant increase of 37.7% over net profits for the preceding year, as a result of increased sales, higher gross profit, relatively stable operating expenses and a significant reduction in net financial expenses, as well as the subsidiaries' contribution to profits, which is detailed in a subsequent section of this report.

At the end of 2010, Ferreyros' net sales amounted to US\$ 778.3 million, showing outstanding 26.3% growth compared to 2009. In nuevos soles, net sales totaled S/. 2,198.6 million, which was an increase of 18.4% compared to the year 2009. However, due to a significant contribution to profits by subsidiaries, the consolidated sales of all of the companies in the Ferreyros Organization totalled US\$ 1.045 billion, a record figure that is three times the amount obtained five years ago.

During the year 2010, Ferreyros alone had EBITDA of S/. 280.9 million, equivalent to US\$ 99.4 million and 25.7% higher than the total of US\$ 79.1 million earned for the year 2009. If the subsidiaries' operations are considered as well, EBITDA for 2010 totaled US\$ 121.1 million, 29.8% more than the US\$ 93.3 million recorded during the year 2009. This result is lower than the growth in sales, due to investments made in capacity building and talent development, in order to fulfill the market's future needs.

The percentage of selling and administrative expenses in relation with sales was 13%, showing a nominal increase of 14% compared to 2009. The reasons for this are: i) an increase in variable expenses as a result of growth in net sales; ii) higher guarantee expenses, due to significant sales of Caterpillar machinery made in the last two years; and iii) the hiring of technical and commercial personnel to meet future needs for post-sales service.





MILESTONE 3

THE LARGEST HAVE ALREADY ARRIVED IN PERU

The arrival of the Caterpillar 797F mining trucks, the world's largest – with a payload of 400 short tons – strengthens the performance of Ferreyros in the large trucks market and seeks to continue cutting the cost per moved tons, key target of our clients.

Ferreyros financial expenses were significantly lower with regard to sales, partly due to a marked reduction in liabilities in relation with the debt level reached in the preceding year. In 2010, these expenses totaled S/. 40.9 million, compared to S/. 70.3 million in 2009, which is a 41.8% reduction. This reduction was largely due to good interest rates obtained from creditors. Similarly, consolidated earnings also show a considerable 21.2% reduction in net financial expenses, which decreased from S/. 91.4 million in 2009 to S/. 72.0 million in 2010.

The trend of appreciation of the exchange rate seen in recent years due to a greater flow of dollars in the economy as a result of foreign trade transactions and direct foreign investment continued during the year 2010, although it was less pronounced. The year-end exchange rate was S/. 2.81 per dollar, which was lower than the rate of S/. 2.89 per dollar in effect at the end of 2009. As a result of this trend, in 2010 there was a currency exchange gain of S/. 12.8 million, due to 2.8% appreciation of the nuevo sol, while in 2009, the local currency appreciated 7.9% and had a much greater impact on the company's earnings.

Every month, Ferreyros sells foreign currency in order to cover certain transactions in local currency. In order to obtain better results on such sales, the company has always sought to reduce its exposure to currency exchange risk and lower exchange rates through coverage contracts. As of December 31, 2010, the company had forward contracts with local financial entities totaling US\$ 86 million that expire during the year 2011. For the years 2009 and 2010 aggregately, the company obtained significant savings due to better currency exchange rates.

With regard to the balance sheet, as of December 31, 2010, Ferreyros' assets totalled S/. 1,837.1 million, compared to S/. 1,529.9 million as of December 31, 2009, which is an increase of S/. 307.2 million, equivalent to 16.2% and similar to the growth in sales. This result was mainly due to a S/. 224.5 million net increase in inventories and a S/. 18.4 million increase in short-term commercial accounts receivable, derived from sales. Total consolidated assets rose from S/. 1,813.2 million in 2009 to S/. 2,540.9 million in 2010; that is, growth of 40.1%, due to higher sales and the incorporation of assets of Caterpillar dealers in Central America acquired by Ferreyros at the beginning of the year.

Asset turnover in 2010 was 3.7 to 1, compared to 2.1 in the year 2009, reflecting greater efficiency than in the preceding year. The return on assets was 9.8%, compared to 8.5% for the year 2009.

INVESTMENT IN ASSETS

The company has significant investments in inventories for the purpose of being prepared to fulfill customers' orders in a timely manner, due to which inventory reached US\$ 162.7 million for the machine, engine, equipment and vehicle lines (known internally as "principal product" lines), maintaining adequate levels during the year in order to keep up with the higher level of sales. The parts inventory had similar performance, with an average level of US\$ 48.8 million during the year and a final balance of US\$ 58.1 million as of December 31, 2010.

Ferreyros also has a significant accounts receivable portfolio. As mentioned previously, the financial solutions available to customers, whether from the company or third parties, is one of the company's differentiating factors that influences customers in their decision to acquire parts and equipment, as well as services and leased equipment. The average time period required for closing sales through third parties or collecting on invoices for parts, services and leases is approximately 40 days. In this regard, the company maintains a significant volume of accounts receivable that, on average, amounted to US\$ 150 million during the year 2010. The portfolio of short-term commercial accounts receivable amounted to US\$ 126 million, which was higher than US\$ 112 million at the end of the year 2009, due to a significant increase in billing for parts and services.

In relation with sales of machines and equipment, approximately 36% was paid in cash with customers' own resources; 25% was financed by customers through the banking system or leasing companies, and 35% involved the outstanding participation of Caterpillar Financial Services. Additionally, Caterpillar International Services del Peru S.A. (CISPSA) has been consolidating its position as an additional option for obtaining machinery, by offering customers operating leases. For the purpose of reducing the volume of resources required for financing medium-term sales, as well as for controlling credit risks, Ferreyros has maintained a strategy of limiting direct credit on equipment, due to which it has financed only 4% of the total sales.

The late payment index on the accounts receivable portfolio overdue more than 30 days was 2.4%, while that of accounts receivable overdue more than 180 days was 0%. The allowance for doubtful accounts for the year amounted to US\$ 2.1 million. This reserve for uncollectible amounts corresponds to 0.27% of the company's total sales for the year 2010, which is significantly lower than the amount for the previous year, as a reflection of the good macroeconomic environment.

In order to maintain the standards of the company's facilities and continuously optimize the capacities that make it possible to offer its customers world-class service, Ferreyros invests in the acquisition of new facilities, as well as in the maintenance and remodeling of its existing facilities; that is, service and warehouse facilities in the country. The detail of these investments can be found in the Value Proposal section.

In preparation for increased demand, mainly based on the introduction of domestic marketing of 797 trucks, the capacity of the Component Repair Center (CRC) in Lima has been expanded and investments have been made in the Recovery Shop (RS) in order to maintain its innovation and renovation program. In addition, important improvements have been made in Ferreyros' automotive facilities in Lurin and Ate. It should also be noted that, through the acquisition of Inmobiliaria CDR, the company purchased a 28,000 m² business property on Avenida Argentina, where a logistics complex that will house the Parts Distribution Center (PDC) will be built. In addition, plans are to use part of this land for the construction of the organization's Operator School.

Lastly, among the fixed assets, the leasing fleet, which is composed of approximately 300 units, and the components for streamlining the repair of mining trucks stand out. During the year, investments in fixed assets amounted to nearly US\$ 20 million, compared to US\$ 12 million invested in 2009.

SOURCES OF FINANCING

In general, the higher level of assets was financed by equity derived from the generation of profits during the year, as well as liabilities higher than those of 2009. As of December 31, 2010, total liabilities amounted to S/. 1,072.9 million, which was an increase of S/. 176.7 million compared to the same period for the preceding year. At the consolidated level, the volume of liabilities at year-end closing was S/. 1,775.4 million, an increase of 50.4%, which was the result of the growth in operations and the incorporation of assets and liabilities of the companies in Central America, as well as the financing required for this purchase.

The company is primarily financed by the reinvestment of profits, according to parameters established by the dividend policy in effect, as well as through local and foreign bank loans, Caterpillar Financial Services, and active participation in the capital market, by means of corporate bond placements. The selection criteria for sources of financing are based on the best terms and conditions, as well as on interest in preserving access to diversified sources.

The measure of adopting inventory control made it possible to maintain an adequate debt ratio, which as of December 31, 2010 was 1.40, very similar to the 1.41 ration for 2009. The liquidity ratio or current ratio, understood as the company's capacity to meet its short-term debts by realizing amounts from its circulating assets, was 1.47 at the end of the year, lower than the 1.92 at the end of 2009 and the target ratio of 1.50. This was due to the fact that, throughout the second semester, payments were made on medium-term operations and some others became short-term. However, the company plans to take on some medium-term debts in the first months of 2011 and return to the liquidity levels desired. In addition, Ferreyros had sufficient lines of credit to fulfill its requirements, which were accompanied by very competitive interest rates. In order to improve leverage levels, financial liabilities were prepaid. The level of financial debt went from US\$ 230 million as of December 31, 2009 to US\$ 239 million as of December 31, 2010.



The company was able to finance its operations at annual short-term rates from 1.4% to 2.9%, and annual medium-term rates from 4% to 7.8%. The average annual rate on financing obtained from different sources was 5.17% in 2010. In order to mitigate the risk due to increased interest rates, in the years 2009 and 2010, the company signed interest-rate futures contracts at variable interest rates with local financial entities in relation with financial liabilities with expiration dates up to May 2015. Such interest rate swaps have the economic effect of converting variable rate debt into fixed-rate debt. As of December 2010, these contracts amounted to US\$ 22 million.

The lines of credit granted by Caterpillar Financial Services and the sale without recourse of the portfolio of short-term invoices to customers were other tools used to obtain the liquidity required by the company.

PARTICIPATION IN THE CAPITAL MARKET

Since the year 1970, the company has participated in the capital market through the negotiation of its shares on the Lima Stock Exchange. Since 1994, the company has completed this participation with debt instruments, issuing commercial paper regularly and frequently. From 1994 to 2004, it placed four bond issues and two commercial paper issues. Subsequently, in 2004, it registered a corporate bond and commercial paper program, which was followed by the registration of the First Debt Instrument Program (DI) in 2007 and, in 2009, the Second Debt Instrument Program (DI).

As of December 31, 2010, the amount of Ferreyros corporate bonds outstanding under existing programs was US\$ 120 million, of which US\$ 70 million correspond to the First IRD Program and US\$ 50 million to the Second IRD Program. In the year 2010, the company placed for US\$ 40 million in securities through very successful operations.

ORGANIZATION AND HUMAN RESOURCES

BOARD OF DIRECTORS

The Ferreyros Board of Directors is composed of eight directors elected at the Shareholders' Meeting, according to the provisions of the General Law on Corporations and pursuant to article 32 of the company bylaws, for a three-year period. At the Shareholders' Meeting held on March 26, 2008, directors were elected for the 2008-2011 period. The Board of Directors is composed as follows:

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

During their first meeting, held on March 26, 2008, the members of the Board of Directors elected Óscar Espinosa Bedoya as the Chairman and President and Carlos Ferreyros Aspillaga as the Vice President of the Board.

In accordance with good corporate governance practices, the company has independent directors in order to ensure independent decision making on matters where there may be potential conflicts of interest and to guarantee a plurality of opinions. The directors considered independent, given that they have no ties to the company or the principal shareholders, are:

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

Professional background of the directors

Óscar Espinosa Bedoya

Executive President of Ferreyros since March 2008, he became the managing director of the company starting in 1983, after joining the company in 1981. He has a Civil Engineering degree from the Universidad Nacional de Ingeniería (National Engineering University) and master's degrees from North Carolina State University and Harvard University, as well as specialization certificates from the ISVE in Italy and the CEO Management Program at Northwestern University's Kellogg School, graduate studies in Economics at the University of Colorado and the Senior Management Program (PAD) at the Universidad de Piura in Engineering, Economics and Business Administration. He has held important positions as a director and manager at Cofide, the World Bank, Banco Internacional del Perú and other financial entities. Currently, he is a member of the boards of directors of several firms, including La Positiva Seguros y Reaseguros, La Positiva Vida Seguros y Reaseguros and Profuturo AFP, as well as industry associations. He is a member of the Tecsup Board of Directors, Vice President of the Asociación Pro Universidad del Pacífico and a member of the Patronato de la Universidad Ruiz Montoya. He received an IPAE award in 1999.

Carlos Ferreyros Aspillaga

Member of the Board of Directors since January of 1971 and Chairman of the Board of Directors from September of 1993 through March 2008. Currently, he is the Vice President of Ferreyros. He is a director of La Positiva Seguros y Reaseguros, as well as a member of the Group of 50 (Carnegie Endowment for International Peace & Inter-American Dialogue). He has a degree in Business Administration from Princeton University.

Hernán Barreto Boggio

Member of the Board of Directors since March 2005, elected by the funds managed by the pension fund administrators (AFP). Currently, he is the President of Consorcio Peruano de Minerales and an advisor to a number of companies in the metal mechanic, mining and energy sectors. Previously, he held the positions of Chairman of the Board of Directors of Generadora Eléctrica del Centro (C.H.E. Yuncán), executive President of Centromín Peru, Vice President of Cia. Minera San Ignacio de Morococha, Vice President of Cia. Minera Poderosa,



executive director of Zentrax International Corp. (USA), director of the Center for Economic Development (Brazil), director of Arlabank and Eulabank and alternate director of the Andean Development Corporation (CAF). He has been the General Manager of the Banco de la Nación and a manager at Cofide. He has a degree in Agricultural Engineering from Universidad Agraria La Molina, an M.S. in Food Technology and an M.S. in Chemical Engineering from the Massachusetts Institute of Technology (MIT). He is a Ph.D. candidate in Systems Engineering at Michigan State University, a Fulbright Scholar, a Rockefeller Foundation Scholar and a member of Sigma Xi.

Aldo Defilippi Traverso

Member of the Ferreyros Board of Directors since March 2005, elected by the funds managed by the pension fund administrators (AFP). In addition, he is the executive director of the American Chamber of Commerce of Peru (Amcham Peru) and President of the Cancer Foundation. He is also a director of different institutions, including Microsoft, Amrop, Universidad Metropolitana in San Juan, Puerto Rico, Pennyinvest, Peru 2021, BASC, United Way, Solidar and the NESST Fund. He has held the position of Finance Manager at Ferreyros, as well as that of General Manager at Banco Industrial, Banco de Comercio and Banco Baños in Peru; executive director at Bladex in Panama; investment banking manager at the Inter-American Investment Corporation (IIC), in Washington; head of the Economic Studies Division at INTAL (IDB) in Argentina; and economist at the World Bank in Washington. He has been the President of the Comisión Nacional de Inversiones y Tecnologías Extranjeras (Conite / National Commission on Investments and Foreign Technologies), Manager of ProInversión and director of diverse public and private companies in Peru. He has taught at the Pacífico, Lima and Católica universities in Lima. He is a candidate for a doctorate in Economics and has a master's degree in Economic Policy and Economic Development from Boston University. He has completed Northwestern University's Executive Officers' Program and holds a bachelor's degree in Economics from Universidad del Pacífico.

Eduardo Montero Aramburú

Member of the Board of Directors since March 1980 and Vice Chairman of the Board of Directors from September of 1993 to March 2008. Currently, he is the President of Indus and a director of Agrícola BPM. Previously, he held the position of director of the Banco Central de Reserva and Executive President of Industrias Pacocha. He has a degree in Economics from Lehigh University and a master's degree in Business Administration from the University of Pennsylvania Wharton School.

Juan Manuel Peña Roca

Member of the Board of Directors since December of 1984. Currently, he is also the President of La Positiva Seguros y Reaseguros and La Positiva Vida, Seguros y Reaseguros, Chairman of the Board of Directors of Alianza Compañía de Seguros y Reaseguros (Bolivia), director of Seguros América (Nicaragua) and Martinizing del Peru. Previously, he held the position of Managing Director at Bland Welch (Brazil), heading the Latin America and Caribbean area; President of the Inter-American Federation of Insurance Companies (Fides); and director of Profuturo AFP. He has a degree in Civil Engineering from Universidad Nacional de Ingeniería (National Engineering University).

Juan Prado Bustamante

Member of the Board of Directors since March 2005, elected by the funds managed by the pension fund administrators (AFP). Currently, he is a partner at the Estudio Llona & Bustamante Abogados law firm and a member of the Board of Directors of the Manuel J. Bustamante de la Fuente Foundation. Previously, he held the position of associate attorney at the Estudio Rubio, Leguía, Normand & Asociados law firm, as well as that of director of Cavali, of Promotores e Inversiones Investa SAB, of Energy Power Peru, of Generandes Peru and of Conasev. He is a graduate of the Universidad de Lima School of Law and Political Science and has a master's degree in Comparative Jurisprudence from the New York University School of Law and a master's degree in International Banking Law from the Boston University School of Law.

Andreas von Wedemeyer Knigge

Member of the Board of Directors since July of 2003. Currently, he is also the Executive President and General Manager of Corporación Cervecería, as well as Chairman of the Board of Directors of diverse companies composing that group (Creditex, Alprosa, Transaltisa and Proagro, among others). He is also the Chairman of the Board of Directors of Euromotors, Altos Andes and Renting. He is a director of La Positiva Seguros y Reaseguros, La Positiva Vida Seguros y Reaseguros, and Corporación Financiera de Inversiones, among other companies. He is a member of the Board of Directors of the Sociedad Nacional de Industrias and Cómex Peru, as well as a member of Cómex' Executive Committee. He is a director of Tecsup and a member of the International Business Consultative Council at UPC and the Consultative Council of Universidad San Pablo, Arequipa. Has been a director and the General Manager of Cía. Cervecería del Sur del Peru and the Chairman of the Board of Directors of Profuturo AFP. He earned a degree in Business Administration in Hamburg, Germany and took courses in the Management Development Program and others at the Harvard Business School and the Universidad de Piura.

Degrees of kinship

As of December 31, 2010, there are no ties of kinship, either by consanguinity or affinity, among the directors, or between them and members of management.

Carlos Ferreyros Aspillaga, Óscar Espinosa Bedoya, Juan Manuel Peña Roca and Andreas von Wedemeyer Knigge are directors of La Positiva Seguros y Reaseguros, a company that is a Ferreyros shareholder with 9.47% of the capital stock.

Mr. Óscar Espinosa Bedoya is also a director of Profuturo AFP, a pension fund administrator and Ferreyros shareholder with more than 5% of the capital stock.

Special bodies formed and constituted within the Board of Directors

As part of its adherence to good corporate governance practices, the Board of Directors has formed special bodies according to the company's needs and requirements. These special bodies were constituted in 2005 within the Board of Directors as support mechanisms and include independent directors among their members, in order for impartial decisions to be taken on matters on which conflicts of interest may arise. In the year 2009, the names of two of the committees and the matters under their competence were modified.

Each committee is composed of at least three directors, at least one of whom is an independent director, in accordance with principle V, paragraph e.1 of the principles of good corporate governance. The Chairman of the Board of Directors and the Vice President participate in all committees, which meet quarterly and are attended by the General Manager of Ferreyros.

The Committees of the Board of Directors are the following:

Senior Management and Subsidiary Committee (formerly the Senior Management and Corporate Governance Committee)
 Audit Committee
 Organizational Development and Corporate Governance Committee (formerly the Organizational Development Committee)

Senior Management and Subsidiary Committee

Its function is to serve as a consultative body for Management with regard to overall management of the company, as well as a supervisory body with authority delegated by the Board of Directors, not only on the operations of Ferreyros itself, but also on those of subsidiaries. Specifically, it has the following responsibilities:

- To review strategic plans and annual business plans
- To carefully evaluate the operations of subsidiary companies
- To formulate recommendations for the Board of Directors on investment policies, as well as on acquisitions and disposals of fixed assets
- To evaluate and provide guidelines on the company's debt levels, as well as on the structure of liabilities, conducting a follow-up on guarantees granted
- To periodically assess the status of credit granted by the company
- To function as an advisory and consultative body for Management on matters submitted for its consideration

Audit Committee

Its function is to oversee the integrity of the accounting systems and analyze the external auditor's report on the financial statements.

Its responsibilities are the following:

- To oversee the integrity of the accounting systems, through appropriate external auditing
- To review and analyze the company's financial statements periodically
- To review external audit reports on the financial statements
- To supervise the internal auditor's annual work plan and receive relevant reports
- To propose the appointment of external auditors

Organizational Development and Corporate Governance Committee

Its function is to support Management on the adaptation of the company's organizational structure to change, as well as on performance evaluations, training and the professional fulfillment of company executives. With regard to good corporate governance, its function is to oversee adherence to good practices.

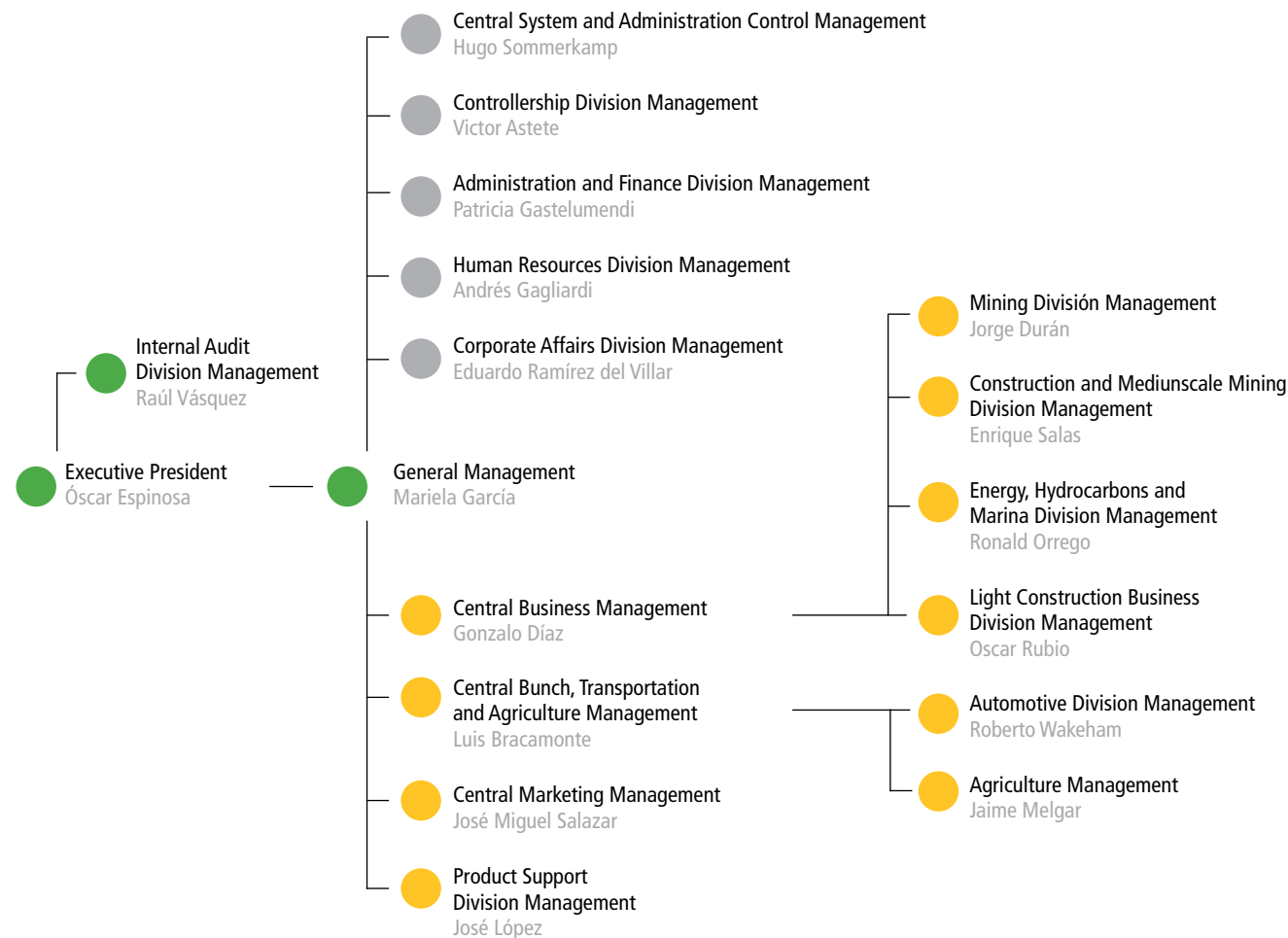


Its responsibilities are the following:

- a. To supervise organizational development programs, through reports on the administrative structure and human resources programs
- b. To supervise performance administration programs, salary policy, and training and development policies, among other matters
- c. To approve the hiring of top executives and the salary scale for managerial and executive positions, as well as to monitor General Management's supervision of their performance

- d. To supervise the effectiveness of the governance practices according to which the company operates, proposing or approving improvements in the company's governance practices
- e. To review the self-evaluation on the 26 principles of good corporate governance presented in the company's Annual Report
- f. To supervise the policy on information on "Important Events" and privileged and reserved information
- g. To identify potential sources of conflict of interest among the administration, directors and shareholders, as well as to supervise follow-up by management

MANAGEMENT



Management's professional background

GENERAL MANAGER

Mariela García Figari de Fabbri

In March 2008, she was named General Manager of the company, after holding the position of Assistant General Manager from January 2005 to March 2008, as part of a succession plan. She joined the company in 1988 and held several positions in the Finance Division, the last of which was that of Finance Manager from 2001 until January of 2005. She holds a licentiate in Economics from Universidad del Pacífico and has an MBA from Universidad Adolfo Ibáñez in Chile and Incae in Costa Rica. Currently, she is a member of the Board of Directors of the American Chamber of Commerce of Peru (AmCham Peru), Peru 2021, and the Sociedad Nacional de Minería, Petróleo y Energía (National Mining, Petroleum and Energy Society), as well as the Consultative Committee of the OWIT. She is also the President of the Companies Circle of the Latin American Corporate Governance Roundtable, which brings together 20 Latin American companies distinguished for their good corporate governance practices. She is a member of the Consultative Council of the Universidad del Pacifico School of Economics and of the same university's Master's in International Business Program. She was a member of the Board of Directors of Procapitales and President of its Corporate Governance Committee through the end of the year 2006, as well as director of IPAE from 2002 to 2004 and of Cosapi from 2007 to 2009. Previously, she held the position of researcher and member of the Editorial Committee on publications edited by the La Moneda consortium.

CENTRAL MANAGERS

Luis Bracamonte Loayza

Central Manager of Branches, Transportation and Agriculture since October 2005. He joined the company in 1980 and held a number of important positions such as assistant Manager of Credit and Collections. In 1996, he became the manager of the Branches Division and, subsequently, the manager of the Agriculture and Automotive Division. Currently, he is in charge of supervision of the branches. He is an alumnus of Universidad de Lima and earned specialization certificates from Escuela de Administración de Negocios (ESAN) and the senior management program at INCAE in Costa Rica. He has a master's degree in Marketing and Commercial Management from the EOI business school in Spain. Currently, he is also a director of the Lima Chamber of Commerce.

Gonzalo Díaz Pro

Central Business Manager since 2007. Previously, he was in charge of Ferreyros' Mining Division. He joined the company in August of 2004. He is a civil engineer and graduate of Pontificia Universidad Católica del Peru. He has an MBA from Universidad Adolfo Ibáñez in Chile and Incae in Costa Rica. He has also taken a number of specialization courses in Peru and abroad. He has more than 20 years of experience in the management and development of construction, open-pit mining and energy projects in Peru and Chile. Previously, he held different positions in the Cosapi group, including that of Commercial Manager of the branch in Chile and Project Manager in the joint venture with the Bechtel Corporation.

José Miguel Salazar Romero

Central Marketing Manager since 2007. He joined the company in 1969 and held different positions in the commercial and financial areas until 1990. In 1988, he was named Manager of the Finance Division. From 1990 to 1995, he held similar positions at other companies in the industry. He rejoined the Ferreyros Organization in the year 1996 as the General Manager of Matreq Ferreyros, the exclusive Caterpillar dealer in Bolivia and a Ferreyros subsidiary until April of 2003. From 2001 to 2004, he was the Manager of the Mining Division and, starting in 2004, the Central Manager of Customer Relations and Commercial Development. He has participated in in-country courses, as well as seminars organized by Caterpillar, including the Caterpillar Leading for Growth and Profitability program held at the University of North Carolina's Kenan-Flagler Business School.

Hugo Sommerkamp Molinari

Central Manager of Control and Systems Management since July of 2001. He joined the company in 1985 and held the position of Manager of the Controller's area for subsidiary companies until 1990. From 1990 until 1996, he worked in Paraguay as the Financial Manager of the different subsidiaries of the ECOM group (Lausanne, Switzerland). He rejoined Ferreyros in the year 1996 as the Manager of the Administration and Finance Division, the position he held until 2001. He is a certified public accountant and graduate of Universidad Católica del Peru, who has also taken specialization courses in Peru and abroad, including the Caterpillar Leading for Growth and Profitability program held at the University of North Carolina's Kenan-Flagler Business School.



MILESTONE 4

**A FIRM RELATIONSHIP WITH
A LEADING DISTRIBUTOR**

The visit of James Owens, Chief Executive Officer of Caterpillar, to Ferreyros, evidenced the close friendship and teamwork ties of these companies, existing for 68 years.

DIVISION MANAGERS

Víctor Astete Palma

Manager of the Controller's Division since 1996. He joined the company in 1977 and has held different managerial positions in Accounting, Budgeting, Accounting Consulting and Investment Accounting. He is a certified public accountant and graduate of Universidad Nacional Mayor de San Marcos, who has also taken a number of specialization courses in Peru and abroad.

Carlos Dongo Vásquez

Manager of the Component Repair Center since 2005 and General Manager of Motorindustria starting in 2002. He joined the company in 1979 and has held different positions in the commercial and service areas. He has been the Parts and Services Sales Manager and the Manager of the Machines and Engines Division. He has a degree in Mechanical Engineering from Pontificia Universidad Católica del Perú. In 2007, he participated in the Caterpillar Leading for Growth and Profitability program held at the University of North Carolina's Kenan-Flagler Business School.

Jorge Durán Cheneaux

Manager of the Ferreyros Large-scale Mining Division since February of 2007. He joined the company in 1994 as a Field Service engineer in charge of the Cerro Verde mining operation. Subsequently, he was placed in charge of Service for the Southern Region. In the year 1999, he was named Service Manager for the entire country; in the year 2001, he became the Manager of the Component Repair Center (CRC) and maintenance and repair shops in Lima; and in the year 2005, he was named Manager of Mining Operations. He has a degree in Mechanical Engineering from Pontificia Universidad Católica del Perú and an MBA from Universidad Adolfo Ibáñez in Chile and Incae. He has participated in several Caterpillar forums and specialization courses, he is a certified Black Belt in the Six Sigma continuous improvement program, and in 2007 he participated in the Caterpillar Leading for Growth and Profitability program held at the University of North Carolina's Kenan-Flagler Business School.

Andrés Gagliardi Wakeham

Manager of the Human Resources Division since 1986. From 1973 to 1980, he was the Assistant Manager and then Manager of Industrial Relations at Laboratorios Efesa, when this company was a subsidiary of Ferreyros. He has also held similar positions at other prestigious companies. He has a licentiate degree in Industrial Relations from Universidad de San Martín de Porres and he has attended a number of courses and programs in his area of specialization.

Patricia Gastelumendi Lukis

Manager of the Administration and Finance Division since 2005. She joined the company in 1987. After performing different functions in the Credit and Collections area, she was named Credit Manager in the year 1998. She has a licentiate degree in Business Administration from Universidad de Lima, she has taken specialization courses at ESAN, and she has an MBA from Universidad Adolfo Ibáñez in Chile and Incae in Costa Rica. In 2007, she participated in the Caterpillar Leading for Growth and Profitability program held at the University of North Carolina's Kenan-Flagler Business School. In 2009, she participated in a specialization program taught by Harvard Extension School Faculty. Currently, she is the Vice President of Procapitales and a member of its Corporate Governance Committee. She was a member of the Board of Directors of IPAE from 2007 to 2009. In addition, she was the Chairwoman of the Organizing Committee for CADE Universitaria 2010 and Ferreyros' representative on the Companies Circle of the Latin American Corporate Governance Roundtable.

José López Rey Sánchez

Manager of the Product Support Division since 2001. He joined the company in 1981. He was the Service Manager from 1994 until 1998 and Parts and Services Manager from 1999 to 2001. He has a Mechanical Engineering degree from Universidad Nacional de Ingeniería (National Engineering University) and has taken courses in Business Administration and Managerial Accounting at ESAN, as well as the Senior Management Program (PAD) at Universidad de Piura. In 2007, he participated in the Caterpillar Leading for Growth and Profitability program held at the University of North Carolina's Kenan-Flagler Business School.

Eduardo Ramírez del Villar

Manager of the Corporate Affairs Division since the year 2010. He joined the company in 1999 as the Legal Manager. He has a Law degree from Universidad Católica del Perú and a master's degree in Law from George Washington University (as a Fulbright scholarship recipient). He was in charge of the Legal area under the Vice President of Finance at the Andean Development Corporation (CAF) at its headquarters in Caracas, Venezuela, as the attorney in charge of liability operations for this international organization and, previously, as an attorney for Legal Consultancy, supporting financing operations for the public and private sectors in Peru and the structuring of large-scale projects at the regional level. Previously, he held the position of Legal Manager for Cosapi Organización Empresarial, providing legal consultancy on matters related to the construction business. He has taken a number of specialization courses, both in Peru and abroad. In 2007, he participated in the Caterpillar Leading for Growth and Profitability program, taught at the University of North Carolina's Kenan-Flagler Business School.

Óscar Rubio Rodríguez

Manager of the Light Construction Division since 2007. Additionally, he is the General Manager of the Unimaq subsidiary. He joined the company in 1975 and has held managerial positions since the year 1983. Currently, he is the President of the Asociación Langostinera del Perú (Shrimp Association of Peru). He has an Economics degree from the Universidad Nacional Mayor de San Marcos School of Economics. He has taken courses in Peru and abroad, and has earned specialization certificates from ESAN, IPAE and Universidad La Salle in Argentina.

Enrique Salas Rizo-Patrón

Manager of Ferreyros' Construction and Mining Division since February of 2010, after serving as the General Manager of the Mega Representaciones subsidiary since January of 2007. He was the founder of Mega Caucho, a leading company in the commercialization of off-highway tires and lubricants for industry in the country, and its General Manager starting in 1999. He was the Sales Manager at Andean Trading, the exclusive Goodyear International dealer in Peru, where he began working in 1986. He has more than 25 years of experience in sales and service with added value in relation with industrial products for the mining, construction, transportation and industrial markets. He studied at Universidad de Lima and specialized in sales, marketing and services at ESAN, in addition to other courses on commercial, administrative and financial management for entrepreneurs. He has participated in Caterpillar forums and courses, and continues to do so.

Raúl Vásquez Erquicio

Manager of the Internal Auditing Division since 1978, when he joined the company. Previously, he had been the Administration and Finance Manager of Pesquera Estrella del Perú and Audit Manager at Arthur Andersen & Co. He has a bachelor's degree in Economic and Commercial Sciences, the title of Certified Public Accountant and Doctorate studies in Economic Sciences from Universidad Nacional Mayor de San Marcos. He has been the President of the Instituto de Auditores Internos del Perú (Peruvian Institute of Internal Auditors), Latin American District Director of the Institute of Internal Auditors (USA), President of the Federación Latinoamericana de Auditores Internos (FLAI/Latin American Federation of Internal Auditors) and Chairman of the FLAI's Ethics Committee. Currently, he is a member of the Institute of Internal Auditors' Professional Issues Committee and an international speaker on issues related to internal auditing.

Roberto Wakeham Maggiolo

Manager of the Automotive Division since 2009. He joined the organization in September of 2007 as the automotive manager. Currently, he is a member of the Board of Directors of the Asociación Automotriz del Perú (Peruvian Automobile Association) and Ferreyros' representative in Araper. He has a bachelor's degree in Economic Engineering from Universidad Nacional de Ingeniería (National Engineering University) and a master's degree in Business Administration for Graduates from ESAN. He has high-level managerial and consulting experience in Business Administration, Finance, Commercialization, Operations and Human Resources with both domestic and international companies that are leaders in different market sectors, such as La Fabril, Gloria and Volvo del Perú, among others, as well as with public-sector entities and projects or programs financed by international cooperation. He has held positions such as Administration, Finance and Logistics Manager at different ministries and public organizations, among which PromPerú and Sedapal stand out, as well as at the ministries of Transportation, Health and Education.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT

The percentage of total revenue shown on Ferreyros' financial statements corresponding to remuneration of members of the Board of Directors and management is 0.83%.

HUMAN RESOURCES

At the end of 2010, the company had 2,736 regular employees at its headquarters and at different sales points throughout the national territory.

The variation in personnel over the last seven years has been the following:

	2004	2005	2006	2007	2008	2009	2010
Officers	34	35	37	50	49	48	49
Employees	584	594	712	906	1,030	984	1,160
Technical personnel and laborers	641	503	738	1,017	1,310	1,221	1,527
	1,259	1,132	1,487	1,973	2,389	2,253	2,736



The greatest competitive advantage Ferreyros has, over and above its products and services, is its human capital. For this reason, it seeks to guarantee a good organizational climate in order to attract and retain top talent.

Remunerating its employees through a remuneration policy above the market average, as well as guaranteeing strict punctuality in the payment of their legal remuneration, are basic elements of the company's human resource policy. Moreover, Ferreyros seeks to encourage, foster and facilitate the development of professional and technical personnel through different development, education and training programs. Other aspects of Ferreyros' human resource policy are respect for diversity, respect for balance in employees' lives and a set of benefits in order to raise its employees' level of satisfaction and commitment. All of the foregoing have enabled it to be a founding member of the Good Employers Association in Peru, sponsored by the American Chamber of Commerce (Amcham), which comprises companies known for respecting their employees and creating an adequate working atmosphere, applying good human resources practices in all of their processes.

The Social Welfare area provides continuous service on matters related to health, education, housing, legal matters and family problems. In addition, it fosters family-oriented and recreational activities.

By the same token, Ferreyros is respectful of its employees' groups. Technical personnel are represented by a union, which maintains an excellent relationship with the company and collaborates on the creation of policies geared toward improving working conditions and the quality of living of its employees and their families.

For further information on human resource practices, please refer to the section on this stakeholder in the Social Responsibility chapter.

In-house training policies

Leadership Program

In December of 2010, an initiative aimed at building talent among Ferreyros' leaders in a more extensive manner was added to the employee development programs. The new initiative is the Ferreyros Leadership program, an educational program developed in conjunction with the Harvard Business Review América Latina, geared toward the development of 250 of the company's leaders and supervisors.

The program, which lasted nine months in its first year, is custom designed for Ferreyros, for the purpose of fostering the development of the leadership and management skills of the company's key employees. Ferreyros' leaders will be able to build competencies such as strategic management and working team management through a virtual platform, via Internet, which provides specialized reading materials on business-related matters. In addition, they will attend workshops for outstanding professionals in the region, during which teamwork exercises will be conducting, cases will be analyzed and problems related to the company's activities will be solved.

Technical training

As is the company's tradition, improvements in infrastructure and in the processes involved in different post-sales service operations have been accompanied by efforts geared toward the education and development of technical personnel. These efforts include the Service Pro, Logistics Pro and Formación Técnica Automotriz (Fortec) internal development programs. All of these programs are conducted by the Technical Development area, which maintained a 5-star rating, Caterpillar's highest rating, as a result of the measurement of the capacities of its dealers in the training of their technical personnel. In the Service Pro program, more than 8,280 certifications and recategorizations were completed. With all of this, over 88,500 hours of technical classroom training were accumulated in a total of 365 technical courses held.

In addition, the accelerated Field Service training program aimed at capacity building among technicians in this area was expanded through 240 hours of personalized training per year. Fifty technicians from the branches in Arequipa, Cajamarca and Huancayo, as well as from Field Service in Lima, participated in this program in groups formed according to three development phases.

Ferreyros also continued with the ABC program, an initiative geared toward training new technicians who have joined the company. This company consists of 12 weeks of accelerated training for the purpose of competency building among participants. In 2010 the tenth class, composed of 18 technicians, completed training. To date, a total of 244 technicians have participated in the ABC program.

In order to continue making a contribution so that more young people can become involved in the capital goods market through the acquisition of knowledge and skills, the company continued to sponsor the Think Big program, launched in 2002 by Ferreyros and Caterpillar and taught jointly with the Tecsup educational institution.

The 24-month Think Big program trains technicians for specialization in Caterpillar products, which are those most often used in earthmoving activities in the country. In 2010, the seventh graduating class of 19 technicians completed the program. The Think Big program was also launched at the Tecsup campus in Arequipa, with 12 students. It should be noted that the Think Big program has been actively promoted at the high schools of the Fe y Alegría network, Humtec and Junior Achievement.

Additionally, the company continued supporting other programs, such as the heavy equipment maintenance program at Senati, held in the city of Cajamarca, with contributions to its curriculum, the distribution of technical information and internships for technicians in the different Ferreyros maintenance and repair shops. In this manner, the company contributes to the education of the country's technicians in a decentralized manner.

As it does every year, the company actively participated in Caterpillar certification programs, this time with 22 people, including engineers and technicians, resulting in 30 certifications in total: 17 in mining, six in construction, five in marine and two in applied failure analysis. The purpose of this certification is to give technicians the opportunity to demonstrate thorough knowledge in the execution of diagnostics, tests and adjustments of mining, construction and energy generation equipment.

In order to serve employees involved in logistical services and warehouses, the Logistics Pro program was continued. This program makes a career path linked to an education and training process possible. In this program, 172 certifications were obtained by 120 employees in this area.

SUBSIDIARY COMPANIES AND ECONOMIC GROUP

The organization's strategy and its business model consider attaining part of its growth through investment in new business related to its main line of business, that of capital goods, in order to offer a more complete portfolio of products and solutions. This business is conducted by its subsidiaries, through the creation of new capacities or the acquisition of existing companies in order to shorten the learning curve, in the case of new activities. It should be noted that, in addition to contributing to the company's sales and profits, the subsidiaries lend greater market coverage and complementarity to the range of solutions offered by the organization as a whole. Many of the company's major customers obtain goods and services from several subsidiaries.

The Ferreyros Organization's business is distributed in three major divisions: the companies representing Caterpillar and allied brands in Peru, companies dedicated to the commercialization of Caterpillar and allied brands abroad, and companies that complement the range of goods and services offered to different productive sectors.

At the beginning of the year, the Board of Directors of each subsidiary approved the reinvestment of profits, whether total or partial, in order to maintain the financial soundness that their growth expectations required, and made capital contributions to some of their companies for the purpose of making new investments. Overall, the subsidiaries contributed approximately US\$ 272 million in sales and US\$ 12.3 million in profits to the organization. The companies representing Caterpillar and allied brands in Peru generated 85% of consolidated sales, with a total of US\$ 886 million, while the companies dedicated to the commercialization of Caterpillar and allied brands abroad accounted for 9%, with a total of US\$ 91 million. Lastly, the companies complementing the range of goods and services offered to the different productive sectors contributed 6% of sales, with a total of US\$ 67 million. Twenty-four percent of consolidated sales was generated by Inti Inversiones Interamericanas Corp., Unimaq, Orvisa, Fiansa and Mega Representaciones.

During the year 2010, in order to consolidate its business in the capital goods line, as had been announced some time ago, Ferreyros sold its interest in the Domingo Rodas shrimp company.



Among Ferreyros' assets, its interest in the capital stock of its subsidiary companies is recorded in the financial investments account. According to Conasev's definition of an economic group, Ferreyros and the following subsidiaries compose an economic group:

Subsidiary	Interest
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. comunes	99.44%
Fiansa S.A. inversión	96.48%
Orvisa S.A.	99.00%
Ferrenergy S.A.C.	50.00%

The following pages provide a brief explanation of the results of the principal subsidiaries' operations during the year 2010.

SUBSIDIARIES IN CHARGE OF CATERPILLAR DISTRIBUTION IN PERU

Unimaq S.A.

In the year 2010, Unimaq had sales of US\$ 92 million, which was 44% more than in the year 2009 and represents significant growth attained along with the robustness of the economy.

Unimaq began its operations in 1999 due to Ferreyros' initiative to meet the needs of the market for light equipment with new allied brands, in order to penetrate new market segments. Its business centers on the commercialization and lease of light equipment for construction, industry and mining, as well as equipment to serve other sectors, such as agriculture and fishing. Since it was founded, it has had dealerships in leading lines with excellent quality, such as Mitsubishi-Cat forklifts, Wacker compaction equipment, Lincoln Electric welding equipment, Olympian Cat generators, Amida light towers, Enerpac hydraulic tools, Compair compressors and Carmix self-propelled concrete mixers. In nearly all of these lines, Unimaq has maintained leadership in the local market.

Currently, Unimaq is the organizational unit that mainly serves the urban or light construction sector, for which it commercializes the Caterpillar light equipment line previously marketed by Ferreyros, including the "Rentando - The Cat Rental Store" business unit. Its model is aimed at providing an integral solution for customers, with the sale of new and equipment, as well as leasing, with good post-sales support.

Orvisa S.A.

Orvisa began its operations in 1973, due to a Ferreyros initiative to serve its operations in the Amazon region in a differentiated manner and to enable its customers in the area to take advantage of certain tax benefits currently in force, which would have been lost if they were served directly by the parent company in Lima. It was the first company to import and commercialize capital goods in this part of the country, and it has done so continuously for 37 years. Its headquarters are located in the city of Iquitos it has branches in the cities of Pucallpa and Tarapoto. It also has offices in Andoas, Bagua, Tingo María and Puerto Maldonado. In the year 2004, for the purpose of carrying out specialized service projects for customers in the petroleum sector, the Orvisa Services Technicians S.A.C. subsidiary was created.

Currently, Orvisa mainly serves customers in the hydrocarbon, construction, river transportation, forestry and agriculture sectors, with the same product lines and services as the parent company, plus some products particularly applicable to the jungle for petroleum, river transportation and forestry operations.

In the year 2010, Orvisa's sales volumes were 6% higher than in the year 2009, due to the recovery of prevailing markets in the area.

SUBSIDIARIES IN CHARGE OF CATERPILLAR DISTRIBUTION ABROAD

Inti Inversiones Interamericanas Corp.

In 2010, Ferreyros expanded its international operations through the acquisition of three Caterpillar dealerships in Central America, in response to an invitation to represent Caterpillar in Guatemala, El Salvador and Belize. As a result of the experience acquired in the first year of operations, it is expected that the factors that led to success in Peru will be determining factors in the new territories, with which the company plans to exchange good business practices.

These dealerships were acquired through Inti Inversiones Interamericanas Corp. de Panamá, a 100% Ferreyros owned company that will serve as a holding company for businesses in Central America and make it possible to show consolidated results of operations in the three countries, in addition to being an investor in the acquisition and creation of companies abroad.

The following is a brief summary of the companies in Central America:

Corporación General de Tractores, S.A. / Gentrac (Guatemala)
Corporación General de Tractores, S.A., whose commercial name is Gentrac, was acquired by the dealer in El Salvador on March 1, 1998. Previously, it had operated under a different name with other partners, as the exclusive Caterpillar dealer since 1938.

Gentrac has an outstanding market share in highway construction, mining, aggregates, agriculture, petroleum extraction, energy and industry. In addition, through its major customers, in recent years it has contributed to a change in Guatemala's energy mix, since previously electricity was mainly produced from fossil fuels, whereas currently, it is essentially hydroelectricity.

Gentrac has a branch in the department of Quetzaltenango, the country's second most important city, which is located in eastern Guatemala. In addition, it has 16 mobile warehouses located at the facilities of major customers. Through Gentrac Rental Store, it deals in the Sullair, Genie, Wacker, Olympian, Carmix and Terex brands.

For 2010, its average market share was 52% and, despite the fact that the international economic situation also affected Guatemala, Gentrac earned US\$ 60 million in revenue during the year.

Compañía General de Equipos S.A. / Cogesa (El Salvador)

Founded in 1926, Compañía General de Equipos S.A., whose commercial name is Cogesa, has been a Caterpillar dealer since 1930, serving the infrastructure construction, housing, energy generation, vehicle and industrial sectors.

Additionally, it represents leading brands with excellent quality, such as Mitsubishi-Cat forklifts, Wacker compaction and lighting equipment, Lincoln Electric welding equipment, Olympian Cat generators, Sullair compressors, Mack trucks and John Deere agriculture equipment. In nearly all of these lines, Cogesa has maintained leadership in the local market.

Since the year 2001, it has been the wholesaler for Exxon Mobil products. Lubricant sales account for 36.6% of its revenue.

In addition to its headquarters in San Salvador, Cogesa has two branches, one in the western part of the country in the city of Sonsonate, and another one to the east in the city of San Miguel.

Despite low growth of El Salvador's GNP during the year 2010, which failed to reach 1%, due to a retraction of investments and the impact of the North American recession on the country, Cogesa achieved sales of US\$ 30 million.

General Equipment Company Limited / Gentrac (Belize)
General Equipment Company Limited, known commercially as Gentrac, is a company established in Belize since March 1998, when it acquired the assets and business of Belize Cemcol Limited, the country's Caterpillar dealer up to that time. In 2010, its sales totaled US\$ 3 million.

The company is mainly dedicated to sales of Caterpillar products and service on them. It has 29 employees and it is the only construction equipment dealer in Belize that provides complete service on heavy equipment. Caterpillar's presence in Belice, through a dealership, dates back to the early nineteen seventies.

Additionally, the company deals in the Wacker, Sullair and Twin Disc brands, as well as Mitsubishi wheelbarrows and forklifts and Olympian generators.





MILESTONE 5

**A BROADER PORTFOLIO,
WITH FIRST CLASS BRANDS**

In 2010, the brands Paus (Germany) and Oldenburg (U.S.A.) were added to Ferreyros' portfolio for underground mining, and at the same time, we launched the Metso – global company headquartered in Finland – grinders line for the construction sector.

SUBSIDIARIES THAT COMPLEMENT THE RANGE OF GOODS AND SERVICES FOR THE DIFFERENT PRODUCTIVE SECTORS

Fiansa S.A.

With 42 years of experience in the domestic market, dedicated to the execution of metal mechanic and electricity projects for major sectors of the economy, in 2010 Fiansa had sales of US\$ 27 million, which represents 93% growth compared to 2009.

Fiansa executes projects for the mining, electricity and construction sectors. Noteworthy projects in the electricity sector include the construction of the Chilca-Zapallal 500 Kv power transmission line; the power transmission line for Proyectos de Infraestructura del Perú (PDI Peru), the first in the country with that voltage; and section 4 of the 220 Kv Kiman Ayllu-Cajamarca power transmission line for Abengoa.

During the year, the company also began and completed important jobs, such as the fabrication and assembly of metallic structures for the Puente del Ejército bridge and expansion work on Molino Loesche No. 7 (cement mill) at the Cementos Pacasmayo cement plant.

Fiansa is also performing assembly work for the expansion of the Shougang Hierro Peru plant, in relation with electromechanical work on the Line 9 project, which is to be completed in the first quarter of 2011.

In April of next year, the new 15,000 m² Fiansa plant in Huachipa will be completed, giving the company a one thousand ton per month steel production capacity and making its plant the country's most modern of its kind.

Mega Representaciones S.A.

Mega Representaciones S.A. was formed as the result of a merger between Mega Caucho S.A., which was acquired in the year 2007 and had been in operation eight years, and Inlusa Industria y Comercio S.A., which was acquired in the year 2009 and been in operation 13 years. Mega Representaciones is dedicated to the commercialization of consumable goods and support service for the country's principal

economic sectors, such as mining, construction, transportation, energy and industry, among others. For this purpose, it is the official Goodyear tire dealer and Exxon Mobil lubricant distributor.

Sales for the year 2010 totaled US\$ 26.5 million, compared to US\$ 20 million for the year 2009, showing strong growth of 32%.

These results are due to Mega Representaciones' significant operations in the mining sector and growth of the construction and transportation sectors, in which it has had a very dynamic role with its products and services. This performance has led to important commercial agreements and supply and support contracts with the country's leading mining and construction companies.

Fargoline S.A.

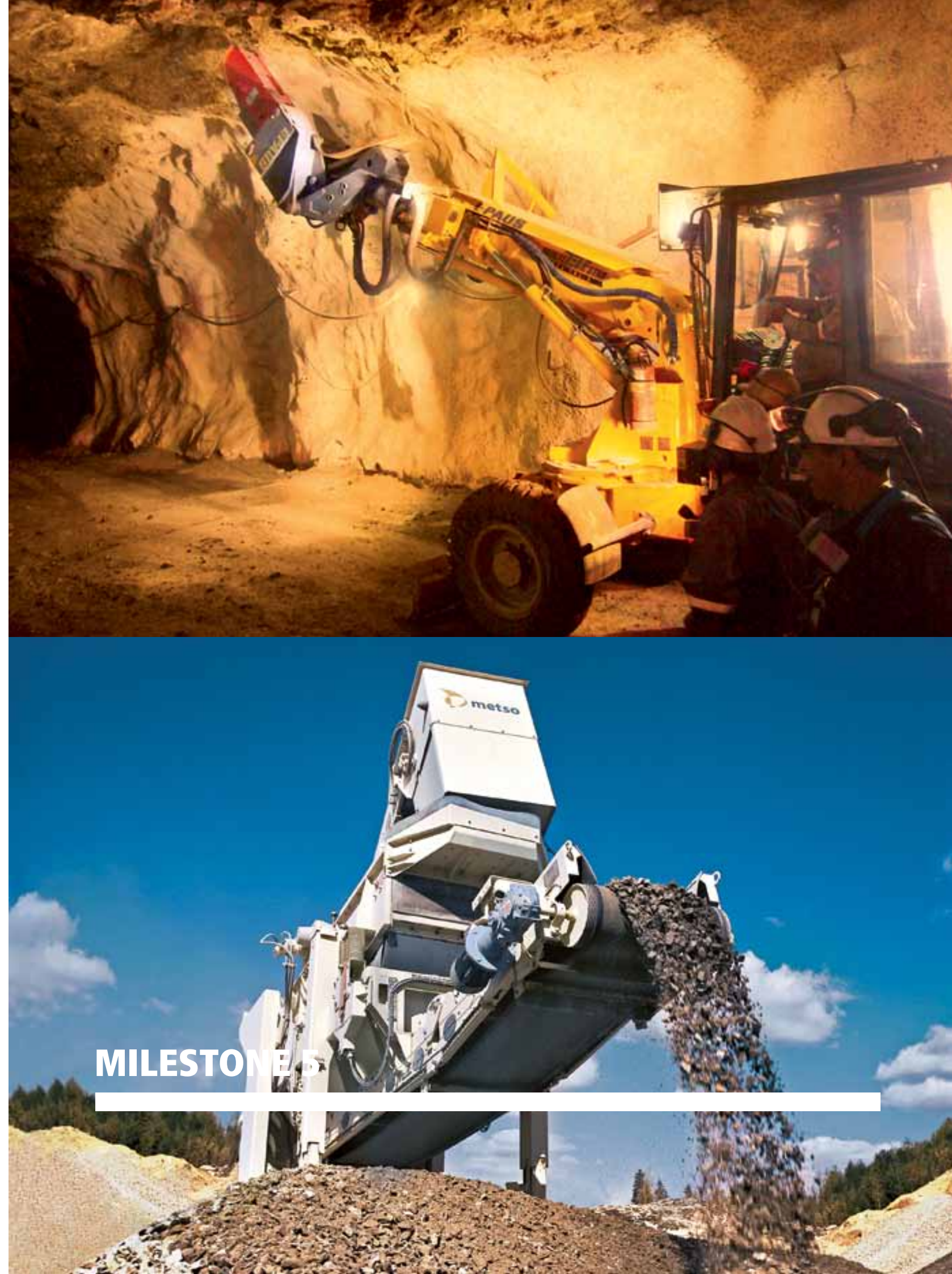
During the year 2010, Fargoline successfully entered the market for port logistics for foreign trade, with a new business line called temporary storage that accounted for 60% of its revenue. Its traditional lines, such as customs warehousing and general storage, complemented this business.

Fifty percent of its operating capacity was required by companies in the organization, complementing the operations of Ferreyros, Unimaq, Orvisa and Cresko, mainly in the mining and construction markets, and generating value in each of their operations. The remaining fifty percent was geared toward serving customers in different markets, for both the importation and exportation of merchandise.

In addition, it began offering land transportation between the port and its facilities, using Kenworth units, in order to guarantee efficient cargo flow and better time management.

The growth attained to date is the beginning of the development of more complex and ambitious logistical operations for foreign trade.

This year, Fargoline invested over US\$ 3 million in infrastructure and equipment.



Ferrenergy S.A.C.

Ferrenergy was incorporated in 2006 by its shareholders, Ferreyros S.A.A. and Energy International Corporation, with a 50% interest each.

The company's main line of business is the sale and supply of energy. Currently, Ferrenergy has an 18 MW thermal power plant and a five-year power supply and electrical energy contract with a petroleum company, which entails billing approximately US\$ 6 million per year.

In the year 2009, Ferrenergy made significant modifications and repairs on its plant generators, as they are second-hand units with a certain number of hours of use, which affected their energy generation capacity and, therefore, their revenue generating capacity in that year and part of 2010. In this last year, sales totaled US\$ 5.2 million.

Cresko S.A.

Cresko began its operations in October 2007, serving emerging customers in the construction, mining, agriculture and industrial sectors that were not covered by Ferreyros or Unimaq. Specializing in the commercialization of Asian products, it is expanding its coverage in the national territory. To date, its operations serve the highlands and coastal areas of the country, supplying chemical inputs, capital goods and used equipment.

In its third year of operations, the company had sales of US\$ 14.3 million, 25% more than in the preceding year, which rapidly placed it among the top three companies importing and commercializing Asian equipment in all of its product lines.

APPENDICES TO THE REPORT

APPENDIX 1: GENERAL INFORMATION ON THE COMPANY

1.1 Company name and registered office

Official company name	Ferreyros S.A.A.
Type of company	Open corporation
Taxpayer number	20100027292
Address	Jr. Cristóbal de Peralta Norte 820 Monterrico, Santiago de Surco Lima, Perú
Telephone	511 - 6264000
Fax	511 - 6264504
Website	www.ferreyros.com.pe
Customer service line	511 - 6265000
Shareholder service line	0800 - 13372

1.2. Incorporation and registration in Public Records

Ferreyros was incorporated under its original name of Enrique Ferreyros y Compañía Sociedad en Comandita, by means of a public document dated September 14, 1922 in the presence of Lima Notary Public Dr. Agustín Rivero y Hurtado, recorded in record 1, page 299, volume 15 of the Commercial Registry of Lima. This company was dissolved, as shown in entry 10 on page 296 of volume 30 of the Commercial Registry of Lima.

Enrique Ferreyros y Compañía S.A. absorbed the assets and liabilities of the former company by means of a public document dated September 21, 1931 in the presence of Lima Notary Public Dr. Agustín Rivero y Hurtado, recorded in record 1, page 457 of volume 31 of the Commercial Registry of Lima. The change of the company name to Enrique Ferreyros S.A. was made by means of a public document dated November 23, 1981 in the presence of Lima Notary Public Dr. Jorge Orihuela Iberico, recorded in entry no. 11007355 of the Registry of Juridical Persons.

The name change to Ferreyros S.A. took place by means of a public document on May 6, 1996 in the presence of Lima Notary Public Dr. Jorge Orihuela Iberico, recorded in record 2B on card 117502 of the Book of Companies of the Registry of Juridical Persons. At the Shareholders' Meeting held on March 24, 1998, it was agreed to change the official company name to Ferreyros S.A.A., as recorded subsequently in entry no. 11007355 of the Registry of Juridical Persons.

According to its bylaws, the corporate purpose of Ferreyros S.A.A. is the purchase and sale of domestic and foreign merchandise and products; the importation and exportation of merchandise and articles in general; providing services and making investments and commissions. Its duration is indefinite and its line of business corresponds to group 5150, division no. 51 of the United Nations UIC classification.

1.3. Other investments

Ferreyros mantiene inversiones en las siguientes empresas:

Companies	Number of shares	Interest
La Positiva Seguros y Reaseguros	26'170,707	13.7928%
La Positiva Vida Seguros y Reaseguros	4'632,896	3.5143%
Transacciones Plurales	1'698,660	16.1305%
Transacciones Especiales	16,599	0.5165%

1.4. Capital stock, shares and shareholding structure

As of December 31, 2010, Ferreyros' capital stock is represented by fully subscribed and paid in common shares with a nominal value of S/. 1.10 per share, of which 88.03% pertain to Peruvian investors and 11.97% pertain to foreign investors.

The opening quote for the year was S/. 2.70 and the closing quote was S/. 4.25, which is a 57.4% variation. The maximum quote of S/. 4.50 was reached in the month of December and the minimum of S/. 2.28 was reached in the month of July. The average price per share in the year 2010 was 3.06 (Appendix 2).

The shareholders with a 5% or greater interest in the company as of December 31, 2010 are:

Full name	Number of shares	Interest	Place of origin
La Positiva Vida Seg. y Reaseguros	42'549,098	8.81%	Peruana
AFP Prima Fund 3	37'037,394	7.67%	Peruana
AFP Integra Fund 3	30'674,521	6.35%	Peruana
AFP Horizonte Fund 2	27'220,877	5.64%	Peruana

The distribution of shares with voting rights is the following:

Ownership	No. of shareholders	No. of shares	% interest
Less than 1%	1,571	105'379,450	21.83%
From 1% to less than 5%	16	239'830,623	49.69%
From 5% to less than 10%	4	137'481,890	28.48%
10% or more	0	0	0.00%
Total	1,591	424'816,167	100.00%



APPENDIX 2: INFORMATION ON INSTRUMENTS IN THE CAPITAL MARKET

2.1. Share price

Ferreyros S.A.A.

Variable Income

ISIN Code	Mnemonic	Year - Month	2010 QUOTES				Price
			Opening S/.	Closing S/.	Maximum S/.	Minimum S/.	Average S/.
PEP736001004	FERREYC1	2010-01	2.70	2.60	3.00	2.60	2.79
PEP736001004	FERREYC1	2010-02	2.62	2.45	2.73	2.45	2.56
PEP736001004	FERREYC1	2010-03	2.45	2.90	2.94	2.40	2.76
PEP736001004	FERREYC1	2010-04	2.90	3.06	3.25	2.80	3.03
PEP736001004	FERREYC1	2010-05	3.05	2.78	3.05	2.60	2.86
PEP736001004	FERREYC1	2010-06	2.75	2.72	2.78	2.60	2.71
PEP736001004	FERREYC1	2010-07	2.72	2.31	2.72	2.28	2.37
PEP736001004	FERREYC1	2010-08	2.31	2.50	2.60	2.31	2.45
PEP736001004	FERREYC1	2010-09	2.52	3.36	3.40	2.52	2.91
PEP736001004	FERREYC1	2010-10	3.36	3.85	4.10	3.36	3.85
PEP736001004	FERREYC1	2010-11	3.85	4.21	4.22	3.80	4.06
PEP736001004	FERREYC1	2010-12	4.25	4.25	4.50	4.00	4.37

Fixed Income

ISIN Code	Mnemonic	Year - Month	2010 QUOTES				Price
			Opening %	Closing %	Maximum %	Minimum %	Average %
PEP73600M108	FERR1DBC4A	2010-02	104.6987	104.6987	104.6987	104.6987	104.6987
PEP73600M116	FERR1DBC4B	2010-03	104.7787	104.7787	104.7787	104.7787	104.7787
PEP73600M140	FERR1DBC6A	2010-01	109.0574	109.0574	109.0574	109.0574	109.0574
PEP73600M157	FERR1DBC6B	2010-06	106.6531	106.6531	106.6531	106.6531	106.6531
PEP73600M157	FERR1DBC6B	2010-07	106.5778	106.5778	106.5778	106.5778	106.5778
PEP73600M074	FERRE1BC3A	2010-01	101.6438	101.6438	101.6438	101.6438	101.6438

2.2. Outstanding debt instruments

Expiration of placements outstanding as of December 31, 2010
(US\$ million)

First IRD Program Series Registered

Class	Resolution Conasev N° 055-2007-EF/94.11
Face value	Registered and indivisible in account at CAVALI CLV S.A.
Series	US\$ 1,000 each
Maximum Issue amount	One or more
Term	US\$ 90'000,000
Payment of Interest	2 years renewable
	End of quarter

First IRD program Series Registered

Characteristics of the placements currents as at December 2010

IRD Issues	Amount of Issue	Balance	Term (years)	Placement Rate	Date of Issue	Date of Redemption	Amortization
First Issue of Bonds Serie B	90'000,000	15'000,000	3	6.5000%	13/03/2008	14/03/2011	100% of Capital at redemption
First Issue of Bonds Serie C	90'000,000	7'500,000	3	6.3125%	24/09/2008	26/09/2011	100% of Capital at redemption
Second Bond Issue	90'000,000		5				16 quarterly Payment, 1 year free
Third Issue of Short-term Bonds	90'000,000		5				100% of Capital at redemption
Fourth Issue of Bonds Series A	90'000,000	15'000,000	4	6.2500%	21/09/2007	21/09/2011	100% of Capital at redemption
Fourth Issue of Bonds Series B	90'000,000	10'000,000	4	6.1250%	09/11/2007	09/11/2011	100% of Capital at redemption
Sixth Issue of Bonds Series A	90'000,000	10'500,000	3	8.0000%	22/12/2008	23/12/2011	100% of Capital at redemption
Sixth Issue of Bonds Series B	90'000,000	12'000,000	3	7.3125%	12/02/2009	13/02/2012	100% of Capital at redemption
		70'000,000					



Second IRD Program

Class	Resolution Conasev N° 054-2009-EF/94.06.3
Face value	Registered and invisible in account at CAVALI CLV S.A.
Series	US\$ 1,000 each
Maximum issue amount	One or more
Term	US\$ 130'000,000
Payment of interest	2 years renewable
	End of the quarter

Second IRD Program Series Registered Características de las colocaciones vigentes a diciembre de 2010

Second IRD Issues	Amount of Issue	Balance	Term (years)	Placement Rate	Date of Issue	Date of Redemption	Amortization
First Issue of Bonds Series A	130'000,000	10'000,000	3	4.6250%	25/11/2009	25/11/2012	100% of Capital at redemption
First Issue of Bonds Series B	130'000,000	15'000,000	3	4.6376%	12/05/2010	12/05/2013	100% of Capital at redemption
First Issue of Bonds Series C	130'000,000	10'000,000	3	4.5625%	23/06/2010	23/06/2013	100% of Capital at redemption
First Issue of Bonds Series A	130'000,000	15'000,000	3	4.0000%	23/08/2010	23/08/2013	100% of Capital at redemption
Second Issue of Bonds	130'000,000		4				100% of Capital at redemption
Third Issue	130'000,000		5				16 quarterly payment, 1 year free
Fourth Issue of Short term Bonds	130'000,000		4				100% of Capital at redemption
Fifth Issue of Bonds	130'000,000		6				100% of Capital at redemption
		50'000,000					
		120'000,000					

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

As of December 31, 2010, the company has issued sureties and bank guarantees for companies in the group and customers, as required by banking and financial institutions. In addition, it has issued bank guarantees required for participation in public and private calls for tenders and offers. The total of guarantees issued as of December 31, 2010 is US\$ 70.2 million, which represents 25.8% of the equity.

3.1 Bank guarantees

As of December 31, 2010, the lines of bank guarantees used by Ferreyros to guarantee diverse transactions, mainly for backing bids in public calls for tenders and receipt of advance payments, totaled US\$ 18.5 million.

3.2 Sureties for subsidiaries

The company has issued sureties for its subsidiaries amounting to US\$ 42.3 million, as required by banking institutions.

Financial entities require sureties from Ferreyros in order to guarantee the lines of credit of some subsidiaries and medium-term credit operations. However, due to the growth of some subsidiaries and their financial consolidation, this requirement has gradually decreased.

3.3 Sureties for customers

The company provides direct financing to customers or support in their dealings with financial institutions, in order to carry out its operations and make sales. In some cases, with express approval from the Board of Directors, it issues sureties required by these institutions.

Sureties for customers were issued to fulfill the requirements of Caterpillar Financial Services, Caterpillar International Services del Peru, Caterpillar Leasing Chile and some local banks.

At the end of 2010, the balance of sureties for customers amounted to US\$ 9.3 million, which have their respective guarantees from the customers and/or cash flow trust.

3.4 Guarantees on assets

As of December 31, 2010, the company cancelled the debt it had with Caterpillar Financial Services for which it had established guarantees on real estate for US\$ 11.5 million. These guarantees are in the process of being of being lifted.

3.5. Contingencies and commitments

As of December 31, 2010, the company has several tax assessments pending for income tax and sales tax due to audits of the fiscal years from 2001 to 2006, for an approximate total of S/. 106 million, including fines and interest. The company has appealed to the tax authority (Superintendencia Nacional de Administration Tributaria / Sunat) and the Tax Court, correspondingly. In November of 2010, the Tax Court ruled in the company's favor on a fine related to third category income tax for the fiscal year 2000, the current value of which was S/. 6.3 million including interest.



AUDITED FINANCIAL STATEMENTS AND MANAGEMENT ANALYSIS

MILESTONE 6

MORE CERTIFIED SHOPS THROUGHOUT THE COUNTRY

Ferreyros has a complete network of 24 workshops throughout the national territory, with more than 60,000 m², to offer maximum support to its clients' units in the Peruvian market.



MILESTONE 6

Following thorough auditing, the Lima Components Repair Center (CRC) was again certified by Caterpillar as a World Class Workshop, reaffirming its commitment to be the best option in its line of business in Peru.



(Free translation from the original in Spanish)

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors
Enfoca Sociedad Administradora de Fondos de Inversión S.A.

April 14, 2011

We have audited the accompanying financial statements of **Enfoca Sociedad Administradora de Fondos de Inversión S.A** which comprises the balance sheets as of December 31, 2010 and 2009 and the related statements of income, stockholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Diago-Soria Gavoglio y Asociados Sociedad Civil de Responsabilidad Limitada
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April 14, 2011
 Enfoca Sociedad Administradora de Fondos de Inversión S.A.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Enfoca Sociedad Administradora de Fondos de Inversión S.A.** as of December 31, 2010 and 2009, the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in Peru, applicable to fund investment management companies, which mainly comprise accounting standards and practices allowed by the Peruvian Companies and Securities Regulator (Comisión Nacional Supervisora de Empresas y Valores - CONASEV).

Countersigned by

Amílcar Alvarado L. (partner)
 Peruvian Certified Public Accountant
 Registration No.01-007578

BALANCE SHEET

ASSETS

	As of December 31,	
	2010	2009
	S/.000	S/.000
Current Assets		
Cash and cash equivalents (Note 5)	42,683	93,775
Trade accounts receivable:		
Third parties (Note 6)	309,719	291,353
Related parties (Note 7)	1,332	2,729
Other accounts receivable:		
Related parties (Note 7)	26,390	13,710
Other (Note 8)	23,542	28,609
Inventories (Note 9)	679,057	454,532
Prepaid expenses	2,222	1,183
Total current assets	1,084,945	885,891
Long-term trade accounts receivable (Note 6)	19,936	30,127
Other accounts receivable long-term		
Related parties (Note 7)	8,945	
Other (Note 8)	9,597	
Financial investments (Note 10)	282,979	196,464
Property, Plant and Equipment (Note 11)	406,776	397,329
Deferred income tax asset and Workers' profit sharing (Note 12)	19,589	15,187
Other assets	4,359	4,882
	1,837,126	1,529,880

The accompanying notes from page 71 to 117 are an integral part of the financial statements.



MILESTONE 6

In 2010, five Ferreyros workshops in Arequipa, Lima, Trujillo and Tarapoto were certified by Caterpillar with the Five Stars in Contamination Control, the highest distinction awarded in this field. To date, a total of twelve Ferreyros workshops bear this distinction.



MILESTONE 6

The post-sales offer of Ferreyros throughout the country is based on two large fronts: service in its workshops network and service in the field, that is, on the site where the machinery and equipment operate.

LIABILITIES AND STOCKHOLDERS' EQUITY

	As of December 31,	
	2010	2009
	\$/,000	\$/,000
Current liabilities		
Financial obligations (Note 13)	30,308	499
Trade accounts payable:		
Third parties (Note 14)	181,338	183,924
Related parties (Note 7)	4,491	3,720
Other accounts payable:		
Taxes payable	7,259	22,634
Salaries payable	58,754	49,136
Related parties (Note 7)	994	867
Other accounts payable (Note 15)	186,133	55,240
Current portion of long-term debt (Note 16)	267,756	145,932
Total current liabilities	737,033	461,952
Financial obligations, Long term (note 16)	335,872	434,228
Total liabilities	1,072,905	896,180
Stockholders' equity (note 17)		
Capital	530,961	467,298
Unrealized earnings	45,040	26,094
Legal reserve	49,855	39,805
Retained earnings	138,365	100,503
	764,221	633,700
	1,837,126	1,529,880

The accompanying notes from page 71 to 117 are an integral part of the financial statements.



STATEMENT OF INCOME

	For the year ended December 31,	
	2010	2009
	\$/,000	\$/,000
Net sales	2,196,728	1,851,087
Other operating income	192	440
Total gross income	2,196,920	1,851,527
Cost of sales (Note 20)	(1,734,077)	(1,465,371)
Gross profit	462,843	386,156
Selling expenses (Note 21)	(197,171)	(165,567)
Administrative expenses (Note 21)	(95,608)	(90,212)
Other income (expenses), net (Note 22)	2,724	5,368
Operating profit	172,788	135,745
Other income (expenses):		
Financial income (Note 23)	18,424	20,884
Financial expenses (Note 24)	(40,913)	(70,302)
Difference on exchange, net	12,823	57,656
Share in profits of related parties under the equity method	34,816	17,083
	25,150	25,321
Profit before workers' profit sharing and income tax	197,938	161,066
Workers' profit sharing (Notes 12 and 18)	(13,387)	(13,610)
Income tax (Notes 12 and 18)	(46,186)	(46,953)
Net profit for the year	138,365	100,503
Basic and diluted earnings per share	0,287	0,208

The accompanying notes from page 71 to 117 are an integral part of the financial statements.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended december 31, 2010 and 2009

	Capital	Additional capital	Unrealized earnings	Legal reserve	Retained earnings	Total
	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Balances at January 1, 2009	415,449	(113)	9,970	31,761	80,445	537,512
Transfer to legal reserve	-	-	-	8,044	(8,044)	-
Dividend distribution	-	-	-	-	(20,773)	(20,773)
Capitalization of retained earnings	51,741	-	(113)	-	(51,628)	-
Treasury shares	108	113	-	-	-	221
Land revaluation	-	-	15,816	-	-	15,816
Equity increase in subsidiaries and associates	-	-	2,868	-	-	2,868
Valuation of derivative financial instruments	-	-	(2,447)	-	-	(2,447)
Net profit for the year	-	-	-	-	100,503	100,503
Balances at December 31, 2009	467,298	-	26,094	39,805	100,503	633,700
Dividend distribution	-	-	-	10,050	(10,050)	-
Sale of property	-	-	-	-	(28,038)	(28,038)
Capitalization of retained earnings	-	-	(1,248)	-	1,248	-
Increase in equity interest in subsidiaries and associates	63,663	-	-	-	(63,663)	-
Valuation of derivative financial instruments	-	-	18,662	-	-	18,662
	-	-	1,532	-	-	1,532
Net profit for the year	-	-	-	-	138,365	138,365
Balances at December 31, 2010	530,961	-	45,040	49,855	138,365	764,221



STATEMENT OF CASH FLOWS

For the year ended December 31,

	2010	2009
	S/.000	S/.000
OPERATING ACTIVITIES		
Collections from customers	2,753,511	2,229,421
Other collections related to operating activities	26,710	33,367
Payments to suppliers	(2,383,366)	(1,366,614)
Payments of salaries and social benefits	(223,507)	(200,629)
Payments of taxes	(111,210)	(123,145)
Other payments related to operating activities	(7,371)	(209)
Net cash provided by operating activities	54,767	572,191
Investing activities		
Loans to related parties	(40,923)	(11,841)
Sale of property, machinery and equipment	7,470	19,673
Purchase of machinery and equipment	(24,407)	(14,471)
Disbursements on work in progress of property, plant and equipment	(6,068)	(4,762)
Purchase of investments in securities	(25,653)	(1,744)
Purchase of intangible assets	(954)	(1,119)
Dividends received	6,484	4,970
Other collections (payments) related to investing activities	(139)	1,874
Net cash (applied to) provided by investing activities	(84,190)	(7,420)
Financing activities		
Financial obligations, net	52,255	(443,691)
Long-term debt, net	-	-
Interest on financial obligations	(45,889)	(72,416)
Dividends paid	(28,035)	(20,765)
Net cash applied to financing activities	(21,669)	(536,872)
(Net decrease) net increase in cash and cash equivalents	(51,092)	27,899
Balance of cash and cash equivalents at beginning of year	93,775	65,876
Balance of cash and cash equivalent at end of year	42,683	93,775

STATEMENT OF CASH FLOWS

Statement of cash flows (continued)

	For the year ended December 31,	
	2009	2008
	S/.000	S/.000
Reconciliation of net results to cash flows		
From operating activities		
Net income of the year	138,365	100,503
Adjustments to reconcile net income to cash flows from operating activities:		
Provision for doubtful accounts	5,913	9,074
Provision for impairment of inventories	7,542	10,332
Recovery of provision for impairment of inventories	(6,294)	(4,941)
Provision for workers' bonuses	14,603	9,117
Provision for workers' vacations	2,032	(464)
Value of interest in investments in securities	(34,816)	(17,083)
Loss (profit) on sale of property, machinery and equipment	(4,300)	(5,706)
Depreciation and amortization	54,895	64,514
Financial expenses	40,913	70,302
Directors' remunerations	7,600	8,244
Workers' profit sharing	14,670	13,729
Deferred income tax and workers' profit sharing	50,612	47,362
Other	(5,708)	(528)
Net changes in assets and liabilities:	2,112	1,670
Trade accounts receivable		
Other accounts receivable	(25,320)	42,840
Inventories	(7,613)	3,441
Prepaid expenses	(296,118)	361,873
Other assets	(1,039)	(523)
Trade accounts payable	(4,402)	(131)
Other accounts payable	21,653	(43,266)
Net cash provided by operating activities	79,467	(98,168)
	54,767	572,191

The accompanying notes from page 71 to 117 are an integral part of the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

1 BACKGROUND AND BUSINESS ACTIVITIES

A) BACKGROUND

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

The Company is listed on the Lima Stock Exchange.

B) BUSINESS ACTIVITIES

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

In 2010 the number of personnel employed by the Company to carry out its activities was 49 officials, 1160 employees and 1527 workers (49 officials, 984 employees and 1221 workers as of December 31, 2009).

C) APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements as of December 31, 2010 have been prepared by Management and will be submitted for the consideration of the Board of Directors and General Stockholders' Meeting within the term established by law. The financial statements as of December 31, 2009 were approved by the General Stockholders' Meeting held on March 31, 2010.

D) ACQUISITION OF COMPANIES

In November 2009, the subsidiary Inti Inversiones Interamericanas Corp. was incorporated in Panama with a 100% capital contribution of the Company. Such a subsidiary acquired in 2010 100% of the capital stock of Centrac Corporation (a company based in Panamá), which, in turn, is the owner of the distributors of Caterpillar in Guatemala, El Salvador and Belize.

Also, in September 2010 the Company acquired Inmobiliaria CDR S.A.C., which owns a property through which the Company has extended the infrastructure facilities to be required for its short-term and medium-term business growth plans.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A) BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Peru. The accounting principles generally accepted in Peru comprise the International Financial Reporting Standards (IFRS), approved by the Contaduría Pública de la Nación and endorsed through resolutions issued by the Peruvian standard setter Consejo Normativo de Contabilidad. In addition, companies under the oversight of the securities and company regulator (Comisión Nacional Supervisora de Empresas y Valores - CONASEV) should meet its specific requirements for financial statement preparation and presentation.

The 2010 and 2009 financial statements have been prepared under the historical cost convention, as modified for the revaluation of land in prior years, and for the recognition of derivative financial instruments at fair value.

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

The variation in the purchasing power of the Peruvian currency for 2010 and 2009, based on the Wholesale Price Index, as per official statistics was inflation of 4.57% and deflation of 5.05%, respectively.



B) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Full adoption of International Financial Reporting Standards - IFRS

Pursuant to Resolution No 102-2010-EF/94.01.1, CONASEV approved the application of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), effective internationally for all legal entities under its oversight; that is, with effect from December 31, 2011 for the Company.

This full adoption should take into consideration IFRS 1 - First-time adoption. Currently, Company Management is in the process of implementing and determining the adjustments necessary to meet the requirements of this Resolution.

In addition, CONASEV's Circular No.298-2010-EF/94.06.3 dated November 25, 2010 stated that companies under its oversight are required to follow the IFRIC Update in their 2011 financial information, while its application in the financial information corresponding to 2010 is optional; this communicates that workers' profit sharing should be accounted for under IAS 19 Employee Benefits rather than by analogy under IAS 12 Income Tax and IAS 37 Provisions, Contingent Liabilities and Contingent Assets. In this regard, the Company has decided to change its accounting policy to recognize workers' profit sharing under IAS 19 in the 2011's financial information.

New standards and amendments to standards issued and interpretations effective internationally for the first time for the financial period starting January 1, 2010 which are not currently relevant for the Company and which have not been early adopted. -

- IFRIC 17, "Distribution of non-cash assets to owners"
- IFRIC 18, "Transfer of assets of customers"
- IFRIC 9, "Reassessment of embedded derivatives and IAS 39, Financial Instruments: recognition and measurement"
- IFRIC 16, "Hedges of a net investment in a foreign operation"
- IAS 38 (Amended), "Intangible assets"
- IAS 1 (Amended), "Presentation of financial statements"
- IAS 36 (Amended), "Impairment of assets"
- IFRS 2 (Amended), "Group cash-settled and share-based payment transactions"
- IFRS 5 (Amended), "Non-current assets held for sales and discontinued of operations"

New standards, amendments and interpretations issued, but not yet effective for financial periods starting January 1, 2010, which were not early adopted

- IFRS 9, "Financial instruments"
- Review of IAS 24 (reviewed), "Related-party disclosures"
- "Classification of rights issues" (amendment to IAS 32)
- IFRIC 9, "Extinguishing Financial Liabilities with Equity Instruments"
- "Minimum funding requirements and their interaction" (Amendment to IFRIC 14)

C) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency:

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

Transactions and balances:

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

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

D) FINANCIAL ASSETS

Classification

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

As of December 31, 2010 and 2009, the Company mainly maintains financial assets classified as loans and accounts receivable.

Loans and accounts receivable

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

Recognition and measurement

Loans and receivables are carried at amortized cost using the effective interest method.

The Company evaluates at each balance sheet date if there is objective evidence of impairment of the value of a financial asset or group of financial assets. The impairment tests on accounts receivable are described in Note 2-g).



E) CASH AND CASH EQUIVALENTS

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

F) TRADE ACCOUNTS RECEIVABLE

Trade receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. If collection is expected one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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

G) IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

The amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for

measuring any impairment loss is the current effective interest rate determined under the contract. For practical purposes, the Company may measure impairment on the basis of an instrument's fair value using its verifiable market price.

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

With respect to debt instruments, the Company uses the approach stated above.

H) INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

I) INVENTORIES

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

J) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

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



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

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

(*) Based on the machine / hours used.

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

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

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

K) LEASE CONTRACTS

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

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

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding balance payable. The corresponding rental obligations, net of financial charges, are included in the item long-term debt. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

L) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

M) TRADE ACCOUNTS PAYABLE

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

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

N) FINANCIAL OBLIGATIONS

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

O) CURRENT AND DEFERRED INCOME TAX

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

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date. Where appropriate, the Company establishes provisions on the basis of the amounts that it expects that it will have to pay to the tax authorities.

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

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



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

The balances of deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to the same taxation authority, where there is an intention to settle the balances on a net basis.

P) EMPLOYEE BENEFITS

Workers' profit sharing

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

Employees' vacation leave

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

Employees' severance indemnities

The provision for employees' severance indemnities comprises all employees' rights to indemnities under current legislation, and is shown net of the deposits made, considered as definitive payment, in the financial institutions chosen by employees.

Q) PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably. Provisions are not recognized for future operating losses.

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

R) DIVIDEND DISTRIBUTION

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

S) CONTINGENCIES

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

T) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

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

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

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



U) REVENUE RECOGNITION

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

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

The Company's other income is recognized as follows:

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

V) SHARE CAPITAL

Common shares are classified as equity.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

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

a) Market risks

i) Foreign exchange risk

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

The exchange risk of the net liability position in foreign currency is economically hedged with inventories and rental equipment, the selling prices of which are fixed in U.S. dollars. Also, for a portion of its revenues in dollars it hedges with forward foreign exchange sales contracts, the exchange rate at which they will be converted into local currency, equivalent to a percentage of fixed costs. This is only related to forecast sales in U.S. dollars qualifying as "highly probable" forecast transactions.

As of December 31, 2010, the Company maintains forward contracts with local financial entities for a total of US\$4.0 million, and they fell due in January 2011. As of December 31, 2010, the fair value of the forward contracts is approximately S/.10,000 and is recognized with a charge to Unrealized earnings in equity.



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

	2010	2009
	US\$000	US\$000
Assets		
Cash and cash equivalents	12,568	29,999
Trade accounts receivable	111,936	100,591
Other accounts receivable	20,969	12,491
	145,473	143,081
Liabilities		
Financial obligations	10,683	83
Trade accounts payable	59,516	60,702
Other accounts payable and deferred income	57,553	13,080
Long-term financial obligations	214,890	150,200
	342,642	224,065
Net liabilities	197,169	80,984

However, as of December 31, 2010, the Company maintains inventories and fleet of rented vehicles amounting to US\$305 million (US\$227 million as of December 31, 2009) that offset the net liability in foreign currency, since they are totally traded in foreign currency.

As of December 31, 2010, the exchange rates used by the Company to record balances in foreign currency were S/.2.808 and S/.2.809 per US\$1 for assets and liabilities, respectively (S/.2.888 and S/.2.891 per US\$1 for assets and liabilities, respectively, as of December 31, 2009), which were published by the SBS.

As of December 31, 2010, the Company obtained an exchange gain for S/.328.4 million and an exchange loss for S/.315.4 million (S/.453.5 million and S/.395.9 million from exchange gains and losses, respectively, as of December 31, 2009).

If at December 31, 2010, the new Peruvian sol had revalued / devalued by 1% against the U.S. dollar and with other variables remaining constant, the profit for the year, after taxes, would have been S/.3.9 million higher/ lower (S/.2.1 million higher / lower as of December 31, 2009), mainly due to the result of exchange gains/losses of trade accounts receivable denominated in U.S. dollars and exchange gains/losses of financial obligations denominated in U.S. dollars.

ii) Cash flows and fair value interest rate risk The Company's interest rate risk arises from its long-term financial obligations. Borrowing at floating interest rates exposes the Company to cash flow interest rate risk. Borrowings at fixed rates expose the Company to fair value interest rate risk on the fair value of its financial obligations.

The Company analyses its interest rate risk exposure and evaluates its impact based on an analysis of the macroeconomic variables. Based on these evaluations, the Company makes a decision regarding contracting borrowings either at fixed or floating interest rates. As of December 31, 2010, the 90% of company's liabilities were agreed to at fixed rate and 10% at floating rates (75% and 25%, respectively, as of December 31, 2009). The weighted average fixed interest rate is 5.0% (5.3% at December 31, 2009), which may increase in the future; therefore, the Company has ensured through fixed interest rates the financial cost of the respective obligations.

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

As of December 31, 2010, the Company maintains interest rate swap contracts with local financial institutions to hedge financial obligations amounting to US\$24 million (US\$37 million as of December 31, 2009) contracted at floating interest rates with due date in May 2015, (leaving US\$21 million in loans at floating rates to be hedged by a swap contract as of December 31, 2009). The net cash flows relating to the payment of floating interest rates on financial obligations and cash flows arising from the settlement of derivatives resulted in fixed payments of interest. At December 31, 2010, the fair value of interest rate swaps amounting to approximately S/.1.1 million (S/.3.9 million at December 31, 2009) was recognized in unrealized earnings of equity, net of the corresponding deferred income tax and workers' profit sharing.

If at December 31, 2010, interest rates on borrowings had been 3.5% higher/lower and with the other variables held constant, the profit for the year, after taxes, would have been S/.1.4 million lower/higher, mainly due to a higher/lower expense due to interest on borrowings contracted at floating interest rates.

b) Credit risk

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

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

With respect to customers, the Company has established policies to ensure that sales are made to customers with adequate credit history. Among major policies, credit limits have been established for certain economic sectors or industries of the overall trade receivable portfolio, collection turnover of 30 and 180 days, the requirement of initial quotas and guarantees in the form of securities and properties. Additionally, credit limits have been established for each individual customer and for economic groups.



c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate number of committed credit facilities. The Company maintains adequate levels of cash and available lines of credit.

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
As of December 31, 2010	S/.000	S/.000	S/.000
Financial obligations	298,064	141,070	194,802
Trade accounts payable	185,829	-	-
Other accounts payable	253,140	-	-
	737,033	141,070	194,802

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
As of December 31, 2009	S/.000	S/.000	S/.000	S/.000
Financial obligations	146,431	251,085	182,508	635
Trade accounts payable	187,644	-	-	-
Other accounts payable	127,877	-	-	-
	461,952	251,085	182,508	635

3.2 CAPITAL RISK MANAGEMENT

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net borrowings comprise total financial obligations (including 'current and non-current borrowings') less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. Furthermore, the Company monitors the movements in EBITDA to maintain adequate levels.

Gearing ratio at December 31 is as follows:

	2010	2009
	S/.000	S/.000
Total financial obligations	633,936	580,160
Less: Cash and cash equivalents	(42,683)	(93,775)
Net debt	591,253	486,385
Total equity	764,221	633,700
Total net debt and equity	1,355,474	1,120,085
Gearing ratio	44%	43%

3.3 FINANCIAL INSTRUMENT FAIR VALUE ESTIMATION

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

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

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



4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates made by management are permanently evaluated and are based on historical experience and other factors, including the expectation of future foreseeable events the occurrence of which is considered reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. If such estimates and assumptions, based on Management's best judgment as of the date of the financial statements, vary in the future due to changes in assumptions, the corresponding financial statement balances will be corrected on the date when the estimates and assumptions were made. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are related to tax obligations, estimation of useful lives of fixed assets and fair value of derived financial instruments and inventories. Determination of the tax obligations and expenses requires interpretations of the applicable tax laws and regulations. The Company has legal tax counsel's advice at the time of making any decisions on tax matters. Even though Management considers that their estimates are prudent and appropriate, differences of interpretation may arise from the interpretation made by the Peruvian Tax Authorities that may require future adjustments for taxes.

5 CASH AND CASH EQUIVALENTS

As of December 31 this account comprises:

	2010	2009
	S/.000	S/.000
Time deposits	1,685	76,965
Checking accounts	40,475	14,902
In-transit cash	-	1,316
Fixed fund	523	592
	42,683	93,775

6 TRADE ACCOUNTS RECEIVABLE

As of December 31 this account comprises:

	2010		2009	
	Current	Long term	Current	Long term
	S/.000	S/.000	S/.000	S/.000
Invoices and notes	352,135	21,180	332,355	33,616
Deferred interest	(6,954)	(1,244)	(9,538)	(3,489)
Provision for doubtful accounts	(35,462)	-	(31,464)	-
Carrying amount	309,719	19,936	291,353	30,127

Accounts receivable are not interest bearing, except for credit notes receivable which bear annual interest rates from 14% to 20%.

As of December 31, 2010, the fair value of trade accounts receivable amounts to S/.329.65 (S/.321.48 as of December 31, 2009).

The aging detail of trade accounts receivable is as follows:

	2010	2009
	S/.000	S/.000
Current	295,435	273,237
Past due up to 30 days	49,169	54,876
Past due from 31 to 90 days	4,651	9,891
Past due from 91 to 180 days	3,454	5,458
Past due for over 181 days	20,606	22,509
	373,315	365,971

At December 31, 2010 accounts past due for over 181 days are almost entirely covered by the provision for doubtful accounts.

The annual movement in the provision for doubtful accounts is as follows:

	2010	2009
	S/.000	S/.000
Opening balance	31,464	25,844
Additions for the year	5,846	9,074
Write-offs	(512)	(958)
Exchange difference	(1,336)	(2,496)
Final balance	35,462	31,464

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

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



7 TRANSACTIONS WITH RELATED PARTIES

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

	2010	2009
	S/.000	S/.000
Short-term receivable Trade receivables:		
Unimaq S.A.	590	875
Orvisa S.A.	568	1,496
Various	174	358
	1,332	2,729
Others:		
Inti Inversiones Interamericanas Corp.	15,600	-
Fiansa S.A.	9,967	-
Orvisa S.A.	509	446
Inmobiliaria CDR S.A.C.	314	-
Domingo Rodas S.A.	-	9,375
Cresko S.A.	-	3,510
Fargoline S.A.	-	379
	26,390	13,710
Long-term receivable		
Inti Inversiones Interamericanas Corp.	8,945	-
	-	-
Short-term payable		
Unimaq S.A.	2,282	1,033
Mega Representaciones S.A.	1,068	184
Fargoline S.A.	440	392
Orvisa S.A.	377	1,853
Fiansa S.A.	319	256
Motorindustria S.A.	5	2
	4,491	3,720

Others:

Motorindustria S.A.	843	867
Unimaq S.A.	151	-
	994	867

The amount receivable from Inti Inversiones Interamericanas Corp. corresponds to a loan related to the acquisition of shares of Gentrac Corporation (domiciled in Panama), which is the owner of the Caterpillar distributors in Guatemala, El Salvador and Belize. This loan has no specific guarantee and bears interests at market rates.

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

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

Major transactions with related parties for the years ended December 31 are summarized as follows:

	2010	2009
	S/.000	S/.000
Sales of goods	14,993	25,435
Services rendered	1,279	1,007
Purchase of goods	51,636	30,450
Purchase of services	12,053	5,052



8 OTHER ACCOUNTS RECEIVABLE

As of December 31 this account comprises:

	2010	2009
	S/.000	S/.000
Short-term		
Accounts receivable from Caterpillar	13,186	21,909
Accounts receivable from personnel	5,632	2,855
VAT fiscal credit balance	2,809	-
Claims to insurance companies	495	735
Accounts receivable from Ferrenergy S.A.	302	1,655
Inversiones Progreso	-	1,722
Others	1,758	2,031
Carried forward:	24,182	30,907
Provision for doubtful accounts	(640)	(2,298)
Total current maturity	23,542	28,609
Long-term		
Domingo Rodas S.A.	9,597	-

As of December 31, 2010 fair value was S/.33.1 million (S/.28.7 as of December 31, 2009).

The aging of other accounts receivable is as follows:

	2010	2009
	S/.000	S/.000
Current	23,542	28,442
Past due up to 30 days	-	167
Past due over 181 days	640	2,298
	24,182	30,907

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

	2010	2009
	S/.000	S/.000
Opening balance	2,298	2,497
Provisions for the year	67	-
Write-offs	(1,715)	-
Exchange differences	(10)	(199)
Final balance	640	2,298



9 INVENTORIES

As of December 31 this account comprises:

	2010	2009
	S/.000	S/.000
Machinery, engines and automotives	467,759	285,047
Spare parts	150,486	110,697
Repair shop services in process	52,418	31,949
In-transit inventories	19,224	35,710
	689,887	463,403
Provision for impairment of inventories	(10,830)	(8,871)
	679,057	454,532

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

	2010	2009
	S/.000	S/.000
Opening balance	8,871	4,726
Additions of the year	7,542	10,332
Transfers to fixed assets, net	1,060	(1,043)
Applications of sales	(6,294)	(4,941)
Applications from the destruction of inventories	(349)	(203)
Final balance	10,830	8,871

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

10 FINANCIAL INVESTMENTS

As of December 31 this account comprises:

	2010	Quantity of shares 2009	Interest in capital %	Unit nominal value	2010 S/.000	Carrying amounts 2009 S/.000
Common shares in subsidiaries						
Orvisa S.A.	13,544,113	13,544,113	99.00	S/.1	28,398	29,523
Domingo Rodas S.A.	-	8,813,418	-	S/.1	-	1,035
Unimaq S.A.	55,929,695	47,595,110	99.99	S/.1	75,694	61,827
Fiansa S.A. (common shares)	9,263,609	8,143,609	99.57	S/.1	12,357	11,135
Fiansa S.A. (investment shares)	1,153,524	1,152,739	96.55	S/.1	1,492	1,528
Motorindustria S.A.	2,387,485	2,387,485	99.99	S/.1	2,018	2,080
Mega Representaciones S.A.	8,383,294	7,248,445	99.99	S/.1	17,319	14,060
Fargoline S.A.	17,779,444	17,779,444	99.87	S/.1	20,467	19,368
Cresko S.A.	17,077,232	17,077,232	99.99	S/.1	16,599	16,583
Inti Inversiones Interamericanas Corp.	500	-	100.00	US\$21	9,525	-
Inmobiliaria CDR S.A.C.	10,380,016	-	100.00	S/.1	39,182	-
					223,051	157,139
Common shares in other companies -						
Quoted:						
La Positiva Seguros y Reaseguros S.A.	26,170,707	25,365,384	13.79	S/.1	46,279	28,942
La Positiva Vida Seguros y Reaseguros S.A.	4,632,895	4,632,895	3.51	S/.1	7,823	4,506
Joint venture						
Ferrenergy S.A.	3,630,555	3,630,555	50.00	S/.1	4,928	4,566
Not quoted:						
Others						
					898	1,311
					59,928	39,325
					282,979	196,464

In July 2010, the Company transferred the entire capital stock of the subsidiary Domingo Rodas S.A. to a subsidiary of the leading Peruvian agro-industrial economic group. The said sale represented a net loss of S/.91,000 which is included in the Company's statement of income at December 31, 2010.

As of December 31, 2010 and 2009, the balance of investments in subsidiaries, associates and joint ventures has been determined by the equity method on the basis of their financial statements, recognizing the Company's share in the results of these subsidiaries, associates and joint ventures of the said years amounting to S/.34.8 million and S/.17.1 million, respectively.

As of December 31, 2010, the investment in Mega Representaciones S.A. and Inmobiliaria CDR S.A.C. includes goodwill for S/.5.3 million and S/.3.5 million, respectively (as of December 31, 2009, goodwill amounted to S/.5.3 million).



11 PROPERTY, PLANT AND EQUIPMENT

The movement in changes in property, plant and equipment accounts and its related accumulated depreciation for the year ended December 31, 2010 was as follows:

	Opening balance	Additions to cost and/or applied to results	Sales	Inventory transfer	Used inventory transfer	Final balance
	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Cost -						
Land	68,736	1,201	(22)	-	-	69,915
Buildings and other constructions	106,838	6,694	-	-	-	113,532
Installations	4,951	766	-	-	-	5,717
Machinery and equipment	144,358	20,687	(7,667)	15,132	(3,088)	169,422
Machinery and equipment, rental fleet	274,790	12,818	-	109,723	(152,076)	245,255
Vehicles	5,111	403	(819)	138	(321)	4,512
Furniture and fixtures	46,933	4,122	(11)	-	(184)	50,860
Work in progress	3,853	(3,358)	-	-	-	495
	655,570	43,333	(8,519)	124,993	(155,669)	659,708
Accumulated depreciation-						
Buildings and other constructions	34,956	3,182	-	-	-	38,138
Installations	3,653	226	-	-	-	3,879
Machinery and equipment	101,719	12,248	(4,427)	-	(1,138)	108,402
Machinery and equipment, rental fleet	76,273	33,340	-	3,179	(54,099)	58,693
Vehicles	3,787	692	(553)	-	(472)	3,454
Furniture and fixtures	34,063	3,728	(11)	-	(145)	37,635
	254,451	53,416	(4,991)	3,179	(55,854)	250,201
Provision for impairment	3,790	-	-	1,951	(3,010)	2,731
Net cost	397,329					406,776



The movement in property, plant and equipment accounts and its related accumulated depreciation for the year ended December 31, 2009 was as follow:

	Opening balance	Additions to cost and/or applied to results	Sales	Revaluation	Inventory transfer	Used inventory transfer	Other transfers	Final balance
	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Cost -								
Land	52,005	3,622	(11,450)	24,559	-	-	-	68,736
Buildings and other constructions	100,954	1,168	(87)	-	-	-	4,803	106,838
Installations	4,483	468	-	-	-	-	-	4,951
Machinery and equipment	134,730	7,038	(5,205)	-	10,809	(3,014)	-	144,358
Machinery and equipment, rental fleet	247,782	5,977	-	-	80,099	(59,068)	-	274,790
Vehicles	4,414	135	(227)	-	1,132	(343)	-	5,111
Furniture and fixtures	44,915	2,042	(14)	-	-	(10)	-	46,933
Work in progress	4,505	4,761	(610)	-	-	-	(4,803)	3,853
	593,788	25,211	(17,593)	24,559	92,040	(62,435)	-	655,570
Accumulated depreciation-								
Buildings and other constructions	31,890	3,102	(36)	-	-	-	-	34,956
Installations	3,424	229	-	-	-	-	-	3,653
Machinery and equipment	95,076	10,110	(3,344)	-	255	(384)	6	101,719
Machinery and equipment, rental fleet	44,770	46,353	-	-	3,135	(17,979)	(6)	76,273
Vehicles	3,801	229	(225)	-	-	(18)	-	3,787
Furniture and fixtures	30,569	3,502	(2)	-	-	(6)	-	34,063
	209,530	63,525	(3,607)	-	3,390	(18,387)	-	254,451
Provision for impairment	1,425	1,321	-	-	1,383	(339)	-	3,790
Net cost	382,833							397,329

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

During 2010, depreciation was charged as follows: costs of sales for the amount of S/.38.2 million (S/.49.1 million during 2009), administrative expenses for the amount of S/.6.6 million (S/.6.4 million during 2009) and selling expenses for the amount of S/.8.6 million (S/.8.0 million during 2009).

During 2010, income from leases amounted to S/.65 million (S/.90 million during 2009) and S/.0.9 million (S/.0.6 million during 2009) related to the lease of machinery and buildings, respectively, are included in the income statement.

At December 31, 2009, the Company maintained mortgages on certain properties for US\$12.0 million to secure obligations with Caterpillar Financial Services amounting to US\$2.0 million.

As of December 31, 2010, the item buildings and furniture and fixtures includes cost and accumulated depreciation for S/.25.2 million and S/.3.3 million, respectively (S/.25.2 million and S/.2.2 million as of December 31, 2009, respectively) relating to financial lease contracts.



12 DEFERRED INCOME TAX AND WORKERS' PROFIT SHARING

As of December 31 this account comprises:

	2010	2009
	S/.000	S/.000
Income tax	15,195	11,782
Workers' profit sharing	4,394	3,405
	19,589	15,187

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

	Accumulated at January 1, de 2010	Additions and reversals in 2010	Accumulated at December 31, 2010
	S/.000	S/.000	S/.000
Provisions for other expenses	(12,505)	(4,844)	(17,349)
Provision for doubtful collections	(7,177)	(1,703)	(8,880)
Provision for impairment of inventory and fixed assets	(4,774)	(98)	(4,872)
Provision for vacation leave	(3,893)	(724)	(4,617)
Depreciation rate differences	(4,923)	517	(4,406)
Result for exposure to inflation of inventories, land and investments	(650)	134	(516)
Valuation of derivative contracts	(1,472)	847	(625)
Financial lease transactions	3,244	1,768	5,012
Gains on deferred sales, net	3,152	(1,643)	1,509
Limited intangibles	1,738	(526)	1,212
Exchange differences resulting from liabilities relating to inventories and fixed assets	(1,203)	1,531	328
	(28,463)	(4,741)	(33,204)
Land revaluation	13,276	339	13,615
	(15,187)	(4,402)	(19,589)

	2010	2009
	S/.000	S/.000
Deferred income tax asset at end of year	19,589	15,187
Deferred income tax asset at beginning of year	(15,187)	(20,533)
	4,402	(5,346)
Credit to profit of the year:		
Workers' profit participation	1,283	119
Income tax	4,425	409
Adjustment	(538)	1,451
Total results of the year	5,170	1,979
Adjustments not affecting the results of the year	(768)	(7,325)
	4,402	(5,346)

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



13 FINANCIAL OBLIGATIONS

The balance of notes comprises obligations with the Mercantil Commercebank amounting to US\$10 million, bear interest at an annual fixed rate of 1.44%, have no specific guarantees and fall due in May 2011.

14 TRADE ACCOUNTS PAYABLE

As of December 31 this account comprises

	2010	2009
	S/.000	S/.000
Invoices	144,740	99,438
Notes	36,598	84,486
	181,338	183,924

As of December 31, 2010, the balance mainly includes invoices and notes payable to Caterpillar Americas Co. for US\$31.8 million and US\$11.3 million, respectively (US\$28.1 million and US\$29.2 million, respectively as of December 31, 2009), corresponding to notes for financing invoices, bearing interest at an average annual rate of 2.95%.



15 OTHER ACCOUNTS PAYABLE

As of December 31 this account comprises:

	2010	2009
	S/.000	S/.000
Advances from customers	138,633	19,889
Provision for estimated expenses	25,725	21,908
Account payable for acquisition of subsidiary	14,045	-
Provision for interest on obligations payable	3,285	4,144
Pacific Services & Trading Inc.	2,333	7,624
Provision for social benefits for workers	2,112	1,675
	186,133	55,240

Advances to customers mainly comprise payment of the mining trucks, which will be delivered during the first months of 2011.

16 FINANCIAL OBLIGATIONS

As of December 31 this account comprises:

Nombre del Acreedor	Class of obligation	Maturity	Amount authorized/ US\$000	Outstanding balances							
				Total		Total		Current		Non-current	
				2010	2009	2010	2009	2010	2009	2010	2009
				US\$000	US\$000	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Caterpillar Financial Notes with Cat Financial Services at the annual interest rate of 6.40% and notes with Cat Leasing Chile that bear an interest of Libor + 2.05%.and an annual average fixed interest rate of 4.63%	Notes	Quarterly up to 2015	72,000/ 31,478 (1)	31,478	51,296	88,423	148,297	42,994	60,344	45,429	87,953
Ferreyros bonds Corporate bonds comprise several issues within the framework of the First and Second Program of Ferreyros Debt Instruments bearing an average annual interest rate of 5.78%	Corporate bonds	Quarterly up to 2013	170,000/ 120,000 (2)	120,000	97,500	337,080	281,873	162,922	50,593	174,158	231,280
Local and foreign financial institutions Financial lease agreements at an annual interest rate of 6.80%	Quotas up to 2014	Monthly	5,000/ 4,900	4,900	5,875	13,764	16,988	3,135	3,035	10,629	13,953
Notes with local and foreign institutions at an annual interest rate of 4.31% and Libor + 2.0% and 6.6%	Notes	Quarterly	221,000/ 58,512 (3)	58,512	46,007	164,361	133,002	58,705	31,960	105,656	101,042
				214,890	200,678	603,628	580,160	267,756	145,932	335,872	434,228

(1) Including a Note with Cat Financial Chile for US\$15.2 million for which an interest rate swap has been signed with a local financial institution.

(2) Includes US\$70.0 million of the first program, and US\$ 50.0 million of the second program of debt.

(3) Including a Note with Banco de Crédito del Perú and Standard Chartered New York for US\$8.4 and US\$0.9 million, respectively, for which an interest rate swap has been signed with a local financial institution.





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MILESTONE 7

RENTAFER: PROMOTING RENTAL AND SALES OF SEMI-NEW EQUIPMENT

In line with Ferreyros' vision to offer alternatives tailored to the needs of its clients, the strengthened business unit of Rentafér offered in 2010 a complete fleet of rental machinery and semi-new and used Caterpillar equipment units, with new operations facilities and a solid value proposal.



D8T

CAT

MILESTONE 7

As part of its offer to the market, in 2010 Rentafér added as an alternative maintenance service for rental equipment, in order to increase the productivity of Ferreyros' clients.

The financial obligations related to financial leases are secured with the leased assets since the ownership rights over the leased asset are retained by the lessor in the event of default by the Company.

	2010	2009
	S/.000	S/.000
Finance lease obligations - minimum lease payments		
Up to 1 year	3,951	4,067
Over 1 year, up to 5 years	11,747	15,878
	15,698	19,945
Future financial charges on financial leases	(1,935)	(2,957)
Valor presente de las obligaciones por arrendamientos financieros	13,763	16,988
Current value of financial lease obligations is as follows:		
Up to 1 year	3,813	3,925
Over 1 year, up to 5 years	9,950	13,063
	13,763	16,988

17 STOCKHOLDERS' EQUITY

A) CAPITAL

As of December 31, 2010, the authorized, subscribed and paid-in capital amounts to S/.530,961,159, formalized by public deed and represented by 482,691,963 common shares at S/.1.10 par value each. Of the total shares, 88.03% and 11.97% are owned by local and foreign investors.

As of December 31, 2009, the authorized, subscribed and paid-in capital amounts to S/.467,297,784 formalized by public deed and represented by 424,816,167 common shares at S/.1.10 par value each, of which, 84.44% and 15.56% are owned by local and foreign investors.

At December 31, 2010 and 2009, the Company's quoted share price was S/.4.25 and S/.2.64 per share respectively and its trading frequency was 100% and 95%, respectively



At December 31, 2010 the Company's capital structure is as follows:

Percentage of individual interest in capital	Number of shareholders	Total percentage of interest
Up to 1.00	1,571	21,83
From 1.01 to 5.00	16	49,69
From 5.01 to 10	4	28,48
	1,591	100,00

B) UNREALIZED EARNINGS

As of December 31, 2010, the balance comprises:

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

The unrestricted revaluation surplus derived from property realized in the prior period was S/.1.2 million, an amount which was transferred to retained earnings of 2010.

C) LEGAL RESERVE

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

As of December 31, 2010, accumulated results include S/.13.8 million that should be transferred to legal reserve, prior approval of the General Stockholders' Meeting.

D) RETAINED EARNINGS

At the General Stockholders' Meeting dated March 31, 2010 the dividend distribution in cash was approved for a total S/.28.0 million as well as the capitalization of retained earnings amounting to S/.63.7 million. Also, the transfer to legal reserve of S/.10.1 million from the 2009's profits was approved.

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

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

18 TAX SITUATION

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

	2010	2009
	S/.000	S/.000
Income before workers' profit sharing and income tax	197,938	161,066
Plus (less) permanent items:		
Non-deductible expenses	4,220	26,137
Equity value of subsidiaries	(34,816)	(17,083)
Plus (less) temporary differences:		
Provision for impairment of investments - application	(6,247)	(5,997)
Lease transactions	(3,888)	(12,484)
Exchange differences from liabilities relating to inventories and fixed assets	(1,916)	(3,478)
Profits from deferred sales for the year	(1,760)	-
Result for exposure to inflation of inventories, investments and land corresponding to prior years	(46)	1,824
Provision for estimated expenses	15,492	9,495
Prior years' deferred sales - application	7,039	7,357
Provision for doubtful accounts	3,453	2,402
Provision for vacations	2,032	(616)
Provision for impairment of inventories and fixed assets	275	6,106
Difference in depreciation rates	121	279
Other additions (deductions) net	1,479	(3,406)
Taxable income	183,376	171,602
Current workers' profit sharing	(14,670)	(13,729)
Basis for income tax	168,706	157,873
Current income Tax	50,611	47,362

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

	2010	2009
	S/.000	S/.000
Workers' profit sharing:		
Current	14,670	13,729
Deferred (Note 12)	(1,283)	(119)
	13,387	13,610
Income tax:		
Current	50,611	47,362
Deferred (Note 12)	(4,425)	(409)
	46,186	46,953

The income tax before workers' profit sharing and income tax differs from the theoretical amount that would have resulted from applying the income tax rate to the results of the Company, as follows:

	2010	2009
	S/.000	S/.000
Profit before taxes	184,551	147,456
Income tax by applying the tax rate of 30%	55,365	44,237
Non-deductible expenses	1,266	7,841
Non-taxable income	(10,445)	(5,125)
Income tax for the year	46,186	46,953

c. Peruvian tax authorities have the right to examine, and, if necessary, amend the income tax determined by the Company in the last four years, as from January 1 of the year after the date when the tax returns are filed (years subject to examination). Years 2007 through 2010 are subject to examination by the tax authorities and also the general sales tax (IGV) corresponding to the year 2006. Since differences may arise over the interpretation by the tax authorities of the regulations applied to the Company, it is not possible at present to estimate if any additional tax liabilities will arise as a result of any eventual examinations. Any additional tax, fines and interest, if they occur, will be recognized in the results of the period when such differences are resolved. The Company's Management considers that no significant liabilities will arise as a result of these possible tax examinations.

d. As established under regulations in force, for purposes of determining income tax and the general sales tax, transfer pricing between related and non-related parties should have documentation and information which supports the methods and valuation criteria applied in its determination. Peruvian tax authorities are entitled to request such information from the taxpayer.

e. The temporary tax on net assets is applied to the third category income generators subject to the Peruvian Income Tax General Regime. Effective 2008, the tax rate is 0.4%, applicable to the amount of the net assets exceeding S/.1 million.

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



19 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

At December 31, 2010, the Company has several tax assessments for income tax and VAT from examinations of fiscal years 2001 to 2006 by Peruvian tax authorities (SUNAT) for a total S/.106 million approximately, including penalties and interests. The Company has filed appeals filed with SUNAT and the Tax Court, as applicable.

Also, at December 31, 2010, lawsuits have been brought against the Company by third parties totaling US\$0.6 million and S/.1.3 million for indemnities and damages.

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

With respect to the tax review processes which gave rise to the afore-mentioned tax assessments, In accordance with established procedure, the Peruvian Tax Authorities informed the Company, prior to their release, of the result of each tax review process, giving the Company a certain time period to evaluate and correct the tax violations allegedly committed. In this sense, the Company took advantage of the opportunity to correct and settle all tax violations and taxes due, which as per an exhaustive review with its tax advisors, were considered appropriate. In November 2010, the Tax Court issued a resolution favorable to the Company regarding a tax penalty on 3rd-category income tax of the year 2000, of which the updated value with interest was S/.6.3 million.

COMMITMENTS

At December 31, 2010 the Company maintains the following commitments:

- a. Guarantees given totaling US\$42.3million and US\$9.4 million to secure credit transactions of subsidiaries and affiliates as well as purchase transactions with third parties, respectively.
- b. Bank performance bonds in favor of financial institutions amounting to US\$18.5 million, which mainly guarantee the seriousness of the Company's offer and compliance with delivery of the products sold via public biddings.



20 COST OF SALES

Este rubro por los años terminados el 31 de diciembre comprende:

	2010	2009
	S/.000	S/.000
Opening balance of inventories	427,693	613,517
Purchases of inventories	1,805,099	1,119,642
Labor and workshop expenses	130,354	101,729
Operational expenses of rental fleet	45,445	59,649
Others	(3,851)	(1,473)
Final balance of inventories	(670,663)	(427,693)
	1,734,077	1,465,371

21 SELLING AND ADMINISTRATIVE EXPENSES

These accounts for the years ending December 31 comprise:

	Selling expenses		Administrative expenses	
	2010	2009	2010	2009
	S/.000	S/.000	S/.000	S/.000
Personnel costs	97,520	83,497	44,743	42,092
Services rendered by third parties	34,247	32,021	28,365	22,814
Taxes	523	268	833	898
Other management expenses	52,091	38,782	4,209	4,491
Depreciation and amortization	10,155	8,033	8,054	7,390
Provisions of the period	2,635	2,966	9,404	12,527
	197,171	165,567	95,608	90,212

In 2010 and 2009, employee costs include salaries and benefits of the Company's key personnel amounting to S/.32.6 million and S/.29.0 million, respectively.

22 OTHER INCOME (EXPENSES), NET

This account for the years ending December 31 comprises:

	2010	2009
	S/.000	S/.000
Income from sales of other assets	4,260	4,632
Income from logistics and machine monitoring services	943	1,010
Income from rental of properties	931	644
Income from commissions of placing of loans	604	518
Provision for impairment of inventories, net	(1,248)	(4,624)
Income from contract resolution	-	2,084
Others	(2,766)	1,104
	2,724	5,368

23 FINANCIAL INCOME

This account for the years ending December 31 comprises:

	2010	2009
	S/.000	S/.000
Interest from credit sales	10,446	14,277
Past due interest	5,648	4,763
Interest on bank deposits	670	250
Other financial income	1,660	1,594
	18,424	20,884



24 FINANCIAL EXPENSES

This account for the years ending December 31 comprises:

	2010	2009
	S/.000	S/.000
Interest on corporate bonds	18,176	17,266
Interest on bank loans	15,122	44,245
Tax on financial transactions	4,776	4,357
Interest on finance from foreign suppliers	527	3,275
Other financial expenses	2,312	1,159
	40,913	70,302

25 NON CASH TRANSACTIONS

The following are the main transactions entered into for the years ended December 31 which were not included in the statement of cash flows since they do not represent cash flow:

	2010	2009
	S/.000	S/.000
Transfers of inventories to property, plant and equipment	119,863	87,267
Transfers of property, plant and equipment to inventories	96,805	43,709

MANAGEMENT ANALYSIS AND DISCUSSION OF THE FINANCIAL STATEMENTS

In this section, the most significant variations between the company's financial statements as of December 31, 2010 and December 31, 2009 are explained. For this purpose, some figures have been reclassified on the Income Statement shown below, in order to include direct order sales in net sales and cost of sales.

BALANCE SHEET ANALYSIS

Balance Sheet (in millions of nuevos soles)	As at 12-31-10	As at 12-31-09	Amount	Variation %
Assets				
Current Assets				
Cash and deposits	42.7	93.8	-51.1	-54.5
Trade account receivables:				
Third parties	309.7	291.4	18.4	6.3
Affiliates	1.3	2.7	-1.4	-51.2
Other account receivables:				
Affiliates	26.4	13.7	12.7	92.5
Other	23.5	28.6	-5.1	-17.7
Inventories	679.1	454.5	224.5	49.4
Prepaid expenses	2.2	1.2	1.0	87.8
Total current Assets	1,084.9	885.9	199.1	22.5
Long term trade accounts receivable	19.9	30.1	-10.2	-33.8
Other long term accounts receivable	18.5	0.0	18.5	
Financial Investments	283.0	196.5	86.5	44.0
Property, machinery and equipment	406.8	397.3	9.4	2.4
Deferred income tax and workers profit sharing	19.6	15.2	4.4	29.0
Other assets	4.4	4.9	-0.5	-10.7
Total	1,837.1	1,529.9	307.2	20.1

Balance Sheet (in millions of nuevos soles)	As at 12-31-10	As at 12-31-09	Amount	Variation %
Liabilities and Stockholders' Equity				
Current liabilities				
Bank loans and over drafts	30.3	0.5	29.8	5,973.7
Trade accounts payable:				
Third parties	181.3	183.9	-2.6	-1.4
Affiliates	4.5	3.7	0.8	20.7
Other accounts payable:				
Taxes payable	7.3	22.6	-15.4	-67.9
Salaries payable	58.8	49.1	9.6	19.6
Affiliates	1.0	0.9	0.1	14.6
Other accounts payable	186.1	55.3	130.8	236.6
Current portion of long-term debt	267.8	145.9	121.8	83.5
Total current liabilities	737.0	462.0	275.0	59.5
Long-term debts	335.9	434.2	-98.4	-22.7
Total liabilities	1,072.9	896.2	176.7	19.7
Stockholders' Equity				
Capital	531.0	467.3	63.7	13.6
Adicional capital				
Revaluation Surplus	45.0	26.1	18.9	72.6
Legal reserve	49.9	39.8	10.1	25.2
Retained earnings	138.4	100.5	37.9	37.7
Total Stockholders' Equity	764.2	633.7	130.5	20.6
Total	1,837.1	1,529.9	307.2	20.1



As of December 31, 2010, total assets amounted to S/. 1,837.1 million compared to S/. 1,529.9 million as of December 31, 2009, which is an increase of S/. 307.2 million (20.1%). The main variations in asset accounts composing this increase are the following:

a) Net increase in **Inventories** for S/. 224.5 million due to larger purchases of principal products and parts for S/. 169.8 million and S/. 39.1 million, respectively. The major purchases were made to keep up with growth in sales.

b) Increase in **Financial investments** for S/. 86.5 million, due to subsidiaries' profits recognized under the equity method, which amounted to S/. 34.8 million, as well as the recent acquisition of Inmobiliaria CDR SAC for the amount of S/. 34.6 million.

As of December 31, 2010, total liabilities amounted to S/. 1,072.9 million, compared to S/. 896.2 million as of December 31, 2009; that is, an increase of S/. 176.7 million (19.7%).

LIQUIDITY

The current ratio as of December 31, 2010 is 1.47, which is lower than the current ratio of 1.92 as of December 31, 2009.

The financial debt ratio as of December 31, 2010 is 0.82 compared to 0.87 as of December 31, 2009. For the calculation of this ratio, the balances of cash and banks and liabilities to suppliers that do not generate financial expense have been excluded.

The total debt ratio as of December 31, 2010 is 1.40 compared to 1.41 as of December 31, 2009.



ANALYSIS OF OPERATING RESULTS

Income Statement (in millions of nuevos soles)	2010	%	2009	%	Variation %
Net Sales	2,198.6	100.0	1,856.3	100.0	18.4
Cost of Sales	-1,735.7	-78.9	-1,470.2	-79.2	18.1
Income from Sales	462.8	21.1	386.2	20.8	19.9
Sales and administration expenses	-292.8	-13.3	-255.8	-13.8	14.5
Miscellaneous income (expenditure) net	2.7	0.1	5.4	0.3	-49.3
Income from operations	172.8	7.9	135.7	7.3	27.3
Other income (expenses):					
Financial income	18.4	0.8	20.9	1.1	-11.8
Financial expenses	-40.9	-1.9	-70.3	-3.8	-41.8
Foreign exchange	12.8	0.6	57.7	3.1	-77.8
Participation in the results of Subsidiaries and associate	34.8	1.6	17.1	0.9	103.8
	25.2	1.1	25.3	1.4	-0.7
Profit before workers participation and income tax	197.9	9.0	161.1	8.7	22.9
Workers' participation	-13.4	-0.6	-13.6	-0.7	-1.6
Income tax	-46.2	-2.1	-47.0	-2.5	-1.7
Net earnings	138.4	6.3	100.5	5.4	37.7

NET SALES

	2010	2009	Variation %
Caterpillar equipment:			
Large scale mining	359.8	270.8	32.9
Others	605.7	477.2	26.9
	965.5	748.0	29.1
Farming equipment	32.6	45.4	-28.3
Automotive	130.4	126.8	2.8
Used equipment	90.2	40.9	120.4
	1,218.6	961.1	26.8
Spare parts and Services	926.5	829.0	11.8
Equipment rental	53.5	66.2	-19.2
Total	2,198.6	1,856.3	18.4

Net sales in 2010 amounted to S/. 2,198.6 million, compared to S/. 1,856.3 million for the preceding year, which means a significant increase of 18.4%.

In 2010, several lines show growth in sales. Caterpillar equipment sold to large mining companies is in first place with 32.9% growth over sales for the preceding year. In addition, this sales line shows significant growth of 26.9% in the sale of Caterpillar equipment to customers in sectors other than large-scale mining, mainly the construction sector.

Similarly, the sale of used equipment used by the Rentafer business unit increased 120.4%, mainly to customers in the construction sector, which experienced a high level of growth throughout the year 2010.

Automotive sales also increased 2.8%, due to the reactivation of the market for trucks and tractor trucks, which were seriously affected by the international financial crisis in 2009.

Sales of parts and services showed growth of 11.8% in relation with the preceding year, as a result of an increase in demand from the construction and large-scale mining sectors.

Sales of the Caterpillar line account for 90% of the company's total revenue, if machinery and equipment (new, used and leased) are considered, as well as parts and services. It should be noted that sales of parts and services account for 42% of the company's total sales, as well as the greatest profitability and growth in the flow of revenue, as a consequence of the large fleet of Caterpillar units operating in the country.

PROFIT ON SALES

Profit on sales for 2010 amounted to S/. 462.8 million, which is 19.9% higher than the S/. 386.2 million obtained in the preceding year. In percentage terms, the gross margin for 2010 is 21.1% compared to 20.8% for 2009. This variation in the gross margin is mainly due to the fact that during the year 2009, significant sales of old inventory were made, with a gross profit lower than that obtained on the sale of inventory with a normal turnover.

SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses totaled S/. 292.8 million in 2010 compared to S/. 255.8 million for the preceding year, which represents growth of 14.5%, primarily due to: i) increased variable expenses as a result of growth in net sales; ii) an increase in guarantee expenses due to significant sales of Caterpillar machinery made in the last two years; and iii) the hiring of technical and commercial personnel to meet future demand for post-sales service and to increase market share, respectively. For the year 2010, selling and administrative expenses represent 13.3% of net sales compared to 13.8% for the year 2009.



MISCELLANEOUS INCOME (EXPENSE), NET

In 2010, net miscellaneous income of *S/.* 2.7 million was recorded, compared to *S/.* 5.4 million for the preceding year. The difference is due to the fact that in the year 2010, lower income of *S/.* 2.1 million was recorded due to termination of installment sales contracts and lower income of *S/.* 0.4 million for fixed asset sales.

FINANCIAL INCOME

Financial income for 2010 amounted to *S/.* 18.4 million, 11.8% less than the *S/.* 20.9 million for the preceding year, mainly due to the reduction in sales financed by the company, as a result of measures adopted to reduce bad debt risk. A significant part of the financing for customers has been transferred to financial entities.

FINANCIAL EXPENSES

Financial expenses totalled *S/.* 40.9 million in 2010 and *S/.* 70.3 million in the preceding year, which is a reduction of 41.8%, due to: i) a decrease of *S/.* 220.1 million in the average liability subject to payment of interest (*S/.* 657.3 million in 2010; *S/.* 877.4 million in 2009); and ii) a reduction in interest rates on funds obtained to finance the company's activities, from both financial institutions and the capital market.

CURRENCY EXCHANGE GAIN (LOSS)

During the year 2010, the net liability in foreign currency generated an exchange gain of *S/.* 12.8 million, compared to an exchange gain of *S/.* 57.7 million for the preceding year. The exchange gain for 2010 is the result of 2.8% appreciation of the sol compared to the United States dollar (the exchange rate of *S/.* 2.891 as of December 31, 2009 decreased to *S/.* 2.809 as of December 31, 2010). The exchange gain for 2009 is due to 8.0% appreciation of the sol compared to the United States dollar (the exchange rate of *S/.* 3.142 as of December 31, 2008 decreased to *S/.* 2.891 as of December 31, 2009).



INTEREST IN THE EARNINGS OF SUBSIDIARIES AND RELATED COMPANIES

This line item shows profits of subsidiaries and related companies recognized by the equity method. In 2010, revenue for this concept amounted to *S/.* 34.8 million, 103.8% higher than the *S/.* 17.1 million for the preceding year, mainly due to: i) an increase of *S/.* 4.6 million in interest in net profits of the subsidiary, Unimaq; and ii) an increase of *S/.* 9.6 million for interest in the net profits of the subsidiary abroad, Inti Inversiones Interamericanas Corporation, founded in late 2009 and owner of 100% of the shares of Gentrac Corporation, which is in turn the owner of Caterpillar dealerships in Guatemala, El Salvador and Belize.

PROFIT SHARING AND INCOME TAX

Profit sharing and income tax for 2010 and 2009 have been calculated according to tax and accounting regulations in force.

NET PROFITS

Net profits for 2010 amounted to *S/.* 138.4 million, compared to *S/.* 100.5 million for the preceding year, which is an increase of 37.7%. The good results for the year 2010 are due to a number of factors, among which are having reached a sales volume of *S/.* 2,198.6 million, 18.4% higher than sales for the preceding year, higher profits on sales, a significant reduction in financial expenses, and greater interest in the earnings of subsidiaries and related companies. These positive impacts were much greater than the increase in selling and administrative expenses, the reduction in miscellaneous income (expenses), the reduction in financial income and the lower currency exchange gain.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA for 2010 amounted to *S/.* 280.9 million compared to *S/.* 238.2 million for 2009, which is an increase of 17.9%.

CHANGES IN THE PERSONS RESPONSIBLE FOR THE PREPARATION AND REVIEW OF FINANCIAL INFORMATION

During the years 2010 and 2009, there were no changes in the persons responsible for the preparation and review of the company's financial information.

SOCIAL RESPONSIBILITY



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MILESTONE 8

MORE THAN 8,000 HANDS CONTRIBUTED TO BUILDING ITS SUCCESS

A key factor in the positive results of The Ferreyros Organization in 2010 was the training of its personnel. Among the initiatives worth highlighting in this field is the Think Big ("Piensa en Grande") program, dedicated to the training of Caterpillar service technicians.

Ferreyros actively assumes its role as a private company that is an agent of change and a driving force behind the country's progress. For many years, it has performed intense work in the area of social responsibility, demonstrating its commitment to sustainable development.

The organization firmly believes that social responsibility must be integrated into its management, extending to all stakeholders. For this reason, in 2010 it has continued to direct its efforts toward the generation of positive impacts on its employees, its shareholders, its customers, the government, society, its suppliers and the environment.

In this regard, it has continued with the implementation and development of programs and initiatives in areas as diverse as education in values and citizen responsibility, training for young people to foster their employability, the promotion of mechanization in low-income areas, good corporate governance, labor inclusion and environmental protection, which have distinguished it for many years as a socially responsible company.

1. EMPLOYEES

Ferreyros believes that its human resources are its greatest competitive advantage, over and above its products and services. The organization's employees deserve credit for its market leadership and soundness: the company rewards their efforts with optimum working conditions, a good working atmosphere and support for their professional and personal development.

The Human Resources area is considered to be a strategic partner in the organization. This contributes toward achieving effectiveness and success in the execution of the company's strategy. The area ensures that every person who joins the organization has a competence defined as one of key importance: vocation for service. In addition, it fosters development of this competence among personnel hired in the past.

In response to sustained growth and in order to tend to the needs of internal customers, during the year 2010, new tools for managing human resources were implemented. One of them was the systematization of performance evaluation, for the purpose of ensuring that the results are a true reflection of employees' performance. In addition, the Satisfaction Opinion Survey (SOS) was

An example of its commitment to contribute to sustainable development is the creation of the Principles of Corporate Social Responsibility in 2010, in which the values and standards of conduct that govern its management were established. Ferreyros aims to serve as a role model and active promoter of these standards of conduct, extending them to all of its activities and actions, while seeking the involvement of all of its stakeholders in this effort.

In addition, in mid 2010, Strategic Social Responsibility Planning for the 2011-2015 period took place with support from a multidisciplinary committee composed of representatives of different areas of the company. The strategic initiatives developed were formulated taking the interests and expectations of all of the stakeholders into account.

The following is a summary of the actions carried out by Ferreyros in this area with each stakeholder.

implemented in order to measure the organization's working atmosphere, as well as to identify points for improvement and take action on them. As a result, a solid foundation has been established that ensures employees' sustainable development and makes Ferreyros an attractive place to work.

Due to its good human resource practices, Ferreyros belongs to the Asociación de Buenos Empleadores (ABE/Association of Good Employers), sponsored by the American Chamber of Commerce of Peru (Amcham), which brings together companies known for applying good human resources practices and creating an adequate working atmosphere. In addition, it encourages its suppliers to join this association, with which the desired effect is multiplied, as they in turn require their own suppliers to adopt such labor practices.



MILESTONE 8

Following an intense training process developed by Caterpillar in the United States, Ferreyros' high level technicians obtained in 2010 a total of 30 certifications of this brand we represent, with special target by sectors, such as mining and construction.



MILESTONE 8

In 2010, the technicians participating in the internal Service Pro development program completed more than 8,280 certifications and recategorizations in more than 200 technical skills, essential for our work development. It is worth noting that we accumulated over 88,000 man hours of classroom training.

1.1. APPRECIATION AND RESPECT FOR DIVERSITY

Ferreyros has a multidisciplinary team composed of 2,736 employees from the country's different regions. One of the company's commitments is to maintain a discrimination-free working environment, for which it has a specific policy that fosters equal opportunity based on the merits of each employee, without discrimination due to gender, race, creed or social status. Approximately 22% of the administrative personnel and 14.5% of management are women, including the General Manager. Five women are among the technical personnel. The company's employees come from different geographic areas and diverse socioeconomic strata.

By the same token, Ferreyros has an inclusion program to promote the hiring of people with disabilities. In relation with this program, in September, Ferreyros organized an awareness-raising breakfast for the organization's senior managers and representatives of other companies with which it has good relations. Distinguished speakers participated in this event, giving testimonials on their experiences.

Currently, six employees with different abilities work for the organization: two of them hold positions as a warehouse assistant and internal messenger, while a third is a dining room assistant, as part of a joint project with the concessionaire. In addition the Arequipa branch has an employee with a hearing disability who works as an assistant in the parts warehouse. The administrative offices in Lima have recently hired two people with severe visual disabilities as telephone switchboard operators.

In this manner, Ferreyros fosters their social inclusion as useful, productive individuals, building their sense of security and self-esteem and integrating them into the labor market. The company firmly believes that people with disabilities should have the opportunity to participate in the labor market. For this reason, it assumes the responsibility of promoting this program, not only internally, but also in the business sector.

1.2. TRAINING AND PROFESSIONAL DEVELOPMENT

Ferreyros encourages, fosters and facilitates its employees' professional development. According to each employee's good performance and training, career paths and succession plans are established.

In the case of administrative personnel, the company formulates training plans in relation with its Performance Administration Program, which is geared toward fostering a strong organizational culture and motivating employees to improve their level of commitment to the company, maximizing their job performance and satisfaction. Competencies such as customer approach, leadership, responsibility, teamwork and technical or professional knowledge are evaluated every year, for the purpose of defining opportunities for improvement.

Similarly, the company offers specialized programs for members of the sales force that aid them in the execution of their functions and development. These programs, which are sponsored by Caterpillar, the main company Ferreyros represents, ensure continuous development of market coverage capacities and knowledge of new products, among other abilities. For logistics personnel, an ad-hoc program has been implemented recently.

With regard to technical personnel, the company continued promoting self-development through the Service Pro program, carried out through on-the-job training and internships at the Technical Development Center, which is a workshop specially dedicated to training this labor force. The Service Pro program offers a career path for technicians, who can be promoted to successive levels. A total of 918 technicians enrolled in the program have received more than 8,280 certifications and recategorizations. With all of the foregoing, more than 88,500 man-hours of classroom training have been provided in a total of 365 technical courses taught during the year.

Similarly, Ferreyros expanded the accelerated training program known as the ABC Program, as a tool for training new technicians joining the company, for the purpose of raising their level of knowledge and skills when they are hired, in order to increase their productivity once they belong to the organization. In 2010, 18 technicians pertaining to this program's tenth class were trained, making a total of 244 technicians trained in ABC.

The accelerated service training program was also expanded. Fifty technicians from the branches in Arequipa, Cajamarca and Huancayo, as well as from Field Service in Lima, were trained in three groups formed according to their development phases.

In addition, Ferreyros provides its employees with the possibility of attending programs organized by Caterpillar in Peru and abroad. During the year 2010, high-level technicians in the company received 30 Caterpillar certifications in total, including 17 in mining, six in construction, five in marine equipment and two in applied failure analysis, following training by Caterpillar in the United States.

Ferreyros has a policy of giving its employees priority for job openings through its Employment Opportunities system, through which they are offered the possibility of being promoted to positions with greater responsibility and gaining access to new personal development opportunities. Of the total number of positions offered during the year through this system, 90% of the openings were filled by employees of the company.

The organization also offers employees support in obtaining master's degrees, taking courses and participating in different educational and specialization programs.

1.3. HEALTHCARE, SAFETY AND WORKING CONDITIONS

Guided by its corporate culture and aware of the need to provide safety and protection for its employees and the environment, Ferreyros is committed to developing a safe and healthy working environment, as well as promoting the welfare of its personnel. In this regard, the company applies an Industrial Safety, Occupational Hygiene and Environmental Management System, through the Risk Management program, which seeks to ensure continuous adherence to the highest safety standards, for the purpose of recognizing, evaluating and monitoring actions, omissions and conditions that could affect its employees' health and safety, cause damage to facilities and equipment, or have negative impacts on the environment.

In compliance with the 2010 Annual Industrial Safety and Occupational Health Plan, units of the Ferreyros Organization have carried out activities such as monthly meetings of the committees on safety and work-related risk management and assessment; accident reporting and investigation; safety inspection and observation; education on safety; emergency response preparation; industrial hygiene control; medical examinations; internal auditing and contractor monitoring.

During the year 2010, the safety department has continued carrying out actions geared toward preparing the company to implement an Integrated Management System (IMS) based on ISO 14001 and OHSAS 18000 standards, continuously making improvement with regard to safety and reducing the gap for the aforementioned certifications. In this regard, accident prevention efforts continue, employing management as well as measurement tools such as scheduled and unscheduled inspections, preventive observation with "Ferreyros Observa" cards to identify substandard acts, continuous improvement scorecards, monthly meetings, talks, orientation sessions, etc.

For the purpose of consolidating a safety culture and leadership in safety, in the month of September, the entire management of the Ferreyros Organization gathered to hear an expert speaker on prevention of occupational risks in companies.

For the purpose of constantly reducing the incidence of accidents in the different units of the Ferreyros Organization until we achieve our goal of "Zero Lost-Time Accidents", the implementation of the Industrial Safety, Occupational Hygiene and Environmental Management System managed to consolidate its preventive work, making it possible – for the third year in a row – to achieve significant improvement in the organization's Recordable Accident Index (RAI), which showed a reduction of 30% compared to the preceding year.

The system and its implementation by supervisors and employees, aligned with the objective of continuously reducing the incidence of accidents in the different units of the Ferreyros Organization to reach the goal of "Zero Lost-Time Accidents", made it possible to achieve significant improvement in the accident rate in 2010.

Work-related accidents and occupational diseases are factors that interfere with normal business activity, negatively impacting productivity and generating serious implications on the work, family and social environment. For this reason, Ferreyros has an Occupational Health Program that protects and improves employees' mental and social health in their respective job positions.



As part of this program, health risks have been identified and assessed, noise has been monitored, ergonomic risks have been identified, and the noise to which employees in certain areas such as the Component Repair Center (CRC) and the Recovery Shop has been measured. In addition, this program includes education and training on health risks, in relation with aspects such as musculoskeletal disorders, noise and the myth about the use of lumbar support belts, among others.

Additionally, in the welding and coating shops, an active pause program was held. This program is about doing a set of muscle relaxation exercises in order to prevent typical occupational discomforts due to prolonged postures, overexertion, repetitive movements, etc.

In addition, occupational medical exams have been conducted for the purpose of evaluating employees' health according to the risks to which they are exposed on the job. The following exams were conducted: audiometry, musculoskeletal evaluations, spirometry, blood testing for drugs, and urine testing for cadmium. A total of 486 employees were evaluated.

For the purpose of detecting and preventing potential illness among its employees, during the year 2010 the company organized a health fair, which included checkups and medical assistance in different specialties. In addition, Ferreyros held an influenza vaccination campaign and talks on how to live a healthy lifestyle and prevention of obesity and breast cancer, along with diverse laboratory analyses. For employees with a considerable level of risk, a medical oversight program was established under the responsibility of the Social Welfare area and the Medical Office.

Additionally, the company partially subsidizes a larger percentage of the cost of insurance offered by health service provider companies (EPS) for employees and their direct family members than currently required by law. Complementarily, it periodically organizes health campaigns with early detection programs and vaccination against hepatitis and influenza, as well as medical advising, among others.

The company's social service area provides personalized, on-going attention in areas such as health, education, housing, economics, legal matters and family problems. It should also be noted that Ferreyros gives its employees housing and education loans.

1.4. PERSONAL AND FAMILY DEVELOPMENT

The company is known for adhering to its employees' work schedule, in order to allow them free time for family life or to pursue their interests, for the sake of their quality of life.

In addition, through the social service area, during the year 2010, diverse activities held were geared toward employees and their families, such as human development, motivational and self-esteem workshops, as well as training on productive activities in order to earn additional income for the family. For employees, computer assembly, basic information technology for adults, and bartending courses were taught. Among the activities geared toward female employees, as well as wives and mothers of employees, there were jewelry making, cosmetology and Christmas craft workshops, among others.

Similarly, Ferreyros offers vacation programs for its employees' children, with visits to museums and historical sites, visits to fire stations, drawing and painting contests, and sports competitions. This year, the children visited different clubs, under the supervision and care of instructors and specialized personnel. There they participated in sports, games and other recreational activities. In addition, the company held group workshops on values, self-esteem and leadership. Family-oriented programs such as family outings and couples' workshops were also organized.

1.5. CHANNELS OF COMMUNICATION

Ferreyros has an open-doors policy that facilitates employees' communication with Management. In addition, the company seeks to strengthen horizontal communication, offering continuous information on the organization and employee activities. For this purpose, it uses channels such as the in-house magazine geared toward all personnel; informative showcases for the dissemination of information on activities organized by the company; a suggestion box available to all employees to express their opinions and recommendations, which are reviewed periodically; and the Intranet. The Intranet has been developed to further strengthen ties among employees, with on-line information of interest and company news in real time, enabling all employees, regardless of their physical location, to stay in touch and gain access to the resources and systems necessary for their daily work.

The company has a Communications Department whose responsibilities include keeping the personnel informed.

The rules established by Ferreyros are available to employees in the Rules and Procedures System, which can be freely accessed through the internal network. In addition, each new employee receives a Welcome Manual with relevant information for his/her performance in the organization. The company also shares information publicly through its website, in line with its policy of clear, clean, transparent corporate governance.

In the year 2003, Ferreyros implemented methodologies for the purpose of improving and creating processes that increase customer satisfaction and foster employee access in order to propose improvements in the organization. In this manner, profitable, sustained growth of the business is stimulated, in line with the company's strategic objectives.

The first methodology adopted was Six Sigma, which seeks to reduce and eliminate defects in processes that cause dissatisfaction among customers. Problems are resolved through decision making based on facts, data and statistical tools, banking on the development of employees' creativity and capacity, in order to offer solutions with a high impact on the organization.

The use of the Six Sigma methodology is aimed at obtaining the highest value of products and services for customers. It is based on the leadership of one of its employees, called Black Belt, who supervises a group of employees (Green Belts) to define processes to be improved and, subsequently, to recommend measures to implement, achieving a multidisciplinary team in this manner.

This methodology connects the company's vision and mission with strategies, objectives and continuous improvement in all business units. In this way, it fosters knowledge for the optimization of processes, with responsibility at all levels of the organization, in the continuous search for operational excellence.

Subsequently, Ferreyros adopted the Caterpillar Production System (CPS) methodology, which optimizes resources in the execution of company activities that create value for the customer, from the time a product or service is ordered until it is delivered, and seeks to achieve safety, quality, speed and cost objectives with the active participation of all employees.

In the company, the CPS methodology works jointly with the Six Sigma methodology.

1.6. RELATIONSHIP WITH THE LABOR UNION

Ferreyros respects its employees' union. Since 1946, and uninterruptedly since then, the laborers have been represented by a union that has an excellent relationship with the company and collaborates on the creation of policies that improve working conditions and the quality of life of employees and their families.

In addition to the annual meeting between company management and union representatives for the presentation of their list of demands for improvements in economic and working conditions, communication with the union is fluid and continuous. Specifically, it has ample facilities for holding its assemblies at Ferreyros facilities. An indicator of the good relationship between the union and the company is that for over 20 years, there have been no strikes. It should be noted that the benefits agreed upon with the union are also extended to all of the rest of the company's laborers that do not belong to the union.



The sense of responsibility and collaboration of the union has been revealed under the organization's most difficult circumstances, when it has joined forces with the company to deal with challenges, showing its solidarity.

1.7. CAMARADERIE ACTIVITIES

As it does every year, in the month of December, the Ferreyros Organization held its annual company celebration. On this occasion, at an entertaining get-together called "The Ferreyros Universe", the organization bid farewell to the year 2010 and renewed its energy for 2011.

2. SHAREHOLDERS

Ferreyros' operations are governed by principles of good corporate governance that guarantee respect for the shareholders' rights, equitable treatment, and transparent and timely presentation of information, as well as an effective Board of Directors that represents all shareholders. As explained in the Corporate Governance section and in the self-assessment, the company believes that it has high compliance standards and that it has become a reference and role model for many companies that are still in the early stages of the continuous improvement process that a commitment to corporate governance represents.

Its efforts have been recognized with national and international distinctions, such as being selected as a finalist in the Garrigues-Affinitas Award for Good Corporate Governance in Latin America in the year 2006 in Madrid, Spain and, in the same year, being incorporated in the Companies Circle of the Latin American Corporate

This event, which began with the message "It is our strength (like that of the universe) that makes our organization truly great", brought together nearly 2,000 Ferreyros, Cresko, Fargoline, Ferrenergy, Fiansa, Mega Representaciones and Unimaq employees.

The year 2010 also saw moments of great excitement and enthusiasm during the first Ferreyros Organization Corporate Olympics.

Sixteen teams from Ferreyros, Unimaq, Cresko, Fargoline, Fiansa and Mega Representaciones participated, competing in open soccer, masters' soccer, co-ed volleyball, men's basketball, ping pong and chess championships on several different dates.

Governance Roundtable, an entity which brings together 20 Latin American companies that are leaders in good corporate governance practices, with the support of the OECD and the IFC.

Ferreyros' good corporate governance practices have earned it awards in every Good Corporate Governance contest held in Peru by Procapitales and Universidad Peruana de Ciencias Aplicadas (UPC): first place in the Best Shareholder Treatment category (2006), the Special Award for Best Progress in the Implementation of Corporate Governance Practices (2007) and Best Shareholder Treatment and Best Board of Directors Policies awards (2008). In 2010, Ferreyros placed third in the Best Shareholder Treatment category.



3. COMMUNITY: EDUCATION OF YOUNG PEOPLE

Aware of the role of private enterprise as an agent of change in the country's development, Ferreyros has continued making considerable efforts in diverse sectors of the community, primarily in one of the areas that it considers to be of key importance for progress: the education of young people who will build the country's future. The following is a brief description of the initiatives carried out during the year 2010.

3.1. THE FERREYROS ASSOCIATION'S EDUCATION PROGRAM

For the purpose of fostering the education of professionals with values and citizen responsibility, during the last 13 years the Ferreyros Association, fully financed by the organization, has held workshops geared toward transmitting behaviors that will enable future professionals to participate successfully in the country's productive activities. Hundreds of workshops have been held with thousands of participants, transmitting the basic concept that professionals must be creators of value and that the country's development depends on them.

At the end of the year 2009, looking back at the road traveled and the way the program had been well received by many universities and particularly by thousands of students who had participated in the workshops, it was decided to replace the independent workshops with a comprehensive 32-hour program called the "Ferreyros Professional Education Program", reformulating some of the subjects covered, but maintaining the essence of the message by transmitting two strategies or fundamental attitudes to future professionals for managing their careers. The first is to think in the medium and long term, in order to prepare themselves by developing certain skills to be ready to meet the demands of their fields. The second is to reaffirm the conviction that professional success is also reached by putting values into practice in every facet of their professional activity.

The "Ferreyros Professional Education Program" covers four main topics during interactive workshops, using a methodology that fosters reflection and self-analysis on topics stemming from the two basic strategies indicated in the preceding paragraph. Complementarily, the program highlights the concept that although professionals must act efficiently to achieve personal development, as members of society, they should also be committed to their country.

In each of these workshops, basic concepts on values and citizen responsibility are reiterated. The working methodology consists of creating a space for reflection where the facilitator encourages participants to exchange ideas and discuss matters relevant to their personal education and future careers, such as attitude, change, employability, leadership and teamwork.

The four eight-hour workshops are offered completely free of charge and are aimed at young university students in all areas of specialization who are in the process of completing their last two years of studies, whether at public or private universities, especially those in provinces outside the capital, who receive participation certificates. The workshops cover topics such as professional attitude, employability, leadership and the role of a professional.

During the year 2010, 27 programs were held (108 workshops), with a total of 914 participants at 25 universities in 17 of the country's cities.

As in other years, the workshop program was announced on the websites and newsletters of a number of universities. Radio hosts also interviewed the facilitators about the the Ferreyros Association's activities.

Currently, the Ferreyros Association has academic cooperation agreements with 17 universities nationwide. These agreements are an acknowledgement of the association's work for the benefit of university students and, in turn, show the universities' interest in joining forces in order to carry out these activities.

Ferreyros has also continued to be a contributor toward the cost of CADE Universitaria (Annual Conference of University Students), an annual event organized by the Instituto Peruano de Acción Empresarial (IPAE/Peruvian Institute of Business Action) that brings together more than 600 young people from all over the country. Since 1997, the Ferreyros Association has also been in charge of training the moderators of the working groups for CADE Universitaria. It should be noted that, in these working groups, the participants reflect upon and draft final conclusions and recommendations on the event. Since 2005, the selection of moderators has been carried out by participants in the Ferreyros Association's workshop program.

In November of 2010, for the purpose of reinforcing conclusions on the CADE Universitaria, in which the subjects of values and ethics were reflected, the Ferreyros Association, in coordination with the committee for follow-up on the CADE Universitaria, held a workshop for participants in the event, where the topics of employability and ethical values were explored in greater depth.

3.2. "INCREASING THE EMPLOYABILITY OF YOUNG PEOPLE WITH SCARCE RESOURCES" PROJECT – ENTRA 21

In April of 2010, the second phase of the "Increasing the Employability of Young People with Scarce Resources" project promoted by Ferreyros and Caterpillar began. The purpose of the project is to offer training free of charge on different areas of work for young people with scarce resources who lack sufficient education for finding adequate employment. During this phase, the program has provided training for 333 young people from 18 to 29 years of age. Of this group, 93% were able to find employment, far exceeding the project goals.

It should be noted that of the total number of participants, 87 are women, 53 of the beneficiaries have not finished high school, and 171 live in rural areas of the country.

This initiative, the total investment for which amounts to more than US\$ 680 thousand, is mainly funded by Fomin (Multilateral Investment Fund), the Inter-American Development Bank, the Caterpillar Foundation and Ferreyros, with the International Youth Foundation (IYF) as cofinancer and administrator, and Tecsup as a local ally and to carry out the training.

The project holds programs according to the needs of the labor market. In this regard, following close coordination with several companies in the manufacturing and service sectors, information is gathered on their needs for skilled labor and the technical capacities required for these positions. Based on these needs, the project offers participants in different parts of the country training free of charge in areas such as mechanical and electrical maintenance, industrial production, warehouse operations, logistics, handling and welding. In this manner, the program not only offers training; it is training geared toward concrete job positions previously coordinated with companies that have presented their hiring requirements for a period of at least six months.

In addition to contributing to the funding of the project, Ferreyros offers employment opportunities for graduates of the program, communicating with Tecsup about its need to hire young people for different areas and indicating the capacities required in these functions, in order to hire them following their training.

As of December 31, 2010, ten young graduates of the program are working for Ferreyros, the majority of whom are warehouse assistants at the Parts Distribution Center.

The training consists of 150 hours of training programs held by Tecsup at its facilities in Arequipa, Lima and Trujillo, as well as at the facilities of companies participating in the program in order to fulfill their personnel requirements in different Peruvian cities.

Tecsup is responsible for the process of selecting the young beneficiaries of the project, which takes place in areas surrounding the companies requiring personnel. It should be noted that the participants are young people from rural and marginal urban areas with scarce resources and insufficient education for finding adequate employment. Their education is enhanced by the training they receive.

3.3. THINK BIG PROGRAM

Ferreyros and companies that use capital goods, in general, require skilled technical personnel to execute different activities related to their business, particularly equipment maintenance repair. Aware of this fact, the company seeks to contribute actively to educational institutions dedicated to specialized training. In this regard, for the last nine years, Ferreyros, with collaboration from Caterpillar, has been promoting the Think Big program, in order to train young people for technical careers in mechanics.

In the Think Big program, launched in 2002 by Ferreyros and Caterpillar, technicians specializing in Caterpillar products undergo two years of training. At the end of the program, graduates have the first option to join the Ferreyros labor force with a defined career path. This program trains participants to service Caterpillar machines and engines, using modern maintenance systems, as well as latest-generation technologies and tools. The program makes it possible to recreate unique conditions of Caterpillar equipment and technology, for the purpose of teaching students complex diagnostic skills for use in the real world.

In 2010, the seventh class of 19 technicians graduated in Lima. In addition, the Think Big program was launched at Tecsup in Arequipa with 12 students. It is important to mention that the Think Big program was actively disseminated at schools in the Fe y Alegría network, Humtec and Junior Achievement.

Additionally, continued support was given to other programs, such as Senati's heavy equipment maintenance program held in the city of Cajamarca, with contributions of technical information and internships for technicians at different Ferreyros maintenance and repair shops.

3.4. PROGRAM FOR ENTREPRENEURIAL YOUNG PEOPLE IN CAJAMARCA

Since the year 2005, Ferreyros has contributed to the Training for Entrepreneurial Young People in Cajamarca program held by the Los Andes Association of Cajamarca, promoted by the company Minera Yanacocha. The primary objective of the program, which is geared toward high school students and their teachers, is to promote an entrepreneurial attitude, improve understanding of the free market economy and facilitate the insertion of young people in the adult world, involving schools, universities, industry associations and companies in the province of Cajamarca for the purpose.

Since the beginning of the program, the "Personal Economics", "The Advantage of Staying in School", "Business Basics", "Companies in Action", "The Company" and "Skills for Success" modules have been taught. The program was divided into two three-year phases, the second of which ended in late 2010.

Over the last three years, the Training for Entrepreneurial Young People in Cajamarca program has benefited more than 11 thousand students at 31 schools in Cajamarca, who have learned the importance of studying and training continuously in order to achieve their personal goals, in addition to having acquired a good perception of business activity and the role that entrepreneurs play in society. In total, since the year 2005, the number of students benefited in both phases exceeds 23,600.

In an effort to link the programs promoted by Ferreyros, since 2008 the company has invited young Cajamarcan graduates of the Training for Entrepreneurial Young People in Cajamarca program to participate in its Think Big program.

3.5. SENATI DUAL LEARNING PROGRAM

Ferreyros sponsors Senati's Dual System, which enables young students to complement their technical education with practical learning at the company's facilities.

The training consists of two phases: the basic phase, which takes place entirely at the Senati Professional Education Centers and lasts 552 hours, and the specific phase, in which four days at Ferreyros alternate with a day at Senati, lasting 5,520 hours over three years. Over the last 14 years, Ferreyros has welcomed 381 students from the program.

3.6. INTERNSHIP PROGRAM AND SUPPORT FOR ACADEMIC RESEARCH

As it does every year, in 2010 Ferreyros began its Summer Internship Plan promoted by the Human Resources area which, with support from General Management and the company's different divisions, brought together a talented group of 51 students from the country's best universities to do internships. This experience enabled the young people to come into contact with the working world, learn about the Ferreyros organizational culture and, through daily activities, assimilate the values that distinguish the company, such as reliability, transparency and the search for excellence in service, which is very important for their professional performance in any organization.

The young people in the Ferreyros Internship Plan participate in a program designed exclusively for them. During their time with the company, they are guided by an assigned mentor who prepares a learning plan with high value for the students and provides feedback on their performance so that they can build professional competences.

As a result of the good performance and talent demonstrated by these young people, 20% of the participants in the 2010 Internship Plan were hired by the company.





MILESTONE 9

**WE KEEP ON GROWING
TO OFFER BETTER SERVICE**

The Ferreyros Repairs Distribution Center will have new facilities in the near future, to be built at a new company site located in Avenida Argentina, Callao.

3.7. VOCATIONAL GUIDANCE

Ferreyros believes that one's selection of a professional or technical career is a major decision in the life of every student. For this reason, in 2010, for the fifth year in a row, it assumed the responsibility of welcoming high school seniors. On this occasion, students from La Inmaculada high school visited the company. For the purpose of confirming their career choices, they talked with executives and toured different areas of the company, taking the opportunity to see and directly experience the functions and activities of different Ferreyros professionals.

3.8. CORPORATE VOLUNTEERING

Through the corporate volunteering program, Ferreyros participates in initiatives that make a difference in the national setting.

Every Thursday, two employees from different areas of the company volunteer at the Instituto Nacional de Enfermedades Neoplásicas (INEN/National Cancer Hospital) in the "Learning with You" program, an educational/recreational initiative geared toward children who, due to their health, are unable to attend school regularly. The fundamental objective of the program is to accompany the children during their hospitalization and/or medical treatment by studying and playing with them. Through recreational activities, the volunteers help young INEN patients, providing them with an opportunity for entertainment to keep their lives from revolving entirely around their disease.

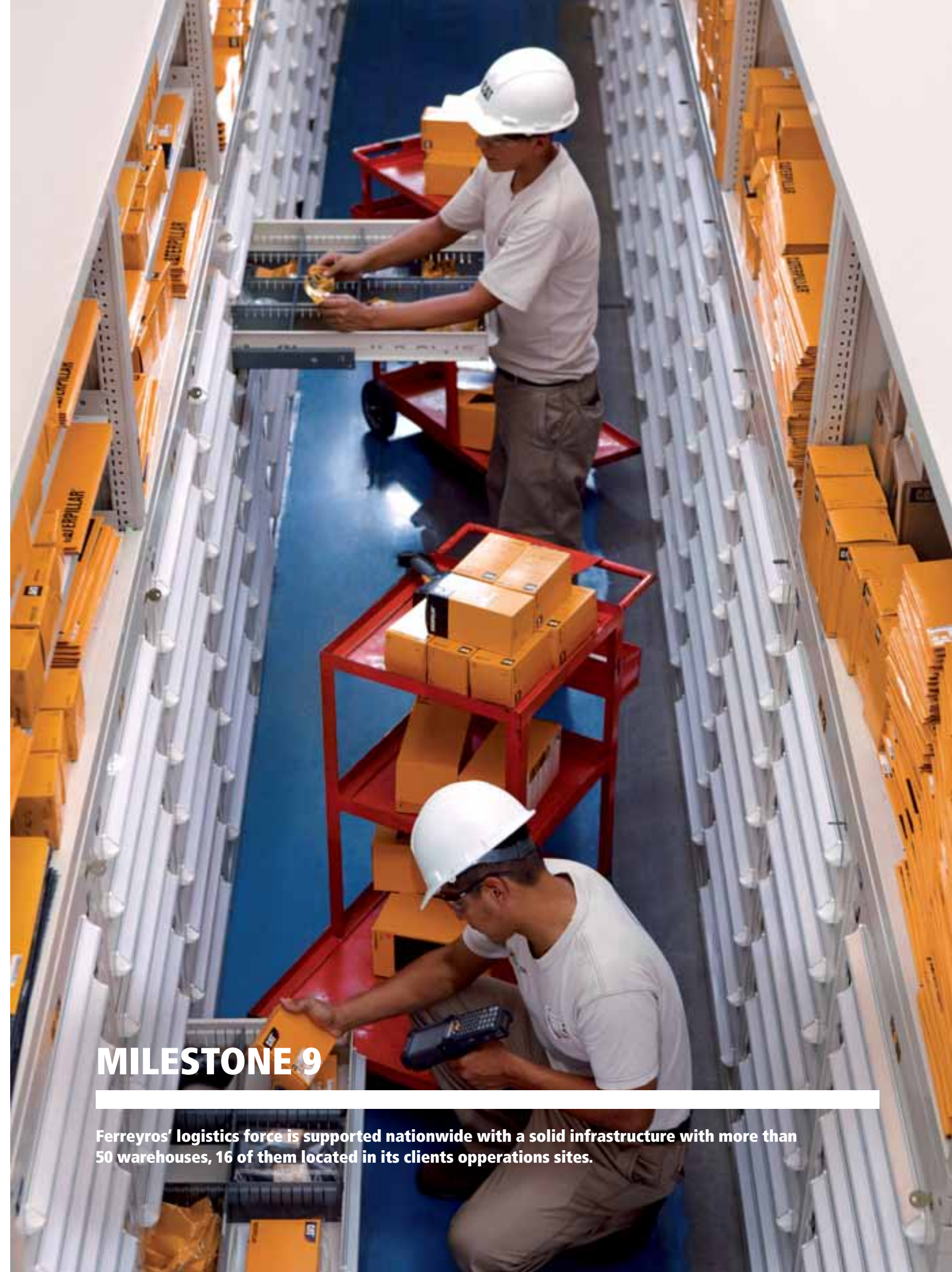
The principal year-end corporate volunteering project consisted of refurbishing the game room and chapel at the home run by the "Un Día de Esperanza" (A Day of Hope) association for children with HIV. At this event, which was carried out by a large group of volunteers from Ferreyros, Christmas gifts were given to the children, who also participated in a trip to a local zoo.

In order to raise funds for this initiative, two activities were held that contributed to employees' identification with corporate volunteering. The first was the "Ferreyros South Africa 2010 Soccer Pool", in which Ferreyros employees in Lima participated, making their predictions for the World Cup Soccer Championship.

The second activity was the "Ferreyros 4k: Running for a dream" race / walk held in the month of November around the Ministry of Defense in San Borja, in which 258 company employees and their families participated. It should be mentioned that support for this event was received from Alicorp, Anita Food, Medifarma and Somos Empresa.

In addition, employees from the Chimbote branch participated in the "Read in order to grow" volunteer program launched three years ago to contribute to the integral human development of residents of a rural settlement in the Santa Valley known as "El Arenal". With weekly classes, the volunteers foster the habit of reading among nearly 50 children from low-income families. Complementarily, the employees involved in the program participate in a reading workshop every week.

Similarly, as they do every year, personnel from the different branches of Ferreyros throughout the country went to marginal areas to collaborate with rural schools in relation with the non-school-based early childhood education program and retirement homes, among other beneficiaries. In addition to the traditional Christmas celebrations, work was done to remodel facilities, fix up and equip classrooms and restrooms, and install playground equipment, as well as other projects.



MILESTONE 9

Ferreyros' logistics force is supported nationwide with a solid infrastructure with more than 50 warehouses, 16 of them located in its clients operations sites.



MILESTONE 9

The growth of Ferreyros' business throughout the years makes it necessary to expand its capacities to offer the highest level service to its clients.

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

Aware of the role that private enterprise plays as an agent of change in the country's development, in December of 2008, Ferreyros incorporated the "Promote: Machinery for Development" program in its social responsibility initiatives. The following is a brief description of the program, as well as the achievements accomplished in 2010, the second year of the program.

4.1. PROMOTE: MACHINERY FOR DEVELOPMENT PROGRAM

"Promote: Machinery for Development" is an important Ferreyros Association program carried out with collaboration from Ferreyros and Unimaq, as well as Caterpillar, the company they represent. The program seeks to improve the living conditions of residents of the country's less developed areas through mechanization. For the purpose of making the construction of basic infrastructure possible in the country's regions with the greatest needs and building capacities among machinery operators, Ferreyros provided 11 district and provincial municipalities participating in the program with 39 light construction machines and 59 Caterpillar tools, trained equipment operators, provided advice on the identification of needs, projects and works to be executed, and provided preventive maintenance and service on the machines.

This initiative launched in 2008 has benefited the provincial municipalities of Huamanga and Huanta (in Ayacucho); Puno, Juliaca and Ayaviri (in Puno); and Chinchá Alta (in Ica), as well as the district municipalities of Nuevo Chimbote (in Áncash), La Tinguina and Parcona (in Ica), and Villa María del Triunfo and Independencia (in Lima).

The fleet of machinery made available for the project was delivered to them, including 14 retroexcavators 420E, 16 miniloaders 242B2, three miniloaders 257B2, two excavators 314C, four tractors D5K and 59 working tools.

It is worth noting that "Promote: Machinery for Development" has a team of specialists in post-sales service at its disposition and a manager dedicated exclusively to the project who has ensured continuous monitoring, supervision and evaluation of it. In addition, the Ferreyros branches near the municipalities benefited made technical staff and engineers, as well as their maintenance and repair shops, available for the project to tend to maintenance needs.

The main results of the program at the end of 2010 included the following:

- 100,500 hours of machinery operation
- 30 thousand families benefited
- 130 different municipal projects that employed machines from the program
- US\$ 3.6 million investment in the program, in machinery, training and maintenance
- 200 people from the communities trained

The jobs carried out with the machines in the projects undertaken by the municipalities benefited include clean-up and elimination of rubble, digging and filling in ditches, site preparation and grading, channeling water, clean-up of debris, preliminary work for road and pedestrian path maintenance, drilling and removal of different types of materials, road repair and maintenance, renovation and improvement of potable water and sewer systems, and cleaning riverbeds, among others.

Among projects that stand out is the opening of roads fit for vehicles in low-income neighborhoods of the municipalities of Villa María del Triunfo (Lima) and Huamanga (Ayacucho), which has given residents access to water and facilitated the transportation of materials required for housing construction.

Also worth mentioning is the support provided by the project to improve and expand the potable water system in the provincial municipality of Melgar (Puno), in order to make water available 24 hours a day for the population of Ayaviri, and the construction of the Huanta-Luricocha Highway, an important road through the department of Ayacucho.

The machines used in the program have also been of great help in emergency situations in different regions of Peru, such as those that occurred in the city of Huamanga in December of 2009.

It should be noted that "Promote: Machinery for Development" is the first initiative of its kind implemented by Caterpillar anywhere, along with its representatives in Peru.

An important focus of attention of "Promote: Machinery for Development" is the creation of capacities among the residents of the regions benefited. The machine operators, who are residents of the country's less developed areas, receive training on the proper use of the equipment, which enables them to improve their living conditions and those of their communities, and to acquire new competences that will give them greater possibilities for future employment. More than 200 operators from the communities, who were selected by the municipalities, have been trained through the program.

It should be noted that, upon verification of the great need for training among the personnel assigned to operate and maintain the equipment in the majority of municipalities, "Promote: Machinery for Development" redoubled its efforts and established an additional on-going training program in this field.

Preventive maintenance on the equipment is also being provided free of charge and periodic visits are being made to the municipalities benefited, for the purpose of keeping the machines operative on a continuous basis, offering expert advice on the use of equipment and monitoring progress in the field.

The Ferreyros Organization and Caterpillar considered that compliance with the following conditions by the entities benefited was essential for the viability as well as the sustainability of the project:

- a. Capacity and transparency in governmental management and competency for the administration of projects with adequate advice, including the designation of a project coordinator
- b. Proximity of a Ferreyros branch to provide adequate product support
- c. Availability of resources for continued use and maintenance of the machinery when the support provided by the Ferreyros Organization and Caterpillar ends

The project's cooperation mechanism, based on the provision of machinery free of charge for two years, with the possibility of a donation at the end of this period of time, is an important innovation.

As a way of encouraging the beneficiaries' commitment, the definitive donation of the equipment will be made following verification of compliance with the established objectives and conditions of the agreement.

One of the tasks performed by the municipalities has been to report periodically on the use of the machines and progress on the projects. They are also paid regular visits by project personnel, in order to verify that the machinery is in good condition, that it is being used properly and that the operators are adhering to occupational health and safety standards, in addition to the remote monitoring taking place on a continuous basis, as the equipment has Product Link remote equipment administration technology that makes it possible to conduct a follow-up on the working hours of each piece of equipment, its operation and its location via satellite.

4.1.1 Fostering replicas of the Promote program

For the purpose of fostering infrastructure development in different parts of the country, Ferreyros encourages replicas of the Promote program among its customers, based on the important experience acquired and the significant achievements accomplished. Río Tinto Minera Peru Ltda. has adopted the "Promote: Machinery for Development" model as an innovative tool for fostering the development of infrastructure in its areas of influence. At the mining company's request, in the district of Querocoto, Cajamarca, Ferreyros held meetings with the local residents and made technical analyses and field visits, in order to design an adequate fleet of machinery for the specific purposes determined by this local program: a D6T crawler tractor, a 938H wheel loader, a CS533E vibratory roller and a 420E excavator.

The equipment was delivered in the second semester of 2010 and, currently, it is being used intensively in road maintenance and the construction of roads fit for use by vehicles, contributing to the development of different communities in the highlands of Cajamarca.

For the purpose of extending the program to less advantaged parts of the country, during the year 2011, Ferreyros will continue to seek more alliances with its customers in order to achieve two objectives, the development of basic infrastructure in low-income areas and the possibility that customers, particularly large mining companies, become involved in the area of influence of their operations in a more sustained manner by incorporating this program in their social responsibility plans.



4.1.2 Recognition

Ferreyros was recognized with the first place Expomina 2010 award for social responsibility, in the Mining Suppliers and Contractors category, for the "Promote: Machinery for Development" project.

Since 2007, the Expomina awards have been directed toward mining companies that carry out sustainable social responsibility projects and generate positive impacts on their areas of influence. Starting this year, the awards also include contractors and suppliers that carry out these projects.

5. ENVIRONMENT

Ferreyros assumes the responsibility of adopting a preventive approach to protecting the environment. For this reason, it has been developing an ample set of initiatives in this field, a commitment reflected in its Comprehensive Health, Safety and Environment Policy.

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

- Increase in the useful life of machines and their components, through timely maintenance, adequate repair and recovery of pieces and components, which reduces the use of natural resources and the generation of scrap material
- Classification of waste matter as hazardous and non-hazardous and, at the same time, as reusable and non-reusable, for subsequent recycling
- Careful collection of used oil from machines and components, recovering it through the use of modern equipment. For adequate transportation of it to a waste oil treatment plant, the services of a company authorized by the Ministry of Health (EPS- RS) are used.
- Recycling of scrap metal by sending it to a duly certified recycling plant
- Collection of used batteries to be returned to the supplier for recycling
- Use of recirculating parts washers at maintenance and repair shops, that permit the reuse of the solvent used, reducing usage frequency and the generation of hazardous waste
- At the administrative offices, the reuse of photocopy paper and printing on both sides of paper is encouraged. In addition, at maintenance and repair shops, mechanics are instructed to use only the material necessary for cleaning components.

In order to conserve and reuse water, the following practices are followed:

- Implementation of a waste water treatment system at maintenance and repair shops. Waste water is channeled from the areas where it is generated to a treatment unit consisting of a settling tank and a grit chamber.
- Water is reused in the internal washing area of the Component Repair Center (CRC), certified by Caterpillar as a world class workshop, and in the external washing area of maintenance and repair shops, reducing consumption of this resource and the volume of effluents.
- To save on water at the commercial offices, flushometer valves have been installed in the toilets and urinals, and restroom faucets are equipped with infrared sensors that detect movement so that the water is turned on and off automatically.

The company has also adopted preventive practices to avoid noise and air pollution:

- With regard to control over activities that generate excessive noise, engine testing equipment (dynamometer) is kept in a soundproof enclosure and controlled from an external booth.
- The aforementioned Component Repair Center (CRC) has abrasive blast cleaning equipment (sand blasting and shot peening), whose system ensures minimal emission of polluting particles into the environment, as its activity takes place in an enclosed space.

All of the aforementioned practices are based on optimal implementation of the organization's environmental management system, together with awareness-raising among employees about the importance of adequate environmental management. In this regard, the company has a team of experts on the environment who are responsible for the preparation of the Environmental Management Manual, in which Ferreyros explains how it plans and monitors its activities, products and services that could cause environmental impacts and, at the same time, establishes plans and actions for their prevention and minimization in its operations.

The company also organizes awareness-raising campaigns and talks for its personnel on preserving resources and using them rationally, due to which holding talks on environmental matters in operating areas at the startup of work has become standard practice. In addition, a bimonthly environmental newsletter called "Notiambiental" (Environmental News) is published for the entire Ferreyros Organization. Among the topics covered in these communications is the conservation of water and electricity, due to which the monthly reports prepared at each location include indicators on consumption of these resources, for the purpose of conducting a follow-up.

Complementarily, periodic visits are made to the branches, subsidiaries and customers' companies where Ferreyros personnel are working, in order to identify opportunities for improvement in environmental management and to provide technical support for the implementation of these improvements. During the visits, employees of the organization are trained on environmental management (waste management, spill management, saving water and energy) and the identification of significant environmental aspects (SEA).

For the purpose of establishing a baseline to make it possible to verify the effectiveness of awareness-raising among personnel with regard to the application of the "3R" (Reduce, Reuse and Recycle) principle of minimizing waste, since January of 2009 the amount of both hazardous and non-hazardous waste generated by the facilities on Industrial, Argentina and Néstor Gambetta avenues has been recorded. This requirement will be extended to all of the organization's facilities, as waste management is developed at each one. In 2010, 58.37% of the total waste produced by the aforementioned facilities was recycled, achieving a reduction of more than 30% of the total amount of waste produced at the facilities in Lima, compared to 2009.

In addition, each location's monthly reports now include water and electricity consumption indicators for the purpose of verifying the effectiveness of awareness-raising campaigns and talks on the conservation and rational use of these resources.



6. SUPPLIERS

Ferreyros has a policy of selecting suppliers based on clearly established principles, such as transparency and equitable treatment. Its objective is to develop relationships based on trust and fairness, for the suppliers' benefit as well as the company's, with a mutual growth perspective.

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

It should be noted that the company's major suppliers, such as customs agents, land transportation companies, security companies and construction contractors, have been selected through competitive bidding, avoiding monopolistic practices that restrict competition, selecting at least two suppliers for each service provided to the company.

To Ferreyros, it is very important that its suppliers apply good human resources practices and share its conviction that, as a result of the application of these practices, employee motivation increases, productivity rises, customers and consumers benefit, the quality of services and products improves, and the welfare of Peruvians in general is improved. In addition, as mentioned previously, the company encourages its suppliers to join the Good Employers Association (ABE) sponsored by the Amcham.

Since mid 2010, the clause corresponding to the supplier's obligations in contracts signed with service providers includes the need to comply with the corporate social responsibility principles established by the organization, so that they extend to all of the company's activities and acts, as well as those of its suppliers.

The Ferreyros Code of Conduct expressly includes some principles related to supplier relations:

"We will not deal with suppliers that do not respect ethical principles and comply with the law."

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

In addition, during the year 2010 a standardization process with regard to safety in transportation was continued. Through committees, which consist of a board elected among the transportation companies themselves, reports on service indicators, incidents and observations are presented and comments are made on them. The representatives from the transportation companies relate their experiences and good practices in order to introduce improvements in processes and problem solving.

At the end of each year, the top three transportation companies receive awards in recognition of their safety record and safety practices.

With regard to customs agents, an atmosphere of mutual trust through collaboration is maintained for the purpose of ensuring that suppliers implement the best solutions geared toward the common objective of having a streamlined, safe process in compliance with customs regulations.

7. CUSTOMERS

Ferreyros fosters mutually beneficial, long-term commercial relations with its customers, based on the availability of the best comprehensive solutions, the backing of a leading organization with operations throughout the national territory, excellence in the service provided and a tradition of integrity, with solid values that have become firmly rooted in over more than 85 years of operations. A large part of this annual report details the value offering that Ferreyros provides its customers, due to which a synthesis of the same is presented in the following paragraphs.

7.1. HIGH QUALITY PRODUCTS AND SERVICES, WITH SPECIALIZED SERVICE BY SECTORS

With 68 years of experience in the commercialization of heavy equipment, Ferreyros offers products and services with the highest added value for the customer, as a solid, effective response to their business needs. The company has a varied portfolio of products whose brands have international prestige, including Caterpillar, which it has represented since the year 1942, as well as Atlas Copco, Terex, Kenworth, Iveco, Massey Ferguson, Zaccaria, Sullair, Paus, Oldenburg and Metso, among others.

As mentioned in the introduction to this report, Ferreyros offers the market wide coverage in Peru, with operations in the cities of Piura, Lambayeque, Cajamarca, Trujillo, Chimbote, Huaraz, Ica, Arequipa, Puno, Cusco, Huancayo and Cerro de Pasco, as well as through four offices in Tumbes, Talara, Ayacucho and La Merced. It is present in the eastern part of the country through its subsidiary, Orvisa, which has branches in Iquitos, Pucallpa and Tarapoto, as well as offices in Puerto Maldonado, Bagua, Tingo María and Andoas, facilitating customers' access to the company.

Ferreyros is present in the most important mining, construction, industrial and energy projects throughout the country, where technical personnel and engineers are available to provide specialized service, including parts and components when the situation so requires. Along the same line, the company offers national coverage through field service, in order to serve customers in the places where they operate, if required.

One of Ferreyros' key differentiating factors is the excellence of its post-sales service, which makes it possible to give customers the best support for their capital goods in the market. For this purpose, the company has a network of decentralized, specialized maintenance and repair shops; the widest inventory of parts and components, with a solid logistics force; first-rate technical personnel, trained according to international standards and with the backing of the brands represented; specialized services such as the Fluid Analysis Laboratory (SOS), which permits the detection of potential anomalies that reduce the life of a component, in order to take corrective and preventive actions in a timely manner; top-notch training of customers' technical personnel; and a complete portfolio of technological solutions that boost the productivity of equipment acquired by its customers, among other factors.

The Ferreyros Financial Services Area, which is composed of a team of credit specialists, offers customers advice on the structuring of different financing schemes (loans from local institutions, loans from abroad, export credit insurance from international agencies, financial leasing) and selection of the financial channel. It also offers customers the possibility of direct financing, with payment periods determined according to their requirements. Similarly, it provides short-term commercial credit for the acquisition of parts, maintenance services and repair, as well as leasing.

It should be noted that, for the purpose of providing specialized service to customers in each market segment, Ferreyros has a segmented organization, according to the markets it serves.



7.2. CUSTOMER SATISFACTION AND HANDLING OF COMPLAINTS

Ferreyros is aware that an essential component of its competitiveness is to achieve customer satisfaction and loyalty in a mutually beneficial long-term relationship. In this regard, it continuously works to identify customer needs and expectations, through a team dedicated exclusively to serving them: the Customer Service Area, created in the year 2007.

The main responsibility of this unit is to ensure customer satisfaction and effective handling of complaints, guaranteeing timely solutions in line with customer expectations, and turning them into opportunities to demonstrate the company's strong commitment to its customers.

For the purpose of having information that makes it possible to take actions aimed at continuous improvement in Ferreyros' services, in 2010 the Customer Service Area continued executing two types of processes:

The handling of complaints and proactive situations is aimed at recording and monitoring customer complaints, as well as identifying processes that can be optimized, in order to ensure continuous improvement of the services that the company offers. For this purpose, Ferreyros has made an on-line system for receiving complaints available to its customers, in order to facilitate communication of their requirements and to redirect them immediately to the area indicated so that a solution can be offered as quickly as possible and in line with customer expectations.

The measurement of customer satisfaction includes conducting surveys taken by Ferreyros as well as by Caterpillar, the company it represents, in which opportunities for improvement can be identified in relation with the products and services offered. Annual results of the surveys show an overall satisfaction level of 7.5 on a scale of 1 to 10, which is considered a positive level, taking into account the growth dimension of the market and customers this year.

Additionally, the company has a tool for handling customer relations known as Customer Relationship Management (CRM), recording each interaction with customers through the different channels of communication at its disposal, such as electronic mail through the website, the call center, letters, telephone calls and personal contact, facilitating anticipation of future needs and personalized customer service.

The challenge for the year 2011 is to strengthen customer services and the CRM tool, in order to lay the foundations for integral management for the customer's benefit.

7.3. MARKETING AND COMMUNICATION POLICIES

Ferreyros has marketing and communication policies aimed at proper information management in business that strictly adhere to principles of respect for competition. In this regard, among its principles is to avoid relying on demonstrating the defects of its competitors' products or services to promote its own products or services, as well as to refrain from using misleading advertising or making fictitious or exaggerated claims.

Ferreyros believes that presenting clear, updated, truthful information about its products and services is an expression of commercial ethics. For this reason, its sales force is trained on an on-going basis, both locally and abroad, placing knowledge of the company's products and services at its disposal in order for it to be passed on to customers in a timely manner.

The company's Code of Conduct includes the following principle related to sales, marketing and adequate business management:

"Transmitting deliberately misleading messages, omitting important facts, or making false statements about our competitor's offers will not be acceptable. We will not exaggerate the attributes of our products and we will provide complete, clear, truthful information about them."

Among Ferreyros' principles is making ethical sales, adhering to the values that have distinguished the organization for more than 85 years. The company's Code of Conduct expressly includes three statements related to this issue:

"We will act in coherence with the highest standards of integrity in every aspect of our commercial activities."

"The interests of the Ferreyros Organization will never be benefited by the fraudulent or illegal conduct of its employees. We will treat everyone who does business with the organization fairly and honestly, maintaining our reputation for integrity in all of our commercial relations."

"We do not expect any type of special compensation from our customers, due to which we will not accept gifts, favors, invitations or money from any of them beyond the concept of courtesy."

7.4. RESPECT FOR CUSTOMER PRIVACY

Ferreyros' Code of Conduct includes a specific principle on the protection of its customers' confidential information: "We must protect the confidentiality of information we receive from third parties, particularly customers and suppliers, making use of it only with the corresponding authorization."



8. GOVERNMENT AND SOCIETY

Ferreyros has a strict policy of honesty in its operations. For this reason, its Code of Conduct states that the organization's interests will never be benefited by the fraudulent or illegal conduct of its employees, expressly prohibiting the use of unethical practices in commercial relations with State entities. It also demands its employees' compliance with the laws and regulations applicable to the organization's activities.

As detailed in paragraph 3.1 of this report, the organization encourages responsible citizenship and values among young people through the Ferreyros Association, which guides the activities of Peru's future professionals, and the Annual Conference of University Students (CADE Universitaria), as its main sponsor.

In the same regard, Ferreyros promotes the formation of opinions on issues of public interest, such as social responsibility, foreign trade and the capital market through its participation in forums of organizations such as chambers of commerce (Lima Chamber of Commerce, American Chamber of Commerce of Peru - Amcham, Peruvian Chinese Chamber, Canadian Chamber, German Chamber, Mexican Chamber of Commerce and the Peru-Brazil Binational Chamber of Commerce and Integration), the Association of Mining Suppliers, the Automobile Association of Peru, the Association of Companies Promoting the Capital Market (Procapitales), The Foreign Trade Society (Cómex) and Peru 2021, among many others, through the inclusion of some of its officers on these institutions' boards of directors or committees.

For the purpose of sharing its social responsibility initiatives, in June Ferreyros participated in the fifth edition of the Expofair of Social Responsibility Projects, organized by Peru 2021 and Pontificia Universidad Católica del Peru, which brought together companies and non-governmental organizations and was well attended by a wide cross-section of the public.

At the event, Ferreyros shared the numerous initiatives it is undertaking with each of its stakeholders with the public. The company also attracted attention with two Caterpillar machinery simulators used in its training activities, which allowed fairgoers to experience virtual operation of the equipment commercialized by the company.

Along the same line, in 2010, Ferreyros began the process of preparing its report on sustainability under the GRI methodology (Global Reporting Initiative). This is for the purpose of measuring, understanding and improving the company's performance on economic, environmental and social matters. The company seeks to understand its sustainability-related challenges, risks and opportunities in a transparent manner in relation with its stakeholders and to carry out its future actions in the same manner. This report will be published in mid 2011.

8.1. GLOBAL COMPACT

A sign of Ferreyros' commitment to take an active role in social responsibility is its adherence to the Global Compact, an initiative led by the United Nations (UN) to encourage entities in every country to make ten principles of conduct and action on human rights, labor, the environment and the fight against corruption an integral part of their operations.

The ten principles of the Global Compact, in which Ferreyros has participated since the year 2004 are that businesses should:

1. Support and respect the protection of internationally proclaimed human rights (to life, physical and mental integrity, liberty, equality, non-discrimination, etc.)
2. Make sure that they are not complicit in human rights abuses
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Promote the elimination of all forms of forced and compulsory labor
5. Promote the effective abolition of child labor
6. Support the elimination of discrimination in employment and occupation
7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies
10. Work against corruption in all its forms, including extortion and bribery

In accordance with this commitment and the decision to incorporate and promote social responsibility in all of its activities, Ferreyros will continue implementing and promoting programs and practices that enable it to interact responsibly with its different stakeholders.

Assuming its commitment in compliance with and respect for the Global Compact principles, Ferreyros reports annually to the UN, preparing a Progress Report on work and progress achieved on each principle.

In the year 2010, the company reiterated its interest in continuing to support the Global Compact initiatives through the incorporation of best practices in relation with respect for human rights, responsible labor, conservation of the environment and the fight against corruption.



CORPORATE GOVERNANCE



MILESTONE 10

GOOD CORPORATE GOVERNANCE RECOGNITION

In 2010, Ferreyros received important awards for its work in the field of corporate governance, such as "Best Shareholder Treatment", in the Good Corporate Governance contest and, for the third year, inclusion in the Good Corporate Governance Index of the Lima Stock Exchange.

Ferreyros has the conviction that adopting good corporate governance practices contributes to the value of the company for its shareholders, driving its success by attracting investors and marking a difference with other participants in the capital market. As stated in its 2002 Annual Report, the company believes that throughout its corporate life, its actions have been guided by the ethical principles now gathered in the concept of corporate governance. For many years, respect for shareholders' rights, equitable treatment of its shareholders, a clear definition of the functions of the Board of Directors and Management, as well as the timely, transparent presentation of information relevant to the market have been Ferreyros' practices, in which it has implemented continuous improvements in recent years. These practices to which Ferreyros is committed have made it possible to align the interests of the different levels of management with those of the shareholders, as well as to maximize the company's value and give it sustainability.

In Peru, the concept of corporate governance was introduced in the year 2000. It was at the beginning of this decade that Ferreyros decided to join a group of entities that gave their support to Conasev on the publication of the Peruvian code titled "Principles of Good Governance for Peruvian Companies" in July of 2002. Based on these guidelines, the company decided to implement changes in certain practices of the Board of Directors, in the dissemination of information, and in risk management, among other areas, including its bylaws, in order to permit the execution of some of these changes, such as the delegation of representation of shareholders, the naming of independent directors and the creation of Board of Directors committees.

Ferreyros is one of the pioneering companies in corporate governance in Peru. This has been possible because the members of the Board of Directors and General Management understood the value that good practices contribute to the company, as well as their impact on companies listed on the Lima Stock Exchange (BVL), as in the case of Ferreyros. In this setting, companies with corporate governance standards have a competitive advantage compared to others and are awarded by the market through greater interest in their instruments, resulting in high demand for their shares and bonds, higher prices per share and attractive interest rates, among other advantages.

Ferreyros has adopted the principles of good corporate governance, which include, among other matters, protecting the rights of all shareholders, including minority and foreign shareholders, through equitable treatment; ensuring adequate, timely disclosure of all relevant company matters, including its financial situation, its performance, the risks it faces and share ownership; and ensuring strategic guidance of the company through effective monitoring of the Board of Directors and its responsibilities to its shareholders.

During the year 2006, for the first time, Ferreyros participated in the Good Corporate Governance Contest organized by Procapitales and Universidad Peruana de Ciencias Aplicadas. This competition required presentation of information related to the treatment of shareholders, the Board of Directors' practices – among them the inclusion of independent directors – and the formation of its committees, the transparency of information, the administrative structure and risk management, as well as relationships with internal and external agents.

The compilation of this information enabled the company to reevaluate its status and determine further changes for future implementation. Ferreyros participated in this contest with the intention of gaining recognition – as it is aware that investors will reward good corporate governance practices – and receiving feedback from the organizers on the areas in which it should implement best practices.

The excellent performance the company has had with regard to good corporate governance practices have led to nominations for awards and recognition in Peru and abroad.

In 2010, in the national setting, Ferreyros' work was again recognized in the aforementioned Good Corporate Governance Contest, in which the company was the winner in the Best Shareholder Treatment for the third time.

In 2010, the company's stock was incorporated for the third year in a row in the Lima Stock Exchange's (BVL) Corporate Governance Index, as one of only ten Peruvian companies with best corporate governance practices.

Ferreyros feels that its work on good corporate governance should continue and, for this reason, it aims to be a role model in the country and in the region. Therefore, its incorporation in the Companies Circle of the Latin American Corporate Governance Roundtable in mid 2006 is of great value. This initiative was launched in the year 2005 by the Organization for Economic Cooperation and Development (OECD) and the International Finance Corporation (IFC), together with its eight founding members.

Currently, the Companies Circle is composed of 20 Latin American companies that are leaders in the implementation of good corporate governance practices in the region; among its goals are being a forum for discussion on the challenges and achievements related to corporate governance, in addition to sharing practical solutions to challenges in this field with the Latin American community. The Companies Circle also seeks to contribute to the work of the Latin American Corporate Governance Roundtable, with the perspective and experience of companies that have already undergone a high degree of reform. The General Manager represents Ferreyros in this group of companies and is the chairperson of this initiative.

During the year 2010, Ferreyros participated in diverse activities, such as seminars, the publication of articles and events, in order to disseminate and promote the concept of good corporate governance among companies in the industry and participants in the capital market in general. It also participated actively on the Board of Directors of Procapitales and its Good Corporate Governance Committee. Its employees have been speakers at seminars and members of discussion panels. In the month of September, they participated in the Annual Finance Convention.

In the month of November, the company participated in the launch of Mercado Integrado Latinoamericano (MILA/ Integrated Latin American Market) with a presentation. It also had a stand at the Expobolsa fairs held in Chiclayo and Lima, which were organized by the BVL, and participated in a talk given by Cavali for Colombian businesspeople.

Ferreyros has a firm commitment to continue implementing improvements in the area of good corporate governance in order to serve its shareholders and investors every day with transparency and professionalism. For this reason, in 2010, it continued adopting new practices, which are detailed in the following paragraphs.

Through its Securities and Investor Relations Department, Ferreyros continued responding to inquiries and presenting relevant, timely information to its shareholders, analysts and other stakeholders.

In line with its vision of being available in the market through different contact points, in addition to publishing its quarterly results with a discussion of the same, the company participated in a number of meetings with institutional investors, investment banks, and Peruvian and foreign analysts, as well as university groups. In September, its annual lunch was held with representatives of the four pension funds to share company results.

For the purpose of facilitating reading of quarterly results, during the year 2010 the layout and content of the management report were modified, with improvements in the format and presentation of information.



For the purpose of having increased rapprochement with investors, starting in September of 2010 Ferreyros resumed its practice of holding conference calls, which make it possible to respond in real time to investors inquiries and concerns about the company's quarterly results.

In addition, in 2010 the company managed to attract the interest of a number of international securities firms and investment banks, with which recurring meetings were held to share the company's commercial and financial results. In addition, the company participated in presentations organized by different institutions in Peru and abroad, which were held in relation with activities associated with the process of integrating the stock exchanges of Colombia, Chile and Peru in the Integrated Latin American Market (MILA).

Respecting the shareholders' rights, the Shareholders' Meeting held on March 31 was called with adequate advance notice through announcements published in El Comercio and El Peruano newspapers, on signs in the company, by telephone, through the website, the mail service and electronic mail messages sent to everyone in the shareholder database. Of the shareholders, 141 attended the meeting. Together with those who had granted their power of attorney to proxies, a quorum of 87.4% was met. The agreements adopted by the assembly were disclosed to the market the following day as an "Important Event" and published on the Ferreyros website. The minutes of the 2010 meeting were published through the website on the fifth business day after it was held.

In 2010, for the third year in a row, the meeting was broadcast live through the website so that shareholders could participate in real time.

The assembly approved the distribution of a cash dividend and the capitalization of profits, according to the current dividend policy and the March 2007 update. Upon recommendation by the Board of Directors, it was agreed to pay S/. 0.06600 per share (6%) as a cash dividend and to distribute stock dividends at a value of S/. 0.1498610 per share, representing 13.62%.

It should be noted that the company's Board of Directors considered it necessary to modify the company bylaws which had been in effect since the year 2005. These changes were proposed in order to comply with the principles of good corporate governance that entered into effect following the preparation of the aforementioned document. However, it should also be noted that other documents, regulations and internal policies derived from efforts made by the Board of Directors and Management to establish and comply with concrete measures aligned with the concept of good corporate governance included recommendations on the matter, in order to adapt the organization's practices to these principles.

For this reason, in the annual evaluations made by the authority to verify compliance with these principles, Ferreyros has had the satisfaction of obtaining high ratings, as well as recognition from different sources.

In this regard, it was deemed appropriate to improve some texts in the company bylaws, precisely regulating aspects related to the Board of Directors' policies, transparency of information and treatment of shareholders. Specifically, complying with an important principle of good corporate governance, the Board of Directors considered it appropriate to propose modification of the article that regulates the company's management, in order to state the functions of the Executive President and the General Manager, which were clearly outlined in the company's bylaws and internal regulations, for the purpose of avoiding overlapping functions and clearly defining responsibilities. In this regard, at the Shareholders' Meeting held in March 2010, a modification of the bylaws was presented for approval.

Compliance with the principles of good corporate governance is not only the best guarantee of transparency in conducting the company's business; it has become an element of great convenience for the company, which regularly recurs to the capital market through the issuance of debt instruments, as the market values transparent, professional management of the companies that recur to it.

Throughout the year 2010, this has particularly been reflected in improvement in the number of Ferreyros shares traded, improvement in share price, an increase in the company's market capitalization – which has tripled since January of 2009 – and demand for its debt instruments (corporate bonds).

Since 2004, the Conasev has required that annual reports of companies listed on the BVL include the answers to a questionnaire aimed at measuring their adherence to the 26 principles of the Peruvian code of corporate governance. Ferreyros is pleased to share its responses to this questionnaire in the following section.



INFORMATION ON COMPLIANCE WITH THE PRINCIPLES OF GOOD GOVERNANCE FOR PERUVIAN COMPANIES, CORRESPONDING TO THE 2010 FISCAL YEAR

Company name: Ferreyros S.A.A. (En adelante EMPRESA)
Taxpayer number: 20100027292
Address: Jr. Cristóbal de Peralta Norte 820, Monterrico, Santiago de Surco
Telephone numbers: 6264000 - 6264254
Customer service line: 0800-13372
Fax: 6264504
Website: www.ferreyros.com.pe
Stock exchange representative: Mariela García Figari de Fabbri
Emma Patricia Gastelumendi Lukis
Víctor Astete Palma

In **Section One** of this report, 26 recommendations on the Principles of Good Governance for Peruvian Companies¹ are evaluated.

With regard to each recommendation, the level of compliance is rated from 0 to 4, with 0 meaning failure to comply with the principle and 4 meaning full compliance.

For objective evaluation, the information requested is completed in detail.²

In **Section Two** of this report, a set of aspects related to shareholders' rights, the Board of Directors, the company's responsibilities, and shareholders and shareholdings is evaluated.

¹ The text of the *Principios de Buen Gobierno para las Sociedades Peruanas (Principles of Good Governance for Peruvian Companies)* can be found at www.conasev.gob.pe.

² For this purpose, lines can be added to the charts included in this report or the charts can be replicated as many times as necessary.



SECTION ONE: EVALUATION OF THE 26 RECOMMENDATIONS ON THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

I. I. SHAREHOLDERS' RIGHTS

1. Principle (I.C.1. second paragraph)

Generic matters should not be included on the agenda; all points to be dealt with should be detailed in such a way that each matter can be discussed separately, facilitating its analysis and avoiding combined resolution of matters on which there are different opinions.

Compliance: 4

The company does not include generic matters on the agenda, but rather specifies the points to be dealt with, so that each topic is discussed separately, facilitating its analysis and avoiding combined resolution of matters on which there may be differing opinions.

2. Principle (I.C.1. third paragraph)

The venue of the Shareholders' Meetings should be established in a way that facilitates shareholder attendance.

Compliance: 4

The place where the Ferreyros Shareholders' Meetings are held is established in a manner that facilitates shareholder attendance. Additionally, they are broadcast in real time through the company website so that shareholders who are unable to attend can follow them. All shareholders have the possibility of participating in the meeting by remote communication.

a. During the year 2010, the company called one Shareholders' Meeting and no extraordinary Shareholders' Meetings.

b. Announcement date: March 3, 2010
 Meeting date: March 30, 2010
 Venue: Jr. Cristóbal de Peralta Norte 820, Monterrico, Santiago de Surco
 (Ferreyros institutional facilities)
 Quorum: 87.40%
 Shareholders attending: 141
 Starting time: 11.00
 Ending time: 13.00

c. The company announced the meeting through newspaper ads in El Comercio and El Peruano on March 3, 2010. Additionally, for the purpose of allowing a greater number of shareholders to participate actively in the meeting, the announcement was made on signs at company facilities throughout the country, by telephone, through the Ferreyros website, the mail service and electronic mail messages sent to everyone in the shareholder database.

d. The procedure on the dissemination of the announcement of meetings is regulated in the:

- Company bylaws
- Internal Regulations on Shareholders' Meetings, Board of Directors and Board of Directors Committees
- Good Corporate Governance Manual

e. The agreements adopted at the meeting are disclosed to the market the following day as an "Important Event" and published on the Ferreyros website.

Shareholders may request information through diverse media, as established by the Law on Companies and, particularly, through the website in the "Investor Service" or "Contact Us" sections.

They can also request the minutes from the Securities Department through the shareholder service telephone line (0800-13372).

The minutes of the 2010 meeting were published through the website on the fifth business day after it was held.

3. Principle (I.C.2)

Shareholders must have the opportunity to place items on the agenda at Shareholders' Meetings, subject to reasonable limits.

Any matters placed on the agenda must be of interest to the company and must be within the legal or statutory competence of the Assembly. The Board of Directors must not deny this type of request without giving the shareholder reasonable justification.

Compliance: 4

a. The company's shareholders may place items on the agenda through an additional mechanism in addition to that established in the General Law on Companies.

Ferreyros' bylaws indicate that shareholders may request the inclusion of matters that may affect their rights for discussion at the Shareholders' Meeting, through a communication to the Chairman of the Board of Directors, by means of a letter,

electronic mail message, or the Ferreyros website, by February 15, requesting inclusion of a matter of material importance that may affect shareholders' rights. The chairman must submit it for consideration by the Board of Directors that approves calling a Shareholders' Meeting and establishes the items on the agenda. The Board of Directors evaluates requests made by shareholders and if it deems them of interest to the company, proceeds to include them as items on the agenda. In the event that the Board of Directors turns down some of these requests, through its chairman, it must communicate the decision in writing to the shareholder who made the request, with the corresponding justification, the day after the Board of Directors meeting.

The Internal Regulations on Shareholders' Meetings, Board of Directors and Board of Directors Committees establish the procedure. In addition, according to Art.19 of the bylaws, shareholders have the right to request that the Board of Directors call a Shareholders' Meeting to deal with a specific issue. Such a request requires 5% of the shares represented.

b. The assembly can only deal with the matters covered in the meeting announcement, unless all of the shareholders are present and decide unanimously to deal with a matter not considered in the announcement (universal assembly).

c. The procedure for disseminating the announcement of a meeting is regulated in the:

- Company bylaws
- Internal Regulations on Shareholders' Meetings, Board of Directors and Board of Directors Committees
- Good Corporate Governance Manual

d. The company did not receive requests from shareholders during the year 2010.

4. Principle (I.C.4.i.)

The bylaws must not impose limits on the right of every shareholder entitled to participate in Shareholders' Meetings, to be represented by any person he/she designates.

Compliance: 4

a. The bylaws do not impose limits on the right of every shareholder entitled to participate in Shareholders' Meetings and they may be represented by whomever they designate. The company bylaws do not limit their right to representation.

During the Shareholders' Meeting held on March 30, 2010, those present accredited representation of 371,304,530 of the company's shares, both their own and those of third parties, accounting for 87.40% of the capital stock and amply exceeding the required quorum of 50%. Of this percentage, 25.58% was reached through power of attorney, and 61.82% through direct exercise of voting rights.

In order to formalize representation at Shareholders' Meetings, the company requires that the shareholder present an ordinary letter at least 24 hours in advance, with no payment required.

b. The procedure for formalization of representation at meetings is regulated in the:

- Company bylaws
- Internal Regulations on Shareholders' Meetings, Board of Directors and Board of Directors Committees
- Good Corporate Governance Manual



II. EQUITABLE TREATMENT OF SHAREHOLDERS

5. Principle (II.A.1, third paragraph)

It is recommended that any company issuing investment shares or other shares without voting rights, offer their holders the opportunity to exchange them for ordinary shares with voting rights or that they consider this possibility at the time shares are issued.

Compliance: 4

a. Not applicable. The company has a single class of shares with the same rights.

6. Principle (II.B)

A sufficient number of directors who are capable of exercising independent judgment on matters where there are potential conflicts of interest should be elected for the purpose of taking the interest of shareholders lacking control into consideration.

Independent directors are those selected due to their professional prestige and have no ties to the company's management or its shareholders.

Compliance: 4

a. The company has a sufficient number of directors who are capable of exercising independent judgment on matters where there are potential conflicts of interest, for the purpose of taking the interest of shareholders lacking control into consideration. The independent directors are selected due to their professional prestige and have no ties to the company's management or its shareholders.

The company's Board of Directors is composed of four inside directors and four independent directors.

The independent directors are:

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

b. There are no special requirements beyond the regulations in force.

c. In the Manual on Good Corporate Governance Practices, Chapter 4, there is a detailed description of an independent director. ("Characteristics: They may not be employees of the company. They must have no ties of kinship to executives or majority shareholders. They have an express mandate to oversee the interests of all shareholders. They receive no economic benefit from the company.")



d. There are no ties of kinship among the company's shareholders, directors and managers.

e. Director Óscar Espinosa Bedoya held the position of Managing Director from August 1983 to March 2008, when he was elected Executive President of the company.

f. List of members of the Board of Directors who are members of the Board of Directors of other companies registered in the Public Stock Market Registry:

Director's full name	Equity interest in companies	Date	
		Starting	Ending
Óscar Espinosa Bedoya	La Positiva Seguros y Reaseguros	1996	
	La Positiva Vida Seguros y Reaseguros	2005	
	Profuturo AFP	1999	
Carlos Ferreyros Aspíllaga	La Positiva Seguros y Reaseguros	1983	
Juan Manuel Peña Roca	Profuturo AFP	1992	March 2010
	La Positiva Seguros y Reaseguros	1985	
	La Positiva Vida Seguros y Reaseguros	2005	
Andreas von Wedemeyer Knigge	Corp. Cervesur	1979	March 2010
	La Positiva Seguros y Reaseguros	1991	
	Cia. Industrial Textil Credisa Trutex	1995	
	Corporación Financiera de Inversiones	1999	
	La Positiva Vida Seguros y Reaseguros	2005	
	Profuturo AFP	1993	
	Corporación Aceros Arequipa	2010	

7. Principle (IV.C, second, third and fourth paragraphs)

Although, in general, external audits are focused on stating opinions on financial information, they may also refer to opinions or specialized reports on the following aspects: expert accounting reports, operations audits, systems audits, project assessment, cost systems evaluation or implementation, tax audits, appraisals for adjustment of assets, portfolio assessment, inventories, or other special services.

It is recommended that such services be performed by different auditors, or in the event they are performed by the same auditors, this should not affect the independence of their opinions. The company should disclose all audits and special reports prepared by the auditor.

All services provided by the auditing firm or auditor to the company should be reported, specifying the percentage each one represents and its share of the revenue of the auditing firm or auditor.

Compliance: 4

a. The company hires the external auditing or consulting services of different firms, or firms that are not related to the auditing firm that stated its opinion on the financial information. In isolated cases, it may request consulting from the same auditing firm, provided that there is no conflict with the review of the financial statements. In addition, it discloses all of these services and the percentage that the compensation related to each one represents with regard to the total for services provided to the company.

The auditing firms that have provided services to the company in the last five years are the following:

Official company name of the auditing firm	Service	Period	Compensation (US\$)
Dongo-Soria Gaveglio y Asociados Sociedad Civil, member firm of PriceWaterhouseCoopers	Auditing of Financial Statements	2010	80.9%
	Auditing of Prevention of Asset Laundering Other services	2010	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, member firm of PriceWaterhouseCoopers	Auditing of Financial Statements	2009	93.1%
	Auditing of Prevention of Asset Laundering Other services	2009	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, member firm of PriceWaterhouseCoopers	Auditing of Financial Statements	2008	94.0%
	Auditing of Prevention of Asset Laundering Consulting on accounting matters	2008	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, member firm of PriceWaterhouseCoopers	Auditing of Financial Statements	2007	77.3%
	Auditing of Prevention of Asset Laundering Other services	2007	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, member firm of PriceWaterhouseCoopers	Auditing of Financial Statements	2006	63.9%
	Auditing of Prevention of Asset Laundering Other services	2006	
Deloitte & Touche S.R.L.	Tax consulting (*)	2006-2010	0%

b. (*) Although this is an auditing firm, the service provided to Ferreyros was not auditing, but rather it was mainly tax consulting.

c. According to Art. 21 d of the bylaws, it is the shareholders' responsibility to select the external auditors or to delegate this responsibility to the Board of Directors at the annual Shareholders' Meeting. It is common practice for the shareholders to delegate this responsibility to the Board of Directors. The Audit Committee makes a recommendation to the Board of Directors on this selection.

During the meeting held on March 30, 2010, in point 6, the responsibility for the selection of the auditors for the fiscal year, as well as the determination of their fees, was delegated to the Board of Directors.

d. The aforementioned mechanisms are contained in the bylaws and in the Internal Regulations on the Board of Directors and its Committees.

e. The auditing firm hired to express an opinion on the company's financial statements, corresponding to the 2010 fiscal year also expressed opinions on the financial statements of the following companies in its economic group for the same year:

Orvisa S.A.	Fiansa S.A.	Mega Representaciones S.A.
Unimaq S.A.	Fargoline S.A.	Cresko S.A.
Motorindustria S.A.	Ferenergy S.A.C.	Inti Inversiones Interamericanas Corp.

f. During the year 2010, the internal auditor held two meetings with the auditing firm hired.

8. Principle (IV.D.2)

Requests for information by shareholders, investors in general, or stakeholders related to the company, should be made through a responsible authority and/or personnel appointed for this purpose.

Compliance: 4

a. Requests for information by shareholders, investors in general, or stakeholders related to the company, are handled through a person appointed for this purpose.

In the year 2010, the company's shareholders and stakeholders requested information through the following media:

	Shareholders	Stakeholders
Electronic mail	X	X
Directly at the company	X	X
By telephone	X	X
Website	X	X
Mail service	X	N/A

b. Notwithstanding the General Manager's responsibilities for information, according to Article 190 of the General Law on Companies, the people in charge of receiving and processing shareholder requests for information are:

Augusta Ponce Zimmermann	Securities Department	División Finanzas
Elizabeth Tamayo Maertens	Investor Relations	Finance Division

The Securities executive is in charge of handling shareholder requests, particularly those in relation with their shareholdings, stock dividends, distribution of cash dividends, participation in the Shareholders' Meeting, etc.

The Investor Relations executive is in charge of handling requests for information from shareholders, investors, analysts, risk rating agencies and the general public, as well as for overseeing compliance with principles of good corporate governance, especially with regard to the transparency of information.



The functions of the heads of the Securities Department and Investor Relations are regulated in the corporate Internal Regulations on Conduct to Safeguard the Confidentiality, Transparency and Disclosure of Information to the Capital Market, as well as in the Function and Procedures Manual on the Management of the Administration and Finance Division.

c. The company's procedure for processing requests for information from the company's shareholders and/or stakeholders is regulated in the Regulations on Shareholders' Meetings and the Board of Directors, in the Internal Regulations on Conduct for compliance with obligations derived from the registration of securities in the Public Registry of the Securities Market, and in the Good Corporate Governance Manual.

All requests are centralized by the Management of the Administration and Finance Division, including those that arrive via the Marketing area or General Management. There are databases for handling specific requests for information. Attention to these requests is coordinated in meetings with investors and the General Manager participates in many of these.

The Investor Relations executive keeps a record of meetings held with investors during the year.

d. During the year 2010, 253 requests for information were received from the company's shareholders and/or stakeholders.

e. The company has a corporate website and one especially designed for matters related to good corporate governance, which includes a special section on relations with shareholders and investors.

f. During the year 2010, no shareholder complaints were received with regard to limited access to information.

9. Principle (IV.D.3)

Any doubts about the confidential nature of information requested by shareholders or stakeholders related to the company should be resolved. The criteria should be adopted by the Board of Directors and ratified at the General Shareholders' Meeting, as well as included in the company bylaws or internal regulations. Disclosure of the information should in no case endanger the competitive position of the company or affect ordinary company activities.

Compliance: 4

The criteria for proceeding in case of doubt about the confidential nature of information requested by shareholders or stakeholders related to the company are established by the Board of Directors, as well as included in the company's bylaws or Internal Regulations. Disclosure of the information should in no case endanger the competitive position of the company or affect ordinary company activities. According to the company bylaws, the Board of Directors is responsible for overseeing compliance with the policy established for handling confidential information, whether privileged or reserved, according to the regulations issued by the company and regulatory entities.

The confidential nature of information is established by the Board of Directors, the General Manager, stock exchange representatives and the Regulatory Compliance Committee, according to Internal Regulations on Conduct for compliance with obligations derived from the registration of securities in the Public Registry of the Securities Market.



a. The criterion is to refrain from disclosing privileged information that has not been disclosed to the market as an "Important Event".

b. In the document titled Internal Regulation on Conduct to Safeguard the Confidentiality, Transparency and Disclosure of Information to the Capital Market, the functions of the Regulatory Compliance Committee are mentioned.

This committee is responsible for classifying information of a privileged or reserved nature, as well as for keeping a record of it through its secretary. It will resolve any doubts that may arise with regard to the confidential nature of information requested by shareholders or stakeholders, according to the criteria and guidelines established by the Ferreyros Board of Directors. Through signed confidentiality commitments, the committee must inform the people involved of the existence of privileged and reserved information so that they act in accordance with the law and maintain the confidentiality of the information and documents.

The handling of confidential information is also mentioned in the bylaws and in the Corporate Governance Manual, as well as in the glossary of terms in the latter.

In addition, the Employee Orientation Manual includes the Code of Conduct, which has a section on communication of "Important Events", privileged and reserved information, in which the processes for safeguarding information, inside the company as well as that disclosed to the market, are defined.

10. Principle (IV.F, first paragraph)

The company should have internal auditing. The internal auditor, in the exercise of his/her functions, must maintain professional independence toward the company employing him/her. He/she should adhere to the same principles of diligence, loyalty and confidentiality required of the Board of Directors and Management.

Compliance: 4

a. The company has an Internal Auditing area. The internal auditor, in the fiscal year of his/her functions, maintains a relationship of professional independence with the company that employs him/her and adheres to principles of diligence, loyalty and confidentiality required of the Board of Directors and Management.

b. The internal auditor reports to the Chairman of the Board of Directors and makes periodic presentations to the Board of Directors' Audit Committee.

c. The main responsibilities of the internal auditor are to:

- Supervise and lead internal audits and information system audits at headquarters, branches and mining projects, as well as at subsidiaries.
- Evaluate the internal control system on money and asset laundering, in accordance with the regulations of the financial intelligence unit of the Superintendence of Banking, Insurance and Pension Fund Administrators (SBS), presenting the final report to the compliance officer.

- Periodically inform the head of the Management Committee of the results of internal auditing activities, including successful practices, achievement of goals and significant results.
- Take reviews made by the external auditors into account in order to develop the work program, avoiding overlapping efforts.
- Issue a report on each audit conducted, which contains internal control observations made and suggestions agreed upon with the area audited that are necessary for correcting deficiencies.

Based on a risk assessment, the internal auditor prepares the annual plan, establishing the priorities for making reviews at Ferreyros, as well as at subsidiaries. Over the course of the year, urgent requests formulated by managers are added to the program.

Internal auditing reviews cover both financial and operations audits. Among the most important are the evaluation of the receivables portfolio; observation of physical inventories of parts, as well as machines and equipment; review of cash and bank operations (cash counts, confirmation and reconciliation of bank accounts with our accounting records); evaluation of accounts payable to suppliers and banking institutions; review of other asset and liability accounts; review of large sales of machines and parts, as well as of the corresponding costs; review of the main expense accounts on the income statement, etc.

d. The responsibilities described are regulated in the Human Resource Management's Job Description Manual.

e. The Internal Auditing area is composed of a multidisciplinary team.

III. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

11. Principle (V.D.1)

The Board of Directors must perform certain key functions, such as:

Evaluate, approve and guide corporate strategy; establish objectives and goals, as well as major plans of action, the risk follow-up, control and management policy, annual budgets and business plans; monitor the implementation of the foregoing; and oversee major expenditures, investments, acquisitions and divestitures.

Compliance: 4

a. The Board of Directors has full authority for the legal and managerial representation necessary for the administration of the company in line with its purpose, with the sole exception of matters that the law or the bylaws attribute to the General Assembly.

Therefore, the powers of the Board of Directors include, but are not limited to, the following:

- To call the Shareholders' Meeting
- To regulate its own operation
- To evaluate, approve and direct corporate strategy, the company's business plan and annual budgets
- To establish the Board of Directors Committees and appoint their members, among which the inclusion of independent directors should be fostered
- To present the annual report, the balance sheet and the income statement to the shareholders on an annual basis, making a recommendation on the application of profits
- To oversee the integrity of the financial statements, accounting systems and the existence of risk control systems
- To accept the resignation of its members and fill vacancies in the cases established by law and the bylaws
- To appoint and remove the General Manager and, if deemed appropriate or necessary, other officers of the company, determining their obligations and granting and revoking powers of attorney with the attributions it deems appropriate
- In general, to grant the powers of attorney it deems appropriate
- To oversee all of the company's business, with responsibility for reviewing the company's accounting books
- To agree on the distribution of provisional dividends as an advance on earnings for the fiscal year
- To decide on all commercial, financial and administrative matters as deemed appropriate for the achievement of the company's goals, without limitation on the amount
- To dispose of company assets whose value on the accounting books at the time they are disposed of does not exceed 50% of the company's capital
- To constitute guarantees in general, such as security interests, mortgages, securities, warrants, sureties, among others, on the company's movable and immovable property, in order to guarantee the company's different operations and those of its subsidiaries or branches, as well as to modify the terms of guarantees granted and to agree upon the signing of documents needed for the constitution, modification and discharge of these guarantees
- Supervise compliance with the policy established for handling confidential information, whether privileged or reserved, according to the regulations established by the company and regulatory entities.
- Oversee compliance with the company's Code of Ethics and approve changes and modifications to it.
- Delegate responsibility for executing agreements adopted by the Board of Directors to directors and/or officers of the company, as the board is expressly authorized to sign public and private documents required during the fiscal year during which its members are the company's legal representatives, and to make arrangements and carry out formalities necessary for implementing these agreements.
- Make periodic evaluations of its own performance.
- Exercise other attributions expressly or tacitly derived from the bylaws.

The functions and responsibilities of the Board of Directors are regulated in the:

- Company bylaws.
- Internal Regulations on the Board of Directors and its Committees.



12. Principle (V.D.2)

The Board of Directors selects, monitors and when necessary, replaces the main executives, and establishes their remuneration as well.

Compliance: 4

The Board of Directors appoints and is responsible for dismissing the General Manager and, if deemed appropriate or necessary, other officers of the company, determining obligations and granting and revoking powers of attorney with the attributions it deems appropriate.

It selects, replaces, and oversees the President and General Manager and determines their remuneration through the Organizational Development and Corporate Governance Committees. It approves the main parameters of the company's overall salary policy. It delegates the selection of the main executives to the General Manager.

a. The aforementioned functions are regulated in the bylaws and in the Internal Regulations on the Board of Directors and its Committees.

13. Principle (V.D.3)

Evaluate the remuneration of the main executives and members of the Board of Directors, ensuring a formal and transparent procedure for electing directors.

Compliance: 4

a. The Board of Directors has a formal process for annual self-evaluation of its collective and individual performance. Based on this self-evaluation, the directors propose improvements in the practices and procedures established for adequate operation and performance of the Board of Directors.

b. Functions and entities responsible for them:

Function	Board of Directors	General Manager	Other (Specify)
Hiring and replacing the General Manager	X		
Hiring and replacing Management		X	
Establishing the remuneration of top executives	X	X	
Evaluating the remuneration of the top executives	X	X	
Evaluating the remuneration of the directors	X		Assembly

c. The bylaws define the functions of the Chairman of the Board of Directors, among which are: propose the appointment of the General Manager to the Board of Directors, approve the organizational structure of the company and appointments of managers proposed by the General Manager, as well as their remuneration.

d. These policies are also regulated in the bylaws and in the company's internal policies, in the Internal Regulations on Shareholders' Meetings and on the Internal Regulations on the Board of Directors and Board of Directors Committees.



14. Principle (V.D.4)

The Board of Directors must follow up on and monitor potential conflicts of interest among management, board members and shareholders, including misuse of corporate assets and abuse in related-party transactions.

Compliance: 4

a. Among the Board of Directors' key functions are follow-up and monitoring of potential conflicts of interest among the administration, members of the Board of Directors and shareholders, including the fraudulent use of corporate assets and abuse in related-party transactions.

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

b. Ferreyros has not had any cases of conflict of interest that have been matters for discussion by the Board of Directors during the year 2010.

c. The company has a Code of Ethics that regulates conflicts of interest that may arise. In addition, it has a Code of Conduct and Internal Regulations on Conduct for Compliance with Obligations Derived from the Registration of Securities in the Public Stock Market Registry.

d. Among the procedures established for approving transactions between related parties is overseeing that they are conducted according to market conditions.

15. Principle (V.D.5)

The Board of Directors must oversee the integrity of the company's accounting and financial reporting systems, including an independent audit, and the existence of appropriate control systems, in particular, control over financial and non-financial risks and compliance with the law.

Compliance: 4

The Board of Directors oversees the integrity of the accounting systems and the company's financial statements, including the hiring of independent auditors, and the existence of proper risk control systems. This function of the Board of Directors is contained in the bylaws, the Internal Regulations on the Board of Directors and Board of Directors Committees and in the Manual on Good Corporate Governance Practices.

The Board of Directors' Audit Committee annually reviews the internal auditor's work plan, reviews the letter of recommendations from the external auditors and monitors the implementation of improvements in the accounting systems indicated in it.

a. The Internal Auditing Division determines the main risks and organizes its work plan, according to their incidence and probability. The Central Manager of Risk Control is in charge of follow-up and monitoring of the company's main risks, having formed a Risk Committee.

b. Control systems are regulated in the Job Description Manual (Human Resources Management).

c. The Audit Committee met four times during the year to discuss matters related to risk management and internal control, as well as to review internal and external auditing work.

16. Principle (V.D.6)

The Board of Directors must monitor the effectiveness of the governance practices according to which it operates and make changes as needed.

Compliance: 4

a. The Board of Directors, through its Organizational Development and Corporate Governance Committee, monitors the effectiveness of the corporate governance practices according to which it operates and makes changes as needed.

b. Since the year 2005, the Board of Directors has made an annual self-evaluation. Upon completion of this document, improvements to be implemented and procedures to be documented are identified.

c. The Organizational Development and Corporate Governance Committee met four times in 2010. The procedure is regulated in the Internal Regulations on the Board of Directors and the Board of Directors Committees.

17. Principle (V.D.7)

The Board of Directors must oversee the disclosure policy.

Compliance: 4

a. The Board of Directors oversees the information policy, which is regulated in the bylaws and in the Internal Regulations on the Board of Directors and its Committees

b. The information policy is supervised by the Board of Directors, according to the bylaws and regulations. This policy includes supervision of compliance with the policy for handling confidential information, whether reserved or privileged, according to the regulations established by the company and regulatory entities among the functions of the Board of Directors.

The company bylaws also regulate the procedure for handling confidential information within the Board of Directors itself. Its members are obligated to maintain the confidentiality of the company's business and privileged and reserved information to which they have access, even after they cease to perform their functions, in compliance with provisions that regulate the matter.



c. Company policy on disclosure and communication of information to investors is regulated in the bylaws and Internal Regulations, but the procedure is established in detail in the Internal Regulations on Conduct for Compliance with Obligations Derived from the Registration of Securities in the Public Stock Market Registry. The company also has a Regulatory Compliance Committee and stock exchange representatives, so that "Important Events" are communicated within the time periods established by the regulations in force. According to these regulations, the "committee is responsible for classifying confidential and reserved information and keeping a record of the same through its secretary. It shall resolve any doubts that may arise with regard to the confidential nature of information requested by shareholders or stakeholders, according to the criteria and guidelines established by the Ferreyros Board of Directors. The committee must inform the people involved, through the signing of confidentiality commitments, of the existence of privileged and reserved information so that they act in accordance with the law and maintain the confidentiality of information and documents".

Financial information is sent periodically (quarterly and annually) to the market. There is also a specialized area that handles inquiries. Lastly, the board participates in meetings with investors.

The foregoing procedure is regulated in the Internal Regulations on Conduct for Compliance with Obligations Derived from the Registration of Securities in the Public Stock Market Registry.

18. Principle (V.E.1)

The Board of Directors may form special bodies according to the needs and size of the company, in particular, one that assumes the auditing function. In addition, these special bodies may be related to the functions of making appointments, compensation, control and planning, among other functions.

These special bodies will be formed within the Board of Directors as support mechanisms and should preferably be composed of independent directors, in order to make impartial decisions on matters on which conflicts of interest may arise.

Compliance: 4

a. The Board of Directors formed three committees, which are special entities according to the needs of the company that serve as support mechanisms and are composed of inside as well as independent directors, in order to make impartial decisions on matters where conflicts of interest may arise.

The following tables list the functions of each of these committees, as well as the individuals heading them:

Senior Management and Subsidiary Committee

I) Date created:

January of 2005 (formerly the General Management and Corporate Governance Committee; its name was changed in 2010)

II) Functions:

- Review strategic plans and annual business plans.
- Carefully evaluate the operations of subsidiaries.
- Formulate recommendations to the Board of Directors on investment policies, as well as acquisitions and disposal of fixed assets.
- Evaluate and provide guidelines on the company's debt level, as well as on the structure of liabilities, conducting a follow-up on the loan guarantees it grants.
- Periodically evaluate the status of credit granted by the company.
- Function as an advisory entity for Management on matters submitted for its consideration.

III) Main rules on organization and operation:

Composed of at least three directors, at least one of whom must be an independent director.

The Chairman of the Board of Directors, the Vice President and the General Manager shall participate in all committees.

To the extent possible, meetings should be held at least quarterly.

The General Manager shall propose an annual schedule of committee meetings which may be modified when the circumstances warrant it.

IV) Committee members:

Full name	Date		Position on the committee
	Starting	Ending	
Óscar Espinosa Bedoya	January 2005		Chairman
Carlos Ferreyros Aspillaga	January 2005		
Hernán Barreto Boggio	January 2005		
Eduardo Montero Aramburú	January 2005		
Juan Manuel Peña Roca	January 2005		

V) Number of meetings held during the fiscal year:

4 (January 12, 2010, April 13, 2010, July 13, 2010 and October 12, 2010)

VI) Has powers delegated According to Article 174 of the General Law on Companies: Yes

Audit Committee

I) Date created: January 2005

II) Functions:

To supervise the integrity of the accounting systems and analyze the external auditors' report on the financial statements.

Specific functions:

- Supervise the integrity of the accounting systems through an appropriate external audit.
- Periodically review and analyze the company's financial statements.
- Review external audit reports on the financial statements.
- Supervise the annual internal auditor's work plan and receive relevant reports.
- Propose the appointment of external auditors.

III) Principales reglas de organización y funcionamiento:

Composed of at least three directors, at least one of whom must be an independent director. The Chairman of the Board of Directors, the Vice President and the General Manager shall participate in all committees.

To the extent possible, meetings should be held at least once every six months.

The General Manager shall propose an annual schedule of committee meetings which may be modified when the circumstances warrant it.

It must review the external auditors' letter of recommendations and the internal auditor's plan, as well as progress on it.

IV) Committee members:

Full name	Date		Position on the committee
	Starting	Ending	
Óscar Espinosa Bedoya	January 2005		
Carlos Ferreyros Aspillaga	January 2005		
Eduardo Montero Aramburú	January 2005		Chairman
Juan Prado Bustamante	January 2005		
Andreas von Wedemeyer K.	January 2005		

V) Number of meetings held during the fiscal year: 4 (March 9, 2010, June 8, 2010, September 28, 2010, December 14, 2010)

VI) Has powers delegated According to Article 174 of the General Law on Companies: Yes



Organizational Development and Corporate Governance Committee

I) **Date created:** January of 2005 (formerly the Organizational Development Committee; its name was changed in 2010)

II) Functions:

To support Management on the adaptation of the company's organizational structure to change, as well as on performance evaluations, training and professional development of the company's executive staff. On matters related to good corporate governance, its function is to oversee adherence to good practices.

Specific functions:

- Supervise organizational development programs through reports on the administrative structure and human resource programs.
- Supervise performance administration programs, the salary policy, training and development, among other matters.
- Approve the hiring of the main executives and the salary scale for managerial and executive positions, and monitor the General Manager's supervision of their performance.
- Supervise the effectiveness of governance practices according to which the company operates, proposing or approving improvements in them.
- Review the self-evaluation of the 26 principles of good corporate governance presented in the company's annual report.
- Supervise the information policy on "Important Events" and privileged and confidential information.
- Identify potential sources of conflicts of interest among the administration, directors and shareholders, and supervise follow-up by Management.

III) Main rules on organization and operation:

Composed of at least three directors, at least one of whom must be an independent director. The Chairman of the Board of Directors, the Vice President and the General Manager shall participate in all committees.

To the extent possible, meetings should be held at least once every six months.

The General Manager shall propose an annual schedule of committee meetings which may be modified when the circumstances warrant it.

IV) Committee members:

Full name	Date		Position on the committee
	Starting	Ending	
Óscar Espinosa Bedoya	January 2005		
Carlos Ferreyros Aspíllaga	January 2005		Chairman
Aldo Defilippi Traverso	January 2005		
Eduardo Montero Aramburú	January 2005		

V) **Number of meetings held during the fiscal year:** 4 (February 9, 2010, May 26, 2010, August 10, 2010 and November 9, 2010)

VI) **Has powers delegated According to Article 174 of the General Law on Companies:** Yes



19. Principle (V.E.3)

The number of members on the Board of Directors of a company should ensure plurality of opinions within the board, so that the decisions adopted by it are the result of appropriate deliberation, always taking the best interests of the company and the shareholders into account.

Compliance: 4

a. The members of the Ferreyros Board of Directors contribute a plurality of opinions within the board, given their different educational and professional backgrounds. In this manner, decisions that are the result of appropriate deliberation are ensured and the best interests of the company and the shareholders are taken into account.

Information corresponding to the directors of the company during the fiscal year that is the subject matter of this report is presented on the following page.

Full name	Education	Date		Shareholding (1)	
		Starting	Ending	No. of shares	Int. (%)
Inside directors					
Óscar Espinosa Bedoya	Civil Engineer, Universidad Nacional de Ingeniería Master's degree in Engineering, North Carolina State University, USA Master's degree, Harvard University Certificate in Economic Development ISVE, Italy Graduate studies in Economics, Inst. Economy Univ. Colorado CEO Management Program, Kellogg School, Northwestern University Certificate, PAD Universidad de Piura	1987		Not applicable	
Carlos Ferreyros Aspíllaga	Business Administration degree, Princeton University, USA	1971		Not applicable	
Juan Manuel Peña Roca	Civil Engineer, Universidad Nacional de Ingeniería	1984		Not applicable	
Andreas von Wedemeyer Knigge	Master's degree in Business Administration (DiplomKaufmann), University of Hamburg, Germany Program for Management Development (PMD) and others at Harvard Business School, USA, and Universidad de Piura	2003		Not applicable	

Full name	Education	Date		Shareholding (1)	
		Starting	Ending	No. of shares	Int. (%)
Independent Directors					
Hernán Barreto Boggio	Agricultural Engineer, UNA M.S. Food Science and M.S. Chemical Engineering, MIT Cambridge, Massachusetts, USA Ph. D. Systems Engineering, Michigan State University, East Lansing, Michigan, USA Member de Sigma XI, American Institute of Chemical Engineering, American Chemical Fulbright Scholar and Rockefeller Foundation Scholar	2005		Not applicable	
Aldo Defilippi Traverso	Bachelor's degree 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 Officers' Program, Northwestern University	2005		Not applicable	
Eduardo Montero Aramburú	Bachelor's degree in Economics, Lehigh University, USA Master's degree in Business Administration, Wharton School of Finance and Commerce, Univ. of Pennsylvania, USA	1980		Not applicable	
Juan Prado Bustamante	Attorney, Universidad de Lima School of Law and Political Science Master's degree in Comparative Jurisprudence, New York University, School of Law Master's degree in International Banking, Boston University, School of Law	2005		Not applicable	

(1) Applicable obligatorily if shareholding is greater than or equal to 5% of the company's shares.

20. Principle (V.F, second paragraph)

Information on matters to be dealt with at each meeting should be made available to the directors with sufficient notice to enable them to review it, except in the case of confidential strategic matters, in which case, it will be necessary to establish mechanisms that enable directors to evaluate such matters properly.

Compliance: 4

a. Information on matters to be dealt with at each meeting is sent to the directors by electronic mail, with sufficient notice for their review prior to meetings. This is the procedure, with the exception of strategic matters that require confidentiality, for which case there are mechanisms that enable the directors to evaluate these matters adequately.

b. Information on the matters to be dealt with is sent to the directors five days before each Board of Directors meeting by electronic mail.

In the case of confidential information or matters that require more rigorous analysis, first it is analyzed by the Board of Directors' committees and then at the Board of Directors meeting in greater detail.

c. The company has a procedure that is regulated in the Internal Regulations on the Board of Directors and Board of Directors Committees.

21. Principle (V.F, third paragraph)

Following clearly established and defined policies, the Board of Directors may decide to engage the services of expert advisors that the company may require for decision making.

Compliance: 4

a. According to the procedure defined, as Management can best determine the need for advisory services, it hires advisors on a limited basis on matters that require expert advice. When matters to be discussed with advisors are of great importance or the cost is significant, a report in which Management presents its conclusion on advisory services it deems relevant is presented to the Board of Directors.

b. These policies are regulated in the Manual of Regulations and Procedures. General Management.

c. The following are expert advisors to the Board of Directors and Management that have rendered their services for the company's decision making during the year 2010.

Deloitte & Touche S.R.L.
Price Waterhouse Coopers
Estudio Muñiz, Ramírez, Pérez-Taiman & Olaya, Abogados
Real Time Management
Ernst & Young

Pablo Moreyra Almenara
Apoyo Consultoría
Gartner
Estudio Laub y Quijandría



22. Principle (V.H.1)

New directors should be instructed on their powers and responsibilities, as well as on the company's organizational characteristics and structure.

Compliance: 4

a. New directors elected are instructed on their powers and responsibilities, as well as the company's organizational characteristics and structure, at orientation meetings during which detailed presentations are made.

The Regulations on the Board of Directors and its Committees establish the mechanism by which new directors are instructed on their powers and responsibilities, the characteristics of the business, the market in which it operates and the regulations on the operations of the company's areas. This orientation is under the responsibility of the General Manager, who may involve other managers of the company. The orientation process begins with a meeting with the directors elected for the first time, within 30 days following their election. It may be complemented by material on the company, as well as meetings with other managers.

In the year 2005, new directors were elected and an orientation program was held in which the operations and the corporate and financial structure of the company were presented in detail.

23. Principle (V.H.3)

The Board of Directors should establish the procedures to be followed for the election of one or more replacements, if there are no substitute or alternate directors, and a vacancy occurs for one or more directors, in order to complete their number for the remaining period, if there is no provision for any other course of action in the bylaws.

Compliance: 4

a. During the year 2010, there were no director vacancies.

b. The procedure that the Board of Directors follows to elect one or more replacements is set forth in the company bylaws. If there are no alternate directors and a vacancy for one or more directors occurs, in order to complete their number for the remaining period, the board can cover the vacancy by appointing an interim director if there is no provision for any other course of action in the bylaws.

c. Art. 33 of the bylaws. "A vacancy for the position of director occurs due to the death, resignation or permanent disability of a director or dismissal by the General Assembly of Shareholders due to absence not authorized by the Board of Directors for more than six months, or any other impediment so declared by unanimous vote of the other directors.

With the exception of dismissal by the Shareholders' Assembly, in which case the assembly itself must cover the vacancy, the Board of Directors decides upon other causes for a vacancy and may cover the resulting vacancy, appointing an interim director who will fill the position until the end of the period of the director replaced."

d. The abovementioned procedures are regulated by article 33 of the bylaws.



24. Principle (V.I, first paragraph)

The functions of the Chairman of the Board of Directors or Executive President, as the case may be, as well as those of the General Manager should be clearly outlined in the company bylaws or internal regulations in order to avoid overlapping functions and potential conflicts.

Compliance: 4

The functions of the Chairman of the Board of Directors, the Executive President, as the case may be, and the General Manager are clearly outlined in the company bylaws or internal regulations in order to avoid overlapping functions and potential conflicts.

25. Principle (V.I, second paragraph)

The organic structure of the company should avoid concentrating functions, attributions and responsibilities among the Chairman of the Board of Directors, the Executive President, as the case may be, the General Manager and other officers with managerial responsibilities.

Compliance: 4

Ferreiros' governance structure avoids the concentration of functions, attributions and responsibilities among the Executive President, the General Manager and other officers with managerial positions.

a. The responsibilities of the Chairman of the Board of Directors, the Executive President, the General Manager, and other officers with managerial positions are contained in:

Responsibilities of:	Bylaws	Internal Regulations	Manual	Other	Document title*	Unregulated	Not applicable **
Chairman of the Board of Directors	X						
Executive President	X		X	X			
General Manager	X		X	X			
Management			X		Job Description Manual - Human Resources Management		

26. Principle (V.I.5)

It is recommended that Management receive at least part of its remuneration as a function of earnings, so as to ensure compliance with its objective of maximizing the value of the company for the benefit of the shareholders.

Compliance: 4

a. Management receives at least part of its remuneration as a function of earnings, so as to ensure compliance with its objective of maximizing the value of the company for the benefit of the shareholders, as well as maximizing indicators related to key factors aligned with the business strategy.

b. The remuneration received by the General Manager and management is:

	Fixed Remuneration	Variable Remuneration	Compensation (%)*
General Manager	X	X	0.49%
Management	X	X	

* Percentage of gross revenue according to the company's financial statements that the total amount of annual remunerations of the members of management and the General Manager represent.

c. The company has not established any type of guarantee or similar arrangement beyond that established in the labor law in force, in the event that the General Manager and/or members of management are dismissed.

SECTION TWO: ADDITIONAL INFORMATION

II.1 SHAREHOLDERS' RIGHTS

a. The shareholders' rights are defined in the bylaws and the Internal Regulations on Shareholders' Meetings, the Board of Directors and Board of Directors Committees, which are published on the website. In addition, the company has a good corporate governance portal, which is accessible to the general public so that shareholders can be informed of their rights.

No specific communication is sent to new shareholders with regard to their rights or how they can exercise them.

b. Prior to meetings, shareholders have access to the items on the agenda and documents to be approved, such as the annual report and the financial statements, which are communicated as "Important Events". At the Stockholders' Meeting, they receive a copy of the annual report to be approved, as well as the audited financial statements.

c. The Finance Division Management has two areas especially created to serve its shareholders and investors, specifically, in relation with Shareholders' Meetings and agreements adopted, from the time the meeting is announced through the delivery of stock option rights, as well as attention to requests for information from analysts and investors, among others.

The people who were responsible for these activities during the year 2010 are:

Emma Patricia Gastelumendi Lukis	Administration and Finance Division Manager
Liliana Montalvo Valiente	Treasury Manager
Augusta Ponce Zimmermann	Head of the Securities Department
Elizabeth Tamayo Maertens	Investor Relations Executive

d. Information on ownership of the company's shares can be found in the company. The Securities Department executive is responsible for updating shareholder interest percentages, as well as publishing share purchases and sales as "Important Events" as required by law.

e. On a daily basis, information on share transfers is updated, including the number of shares, which is verified monthly with Cavali.

Addresses and telephone numbers are changed when Cavali sends the information. It should be mentioned that there are problems with regard to the addresses provided by Cavali, as they are incomplete or outdated, due to which the information that the company sends its shareholders is returned in some cases. For this reason, the Securities Department makes every effort to locate shareholders, in order to update information on them. However, it is a complicated task, since in most cases, they are people who have no ties to the company or whose addresses are not updated by stockbrokers when performing transactions.

The database of addresses, electronic mail addresses and other information on shareholders is updated periodically.



f. The company has had a dividend policy since the year 1997, which was modified during the Shareholders' Meeting held on March 28, 2007.

Approval date	March 28, 2007
Approval entity	General Assembly of Shareholders
Dividend policy (criteria for the distribution of profits)	<p>The cash dividend to be distributed shall be equivalent to 5% of the nominal value of the shares issued as of the date the Shareholders' Meeting is announced. The amount to be distributed may be up to 50% of the freely available profits.</p> <p>In the event that 5% of the nominal value of the shares issued as of the date the Shareholders' Meeting is announced is less than 50% of the freely available profits obtained by the end of the fiscal year, the assembly may distribute a larger cash dividend, up to the equivalent of 50% of the freely available profits.</p>
Approval date	18 de marzo de 1997
Approval body	Junta General de Accionistas
Dividend policy (criteria for the distribution of profits)	<p>To distribute, whether in cash or its own shares, the entire amount of the freely available profits every year</p> <p>The cash dividend shall be equivalent to 5% of the nominal value of the shares in circulation at the time agreements are made at the Shareholders' Meeting, provided that they do not exceed 50% of the freely available profits each year. In the event that the amount is exceeded, 50% of the freely available profits shall be distributed.</p>

g. Detail of cash and stock dividends distributed by Ferreyros in recent years:

Fiscal year	Dividend per share		Policy in effect
	In cash	In shares	
Share class: Common			
Fiscal year 2008	S/. 0.05500000	12.4542645449%	2007
Fiscal year 2009	S/. 0.06600000	13.6237270000%	2007



II.2. BOARD OF DIRECTORS

h. During the year 2010, 15 Board of Directors meetings were held. No directors were represented by substitute or alternate directors.

i. The company does not have any bonus programs for directors. According to Art. 36 of the bylaws, the Board of Directors' remuneration shall be equal to 6% of the net earnings for the fiscal year before tax and after covering the legal reserve.

j. The Board of Directors may reduce the remuneration whenever it deems necessary or appropriate. In addition, it will decide upon the distribution of the total remuneration among its members.

k. The percentage of the total gross revenue shown on Ferreyros' financial statements that the annual remunerations of the Board of Directors and management represent is 0.83%.

l. The Board of Directors holds no discussions without the presence of the General Manager.

II.3. SHAREHOLDERS AND SHAREHOLDINGS

m. Ferreyros has a single class of shares, which is common, and 1,591 shareholders have voting rights.

n. At the end of the fiscal year that is the subject matter of this report, the information on shareholders and those with more than a 5% interest are the following:

Full name	Number of shares	Interest (%)	Place of origin
La Positiva Vida Seguros y Reaseguros	42'549,098	8.81%	Peru
AFP Prima Fund 3	37'037,394	7.67%	Peru
AFP Integra Fund 3	30'674,521	6.35%	Peru
AFP Horizonte Fund 2	27'220,877	5.64%	Peru

Shareholding:

Shareholding	No. of shareholders	No. of shares	% interest
Less than 1%	1,571	105'379,450	21.83%
From 1% to less than 5%	16	239'830,623	49.69%
From 5% to less than 10%	4	137'481,890	28.48%
10% or more	0	0	0%
Total	1,591	424'816,167	100.00%

II.4 OTHER

o. The company has a Code of Conduct related to ethical and social responsibility criteria.

p. The company keeps a record of cases of failure to comply with the Code of Conduct.

q. The record is kept by the Human Resources Division and there is an Ethics officer.

r. The following is a list of documents to which reference is made in this report:

Document title	Approval entity	Approval date	Date of last modification
Bylaws	Assembly	March 1998	March 2010
Job Description Manual	Management	Continuous	Continuous
Shareholders' Agreement - Dividend policy	Assembly	March 1997	March 2007
Internal Regulations on Conduct for Compliance with Obligations Derived from the Registration of Securities in the Public Stock Market Registry	Board of Directors and Assembly	January 2005	March 2005
Internal Regulations on Shareholders' Meetings	Board of Directors	February 2006	October 2010
Internal Regulations on the Board of Directors and its Committees	Board of Directors	February 2006	October 2010
Good Corporate Governance Manual	Board of Directors	2006	October 2010
Code of Conduct	Management	August 2005	



FERREYROS S.A.A.

OFFICES IN LIMA BRANCHES

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

Piura

Prolongación Av. Sánchez Cerro
Km. 1 Zona Industrial, Piura
T 073-303049

Tumbes

Calle Miguel Grau 719, Tumbes
T 072-524926

Talara

Zona Industrial, Manzana A-31,
Pariñas, 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
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

Arequipa

Av. Alfonso Ugarte 207, Arequipa
T 054-380100

Puno

Av. Mártires del 4 de
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Urb. Mun. Taparachi, Juliaca
T 051-326931 051-326852

Cusco

Prolongación Av. de la Cultura
N°1051- E
San Sebastián, Cusco
T 084-275772 084-275719

Huancayo

Av. Mariscal Castilla 2936,
El Tambo, Huancayo
T 064-244845

Cerro de Pasco

Jr. Zinc Mz K Lote 02,
Parque Minero, Chaupimarca
T 063-422833

Ayacucho

Av. Ramón Castilla 523 / 525
T 066-326089

La Merced

Av. Perú s/n Lote C-2 Sector 2,
La Merced
T 064-532155

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Jr. Jiménez Pimentel 1327,
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Av. Enrique Pimentel 386,
Rupa Rupa, Leoncio Prado
T 062-561606

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Av. Chachapoyas 1654, Bagua
Grande, Utcubamba, Amazonas
T 041-474917

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