

The Challenge of Service
From the Sale of Equipment to Integrated Solutions

2004

Ferreyros



The Challenge of Service
From the Sale of Equipment to Integrated Solutions

2004



Ferreyros

Introduction

During 2004 the Company continued its increasing trend in sales and profits + For the third consecutive year sales exceeded US\$ 250 million, and if sales of its affiliate Orvisa are included, the amount reached will be US\$ 266 million + Profits rose by 29% from those achieved in the 2003 fiscal year +

Financial indicators show a high level of consolidation of the Company situation which continued to reduce its liabilities, while increasing its stockholders' equity + Although its competitors were commercially aggressive, its leading position built up in most of the market it serves +

The economic environment had a very favorable behavior + The period was characterized by an economic growth at very important rates and above all by the high level of prices of raw materials that were reached, minerals in particular, which resulted in the maintenance of a sustainable demand +

In this context mining, both open-pit and underground mining, was the most important economic sector for the Company, not only for its demand of goods and

services but also because it was the indirect cause that allowed selling to an important group of clients in the construction sector which are currently supplying services to mining-related companies +

The other sectors in which the Company operates showed diverse activity + Public investments in highways and civil works showed a slight recovery when compared with previous years' trends + The fishing industry achieved important catch levels which, together with changes in different companies of the sector, helped to improve its financial situation and, thereby continue with the fleet upgrading process + Agricultural exports, each time moving further away from traditional agriculture, displayed much dynamism which was accompanied by an increasing demand for machinery and equipment + The energy sector continued to grow especially in areas where large projects are located +

In general, the fiscal year sales were a combination of new unit sales and our traditional sales to mining and construction clients, as well as a significant number of used machinery and spare parts sales and services +

As opposed to previous years, there were no major projects during this fiscal period that would allow reaching high figures from a single transaction + Therefore, it is gratifying to observe that even in the absence of major projects, the Company is able to achieve adequate sale levels if it maintains the loyalty of its clients in the purchasing of spare parts and services, as well as in individual machinery sales +

Within this context the strategy developed by the Company during the fiscal period is better explained + First it was aimed at increasing its efficiency levels in order to provide a better service to its mining clients + In spite of the fact that during 2004 international prices for minerals reached high numbers, the trend of large mining companies to reduce their costs and increase the efficiency of their operations was strengthened by applying pressure on suppliers of goods and services who participate in their productive activities + In the cases where the Company was providing services under agreements, it has had to assume certain risks transferred by the client + On the other hand, it had to improve its technical structure by hiring a large number of professionals from abroad and by adapting its support structure for mining operations + Simultaneously, the Company continued with its on-going improvement, especially by using the **Six Sigma** method and reorganizing its workshops to simplify the integration of processes +

The other element of the strategy was aimed at maintaining and increasing competitiveness in commercial areas + To maintain a leading position in the market the Company is forced to permanently look for ways to keep improving customer service, without neglecting the quality of the equipments + In this regard, the Company has been able to maintain its privileged position given the aggressive presence of its competitors, and even to increase it in transactions where it was not traditionally present + This was the case of underground mining machinery where it has reached a leading position with 46% of the market share +

Objectives

Due to the approval of the Annual Business Plan at the beginning of the fiscal year, the Company established as its main strategic objective "to reach profitability levels that legitimately correspond to shareholders, with higher sales volumes than previous years, while maintaining our leadership position in the markets where we operate, providing more satisfaction to our clients and developing our personnel within an appropriate organizational environment +

Every action of the Company was aimed at accomplishing this ambitious objective, and the use of modern management tools was adopted to expedite its achievement +

The first concern has been to increase profitability levels + To that end, continued actions were taken to reorganize and strengthen the Company's financial situation which has yielded very good results in the last years + As it has been pointed out, the last fiscal year ended with a level of profits, after taxes, 29% higher than the previous year +

However, this method to measure profitability does not necessarily show how adequate is the use of shareholders' assets or resources + Therefore, it is necessary to introduce the concept of added value in order to enhance measuring the shareholders' profitability + At the same time this allows reinforcing the idea of profitability at all Company levels, so that every business unit can take decisions seeking to increase the return on invested capital +

Based on the aforementioned, a financial method known as **EVA** [Economic Value Added] has been adopted + This measure allows determining to what extent are profits earned by each business unit greater than the cost of capital, including the shareholders' capital + This is done through periodic evaluations of the operating profits and, simultaneously, of the financial resources invested in assets being used + The first results achieved after applying this method have been quite positive; it is expected that decision-taking be continuously improved in order to obtain larger profitability rates +

A second aspect of the objective was to increase sales by taking care of client needs + By the end of the fiscal year sales rose by 14% as compared to the previous year + These results helped to maintain and even increase, in some cases, market leadership + To guarantee the continuity of this effort aimed at improving sales efficiency and increasing our client's satisfaction, the **CRM** [Customer Relationship Management] method has been adopted + This method allows a comprehensive and very efficient management of these relationships which must render higher sales +

A third aspect of the strategic objective was to develop personnel within an appropriate organizational environment + To this end, a Performance Management Program, among others, has been started which will allow creating a vision line to focus employees in activities that will help the Company achieve its objectives + Career lines will be established for each employee encouraging an environment that will maintain high levels of motivation, performance and development both at a personal and at a professional level, all of which will strengthen the organizational culture +

These three management tools are employed in addition to the **Six Sigma** method generally used in the Company, for the continuous improvement of processes + The net financial profit of the 19 evaluated projects during the fiscal year borders US\$ 1 million + There are 63 projects which include those which have been finished, those being implemented and the new ones +

Business Performance

In the 2004 fiscal year, the Caterpillar line of products represented 92% of total sales, including revenues obtained from the sale of spare parts and services + The CAT line products have continuously yielded high percentages of the market share +

Thus, at the beginning of the year, the Company received an award from the Latin America Caterpillar commercial representative +

In general, in the earth-moving equipment category, the Company reached a market share of 58% of units, according to the Customs statistics + The construction market showed an important demand for used machinery for clients operating in the large-scale mining industry +

In addition to the large presence of trucks and earth-moving equipment in the large-scale mining industry where Caterpillar continues to hold a privileged position, underground mining equipment continued

to be successfully launched + Caterpillar has recently began to operate in this line of products through the purchasing of the Elphinstone plant and trademark from Australia + The product has had a great response which has allowed the Company to take the position as one of the biggest suppliers in this market with a 46% share in 2004 + Given the significant volume of importations for this equipment, the Diplomatic Representation of Australia in Perú has granted the **Didgeridoo Award** to the Company for its important contribution to the trading activities with said country +

As a supplemental product for the mining line, the Company has been selling Ingersoll Rand drills for several years + During the fiscal year, this line of products was purchased around the world by Atlas Copco which gave way to the creation of the Atlas Copco Drilling Solutions unit + **Ferreyros S.A.A.** has had the satisfaction to be ratified as the trademark distributor for Perú + Its presence in the market during recent years represents around 85% +

The used-machinery line had a very good performance during the last fiscal period + The Company has continued to grow in this sector taking advantage of a change in the market trends, where small and medium contractors need equipment to serve medium term contracts + It has extended its activity into international markets, not only for supply services but for transactions abroad as well + The demand for this kind of equipment has created an interesting client portfolio +

For the engine sector, the Company maintained a market share of 50%, both for marine use and power-generation fields + As to the fishing industry sector, an important part of the vessel-upgrading market was attracted + In addition, an active presence in the supply of engines for non-industrial fishing vessels was maintained + In the energy sector, the requirements of mining and petroleum markets continued to be served with several portable encapsulated units + These units can be carried on their own platforms and interconnected with users' public or private networks at low installation costs + On the other hand during 2004, the first high-technology Caterpillar gas generator with a potency of 500 kw was installed at Lima's City Gate +

The need to service and maintain large mining trucks, machinery and equipment which is sold by the Company every year has continually increased in the spare parts sales and services division under different modalities, including comprehensive contracts + Statistics show that the growth rate of these sales during recent years is related to the increase in sale of machine and equipment from previous years, revealing a healthy business trend +

The significant sales turnover of spare parts achieved is mainly due to repairs at the Component Repair Center [**CRC**] that serves programs established with mining companies + In total, more than 987 major components were repaired including engines, transmissions, converters, etc +

For the fourth consecutive year, the **CRC** obtained "**World Class**" Certification from Caterpillar after a quality auditing of its repair processes +

In order to obtain better results with non-mining clients, Client Support Agreements were promoted +

Currently, these agreements cover more than one hundred CAT units + In addition, they improve equipment availability, reduce maintenance costs due to the decrease of emergency situations, increase client loyalty and enhance its market share +

In order to comply with the service quality offered to clients, the Company continued its investment program to supply workshops with the necessary equipment, which included, this year, the construction of a new oil-analysis lab and the purchase of modern equipment to increase both the speed and quality of interpretations + At the same time, a comprehensive method for the use of barcodes was established to enable and expedite spare parts management at the warehouse of the Distribution Center in Lima + The use of these barcodes will be gradually implemented in other locations + On the other hand, the improvements attained in the spare parts stock control have been acknowledged by Caterpillar + The Company's spare parts stock has enabled to directly and immediately serve 93% of client requirements; the remaining 7% is served within 3 to 15 days +

Likewise, it is worth mentioning the important effort made by the Company in training issues + First, during 2004, 19 graduates from the **Think Big Program** were incorporated into **Ferreyros** personnel + This program is sponsored by **Ferreyros** and Caterpillar, and offers a two-year formal training program to young technicians with the collaboration of Tecsup + Secondly, and in order to comply with current and future commitments for the servicing of Caterpillar units, the Company carried out different training programs for skilled personnel + For a better execution of said programs, the Company has started the construction of the **Abilities and Skills Development Center** that will allow having a permanent infrastructure for training purposes + Finally, the Company has maintained an investment program in order to supply equipment to workshops and training material for skilled personnel +

In the agricultural business, sales increased 23.50% as compared with the previous year, in spite of floods and frost in Puno, and the drought in Northern Perú which conspired against the regular performance of agricultural campaigns, lowering sowing and production + This was compensated by a large migration of rice farmers to the Central Amazon Jungle, and by the on-going boom of the agro-exporting sector, giving rise to the aforementioned significant growth + The commercial effort made by the Company, within a context of greater activity of its competitors, was supported by a program of activities sponsored by the main factories it represents + Technicians and experts from Massey Ferguson tractors and harvesters, Zaccaria mills, Tatu, Jacto, Fiansa and Nogueira agricultural tools, Comil silos and dryers, had an active participation in field trips, meetings and technical lectures and seminars for farmers and specially, for agro-exporters that worked with the Company + Sale of Massey Ferguson tractors and harvesters maintained market leadership with 65% and 35% respectively +

With regard to the automotive business, truck sales in the country had a significant increase as compared with 2003 + This market has recovered levels registered in 1997 due to the renewal of units by formal transportation companies with fleets and to the fact that used truck importation is still suspended +

However, the inland transportation sector crisis continued due to the excess number of units and the existing informal activities + Low freights rates were maintained, except for large and formal companies with insured freights + The Company represents Kenworth brand in its B5 category with trucks of more than 16 gross tons having achieved sales 16.60% higher than those of 2003 +

With regard to the other large market, i.e. dump trucks for construction, which represents the principal reason of the Company's presence in this business, foreseen sales levels have not been reached because of the lack of public works and limitations in the products we offer + The Company is revising its strategy in this segment and has simultaneously started a process of business reorganization in order to continue with cost reduction and sale increase +

The sale of spare parts for American trucks had a good performance with a market share of 37% approximately + In order to increase its sales, the Company engaged in the trading of alternative spare parts of lower cost + It also started importing spare parts for European trucks, which performance will be showed in 2005 +

The Company's branches located in 13 different cities of Perú continued to support, in a very significant way, different line sales in almost all the country + This guaranteed a coverage that few companies in our business can achieve + An important sales turnover of used machinery and equipment, agricultural machinery and spare parts of different brands was obtained by these branches + On the other hand, workshops all over the country provide a valuable support to machinery sales + Branches with greater activity were those related to the mining sector like Cajamarca, Arequipa, Trujillo, Huaraz and Huancayo + The Piura branch stood out for its service to petroleum field +

In the field of commercial publicity, the Company concentrated its budgeted resources to promote and market different training programs, participating in fairs and sponsoring special events in order to reach its clients directly + Among them, the participation of an important number of clients in the **Minexpo World Fair**, as well as the remarkable participation of Caterpillar has to be pointed out + At a national level, an intense program with clients was carried out which included courses, exhibitions, seminars and participation in fairs +

Financial Performance

As in previous years, an important aspect in the increase of the profitability obtained has been the reduction of certain non-operating expenses, specifically financial expenses +

These expenses showed a decrease of S/. 5.1 million, due to a lower debt ratio + Thus, the trend shown since the year 2000 has continued, and from then on financial expenses have decreased from US\$ 19.6 million to US\$ 16.5 million in 2001, to US\$ 12.1 million in 2002, to US\$ 9.1 million in 2003, and \$ 8.5 million in 2004 +

The increase of interest rates did not have a strong impact on the Company's results, due to the reduction of its liabilities and, in a smaller measure, to the existence of medium-term operations with interest rates fixed in low rates scenarios +

The Company's liabilities decreased from US\$ 158 million at the end of 2003 to US\$ 136 million as at December 2004 + Another US\$ 5 million in securitization bonds paid along the year should be added to this decrease + Thus, at the end of 2004 there were only securitization bonds issued by **Ferreyros** for US\$ 4 million, which will be paid off in September 2005 + At the end of the year the debt to equity ratio was 1.53 to 1, meeting the Company's intention of maintaining it below 2 + For the year 2005, investments plans in workshops, data processing systems and inventories of protection components for the mining fleet could slightly raise this indicator +

A first element of the financial strategy was to increase the Company's capital market share as a source of funds + For this purpose, issues were made within a new registered program + Supported by the market's acceptance of **Ferreyros** S.A.A. financial instruments, the Company placed in July, Series A of the First Issue of the Program, and in November, Series B of the same issue, each for the amount of US\$ 7.5 million + Both series were issued for a 3 year-term and the principal would be paid at the end of said period-term + The rates for each issue were 6.4375% and 6% respectively + Thus, the Company has been able to fix an interest rate for a significant part of its liability at levels prospectively lower than those to be offered by markets in future years + As a result of these placements, the Company closed with a current amount of bond issues of US\$ 45 million, as opposed to the highest amount registered in recent years equivalent to US\$ 30 million + The Company did not issue commercial papers, in spite of having a registered program, due to the fact that its short-term needs were covered by its suppliers and bank credit lines +

A second aspect of the strategy for obtaining resources was to maintain an important debt level with Caterpillar and its financial arm Caterpillar Financial Services under a 6 month-term stock funding, and with medium-term financing operations, respectively +

In addition to the foregoing, the Company continued receiving support from the local financial system that increased credit lines granted to the Company under different modalities to finance short-term working capital and imports, bonds and guaranties +

On the other hand, the Company continued reducing its long-term assets for the year for an amount equivalent to US\$ 16.5 million + It successfully placed used units in the market + These used units came from its rental fleet as well as credit transactions, and improved its efficiency in the management of the stock of spare parts with a constant turnover of 4.1 + For its part, account receivables showed a slight increase because the new portfolio generated by medium-term financing was kept by the Company and it was not securitized +

Since the market requires direct financing from the supplier for the purchase of machinery and equipment at medium-term, the Company continued offering credits for periods no longer than three years + For spare parts sale, services and rentals, the Company grants to its clients 30 and 60 day-credits +

In both cases a significant improvement was achieved as to delinquent accounts receivable as well as the turnover of portfolio collection +

The bad debt portfolio reached a delinquency rate of 6% for credits of more than 30 days, and 2.6% for credits of more than 90 days + The average accounts receivable turnover is 47 days +

Twenty five percent [25%] of the sale of machinery and equipment stock was financed, due to the granting of alternative funds by financial entities and by Caterpillar Financial, and to the cash purchases made by clients, especially those from the large-scale mining market +

Provisions for bad debts made by the Company during 2004 rose to US\$ 4.2 million, reaching a total

coverage of accounts receivable under Bankruptcy Proceedings with the National Institute for the Defense of Competition and the Protection of Intellectual Property [INDECOPI] +

The strengthening of the Company's financial structure and the maintenance of its profitability levels gave rise to an increase in **Ferreyros** share price, which changed from an average price of S/. 1.03 in January to S/. 1.53 in December +

Affiliates

Throughout the fiscal year, the affiliates had a positive performance supplementing the operations of the parent company and using in many cases the synergy produced + The six affiliates reached total sales of S/. 144.4 million and contributed to the Company's profits with S/. 10.3 million +

Orvisa

With headquarters in Iquitos and 31 years in business, has maintained its leadership as the first dealer of capital goods in the Peruvian Amazon Jungle Region + It mainly serves markets such as: forestry, petroleum, agriculture, inland waterway transportation + In 2004 it invoiced US\$ 17 million mainly due to major sales in the petroleum sector, to the revival of agricultural activity in the Department of San Martin, and to a boost of projects resulting from new lines for the wood sector + Counts with branch offices in Tarapoto and Pucallpa; in order to develop maintenance projects in the petroleum market, the Company established its affiliate Orvisa Servicios Técnicos SAC +

Unimaq

An affiliate operating in the marketing of light equipment for the mining, construction and industry fields, in the sale of spare parts and supply of workshop services, yielded revenues of S/. 36.5 million and a net profit of S/. 1.1 million during the fiscal year +

Fiansa

An affiliate with main headquarters in Trujillo, has become an important metal-mechanic machine shop complementing **Ferreyros** S.A.A. operations + During 2004, and in spite of the difficulties of the sector, it continued to expand its operations working in the construction and large-scale mining markets + It ended the year with sales in the range of S/. 15.1 million without obtaining profits due to a project that rendered more expenses than expected +

Motorindustria

An affiliate engaged in the recovery of parts for **Ferreyros** workshops, through metal-mechanic and machine shop processes, and in the repair of hydraulic components and field services for large-scale mining clients + Its sales reached S/. 27.5 million which meant an increase of 19% as compared to the results of the previous fiscal year + It had a significant growth of 48% in the business of hydraulic recoveries through sales under the flat rate system + It maintained the same net profit level of 13% from the previous fiscal year +

Depósitos Efe

A company offering warehousing and bonded customs warehouse services, continued to expand its clients base in order to diversify its market, traditionally focused in **Ferreyros** S.A.A. + During 2004 it yielded revenues for S/. 1.7 million and a net profit of S/. 344,000 +

Domingo Rodas

An affiliate which, thanks to the effort of its technicians, overcame different crisis arising from last year's natural phenomenon + With headquarters in Tumbes, it is engaged in the breeding and exportation of shrimps + It was established during the time **Ferreyros** penetrated the export market to obtain the foreign currency needed for machinery imports + In 2004 the company recovered its production and exportation levels and closed the year with a level of net sales of S/. 7.8 million and net profits of S/. 420,000 +

Social Responsibility

As in the case of corporate governance principles, the Company has managed to maintain social responsibility +

In 1997 it established the **Ferreyros Foundation**, today the **Ferreyros Association**, which continued operating during the 2004 fiscal year developing educational activities that started in 1998 and were focused mainly on young undergraduates who were about to finish their professional education +

It comprises two fields of action:

First, it sponsors the Annual Student Conference organized by the Peruvian Institute of Business Administration [IPAE] + During the course of its tenth year, this 2004 conference gathered around 500 young people from most universities + They reflected and discussed the main problems of the country and their possible solutions + The Association was in charge of the organization and direction of 20 work groups +

The other field of action is the organization of workshops for undergraduates + Using an interactive method these workshops encourage the reflection on the role of professionals in society +

During 2004, 33 workshops were performed with an attendance of almost 1000 undergraduates from 25 universities in 12 cities + The goal of the Association for 2005 is to increase the number of workshops to 60 +

During 2004, the Association launched its web site in order to maintain a communication channel between the Association and workshop attendees +

Corporate Governance

The Company has been playing a very active role in the promotion of corporate governance concepts +

In 2002, it participated, through Procapitales, in the preparation of a statement, issued by the Peruvian Securities and Exchange Commission [CONASEV] along with other entities and public and private entities and associations, on the convenience of companies adopting corporate governance principles + In 2003, together with a small number of companies, accepted the invitation of the Stock Exchange to provide information on the level of compliance of the aforementioned governance principles, which can be found in the web site of said entity +

The Board of Directors recognizes the importance of adhering to this statement, and it is of the opinion that, throughout its corporate existence, the Company has conducted itself under ethical principles, which are now embraced by the corporate governance concept + Respect for the rights of shareholders and their fair treatment, clearly defined duties for the Board of Directors and the Management, and transparent and timely presentation of information relevant to the market, are all practices which the Company has assumed for a very long time +

Consistent with these principles, the Company has been adopting some supplementary rules in order to thoroughly meet the statement, and to continue being known, within the community, as a company that fully complies with the principles of good corporate governance +

The evaluation made by the Company on the degree of compliance of these principles, according to CONASEV requirements, is shown in Exhibit 3 of this Annual Report +

Perspectives

According to all the information available, we can conclude that the national economy must grow between 4% and 5% in 2005, regardless of the political situation +

Under these considerations, it is reasonable to expect a good behavior of the Company since, as it has been pointed out repeatedly, it has been strengthening its financial structure, improving its organization, increasing the efficiency of its processes and reaching its clientele in a more direct way + Therefore, its leading position must be strengthened +

However, there are major challenges + **Ferreyros S.A.A.** has to keep applying its best effort in order to be acknowledged as a worldwide company in the mining industry + The quality of its services must attain the undisputed recognition of its clientele for the excellence achieved + Non-mining clients are to consider it as a supplier of comprehensive solutions when machinery and equipment are required + Employees must fully identify with the Company's objectives in a context of harmonious and motivating organizational environment + Shareholders are entitled to receive a return on their investment in accord with their expectations +

Achievements allow a level of confidence which encourages overcoming these challenges + During its 82 years of existence, the Company has had a history of efforts and success + It has shown an incredible capability to overcome crisis + The Company is on its way to the excellence +

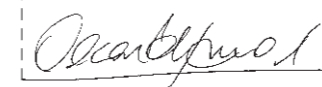
Upon concluding this introduction to its third period, the Board of Directors wishes to thank the shareholders for their trust, acknowledge the clients for having honored the Company with their preference and show its appreciation to the suppliers and personnel for their support during its management +

We are pleased to submit to the shareholders the details of the overall information and operations, as well as the analysis and discussion of the financial statements, pursuant to the provisions of Resolution 141.98 EF/94.10, issued, to this effect, by the Peruvian Securities and Exchange Commission [CONASEV] for the presentation of the Annual Reports + The Statement of Liability prescribed by these regulations is attached hereto +

Statement of Responsibility

This document contains true and sufficient information regarding the business development of **Ferreyros S.A.A.** during the year 2004 + The undersigned are responsible for any damages that may arise due to a lack of truth or insufficient information hereof, within the scope of their duties, according to the provisions of the Civil Code +

Lima, February 18, 2005



Oscar Espinosa Bedoya
Managing Director



Hugo Sommerkamp Molinari
Central Manager for the Management and Data Processing Systems

Name and Principal Place of Business

The name of the Company is **Ferreyros** Sociedad Anónima Abierta or **Ferreyros** S.A.A. + Its principal place of business is located at Avenida Industrial 675, Province and Department of Lima + Its telephone number is 336 7070 and fax number is 336 6713 +

Incorporation and Registration

Ferreyros S.A.A. was incorporated by a notarially recorded instrument dated September 14, 1922, executed before Agustín Rivero y Hurtado, Esq. Notary Public in and for Lima, under the trade name of Enrique **Ferreyros** y Compañía Sociedad en Comandita [a limited partnership] and filed under Entry 1, Page 299, Volume 15 of the Registry of Companies in and for Lima + Enrique **Ferreyros** y Compañía Sociedad en Comandita was dissolved as evidenced in Entry 10, Page 296, and Volume 30 of the Registry of Companies in and for Lima +

The incorporation of Enrique **Ferreyros** y Compañía S.A. which took over the assets and assumed the liabilities of Enrique **Ferreyros** Sociedad en Comandita, was executed by a notarially recorded instrument dated September 21, 1931 before Agustín Rivero y Hurtado, Esq. Notary Public in and for Lima, filed under Entry 1, Page 457, Volume 31 of the Registry of Companies in and for Lima + The change of name to Enrique **Ferreyros** S.A. was executed by notarially recorded instrument dated November 23, 1981 before Jorge Eduardo Orihuela Iberico, Esq. Notary Public in and for Lima and filed under Entry 213, Page 599, Volume 410 of the Registry of Companies in and for Lima +

The Company was renamed **Ferreyros** S.A. by a notarially recorded instrument dated May 6, 1996 before Jorge Eduardo Orihuela Iberico, Esq. Notary Public in and for Lima and filed under Entry 2-B, Card 117502 of the Book of Legal Entities + The present name of **Ferreyros** S.A.A. was adopted by resolution of the Shareholders' Meeting held on March 24, 1998, filed on Card 11007355 of the Registry of Companies in and for Lima +

Purpose and Line of Business

According to its Bylaws, the purpose of **Ferreyros** is to engage in the purchase and sale of local and foreign goods and products, the import and export of goods and articles in general, the provisions of services, as well as the transaction of investments and commissions dealing +

The Company may also participate in any and all acts and enter into any and all contracts provided by law and conducive to their execution or that are convenient to its corporate interests, including the incorporation of companies and the purchase of shares of stock and/or share interests of corporations either by direct purchase or by any other means or by participating in increases of capital +

The Company has perpetual existence and its line of business is classified under Group 5150, Class 51 of the United Nations International Standard Industrial Classification [ISIC] +

Historical Profile

Enrique **Ferreyros** y Cía. was founded in 1922 on the initiative of Enrique **Ferreyros** Ayulo and three partners who, with a small amount of capital, engaged in the trading of commodities in Lima + In 1942, **Ferreyros** obtained the representation of Caterpillar Tractor, which meant an overall change in the Company's outlook + As from 1965, the company's decentralization began, setting up offices in the provinces as well as several affiliates + In 1971, **Ferreyros** was registered in the Lima Stock Exchange +

At the end of the 80's, **Ferreyros** disengaged itself from the commodities business in order to concentrate its efforts on the capital goods business in the 90's + Thus, during the first few years of this decade it assumed new representations to complement the Caterpillar line and to improve its coverage of the mining, agriculture and transportation sectors + By 1994, the Company initiated the rental of heavy equipment and the sale of used equipment to meet the greater needs of its customers + Simultaneously, the Company began to prepare itself to face the challenge that the large-scale mining sector would represent, after the onset of the privatization process and the entry of new agents into the Peruvian economy + Since 1995, the Company has been making important investments in this direction to improve the infrastructure of its offices and workshops and to train its service personnel to meet the Maintenance and Repair Contracts [MARC] for large machinery fleets +

The purpose of the Company is to serve customers from all sectors of the economy and therefore during the last few years it has created business units to serve the market for small and medium-size constructors and fishermen +

In response to past growth and that to be produced in the future, in 1997 the company successfully issued and placed shares in the local and international markets, thereby a US\$ 22 million increase in its stockholders' equity was made possible +

Economic Group

Ferreyros S.A.A. does not form part of any economic group whatsoever + The Company, for the better development of its duties and in order to comply with its statutory rules and regulations, has purchased or established a series of subsidiaries as detailed below +

Capital Stock

As at December 31, 2004, the capital stock was represented by 218 million common shares with a face value of S/. 1.10 each, fully subscribed and paid-up, of which, 86.96% are held by local investors and 13.04% by foreign investors +

The shareholders who hold 5% or more in the capital stock are:

Shareholder	%	Citizenship
In - Cartadm [AFP Integra]	13.15	Peruvian
NV - Cartadm [AFP Unión Vida]	10.87	Peruvian
La Positiva Seguros y Reaseguros S.A.	10.16	Peruvian
HO - Cartadm [AFP Horizonte]	8.85	Peruvian
Horseshoe Bay Limited	6.46	Foreign
PR - Cartadm [AFP Profuturo]	6.45	Peruvian
Corporación Cervesur S.A.A.	5.02	Peruvian

Voting shares are classified as follows:

Holding	Number of Shareholders	Number of Shares	Share %
Less than 1%	745	29,772,459	13.66
Between 1% and 5%	9	55,334,246	25.38
Between 5% and 10%	4	58,380,952	26.78
More than 10%	3	74,512,343	34.18
Total	761	218,000,000	100.00

situation was reflected in the global importation figures of capital goods which presented an average annual upward trend of 21.5% during said years + The slowing-down of the economy during 1998 to 2001 had negative repercussions on the import of these goods + During 2004, this activity reached levels prior to 1998 + **Ferreyros S.A.A.** has been the leading importer of capital goods according to Customs statistics for the last few years, during which period it has been ranked as holding between the first and fourth positions + From January to December 2004 it held the first place + Given the medium-term perspectives for development in the economic sectors and the fact that machinery comes from abroad, capital goods imports should increase during the next few years, based on the economy's development +

Competitors

Few markets can show such a variety of machines and equipment as the Peruvian market, offered by a large number of suppliers + Given the wide range of lines which **Ferreyros** is able to provide, it competes with many of these suppliers who represent an ample variety of trademarks for the different sectors +

Commercial Activities

General Information

Ferreyros, recognized as the principal distributor of capital goods in Perú, directs its products to a diversified range of economic sectors, such as mining, construction, agriculture, energy, fishing and transportation + It has been the exclusive distributor of Caterpillar in Perú since 1942 +

In addition to the Caterpillar machinery and engines, **Ferreyros** markets a wide range of equipment, including Atlas Copco and Drilling Solutions drills, Ingersoll Rand compressors, Massey Ferguson tractors, the Kenworth line of heavy trucks, and machinery for the agricultural industry such as Zaccaria mills + The Company is by far the leader in the market for the majority of the products it offers + Its highest sales percentage is represented by Caterpillar, reaching approximately 91.8% in the year 2004 +

The Company owns the largest network of workshops in the country for the repair of heavy machinery and equipment and a highly qualified group of technicians, as it believes that its continuous success in heavy machinery and equipment sales will continue to depend on product quality and post-sale service +

General Outlook for Key Economic Sectors in Perú

Marketing capital goods in Perú largely depends on the growth level of the Peruvian economy, particularly in sectors such as mining, construction, fisheries, agriculture, transportation and energy where the **Ferreyros** products are sold + Furthermore, the importation of capital goods is essential for the development of any industrial sector, taking into account the important role played by technology which is used to attain levels of competitiveness and efficiency required by the market +

The sustainable growth, especially of the construction and mining sectors during the five years prior to 1998, encouraged the purchase of machinery + This

In earth-moving equipment its main competitors are Komatsu, Volvo, Hyundai and Case +

In diesel engines, it mainly competes with Detroit Diesel, Cummins FG, Wilson and Volvo + In heavy diesel engines, it competes with Wartsila and Man, and in gas engines with Wartsila and Waukesha +

Several manufacturers of generic spare parts for Caterpillar machinery exist so that small segments of the market can be supplied +

In the agricultural tractor line, the main competitors are John Deere and Ford New Holland +

In portable air compressors, our Ingersoll Rand machines compete with Sullair and Atlas Copco, and in rock drilling for mining activities with Sandvik Drilltech, Reeddrill, P&H and Bucyrus Erie + The Caterpillar Elphinstone low profile loaders compete against Atlas Copco Wagner and Sandvik Tamrock +

In trucks, the Kenworth line competes with Volvo, Mercedes Benz and Freightliner, in a market where Scania and International also compete +

In almost all these lines the good quality of the products that **Ferreyros** distributes, the high-quality after-sales service, the wide network of branch offices and the considerable volume of spare parts have earned the preference of the clients so almost all products sold by **Ferreyros** are leaders in their respective markets +

Financial Performance

For the third consecutive year, the Company improved its results thanks to the stability of its sales turnover and the decrease in certain non-operating expenses, specifically financial expenses and the positive results due to inflation exposure + Thus, at year 2004 closing, the net profit amounted to S/. 27.5 million compared to the net profit of the previous year's closing of S/. 21.3 million +

Financial expenses decreased in S/. 5 million, in spite of the fact that at the beginning of the first half of year 2004 there was a trend to increase international interest rates, + This trend is expected to continue during 2005 + The three and six-month LIBOR which at the beginning of January 2004 were 1.15% and 1.22%, increased to 2.56% and 2.78% by the end of December + The increase of interest rates did not affect the Company's results, due to the reduction of its liabilities [US\$ 222 million approximately] and, at a lower scale, because of the existence of medium-term operations with fixed interest rates when this rates had not increased yet +

This trend in the decrease of these financial expenses began in the year 2000 when it reached the amount of US\$ 19.6 million + Since that year, this amount has been dropping to US\$ 16.5 million in 2001, to US\$ 12.1 million in 2002, to US\$ 9.1 million in 2003 and to US\$ 8.1 million in 2004 +

In the last year, the Company's liability decreased from US\$ 158 million by the end of 2003 to US\$ 136 million as at December 2004 + On the other hand, outstanding securitization bonds also decreased during the last fiscal period in US\$ 5 million due to some redemptions + Thus, at the end of 2004 there were only securitization bonds for US\$ 4 million, which will be paid off in September 2005 + At the end of the year the debt to equity ratio was 1.53 to 1, meeting the management objective of maintaining it below 2 + For year 2005, the investment plans in infrastructure and the data processing systems and inventories of protection components for the mining fleet will slightly raise this indicator +

Financial Sources

A first aspect of the financial strategy was to increase the use of the capital market as a financial source + For this purpose, issues were made in March 2004 in the amount of US\$ 50 million as part of a new registered program according to the Resolution of the Shareholders' Meeting held on year 2003 + Within this program the first two bond issues were registered in April 2004, each of them for the amount of US\$ 15 million, for 3 and 4 year-term respectively + Supported by the market's acceptance of **Ferreyros S.A.A.** financial instruments, the Company placed in July, Series A of the First Issue of the Program, and in November, Series B of the same issue, each for the amount of US\$ 7.5 million, upon which the First Issue registered run out + Both series were issued for a 3 year-term and the principal would be paid at the end of said period-term + The rates for each issue were 6.4375% and 6% respectively + Thus, the Company has been able to fix an interest rate for a significant part of its liability at levels prospectively lower than those to be offered by markets in future years + As a result of these placements, the Company closed with a current amount of bonds issues of US\$ 45 million, as opposed to the highest amount registered in recent years equivalent to US\$ 30 million +

In December 2004 and as part of the program, the Third and Fourth Issues were registered for the amount of US\$ 35 million each, for five and three year-terms respectively, and with different redemption and repayment programs + Therefore, the Company has three issues registered to be used when deemed convenient according to its financial needs and market conditions +

The Company did not carry out commercial paper issues, in spite of having a registered program since year 2003, due to the fact that its short-term needs were covered by its suppliers and bank credit lines + However, at the beginning of 2005 it will register some issues within the program in order to be able to leave the market when needed +

Finally, with respect to the issue of securitization bonds, the Company did not make any new issue, instead, it closed a monthly redeemable securitization bond during the first half of the year + By the 2004 closing, only one outstanding securitization bond will remain in the amount of US\$ 4 million that will expire in September 2005 +

A second aspect of the strategy for obtaining resources was to continue using its suppliers as an important financial source for its stock purchases, having Caterpillar as a remarkable example + Additionally, the finance line granted by Caterpillar Financial Services continued in force for an amount of US\$ 60 million, which was renewed by the end of the year + Although during the year no new transactions were performed using said finance line, it will allow financing the investments to be made during 2005 for the increase and renewal of certain assets such as the rental fleet and the protection components for the mining fleet +

The local financial system continued granting its support to the Company and increased the amount of the credit lines granted under different modalities such as the financing of short-term working capital, imports, bonds and guaranties +

The current ratio improved throughout 2004, going from 1.43 in December 2003 to 1.49 in December 2004 +

and 1% for more than 90 days + On the other hand, accounts receivable turnover reached an average of 47 days +

The Company directly financed 25% of its sales of stock of machinery and equipment + The balance was purchased on a cash basis, or financed by financial entities or by Caterpillar Financial +

Provisions for bad debts made by the Company during 2004 amounted to US\$ 4.2 million, achieving a total coverage of clients' account receivables under Bankruptcy Proceedings with INDECOPI +

Concerning new investments, during 2004 the Company continued making improvements to its facilities in order to increase the quality of its services offer clients + The total amount of investments, including those to the information and communication systems, amounted to US\$ 2.2 million as oppose to US\$ 08 million invested in 2003 +

On average, at the end of the fiscal year the cash balances represented one week's worth of expenses +

Letters of Guarantee and Surety Bonds

As at December 31, 2004, the Company has granted as mortgage, properties totaling US\$ 25 million, chattel mortgages over the rental fleet for a total of US\$ 5.1 million, pledges and warrants over inventories worth US\$ 2.4 million, a guaranty against accounts receivable for US\$ 0.6 million and a guarantee against bank collection drafts for the amount of US\$ 0.2 million + It is the policy of the Company to issue guaranties for medium-term operations + These guaranties have been issued only for financing transactions that are 3 to 7.5 year term + Chattel mortgages, pledges and guarantees against inventories, rental fleet assets and accounts receivable correspond to financing transactions for the same units + Mortgages have been established for a 7.5-year financing transaction +

In addition, the Company has granted surety bonds to its subsidiaries and to third parties for US\$ 5 million and US\$ 4.1 million, respectively, and bank letters of guaranty in favor of financial institutions, worth US\$ 3.3 million + The total amount of surety bonds and letters of guarantees represents 13.98% of its stockholders' equity +

Main Assets

The Company's assets decreased in a total of US\$ 16 million + It has successfully decreased its stock level during the year due to the placement of used units in the market from both its rental fleet and its credit transactions + The management of the spare parts stock continued to be efficient and reached a turnover of 4.1 + For its part, accounts receivable showed a slight increase because the new portfolio generated by medium-term financing was kept by the Company and it was not securitized +

Since the market requires direct financing from the supplier for the purchase of machinery and equipment at medium-term, the Company continued offering credits for periods no longer than three years + For spare parts sale, services and rentals, the Company granted its clients 30 and 60 day-credits + In both cases a remarkable improvement was achieved as to the delinquent accounts receivable + The delinquency rate for more than 30 days was 3%

The Company's current account is in US Dollars to takes care of its obligations and operating expenses, predominantly in that currency + For payments in local currency, daily sales of foreign currency are conducted in the spot market +

Investments in Corporate Shares

The Company's assets should account for a share in its capital stock of six subsidiaries + As of December 31, 2004, it holds the following share:

Subsidiary	Share
Orvisa S.A.	99.90%
Fiansa S.A.	99.00%
Depósitos Efe S.A.	99.87%
Motorindustria S.A.	99.98%
Domingo Rodas S.A.	100.00%
Unimaq S.A.	99.99%

Orvisa S.A.

Orvisa, incorporated in 1973, is one of the Company's subsidiaries which carries out operations in Iquitos, Tarapoto, Pucallpa, Bagua Chica and Nueva Cajamarca, cities located in the Peruvian Amazon Jungle Region + Orvisa offers the same line of products as **Ferreyros** and is the leader in the market for the three product lines and the greatest demand in the Region for agricultural machinery, marine engines and forestry equipment +

Since it is located in the Jungle Region, Orvisa currently enjoys certain tax and customs tariff advantages which allow it to be more competitive in terms of prices +

In the year 2004 Orvisa produced revenues of S/. 55.1 million and a net profit of S/. 5.0 million +

Fiansa S.A.

Fiansa is a subsidiary incorporated in 1968 and its place of business is in the City of Trujillo + Its original activity was the manufacturing and sell agricultural tools, industrial tools and electrical panels, which represent a small portion of its current production + In recent years, it has engaged in metal engineering works, assembly and electrical installations +

In the year 2004 Fiansa produced revenues of S/. 15.1 million and a net loss of S/. 0.016 million +

Depósitos Efe S.A.

Depósitos Efe is a subsidiary incorporated in 1983 + It is engaged in providing simple storage services and bonded customs warehousing +

In the year 2004, Depósitos Efe rendered revenues for S/. 1.7 million and a net income of S/. 0.35 million +

Motorindustria S.A.

Motorindustria SA is a subsidiary incorporated in 1987 + It was originally engaged in the production of motor vehicles as well as in the sale of spare parts and services + In 1995, the Shareholders' Meeting resolved to temporarily suspend its activities, entrusting its management, since 1995, to **Ferreyros** + On July 1, 1998, the Shareholders' Meeting approved its reactivation; and at present, its main activity is providing machinery services for the recovery of machine components + Its business is very much related to the **Ferreyros** Component Repair Center [**CRC**] +

In the year 2004, Motorindustria rendered revenues amounting to S/. 27.4 million and a net profit of S/. 3.4 million +

Domingo Rodas S.A.

Domingo Rodas SA is a subsidiary incorporated in 1979 and its place of business is in the City of Tumbes + Its main line of business is the cultivation, breeding, extraction, industrialization and marketing of shrimp +

In the year 2004 Domingo Rodas rendered revenues of S/. 7.8 million and a net profit of S/. 0.4 million + Upon its incorporation, this Company was part of a diversification strategy aimed at export trade, due to the existing need at the time to create foreign currency + Today this has lost its meaning since the Company is concentrating on the capital goods business and, therefore, its existence within the organization is under review +

Unimaq S.A.

Unimaq is a company incorporated in February 1999 + It mainly participates in the marketing of light equipment for the mining and construction industries and industry in general, and is engaged in the sale of spare parts and supply of workshop services as well +

In the year 2004 it rendered revenues for S/. 36.0 million and a net profit of S/. 1.1 million +

Other Investments

In addition, **Ferreyros** has a share of 13.79% in La Positiva Seguros y Reaseguros SA, a corporation duly organized and existing in Perú in 1937, mainly offering life and property and casualty insurance +

Infrastructure

The main properties of the Company are the land and buildings where the administrative offices, warehouses, repair workshops, exhibition halls and stock rooms are located +

Ferreyros' head office in Lima, with branch offices in the cities of Piura, Chiclayo, Cajamarca, Trujillo, Chimbote, Huaraz, Arequipa, Cusco and Huancayo, which are built on premises owned by the Company + The Company also has a branch in Ica, which operates in rented offices +

Legal Proceedings

The Company has taken part in certain legal proceedings arising during the normal course of business, none of which may, individually or collectively, be considered important + It must be pointed out, however, that as at the end of the fiscal year, the Company was involved in a US\$ 2.0 million claim in a trial seeking indemnity for tort liability, filed by third parties + The Company's management, based on the advice of its legal counsels, considers that the complaint will not be admitted and that the final result will favor the Company +

On the other hand, at the end of 2003, the Company has the following fiscal contingencies:

a) Judgment for fines in the amount of S/. 2.3 million [including interests] for tax purportedly unpaid on the income tax adjustment for year 2000, pending process before the Tax Court +

b) Tax assessments claims in the amount of S/. 4 million [including fines and interests] for Income Tax and Value Added Tax, pending judgment before the Peruvian Tax Authority [SUNAT] +

In opinion of tax advisors, such tax assessments are ungrounded and the final outcome should be favorable to the Company +

Stock Exchange Issues

At the end of the year 2004, the Company had listed shares and corporate bonds and short-term instruments in the Public Stock Exchange Registry +

Common Shares

The Company's capital stock is made up of 218,000,000 outstanding common shares with a face value of S/. 1.10 each + The opening price was S/. 0.76 and the closing price was S/. 1.90, reaching a high of S/. 1.90 in December and a low of S/. 0.76 in January + The average share price in the year 2003 was S/. 1.39 +

Monthly average share price during the year 2004 is showed in Exhibit 1 +

Corporate Bonds

The **Ferreyros** Bonds-Fourth Issue were registered by CONASEV Resolution 056-2002-EF/94.11 +

The features of the bonds, as described in the issuance agreement and information prospect, are as follows:

Instrument	Ferreyros Bonds - Fourth Issue
Class	Registered and indivisible and listed at CAVALI ICLV SA
Registered amount	US\$ 30 million
Face value	US\$ 1,000 each
Series	One or more
Term	Three years
Interests payment schedule	quarterly in arrears
Redemption	100% of the principal upon three-year term maturity

In August 2002, Series A for US\$ 15 million was placed, as follows:

Amount issued	US\$ 15 million
Date of issue	August 29, 2002
Maturity date	August 29, 2005
Interest rate	7.5% nominal per year, with a 360-day base year

In April 2003, Series B for US\$ 10 million was placed, as follows:

Amount issued	US\$ 10 million
Date of issue	April 7, 2003
Maturity date	April 7, 2006
Interest rate	6.25% nominal per year, with a 360-day base year

In July 2003, Series C for US\$ 15 million was placed, as follows:

Amount issued	US\$ 5 million
Date of issue	July 25, 2003
Maturity date	July 25, 2006
Interest rate	4.5% nominal per year, with a 360-day base year

By CONASEV Resolution 028-2004/94.11, the First Program of The **Ferreyros** Corporate Bonds was registered for a total outstanding amount of US\$ 50 million or its equivalent in Nuevos Soles +

First and Second Issues of the First Program of The **Ferreyros** Corporate Bonds were registered in April 2004 + The features of each of them are as follows:

Instrument	Corporate Bonds – First Issue of the First Program
Class	Registered and indivisible and listed at CAVALI ICLV SA
Registered amount	US\$ 15 million
Face value	US\$ 1,000 each
Series	One or more
Term	Three years
Interests payment schedule	Quarterly in arrears
Redemption	100% of the principal upon three-year term maturity

Instrument	Corporate Bonds - Second Issue of the First Program
Class	Registered and indivisible and listed at CAVALI ICLV SA
Registered amount	US\$ 15 million
Face value	US\$ 1,000 each
Series	One or more
Term	Four years
Interests payment schedule	Quarterly in arrears
Redemption	100% of the principal upon four - year term maturity

In July 2004, Series A for US\$ 7.5 million was placed, as follows:

Amount issued	US\$ 7.5 million
Date of issue	July 13, 2004
Maturity date	July 13, 2007
Interest rate	6.4375% nominal per year, with a 360-day base year

In November 2004, B Series for US\$ 7.5 million was placed, as follows:

Amount issued	US\$ 7.5 million
Date of issue	November 15, 2004
Maturity date	November 15, 2007
Interest rate	6.00% nominal per year, with a 360-day base year

In December 2004 the Third and Fourth issue of the First Program of The **Ferreyros** Corporate Bonds were registered as follows:

Instrument	Corporate Bonds - Third Issue of the First Program
Class	Registered and indivisible and listed at CAVALI ICLV SA
Registered amount	US\$ 35 million
Face value	US\$ 1,000 each
Series	One or more
Term	Five years
Interests payment schedule	Quarterly in arrears
Redemption	The bonds will be repaid in 16 quarterly installments of the same amount as from the second year

Instrument	Corporate Bonds - Fourth Issue of the First Program
Class	Registered and indivisible and listed at CAVALI ICLV SA
Registered amount	US\$ 35 million
Face value	US\$ 1,000 each
Series	One or more
Term	Three years
Interests payment schedule	Quarterly in arrears
Redemption	100% of the principal upon three - year term maturity

The monthly prices of The **Ferreyros** Bonds - Fourth Issue and First Issue of the First Program of The **Ferreyros** Corporate Bonds in the year 2004 are shown in Exhibit 3 +

Short - Term Instruments

Upon the expiration of the First Program of Commercial Papers in January 2003, by CONASEV Resolution 083-2003-EF/94.11 dated October 22, 2003, the **Ferreyros** Second Program of Short-Term Instruments was registered in the Public Stock Exchange Registry for a maximum outstanding amount of US\$ 30 million, or its equivalent in Nuevos Soles + At the end of 2004 no issue whatsoever was registered under this Program +

Management

Board of Directors

The Board of Directors consists of:

Carlos Ferreyros Aspíllaga	Chairman
Eduardo Montero Aramburú	Vice-Chairman
Luis Moreyra Ferreyros	Director
Juan Manuel Peña Roca	Director
Carlos Muñoz Torcello	Director
Jorge Picasso Salinas	Director
Andreas Von Wedemeyer Knigge	Director
Oscar Espinosa Bedoya	Managing Director

Relationship between directors and executive officers

There is no relationship between directors and executive officers +

Relationship between directors and majority shareholders, listing directors considered independent

Carlos Ferreyros Aspíllaga, Oscar Espinosa Bedoya, Juan Manuel Peña Roca and Andreas Von Wedemeyer are directors of La Positiva, Compañía de Seguros y Reaseguros and shareholders of **Ferreyros** S.A.A., with a share of more than 5% +

Oscar Espinosa Bedoya, Juan Manuel Peña Roca and Andreas Von Wedemeyer Knigge are directors of Profuturo, that manages one of the pension funds owning more than 5% of the shares of **Ferreyros** S.A.A. +

Andreas Von Wedemeyer is director of Corporación Cervesur, a shareholder holding 5% of the shares of **Ferreyros** +

Eduardo Montero Aramburú, Carlos Muñoz Torcello and Jorge Picasso Salinas are considered independent directors because they do not have any relationship neither with the management nor with the principal shareholders +

Special bodies conformed and established within the Board of Directors

The Board of Directors has two committees:

General Management Committee and Auditing and Human Resources Committee + The General Management Committee replaces the Board of Directors Committee established in July 1993 + Its main duty is to act as a consulting entity to the General Manager's Office on the general management of the Company, and the supervision according to the instructions of the Board of Directors +

The Auditing and Human Resources Committee has two main duties: The first one is to supervise the integrity of the accounting systems and to analyze the external auditors' opinion on the financial statements + The second is to provide advice to the General Manager in adopting general human resources policies +

Each Committee consists of a minimum of three directors, one of which should be an independent director, as provided for in Principle V, Point e.1 of the corporate governance principles for Peruvian corporations + The Chairman of the Board of Directors and the General Manager are members of both committees + Committee meetings are convened by the Chairman of the Board of Directors as many times as its members consider necessary and under the approval of the Board of Directors at the beginning of every budget period +

The following persons are the Executive Staff of the Company:

Oscar Espinosa Bedoya	Managing Director
Gustavo Moreno Barrera *	Operations Central Manager
Hugo Sommerkamp Molinari	Central Manager for the Management and Data Processing Systems
José Miguel Salazar	Mining Division Manager Up to October 31, 2004 Central Manager for Customer Service and Commercial Development as from November 1, 2004
Larry Gregory	Mining Division Manager, since November 1, 2004
Mariela García de Fabbri **	Finance Division Manager
Víctor Astete Palma	Manager of the Comptroller Division
Andrés Gagliardi Wakeham	Human Resources Division Manager
Raúl Vásquez Erquicio	Internal Auditing Division Manager
Luis Bracamonte Loayza	Branches, Agriculture and Automotive Division Manager
José López Rey Sánchez	Product Support Division Manager
Raúl Alfaro Vives	Division Manager for the Sale of Machinery, Engines and Equipment as from October 1, 2004

* Gustavo Moreno, Eng., retired on December 31, after 38 years with the Company + The Board of Directors acknowledged his service to the Company + ** As from January 1, Mariela Garcia de Fabbri has been promoted as Deputy General Manager + She substitutes Patricia Gastelumendi de Olcese as Finance Division Manager +

Head Officers' Professional Career

Oscar Espinosa Bedoya

He has held the position of General Manager of **Ferreyros** S.A.A. since 1983 + He began working with the Company in 1981 + Previously, he was General Manager and Chairman of Finance Development Corporation [COFIDE], Executive Director of the World Bank, Executive Chairman of Banco Internacional del Perú and other financial entities + He is a civil engineer [National University of Engineering, Lima] with postgraduate studies in economics, finance and business administration [North Carolina State College, Raleigh NC, Harvard University, Cambridge, MA, University of Piura, Lima] + He is the only officer related to the majority shareholder, because he is director of La Positiva Compañía de Seguros y Reaseguros + He holds 10.6% of **Ferreyros** S.A.A. shares +

Gustavo Moreno Barrera

He held different positions in marketing, service and sales area before holding the position of Caterpillar Machinery and Engine Division Manager in 1990 + As from December 31, 1998, he was promoted to the post of Operations Central Manager + After 38 years of service to the Company he has decided to retire, however, he will be a commercial advisor to the Company + He is a graduate in mechanical and electrical engineering of the National University of Engineering and has participated in different courses and seminars organized by Caterpillar +

Hugo Sommerkamp Molinari

Hugo Sommerkamp holds the position of Central Manager for the Management Control and Data Processing Systems since July 1, 2001 + Formerly, he had been the Administration and Finance Central Manager since December 1998 and the Finance Division Manager since March 1996, date when he returned to work at **Ferreyros** + Between 1985 and 1990 he held the position of Comptroller General in the subsidiaries of the **Ferreyros** Group + Between 1990 and 1996 he worked in Paraguay as Financial Director for the different subsidiaries of the ECOM group [Lausanne, Switzerland] + He is a Certified Public Accountant graduated from the Peruvian Catholic University, with advanced courses in auditing and finance, both in Perú and abroad +

José Miguel Salazar

He held the position of Mining Division Manager up to October 31, 2004 + Since 1996 and until his incorporation in the Company in January 2001 he held the position of General Manager of Matreq **Ferreyros** SA, the exclusive distributor of Caterpillar in Bolivia and a subsidiary of **Ferreyros** up to 2003 + From 1969 to 1990 he worked with **Ferreyros** in different positions in the marketing and administration areas + He was designated as Finance Division Manager in 1988 + From 1990 to 1995, he held similar positions in other companies of the sector + He has participated in different courses in the country as well as in seminars organized by Caterpillar + He holds the position of Central Manager for Customer Service and Commercial Development as from November 1, 2004 +

Larry C. Gregory

He holds the position of Mining Division Manager since December 1, 2004 + Before his incorporation to **Ferreyros** he worked for more than 18 years with Caterpillar + He had been Mining Commercial Manager for Western Canada & Pacific Northwest during the last five years + From 1997 to 1999 he held the position of Marketing, Spare Parts and Services Manager at Caterpillar Americas + He held different positions as Sales Representative of Caterpillar in Chile, Texas and Ohio + He has a Bachelor Degree in Sciences and a Master Degree in Engineering and Forestry Management +

Mariela García de Fabbri

She became part of the Company in 1988 and after holding different positions in the finance area, she held the position of Treasury Manager until June 2001, when she was promoted to the position of Finance Division Manager + As from January 1, 2005 she holds the position of Deputy General Manager + She is member of the Board of Directors of the Peruvian Institute of Business Administration and Chairwoman of the Board of Directors of Procapitales Association + She has been the researcher and a member of the editorial committee of publications of the Consortium La Moneda + She holds a degree in Economics from the University of the Pacific +

Víctor Astete Palma

Víctor Astete has worked in **Ferreyros** since 1977 and holds the position of Manager of the Comptroller Division since 1996 + Formerly, he worked in the accounting, budget, accounting advisory and investment comptroller departments + He is a Certified Public Accountant graduated from the San Marcos National University and has attended several advanced courses both in Perú and abroad +

Andrés Gagliardi Wakeham

He holds the position of Human Resources Division Manager since 1986 + He has 32 years experience and has held similar positions in other renowned companies + He has a Bachelor's Degree in Industrial Relations from the San Martín de Porres University and has attended several courses, seminars and congresses on the specialty +

Raúl Vásquez Erquicio

Raúl Vásquez has been the Internal Audit Division Manager since 1978 + Formerly, he was Administration and Finance Manager at Cia. Pesquera Estrella del Perú and Audit Department Manager at Arthur Andersen & Co + He has a Bachelor's Degree in Economics and Business and as a Certified Public Accountant from the San Marcos National University +

Luis Bracamonte Loayza

He holds the position of Branches, Agriculture and Automotive Division Manager + Luis Bracamonte has worked in **Ferreyros** for 25 years and has held different positions in the management and branches, as well as in the credit and collection departments + He pursued studies in Business Administration at the University of Lima and postgraduate courses at the Graduate Business School [ESAN] and at INCAE Business School of Costa Rica +

José López Rey Sánchez

José López has held the position of Spare Parts and Service Division Manager since 1999 + He has worked for the Company for 18 years + Previously he was the Service Manager from 1994 to 1998 + He is a graduate in mechanical engineering from the National University of Engineering + He has pursued courses in administration and management accounting at the Graduate Business School [ESAN] +

Raúl Alfaro Vives

Raúl Alfaro Vives holds the position of Division Manager for the Sale of Machinery, Engines and Equipment as from October 2004 + He is the former Machinery and Equipment Manager + He has been in **Ferreyros** for 10 years in the machine sales and rental areas + He is a graduate in Mechanical Engineering of the Peruvian Catholic University + He has a Master Degree in Business Administration awarded by the Graduate Business School [ESAN] +

Report on Fulfillment of Principles of Good Governance for Peruvian Corporations

See Exhibit 1 +

Human Resources

Aspects concerning the management of the Company's personnel are the responsibility of the Human Resource Division Management + At the end of 2004, the Company had 1,259 employees both in its main and provincial branch offices +

Personnel changes in the last two years were as follows:

	2004	2003	2002	Variation	
				2004/2003	2003/2002
Permanent					
Executives	34	33	28	1	5
Technical Personnel	443	376	342	67	34
Employees and Sales Representatives	141	143	135	-2	8
Workers	641	592	565	49	27
Sub-total	1259	1144	1070	115	74
Temporary Staff	51	25	28	26	-3
Total	1310	1169	1098	141	71

The workplace atmosphere in **Ferreyros** is harmonious + Employees identify with the Company's objectives + Company-employee relations are good and no strike or important controversy has occurred + The Employees' Union, which existed for many years, was dissolved in 1993 + The Workers' Union-Lima is composed of 101 affiliated members, and the new Yanacocha Workers' Union-Yanacocha consists of a total of 61 affiliated members +

The Company continues to maintain social welfare and housing programs for the benefit of its workers and employees +

Analysis and Discussion of Financial Statements

The most important variations in the Company's financial statements as at December 31, 2004 and 2003 are presented below + To this effect, some figures have been reclassified in the profit and loss statement shown herein below, to include direct sales orders in net sales and cost of sales +

Balance Sheet

[In million of constant Nuevos Soles]

	31-12-04	31-12-03	Amount	Variation %
Assets				
Current assets				
Cash and Deposits	24.0	37.1	-13.1	-35.3
Trade Accounts Receivable	106.6	77.4	29.2	37.7
Other Accounts Receivable	60.7	83.4	-22.7	-27.2
Stock	204.1	210.0	-5.9	-2.8
Prepaid Expenses	2.2	2.4	-0.2	-8.3
Total Current Assets	397.6	410.3	-12.7	-3.1
Long-term trade accounts receivable	28.7	38.2	-9.5	-24.9
Deferred income tax and profit sharing	7.1	6.2	0.9	14.5
Investments in securities	93.7	106.6	-12.9	-12.1
Plant, machinery and equipment	216.0	238.8	-22.8	-9.5
Other assets	0.6	0.6	0.0	0.0
Total assets	743.7	800.7	-57.0	-7.1
Liabilities and stockholders' equity				
Current liabilities				
Overdrafts and Bank Loans	20.2	27.5	-7.3	-26.5
Current Part of Long-Term Liabilities	74.1	20.6	53.5	259.7
Trade Accounts Payable	134.2	203.9	-69.7	-34.2
Other Accounts Payable	38.2	34.9	3.3	9.5
	266.7	286.9	-20.1	-7.0
Long-term liabilities	179.8	234.1	-54.3	-23.2
Total liabilities	446.5	521.0	-74.5	-14.3
Deferred income	4.0	4.8	-0.8	-16.7
Stockholders' equity				
Equity	251.6	241.3	10.3	4.3
Revaluation Surplus	10.3	10.9	-0.6	-5.5
Legal Reserve	3.5	1.4	2.1	150.0
Accumulated Results	27.8	21.3	6.5	30.5
	293.2	274.9	18.3	6.7
Total liabilities and stockholders' equity	743.7	800.7	-57.0	-7.1

million rise due to profits from subsidiaries accounted using the equity method; iii) S/. 3.3 million rise because of the purchase of shares of a subsidiary held by other subsidiary; iv) S/. 2.0 million drop due to the loss of value of an investment made in a non subsidiary company; and v) S/. 1.3 million in other decreases +

Fixed assets net decline in the amount of S/. 220.8 million, as evidenced by the following transactions: a) S/. 14.6 million rise because of purchase of new units to renew old rental fleet; ii) S/. 10.9 million increase because of transfer of fixed assets components to stock; iii) S/. 2.0 million rise due to the purchase of protection components; iv) S/. 23.8 million drop because of transfer of fixed assets rental equipment to stock; v) S/. 32.0 million decline because of an upward trend in accumulated depreciation; and vi) S/. 5.5 million increase because of other fixed assets acquisition +

Analysis of the Balance Sheet

Total liabilities as at December 31, 2004, amounted to S/. 446.5 million as compared to S/. 521 million as at December 31, 2003, equivalent to a decrease of S/. 74.5 million + On the other hand, Total Assets as at December 31, 2004 amounted to S/. 746.5 million as compared to S/. 800.7 million as at December 31, 2003, equivalent to a drop of S/. 54.2 million + The most important variations of the asset accounts supporting this decreasing trend are as follows:

A rise of Trade Accounts Receivable [with current and long-term expiration dates] of S/. 19.7 million, due to the following transactions: i) S/. 24.5 million rise due to higher sales; ii) S/. 8.9 million increase because of the recovery of portfolio pledged as collateral guarantees for trust assets; [iii] S/. 2.2 million upward trend due to portfolio assigned by a subsidiary; iv) S/. 11.9 million drop for collections to subsidiaries; v) S/. 1.8 million reduction due to a net increase of allowance for doubtful accounts; and vi) S/. 2.2 million drop for a rise in deferred interests +

Decrease in Other Accounts Receivable in S/. 22.7 million, due to: i) S/. 7.7 million downward trend due to payments to loans granted to subsidiaries; ii) S/. 8.9 million drop because of transfer portfolio pledged as collateral guarantee to trust assets to Trade Accounts Receivable; iii) S/. 1.0 decrease because of a collection of taxes paid in excess to the Peruvian Tax Authority [SUNAT]; iv) S/. 2.4 million drop due to an augmentation in the allowance for doubtful accounts; and v) S/. 2.7 million in other drops +

A stock decrease of S/. 5.9 million, due to the following transactions: i) S/. 10.9 reduction due to transfer of stock components to fixed assets; ii) S/. 18.4 million net decrease for sales made during the period; iii) S/. 23.8 million drop for transfer of fixed assets rental equipment to stock; and iv) S/. 0.4 million in other decreases +

A downward trend in Investments in Securities for S/. 13.0 million, explained by the following transactions: i) S/. 23.7 million drop because of the settlement of an investment in trust assets; ii) S/. 10.7

Liquidity of the Company

The current ratio as at December 31, 2004 is 1.49, higher than the current ratio of 1.43 as at December 31, 2003 +

The financial leverage ratio as at December 31, 2004 is 1.38, lower than that estimated as at December 31, 2003 that was 1.75 +

Operating Results Analysis

Profit and Loss Statement

[In million of constant Nuevos Soles]

	2004		2003		Variation
	Amount	%	Amount	%	%
Net Sales	832.1	100.0	728.5	100.0	14.2
Cost of Sales	653.9	78.6	556.7	76.4	17.5
Profit from Sales	178.2	21.4	171.8	23.6	3.7
Other Operating Income			3.3	0.5	
Gross Profit	178.2	21.4	175.1	24.0	1.8
Selling Expenses and Administration Overheads	152.2	18.3	129.0	17.7	18.0
Operating Profits	26.0	3.1	46.1	6.3	-43.6
Other Income [Expenses]					
Financial Income	19.7	2.4	16.0	2.2	23.1
Financial Expenses	-28.0	-3.4	-33.1	-4.5	-15.4
Share in Subsidiaries' Profits	10.7	1.3	7.3	1.0	46.6
Result due to Inflation Exposure	17.9	2.2	11.1	1.5	61.3
Miscellaneous, Net	-2.5	-0.3	-12.5	-1.7	-80.0
	17.8	2.1	-11.2	-1.5	-258.9
Profit Before Profit Sharing and Income Tax	43.8	5.3	34.9	4.8	25.5
Profit Sharing	-3.5	-0.4	-3.1	-0.4	12.9
Profit Before Taxes	40.3	4.8	31.8	4.4	26.7
Income Tax	-12.7	-1.5	-10.5	-1.4	21.0
Net Profit	27.6	3.3	21.3	2.9	29.6

Net Sales			
The inventory and direct sales orders of the Company in the years 2004 and 2003 in million of constant Nuevos Soles, are as follows:			
	2004	2003	Variation %
Caterpillar	238.8	134.2	77.9
Used			
National	43.8	27.5	59.3
From Abroad	3.3		
	285.9	161.7	76.8
Agricultural Equipment	24.6	20.3	21.2
Automotive	14.8	10.8	37.0
	325.3	192.8	68.7
Rentals	20.9	34.0	-38.5
Spare Parts and Services	485.9	501.7	-3.1
Total	832.1	728.5	14.2

Net sales in the year 2004 amounted to S/. 832.1 million, compared to S/. 728.5 million of previous period, an increase of 14.2% +

Caterpillar machinery and other equipment sales rose in 76.8% as compared to the previous year, mainly because of higher sales of Caterpillar equipment (new and used) to large-scale mining, medium mining and to construction companies in charge of development works for companies of the two economic sectors + The increasing demand of Caterpillar machinery by the mining sector is evidenced by an important rise of mineral prices in the international market +

Sales of agricultural equipment grew in 21.1% as compared to previous year + This was because of a higher demand of this equipment by rice farmers as well as by the agro-exporting sector that experimented an important rise in 2004 +

The automotive sales rose in 37% with respect to the previous year due to the renewal of units by formal transportation companies, and to the fact that used truck importation is still suspended +

On the other hand, the revenues for equipment rental show a drop of 38.5% as compared to previous year, due to a decline in the demand of rental equipment by the company in charge of development works for Camisea project + Said drop was gradual and it was the result of the completion of the work for which the equipment was rented +

On the other hand, the sale of spare parts and services show a reduction of 3.1% as opposed to the previous year + This decrease is explained as follows: i) a drop in Nuevos Soles sales due to the decline in foreign exchange rate [the average foreign exchange rate for year 2004 was 3.41, while in 2003 it was 3.477]; and ii) a temporal decline in the spare parts sales and services due to the delay of some large-mining companies in sending components to be repaired in the Company's workshops, However, this decrease will be compensated during the following months, when said components are repaired +

Profit from Sales

Profit from sales in the year 2004 amounted to S/. 178.2 million, as compared to the figure obtained in the previous year of S/. 171.8 million, an increase of 3.6% + In percentage, profit from sales for 2004 is lower than that of the previous year [21.4% vs. 23.6%] that is explained, mainly, by a greater share of sales of the main products in the total sales of the Company [S/. 325.3 million in 2004; S/. 192.8 in 2003] + Gross margin of main product sales are lower than those obtained for the sale of spare parts and services +

Other Operating Income

In year 2003 this category includes revenues from a partnership established by the Company and a supplier from abroad + The revenues received by this partnership are determined by the number of units shipped and invoiced by the foreign supplier to a client doing business in the country + No revenues from this business were received in 2004 +

Selling Expenses and Administration Overheads

In 2004, selling expenses and administration overheads amounted to S/. 152.2 million, as compared to S/. 129 million of the previous period, representing an upward trend of 18.0%, owed mainly to: i) An increase in the personnel salaries to compensate the purchasing power of the Peruvian currency due to the inflation during the five years previous to 2003 + During this period salaries remained frozen; ii) hiring of highly qualified foreign personnel in order to provide to clients, especially to those of the large-scale mining, a post selling service that meets world quality standards; iii) expenses incurred in order to improve technical and administrative processes of the Company; and iv) rise in variable expenses as a result of the significant growth of main products sales +

Financial Income

Financial income in the year 2004 amounted to S/. 19.7 million, compared to S/. 16 million of the previous period, an increase of 23%, explained, mainly, as follows: i) An increase in interests for credit sales due to a rise in the main products sales + An important part of these sales are directly financed by the Company; and ii) an upward trend in the discounts for early payments of invoices for Caterpillar machinery, engines and spare parts +

Financial Expenses

Financial expenses for 2004 amounted to S/. 28 million, compared to S/. 33 million in the previous year, a 15.4% drop, explained by: i) A reduction of the average liability, of S/. 35.7 million [the average liability for the year 2004 amounted to S/. 485.1 million, as compared with S/. 520.8 million in 2003]; and ii) a lower payment of interests in Nuevos Soles agreed in US Dollars, due to the drop in the exchange rate [most part of the Company's liabilities are expressed in that currency] +

Share in Subsidiaries' Profits

Revenues from share in subsidiaries' profits in 2003 were S/. 10.7 million, as compared to S/. 7.3 million of the previous year, which represents an increase of 46.6%, explained as follows: i) A rise in the profits of some subsidiaries due to a growth in the demand within the sectors where it operates; and ii) S/. 1 million loss recorded by a subsidiary during 2003, that does not appear in 2004 +

Result Due to Inflation Exposure [REI]

According to the procedure established in Perú to adjust the financial statements for inflation, when devaluation is greater than inflation, a loss due to inflation exposure is produced, since the exchange loss related to debts in US Dollars cannot be fully offset by the adjustment for inflation of the respective non-monetary assets + On the other hand, when inflation exceeds devaluation, a profit due to inflation exposure is produced because the adjustment due to the adjustment of non-monetary assets is greater than that of the liabilities in US Dollars + However, part of this profit is compensated by a lower gross profit due to the fact that selling prices are lower in local currency as a result of a drop in the foreign exchange rate +

In the year 2004, the result due to inflation exposure rendered a profit of S/. 17.9 million in comparison to S/. 11.0 profit of the previous year + Year 2004 profit is explained as follows: i) 5.2% of appreciation to the Nuevo Sol that produced a profit for the translation of net liabilities in US Dollars into Nuevos Soles + And ii) 4.8% inflation that also gave rise to a profit in the update of non-monetary assets value + Additionally, the result due to inflation exposure includes a loss of S/. 2.0 million in the valuation of an investment in a non subsidiary company + On the other hand, the profit rendered by result due to inflation exposure in 2003 is explained by a 1.51% of appreciation to the Nuevo Sol, which generated a profit in the translation of net liabilities in Nuevos Soles into US Dollars; and ii) an inflation of 2% which also gives rise to a profit in the update of non-monetary assets value +

Miscellaneous, Net

In the year 2004, this category represented a net expense of S/. 2.5 million, as compared to net expenses of S/. 12.5 million of the previous year + In the year 2004 the Company booked in this account the following items: i) an expense of S/. 9.7 million for provision for stock devaluation; ii) an income of S/. 3.3 million for purchase and sale agreement terminations; iii) an income of S/. 0.8 million for real estate rentals; and iv) sundry income of S/. 3.1 million + On the other hand, in 2003 the following items were booked in this account: i) an expense of S/. 17.7 million for provision for stock devaluation; ii) an income of S/. 5.5 million for purchase and sale agreement terminations; iii) an expense of S/. 2.5 for loss after the selling of a subsidiary; iv) income of S/. 0.9 million for real estate rental; and v) sundry income of S/. 1.3 +

Profit Sharing and Income Tax

Profit sharing and income tax registered in December 31, 2004 and 2003 have been calculated according to the tax and accounting provisions in force +

Net Profit

The net profit for the year 2004 amounted to S/. 27.6 million as compared to the S/. 21.3 million profit of previous period + Year 2004 higher net profit is due to an increase in gross profit, an increase in financial income, a decrease in financial expenses, an increase in the subsidiaries' profit, a rise in the result due to exposure inflation and a decline of sundry income, which allowed compensating selling expenses and administrative overhead growth, and to increase net profit in S/. 6.3 million, with respect to the previous year +

Changes Regarding Individuals Responsible for the Preparation and Revision of Financial Information

During the years 2004 and 2003, no changes were made regarding the persons responsible for the preparation and revision of the Company's financial information +

As a conclusion for this Annual Report, once more, the Board of Directors wishes to acknowledge all of the Company's clients, whose loyalty has enabled it to achieve important sales levels during the year 2004 and which, in turn, obliges the organization to continue providing the best possible service + Likewise, we would like to thank both Peruvian and foreign banks for their financial support + We would also like to thank our shareholders for the confidence they have shown to the Board of Directors, Management and the staff as a whole, whose efforts and dedication have enabled the Company to achieve the significant results produced in the year 2004 +

The Board of Directors

Exhibit 1

Fulfillment of Principles of Good Governance for Peruvian Corporations

First Section

Principle	Compliance					Support to the chosen alternative
	0	1	2	3	4	
1] The agenda shall not include generic topics + All topics are to be listed so that every subject is discussed as a separate item + This will facilitate the analysis and will avoid bundled resolutions on topics that could have different opinions + [Principle I.C.1, Second Paragraph]					+	Notices have always been clear and they have provided detailed information on the topics to be discussed +
2] Shareholders' Meeting shall be held in a convenient place so that shareholders are able to attend + [Principle I.C.1, Third Paragraph]					+	Shareholders' Meeting are held at the main office in Lima +
3] Shareholders shall be allowed to include reasonable topics in the agenda to be discussed during Shareholders' Meetings + Topics to be included in the agenda shall be of social interest or within the legal or statutory jurisdiction of the Shareholders' Meeting + Board of Directors shall not dismiss this kind of requests without notice to the shareholder supporting its decision + [Principle I.C.2]					+	Through the Board of Directors Meeting shareholders may request topics to be included in the Shareholders' Meeting + Both meetings are held during the same time of the year; therefore, a letter could be sent to the Board of Directors informing any topic of interest + Furthermore, according to Article 19 of the Bylaws, shareholders have the right to request the Board of Directors to convene a Shareholders' Meeting to discuss any specific topic, for which it is necessary to have 5% of the shares duly represented +
4] The bylaws shall not limit any shareholder's right to participate in a Shareholders' Meeting by a proxy of his or her designation + [Principle I.C.4.i]					+	Proxies attending Shareholders' Meeting on behalf of a shareholder are not subject to any limitation whatsoever + The bylaws provide that the representative may be other shareholder or the bank in charge of the custody of shares + While there is no limitation with respect to the number of shares but to be a shareholder, which does not turn this requirement into a restriction, in order to allow any person to act as a proxy, even a person that does not hold any share, the amendment of Section 24 of the bylaw shall be proposed +
5] It is recommended that the company issuer of investment shares or other securities without voting rights offer their holders the option to exchange them for common stocks with voting rights, or to consider this possibility upon its issue + [Principle II.A.1, Third Paragraph]					+	The Company has only one class of share +

[Continue]

Principle

Compliance

0 1 2 3 4

Support to the chosen alternative

[6] A sufficient number of directors shall be appointed to act independently in matters where a conflict of interest may arise, with the possibility to request the intervention of non controlling shareholders in such events + Independent directors are designated because of their professional standing, and are not related to the corporate management nor with the controlling shareholders + [Principle II.B] The relation is defined in the Rules and Regulations for Indirect Property, Relationship and Economic Group as per CONASEV Resolution 722-97-EF/94.10, and in other future general provisions of CONASEV + The controlling shareholders are individual or legal entities holding five percent [5%] or more of the capital shares of the issuer +

+

Given the Company's shareholding structure, the Board of Directors is not integrated by any representative of controlling interest + Some directors represent the interest of controlling shareholders but their contribution to the Board of Directors is offered with professionalism and independence + The Board of Directors also has independent directors who are not related to controlling shareholders + In addition, the amendment of Section 31 of the bylaws shall be requested + This Section established that the director required having a minimum number of shares +

[7] While in general the external auditing is focused on rendering an opinion on financial information, it also could make reference to expert's opinions and reports on the following: Expert's accounting appraisals, operating auditing, system auditing, project assessments, evaluation or implementation of cost systems, tax auditing, valuations for asset adjustments, portfolio evaluation, inventories, and other special services + It is recommended that these counseling services be provided by different auditors or, in the event that the same auditors render these services, their activity should not interfere with their independent opinion + The corporation must reveal all audits and reports performed and prepared by experts + A report shall be submitted on all services rendered by the auditing company or auditor, specifying the percentage each one represents, and their share income in the auditing company or auditor + [Principle IV.C, second, third and fourth paragraph]

+

Traditionally, all auditors have rendered their auditing services on the financial statements of **Ferreyros** and its subsidiaries, as well as on equities established to issue securitized bonds + Other company is in charge of tax advising matters + This is also the case for real estate appraisals performed occasionally + In January an auditing firm was hired to prepare a study on the salary categories which must not involve its independence +

[Continue]

Principle

Compliance

0 1 2 3 4

Support to the chosen alternative

[8] The service of special information requests on the part of shareholders, investors in general, or interested groups related to the corporation shall be performed through a division and/or person duly appointed + [Principle IV. D.2]

+

In 1997 a position was created under the name of "Investor's Relations", which is carried out by the Finance Manager's Office +

[9] All doubts regarding the confidentiality of the information requested by the shareholders or by interested groups related to the corporation shall be solved + Criteria must be applied by the Board of Directors and the Shareholders' Meeting should ratify them + They shall be included in the bylaws or internal rules and regulation as well + In any event, the disclosure of information must neither jeopardize the corporate competitiveness nor affect its daily activities + [Principle IV.D.3]

+

In 2003, the Company rules and regulations for the disclosure of information to the market were issued + Terms such as Privilege and Reserved Information and how to handle them are defined therein + A report on these rules and regulations shall be submitted to the Shareholders' Meeting +

[10] The corporation shall have an internal auditing in place + The internal auditors, acting as such, shall be independent professionals with respect to the hiring corporation + They shall act in compliance with the same principles of diligence, loyalty and reserve required of the Board of Directors and Management + [Principle IV.F, First Paragraph]

+

The Company's auditors carry out their activities as an independent professional +

[11] The Board of Directors shall perform certain key duties, such as: Evaluate, approve and direct corporate strategies; establish objectives and goals, as well as main action programs, follow up, control and manage risk policies, annual budgets and business plans; control the implementation of the aforementioned and supervise main expenses, investments, acquisitions and dispositions + [Principle V.D.1]

+

The Board of Directors approves strategies and objectives, business plans and annual budget, as well as its application + Likewise, approves investments and high value purchases, as well as fixed assets sales + The Company's Management reports to the Board of Director and/or request its opinion or approval on transactions which deems entails risks that go beyond its ordinary daily activities +

[12] The Board of Directors shall perform certain key duties, such as: Select, control and, if necessary, substitute top executives, as well as establish their remuneration + [Principle V.D.2]

+

The Company's Board of Directors appoints top executives and approves the election of other main executives + Furthermore, a Human Resources Committee has been established, in charge of supervising these issues, previously under the control of the Board of Directors +

[13] The Board of Directors shall perform certain key duties, such as: Evaluate the remuneration of top executives and the Board of Directors members, ensuring a formal and transparent procedure for the election of directors + [Principle V.D.3]

+

Section 36 of the Bylaws, states that the remuneration of the Board members shall be 6% and the Board of Directors will evaluate and determine its distribution + Every three years it proposes the Shareholders' Meeting a formal and transparent procedure for the directors' election + The Board of Directors' Committee has been carrying out the duties of the Human Resources Committee until January 2005 when the Committee was established +

[Continue]

Principle	Compliance					Support to the chosen alternative
	0	1	2	3	4	
14] The Board of Directors shall perform certain key duties, such as: Perform the follow up and control of possible conflict of interests between the management, Board members and shareholders, including the fraudulent use of corporate assets and abuses in transactions between interested parties + [Principle V.D.4]					+	This activity is performed with the active participation of the General Manager's Office +
15] The Board of Directors shall perform certain key duties, such as: Safeguard the integrity of the accounting system and financial statements, including an independent auditing, as well as the existence of proper control systems, particularly financial and non financial risks management, and law compliance + [Principle V.D.5]				+		The Company's Board of Directors performs a monthly revision of the financial statements and an annual revision of the Independent External Auditors' Report, which includes notes on the financial risks management + It decides on the risk transactions proposed by the General Manager's Office + In January 2005 a Human Resources Committee was created which will supervise issues related to auditing and financial statements, previously under the control of the Board of Directors' Committee +
16] The Board of Directors shall perform certain key duties, such as: Supervise the efficiency of corporate governance practices, performing any and all necessary changes + [Principle V.D.6]				+		The fact that most of the principles contained in this document are scored as 3 or 4 is an evidence of the efficiency of the governance practices of this Company + The establishment of a higher number of committees within the Board of Directors in January will allow one of them to supervise, from time to time, the implementation of future improvements +
17] The Board of Directors shall perform certain key duties, such as: Supervise the information policy + [Principle V.D.7]					+	The Board of Directors approved the behavior rules and regulations issued in 2003 regarding the disclosure of information to the market +

[Continue]

Principle	Compliance					Support to the chosen alternative
	0	1	2	3	4	
18] The Board of Directors may establish special bodies according to the needs and size of the corporation, especially the one responsible for auditing + Likewise, these special bodies may perform appointment, remuneration, control and planning functions + Special bodies shall be part of the Board of Directors as a support mechanism and shall consist of independent directors in order to take impartial decisions on issues where conflicts of interest may arise + [Principle V.E.1]				+		For several years and given the number and composition of the Company's Board of Directors, there was only one Directors' Committee, which through monthly meetings has been performing almost all the duties assigned to special bodies + A Human Resources and Auditing Committee was established in January 2005, and the supervision of strategies and financial and investment issues were kept under the control of the existing Directors' Committee +
19] The number of directors that conforms the Board of Directors of a corporation shall ensure the plurality of opinions within the Board, so that the resolutions to be adopted are the result of appropriate deliberation, taking always into consideration the best interests of the corporation and its shareholders + [Principle V.E.3]					+	The Company's Board of Directors consists of directors from different disciplines + They perform different activities so they can offer different points of view + The number provided for the Company's bylaws [8 -12] assures plurality +
20] Information related to matters to be discussed at every meeting shall be made available to the directors in advance for review purposes, except in the event of strategic matters which will require confidentiality, in which case it will be necessary to establish mechanisms that will allow directors proper evaluation + [Principle V.F, Second Paragraph]					+	The meeting agenda is submitted in advance + It contains detailed information on every topic + The directors are free to send their comments on it and it is discussed with more detail during the meeting, so that questions may be answered and observations made + Management members support its proposals if necessary + Documents to be approved are submitted in advance +
21] Following clearly established and well-defined policies, the Board of Directors shall decide the hiring of specialized consulting services which the corporation might need for decision-making purposes + [Principle V.F, Third Paragraph]					+	According to the Company's policy, the management will identify, to the best of its knowledge, the need to hire consulting services, and shall act accordingly + Although not many consulting services are hired, the approval of the Board of Directors is requested whenever such services are needed + The management prepares a report to the Board of Directors informing on the relevant conclusions of the advisors +
22] New directors shall be instructed on their faculties and responsibilities, as well as on the characteristics and organizational structure of the corporation + [Principle V.H.1]					+	The new directors receive information and background necessary to properly comply with their duties +
23] Procedures to be followed by the Board of Directors in the election of one or more alternates shall be established + These procedures shall be used in order to complete the required number for the remaining period when no alternate directors are available and a vacancy of one or more directors takes place, provided the bylaws do not indicate otherwise + [Principle V.H.3]					+	Section 33 of the Company's bylaws provide a procedure to be followed in the event of vacancies in the Board of Directors +

[Continue]

Principle	Compliance					Support to the chosen alternative
	0	1	2	3	4	
24] The duties of the Chairman of the Board, Chief Executive Officer, as the case may be, as well as the General Manager shall be clearly established in the bylaws or the internal rule and regulations, in order to avoid double functions and possible conflicts + [Principle VI, First Paragraph]					+	Section 44 of the Company's bylaws establish the duties of the General Manager, who is the main corporate executive + The Company does not have a Chief Executive Officer + The duties of the Chairman of the Board are those vested upon the person presiding the meeting, representing and supervising the management +
25] The organic structure shall avoid the concentration of duties, faculties and responsibilities of the Chairman of the Board, the Chief Executive Office, if applicable, the General Manager and other executives holding management positions + [Principle VI, Second Paragraph]					+	The Company's bylaws describe the duties of the Chairman of the Board and the General Manager + The Company does not have a Chief Executive Officer position + There is a delimitation between the faculties of the different managers; there are joint signature procedures and committees for professional decision taking on certain matters +
26] It is advisable that the Management receive, at least, part of its remuneration based on the corporation's results, in order to assure compliance of its objective to maximize the value of the corporation to the shareholders' benefit + [Principle VI.5]					+	For the last few years at the end of the fiscal year, a portion of management's floating remuneration is being paid based on the goal compliance + The program characteristics are reviewed and adjusted from time to time according to the Company's situation and the market environment +

Exhibit 2

Ferreyros S.A.A. Listing of Common Shares for the Year 2004

ISIN Code	Symbol	Year - Month	Opening	Closing	2004 Prices		Average Price
			S/.	S/.	Highest S/.	Lowest S/.	S/.
PEP736001004	FERREYC1	2004-01	0.76	1.10	1.10	0.76	1.03
PEP736001004	FERREYC1	2004-02	1.08	1.10	1.15	1.08	1.11
PEP736001004	FERREYC1	2004-03	1.07	1.40	1.58	1.02	1.31
PEP736001004	FERREYC1	2004-04	1.40	1.47	1.51	1.40	1.45
PEP736001004	FERREYC1	2004-05	1.48	1.46	1.50	1.40	1.43
PEP736001004	FERREYC1	2004-06	1.43	1.34	1.46	1.34	1.38
PEP736001004	FERREYC1	2004-07	1.35	1.36	1.36	1.34	1.34
PEP736001004	FERREYC1	2004-08	1.38	1.39	1.41	1.35	1.38
PEP736001004	FERREYC1	2004-09	1.40	1.65	1.66	1.35	1.52
PEP736001004	FERREYC1	2004-10	1.65	1.64	1.76	1.60	1.62
PEP736001004	FERREYC1	2004-11	1.64	1.54	1.66	1.50	1.64
PEP736001004	FERREYC1	2004-12	1.48	1.90	1.90	1.48	1.53

Exhibit 3

Listing of Ferreyros Bonds in 2004

ISIN Code	Symbol	Year - Month	2004 Prices				Average Price
			Opening S/.	Closing S/.	Highest S/.	Lowest S/.	
PEP73600A012	FERRE0BC4A	2004-01	105.5554	103.8393	105.5554	103.8393	103.9318
PEP73600A012	FERRE0BC4A	2004-02	104.9181	104.7888	104.9181	103.7717	104.6603
PEP73600A012	FERRE0BC4A	2004-03	103.4757	104.4551	104.4551	103.4353	103.7102
PEP73600A012	FERRE0BC4A	2004-04	--	--	--	--	102.951
PEP73600A012	FERRE0BC4A	2004-05	--	--	--	--	103.2962
PEP73600A012	FERRE0BC4A	2004-06	104.1975	104.0624	104.1975	104.0624	104.1933
PEP73600A012	FERRE0BC4A	2004-07	--	--	--	--	102.111
PEP73600A012	FERRE0BC4A	2004-08	--	--	--	--	102.273
PEP73600A012	FERRE0BC4A	2004-09	102.1123	102.7894	102.7894	102.1123	102.4049
PEP73600A012	FERRE0BC4A	2004-10	102.8641	102.8641	102.8641	102.8641	102.8641
PEP73600A012	FERRE0BC4A	2004-11	--	--	--	--	101.9005
PEP73600A012	FERRE0BC4A	2004-12	102.3022	102.3022	102.3022	102.3022	102.3022
PEP73600A020	FERRE0BC4B	2004-01	102.1749	102.6311	104.5205	102.1227	103.0511
PEP73600A020	FERRE0BC4B	2004-02	104.0707	102.5545	104.0707	102.5545	103.9329
PEP73600A020	FERRE0BC4B	2004-03	103.4833	103.8697	103.8747	101.9699	103.3259
PEP73600A020	FERRE0BC4B	2004-04	101.9427	104.2701	104.2759	101.9427	103.2192
PEP73600A020	FERRE0BC4B	2004-05	--	--	--	--	101.8060
PEP73600A020	FERRE0BC4B	2004-06	103.0698	103.0609	103.0698	103.0609	103.0654
PEP73600A020	FERRE0BC4B	2004-07	100.8932	102.0877	102.0940	100.8815	101.3989
PEP73600A020	FERRE0BC4B	2004-08	102.0317	102.0255	102.0317	102.0255	102.0294
PEP73600A020	FERRE0BC4B	2004-11	--	--	--	--	101.7463
PEP73600A020	FERRE0BC4B	2004-12	100.7080	101.8837	101.8837	100.7044	101.0696
PEP73600A038	FERRE0BC4C	2004-01	99.4527	99.4527	99.4527	99.4527	99.4527
PEP73600A038	FERRE0BC4C	2004-03	98.3996	101.1283	101.1283	98.3996	99.7640
PEP73600A038	FERRE0BC4C	2004-04	99.1801	101.0700	101.0955	99.1801	100.2226
PEP73600A038	FERRE0BC4C	2004-06	--	--	--	--	100.5146
PEP73600A038	FERRE0BC4C	2004-07	99.0811	99.0811	99.0811	99.0811	99.0811
PEP73600A038	FERRE0BC4C	2004-08	99.1089	99.1089	99.1089	99.1089	99.1089
PEP73600A038	FERRE0BC4C	2004-09	97.8436	99.5953	99.5953	97.8436	98.8309
PEP73600M041	FERRE1BC1A	2004-07	100.0000	100.0000	100.0000	100.0000	100.0000
PEP73600M041	FERRE1BC1A	2004-08	102.8881	102.6151	102.8881	102.6151	102.7581
PEP73600M041	FERRE1BC1A	2004-11	101.2037	101.2037	101.2037	101.2037	101.2037
PEP73600M041	FERRE1BC1A	2004-12	100.5978	100.5978	100.5978	100.5978	100.5978
PEP73600M058	FERRE1BC1B	2004-11	100.0000	100.0000	100.0000	100.0000	100.0000

Financial Statements

Dongo-Soria Gavoglio y Asociados
Sociedad Civil
Firma Miembro de PricewaterhouseCoopers
Av. Canaval y Moreyra 380
Lima 27, Perú
Apartado 1434-2869
Telés.: (51 1) 211-6500 411-5800
Fax : (51 1) 442-6522 211-6565

(Free translation from the original in Spanish)

REPORT OF INDEPENDENT AUDITORS

February 18, 2005

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

We have audited the accompanying balance sheets of **Ferreyros S.A.A.** as of December 31, 2004 and 2003 and the related statements of profit and loss, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.


We conducted our audits in accordance with generally accepted auditing standards in Peru. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, prepared for the purposes indicated in the next paragraph, present fairly, in all material respects, the financial position of **Ferreyros S.A.A.** as of December 31, 2004 and 2003, the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in Peru.

The individual financial statements of **Ferreyros S.A.A.** have been prepared pursuant to requirements in force in Peru for the presentation of reporting information and not on a consolidated basis. These financial statements should be read together with the consolidated financial statements of **Ferreyros S.A.A. and subsidiaries**, presented separately, and on which we issued, as dated above, an unqualified opinion.

Dongo-Soria Gavoglio y Asociados

Countersigned by

 (partner)

Felix U. Homa
Peruvian Public Accountant
Registration No.13774

Balance Sheet [Notes 1, 2, 3 y 27]

At constant values

	At December 31,	
	2004	2003
	S/. 000	S/. 000
Assets		
Current assets		
Cash and banks [Note 4]	24,041	37,069
Trade accounts receivable [Notes 5 and 25]	106,534	77,366
Other accounts receivable [Note 6]	60,670	83,446
Inventories [Note 8]	204,088	209,973
Prepaid expenses	2,220	2,369
Total current assets	397,553	410,223
Long-term trade accounts receivable [Notes 5 and 25]	28,665	38,190
Deferred income tax and workers' profit sharing [Note 14]	7,140	6,211
Investments in securities [Note 9]	93,598	106,584
Property, plant and equipment [Note 10]	216,005	238,849
Other assets	744	562
	743,705	800,619
Liabilities and stockholders' equity		
	At December 31,	
	2004	2003
	S/. 000	S/. 000
Current liabilities		
Bank overdrafts and loans [Note 11]	20,180	27,529
Current portion of long-term debt [Note 12]	74,057	20,616
Trade accounts payable [Note 13]	134,236	203,886
Other accounts payable	38,204	34,806
Total current liabilities	266,677	286,837
Long-term debt [Note 12]	179,888	234,065
Deferred income	3,980	4,788
Stockholders' equity [Note 15]		
Capital stock	251,550	241,281
Revaluation surplus	10,267	10,926
Legal reserve	3,529	1,400
Retained earnings	27,814	21,322
	293,160	274,929
Tax situation [Note 16]		
Contingencies and commitments [Note 17]		
	743,705	800,619

The accompanying notes are part of the financial statements +

Statement of profit and loss [Notes 1, 2 and 7]

At constant values

	For the year ended December 31,	
	2004	2003
	S/. 000	S/. 000
Net sales:		
Third parties	810,334	712,512
Affiliates	15,204	10,626
	825,538	723,138
Other operational revenues	1,273	5,340
	826,811	728,478
Cost of sales [Note 18]:		
Third parties	[635,219]	[542,800]
Affiliates	[13,431]	[10,576]
	[648,650]	[553,376]
Administration expenses [Note 19]	[60,556]	[56,747]
Selling expenses [Note 20]	[91,647]	[72,255]
	[800,853]	[682,378]
Operating income	25,958	46,100
Other income [expenses]:		
Financial income [Note 21]	19,686	15,957
Financial expenses [Note 22]	[28,011]	[33,092]
Result of the adjustment for the effect of inflation	17,903	11,098
Other, net [Note 23]	8,161	[5,136]
	17,739	[11,173]
Income before workers' profit sharing and income tax	43,697	34,927
Workers' profit sharing:		
Current [Note 16]	[3,772]	[3,641]
Deferred [Note 14]	279	526
Income tax:		
Current [Note 16]	[14,144]	[12,290]
Deferred [Note 14]	1,489	1,772
Net income	27,549	21,294
Basic earnings per common share [Note 24]	S/. 0.126	0.098

The accompanying notes are part of the financial statements +

Statement of changes in stockholders' equity [Note 15]

At constant values

	For the years ended December 31, 2004 and December 31, 2003					
	Capital stock	Additional capital	Revaluation surplus	Legal reserve	Retained earnings	Total
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Balances at January 1, 2003	193,733	43,464	12,342	265	6,468	256,272
Capitalization of equity accounts	47,548	[43,464]	[1,416]	-	[2,668]	-
Cash dividends	-	-	-	-	[2,637]	[2,637]
Transfer to Legal reserve	-	-	-	1,135	[1,135]	-
Net income	-	-	-	-	21,294	21,294
Balances at December 31, 2003	241,281	-	10,926	1,400	21,322	274,929
Cash dividends	-	-	-	-	[9,318]	[9,318]
Capitalization of equity accounts	10,269	-	[659]	-	[9,610]	-
Transfer to Legal reserve	-	-	-	2,129	[2,129]	-
Net income	-	-	-	-	27,549	27,549
Balances at December 31, 2004	<u>251,550</u>	<u>-</u>	<u>10,267</u>	<u>3,529</u>	<u>27,814</u>	<u>293,160</u>

The accompanying notes are part of the financial statements +

Statement of cash flows [Notes 2 and 26]
 At constant values

	For the year ended December 31,	
	2004	2003
	S/. 000	S/. 000
Operating activities		
Collections from customers	787,776	677,404
Other collections related to operating activities	24,208	17,333
Payments to suppliers	[708,361]	[568,964]
Payments of salaries and social benefits	[97,310]	[84,080]
Payments of taxes	[15,970]	[11,844]
Other payments related to operating activities	[1,036]	[1,118]
Net cash [applied to] provided by operating activities	[10,693]	28,731
Investing activities		
Sale of investments in securities	103	36,279
Sale of property, plant and equipment	2,078	2,295
Purchase of machinery and equipment	[9,333]	[5,458]
Purchase of investments in securities	[607]	[1,172]
Purchase and development of intangibles	[268]	-
Collections of other investments in securities	1,785	1,698
Dividends received	21	10,056
Net cash [applied to] provided by investing activities	[6,221]	43,698
Financing activities		
Securitization of accounts receivable, net	32,628	[37,275]
Bank overdrafts and loans, net	[7,349]	7,226
Long-term debt, net	[736]	[7,819]
Interest on bank overdrafts, loans and long-term debt	[29,429]	[34,704]
Cash dividends	[9,131]	[2,614]
Net cash used in financing activities	[14,017]	[75,186]
Net decrease in cash	[30,931]	[2,757]
Result of the adjustment for the effect of inflation	17,903	11,098
Cash at the beginning of the year	37,069	28,728
Cash at the end of the year	<u>24,041</u>	<u>37,069</u>

(Continue)

	For the year ended December 31,	
	2004	2003
	S/. 000	S/. 000
Reconciliation of net result to cash flows from operating activities		
Net income	27,549	21,294
Adjustments to reconcile net income to cash flows from operating activities:		
Provision for doubtful accounts	16,597	12,857
Recovery of provision for doubtful accounts	[185]	[1,903]
Provision for obsolescence of inventories	9,854	17,716
Recovery of provision for obsolescence of inventories	[8,776]	[14,506]
Provision for workers' bonus	1,795	-
Provision for vacations	2,441	450
Provision [recovery] for fluctuations in value of investments in securities	2,433	[176]
Equity interest in value of investments in securities	[10,676]	[7,349]
Equity interest in securitization trust	[794]	[2,898]
Loss on sale of investments	38	2,472
Dividends in shares	[598]	-
Dividends earned, not collected	-	574
[Profit] loss on sale of property, plant and equipment	[574]	166
Depreciation and amortization	32,097	32,282
Financial expenses	28,011	33,092
Directors' remunerations	2,247	1,781
Workers' profit sharing	3,772	3,641
Deferred income tax and workers' profit sharing	[1,768]	[2,298]
Result of the adjustment for the effect of inflation	[17,903]	[11,098]
Other	[13,416]	[9,106]
Net changes in assets and liabilities:		
Trade accounts receivable	[73,906]	[49,413]
Other accounts receivable	40,685	[1,705]
Inventories	1,993	33,357
Prepaid expenses	149	800
Trade accounts payable	[62,703]	[5,465]
Other accounts payable	10,945	[25,834]
Net cash (applied to) provided by operating activities	<u>[10,693]</u>	<u>28,731</u>

The accompanying notes are part of the financial statements +

Notes to the Financial Statements December 31, 2004 and 2003

1] Economic Activity

Ferreyros S.A.A. [hereinafter the Company] was incorporated in the city of Lima in September 1922 under the name Enrique **Ferreyros** y Cia. Sociedad en Comandita + Subsequently, in June 1998 after several changes of its trade name, the Company amended its corporate by-laws in order to conform them to the General Law of Companies, whereby its new name is **Ferreyros** Sociedad Anónima Abierta [**Ferreyros** S.A.A.] + Its legal address is Avenida Industrial 675, Lima and it has branch offices in Piura, Chiclayo, Trujillo, Chimbote, Ica, Arequipa, Cusco, Huancayo, Huaraz and Cajamarca + The Company's main activity is the importation and sale of machinery, equipment and spare parts, rental of machinery and equipment and rendering of workshop services +

The personnel utilized by the Company to perform its activities, at the beginning and the end of the year 2004, comprised 33 executives, 519 employees and 592 workers, and 34 executives, 584 employees and 641 workers, respectively +

In accordance with the General Law of Companies, the financial statements as of December 31, 2004, have been prepared by the Board of Directors and will be submitted for consideration of General Stockholders' Meeting to be held in March 2005 +

2] Accounting Principles and Practices

The financial statements are prepared in accordance with regulations currently in force and generally accepted accounting principles in Perú + Accounting principles comprise principally International Financial Reporting Standards [IFRS], which comprise International Accounting Standards [IAS] made official under resolutions of National the Council of Accountancy + To the date of the financial statements, the National Council of Accountancy has

made official IAS 1 to 41 and interpretations 1 to 33 of the Standing Interpretations Committee [SIC] +

The major accounting principles and practices used in the recording of operations and preparation of the financial statements are as follows:

a] Restatement of the financial statements to recognize the effect of the inflation

The financial statements have been restated to reflect the effect of the variations in the purchasing power of the Peruvian currency following the methodology approved by the National Council of Accountancy + This methodology requires the restatement of non-monetary accounts of the financial statements by applying the Wholesale Price Index [IPM, from Spanish acronym] + Monetary items and foreign currency items have not been restated because such balances are already stated in the currency of the year-end +

By means of Resolution No.031-2004-EF/93.01 the National Council of Accountancy suspended, with effect from 2005, the adjustment of financial statements to recognize the effects of inflation + Balances adjusted for inflation at December 31, 2004 must be considered as the historic opening balances at January 1, 2005 + This accounting treatment has also been adopted by the Peruvian tax authorities to determine income tax as from January 2005 +

The variation in the purchasing power of the Peruvian currency established on the basis of the Wholesale Price Index, according to official statistics for years 2004 and 2003, were 4.9% and 2.0 %, respectively +

b] Use of accounting estimates

The preparation of the financial statements requires Company's management to make certain estimates and assumptions that affect the reported balances of assets and liabilities, disclosure of contingencies, and the recognition of revenues and expenses + If these estimates and assumptions, which are based on management's best judgement at the date of the financial statements, are modified by the actual circumstances, the corresponding balances of the financial statements are corrected in the period in which the estimates and assumptions change + The significant estimates related to the financial statements are the provision for doubtful accounts, provision for obsolescence of inventories, provision for fluctuation of investments in securities, depreciation of property, plant and equipment, amortization of other assets and the determination of income tax and workers' profit sharing +

c] Trade accounts receivable and provision for doubtful accounts

Accounts receivable balances are recorded at their nominal value, net of their corresponding provision for doubtful accounts + The balance of the provision that is determined on the basis of specific identification of overdue trade accounts, according to the policies established by the Company's Management, is reviewed on a periodic basis to adjust it to levels needed to cover potential losses in accounts receivable + Accounts not collectible are written-off when identified as such +

d] Securitization operations

The Company carries out operations of securitization through which invoices and notes receivable are transferred to securitization trusts which are managed by a local securitization company + The accounts' receivable transfer is carried out by applying a discount factor for invoices and the present value for notes receivable + At December 31, 2004 and 2003 the Company has recognized expenses from the transfer of invoices using the discount factor of S/. 2.2 million and S/. 6.4 million, respectively, which have been included in the account Financial expenses in the statement of profit and loss +

e] Inventories

Inventories are stated at the lower of their acquisition cost or their net realizable value + Cost of spare parts is based on the average method and cost of other inventories is determined on the basis of the specific identification method + The net realizable value is the estimated selling price in the ordinary course of business, less selling expenses +

f] Financial instruments

Financial instruments are defined as any contract, which, simultaneously, originates a financial asset in an enterprise and a financial liability or a capital instrument in another enterprise + In the case of the Company, financial instruments include primary instruments, such as accounts receivable and payable, bank loans, long-term debt and capital stock +

Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction + The values of the main Company's financial instruments are detailed as follows:

- The book value of cash and banks represents its fair value due to the fact that it is available cash +

- The book values of accounts receivable and payable are mainly similar to their fair value since a significant portion is due in the short-term +

- The book values of long-term accounts receivable, bank loans and long-term debt, are similar to their fair value as a result of comparing their interest rates with those prevailing in the market for similar obligations +

g] Investments in securities

The Company records its investments in affiliates and associates by the equity method, through which the results from these companies are recognized in the Company's financial statements with credit or debit to the book value of the investment; cash dividends received are credited to the investment value +

Investments in securitization trusts are stated by the equity method + Consequently, the Company recognizes in its financial statements the results of the operations of the securitization trusts +

In accordance with IAS 39 - Financial Instruments: Recognition and Measurement, the Company has classified its investments in common shares of other companies as available-for-sale investments; however, it considers that those investments will not be sold in the short nor medium-term + The available-for-sale investments are initially recorded at their acquisition cost and subsequently are valued at their fair value + The fair value of the quoted shares is determined in accordance with their quoted value + The profit or loss is recorded in the year's results + The dividends received are recorded in the year's results +

h] Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, except land, which is recorded at cost plus revaluation + Depreciation, except that of the rental fleet, is calculated using the straight-line method at rates considered sufficient to absorb the cost over the estimated useful lives of the assets + The depreciation of machinery, equipment and vehicles of the rental fleet is calculated using the used machine hour method +

Maintenance and repair costs are charged to results as incurred and replacements and improvements, when significant, are capitalized + The cost and related accumulated depreciation of assets sold or retired are eliminated from the corresponding accounts, and the resulting gains or losses are included in the year's results +

Annual depreciation rates used by the Company are as follows:

	%
Buildings and other facilities	3
Installations	10
Machinery and equipment	10 and 20
Machinery and equipment, rental fleet	[*]
Vehicles	20
Vehicles, rental fleet	[*]
Furniture and fixtures	10 and 25

[*] According to the used machine hour method +

i] Rental of machinery, equipment and vehicles

Machinery, equipment and vehicles for renting through operative leasing are recorded in the account Property, plant and equipment, calculating their respective depreciation through the used machine hour method + When rental contracts expire, these assets are transferred to the account Inventories for their technical servicing and for their subsequent sale or rental; in the latter they are transferred to the account Property, plant and equipment + The rental income is recognized monthly through the machine hours used during the lease contract term +

j] Lease contracts

Machinery and equipment lease contracts are recorded according to the financial method, recording the amount of the lease as an asset and an obligation, and charging to results the corresponding financial expenses and depreciation of the assets in the period in which they are accrued + Depreciation of these assets is calculated according to the used machine hour method +

k] Revenue recognition

Sales of machinery, engines, vehicles and spare parts are included in the year's results when all risks and benefits related to their ownership are transferred to the buyer + Revenues from workshop services are recognized when the service has been performed +

Income provided by workshop and repair services and rental of machinery and equipment are recognized in the period in which the services are rendered +

Other income is recognized as follows:

Rent and interest from credit sales: on the accrual basis +
Direct sales commissions revenue: when the supplier attends the request +
Financial interest: on the base of the effective yield +
Dividend revenue: when the Company's right to receive the payment is established +

l] Income tax and workers' profit sharing

Current income tax and workers' profit sharing are calculated on the basis of the taxable income which is determined in accordance with tax laws in force +

Deferred income tax is accounted for by using the liability method recognizing the effects of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, by applying legislation and the tax rate in force + The main temporary differences are shown in Note 14 +

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

m] 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 a reliable estimate of the amount involved can be made +

• Personnel vacations

Annual personnel vacations and other remunerated absences are recognized on the accrual basis + The provision for the estimated obligation for annual vacations and other remunerated absences of the personnel as a result of the services offered by the employees are recognized at the date of the balance sheet +

• Employees' severance indemnities

Provision for employees' severance indemnities is made for the whole of the indemnity rights in accordance with the current legislation and is shown net of deposits made in the financial institution, according to the employees' decision, and is recorded in the account Other accounts payable of the balance sheet +

n] Contingencies

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

o] Balances in foreign currency and exchange rate differences

Balances in foreign currency are stated in new Peruvian soles at the year-end exchange rates + Gains and losses on exchange differences on foreign exchange balances are included in the Result of the adjustment for the effect of inflation in the statement of profit and loss +

p] Cash and cash equivalents

For purposes of the preparation of the cash flow statement, cash corresponds to the balance included in cash and deposits and demand deposits in banks +

q] Basic earnings per share

Basic earnings per share are calculated by dividing the net income for the year by the weighted-average number of the shares outstanding at the balance sheet date + The shares to be annulled or to be issued by the restatement of the capital stock constitute a split of shares and, so for the calculation of the weighted-average of the outstanding shares it is considered as if those shares were always annulled or outstanding, respectively +

r] New accounting pronouncements

To date, the International Accounting Standards Board [IASB] has completed the process of revision of the IAS and has issued new accounting standards + All of the revisions of the existing IAS and the new NIIF issued are internationally applicable with effect from January 1, 2005 + To date, these standards have not been approved in Perú by the National Council of Accountancy + The Company is in the process of evaluating the impact which the adoption of the revised IAS and new NIIF issued will have +

[i] Improvement Project of the International Accounting Standards Board [IASB] +

As part of the standard improvement project, fifteen IAS were revised to reduce or eliminate alternative procedures, redundancies and conflicts among standards, as a way to obtain convergence in certain aspects with U.S.GAAP as well as implement other improvements +

IAS amended under this project are listed below:

- IAS 1 [revised in 2003] affects the presentation of minority interest and other disclosures +
- IAS 8, 10, 16, 17, 31, 32, 33 and 40 [revised in 2003] and IAS 39 [revised in 2004], which do not contain changes that may materially affect the financial statements or policies of the Company +
- IAS 21 [revised in 2003], establishes principally guidelines and requirements to determine the functional currency of companies +
- IAS 24 [revised in 2003], will affect the identification of related parties and other disclosures on related parties +
- IAS 27 and 28 [revised in 2003] established principally, that investments in subsidiaries and in associates, if they are included in the consolidated financial statements must be recorded in the individual financial statements of investors at cost or fair value + Likewise if the investments are not included in the consolidated financial statements, they should be registered in the individual financial statements of the investors by the fair value method +

[ii] In addition, as part of the review of the standards relating to business combinations, resulting in the issuance of IFRS 3 "Business Combinations", IAS 36 - Impairment of assets and IAS 38 - Intangible Asset, have also been revised +

[iii] New International Financial Reporting Standards
IFRS 2 - Share-based payment; IFRS 3 - Business combination; IFRS 4 - Insurance contracts and IFRS 6 - Exploration for and Evaluation of Mineral Resources +

IFRS 5 - Non-current assets held for sale and discontinued operations +

The objective of this IFRS is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations +

3] Foreign Currency

The balances in foreign currency as of December 31 comprise the following:

	2004	2003
	US\$ 000	US\$ 000
Assets		
Cash and banks	6,437	9,649
Trade accounts receivable	38,789	23,745
Other accounts receivable	17,527	20,995
	62,753	54,389
Liabilities		
Bank overdrafts and loans	5,955	7,506
Trade accounts payable	40,218	54,155
Other accounts payable	5,678	5,769
Long-term debt	77,351	70,087
	129,202	137,517
Net liabilities	66,449	83,128

Foreign currency balances at December 31, 2004 have been substantially stated at the exchange rates of S/. 3.28 and S/. 3.283 per US\$ 1 for assets and liabilities, respectively [S/. 3.461 and S/. 3.464 per US\$ 1, respectively, at December 31, 2003] +

As of December 31, 2004 and 2003, the Company recorded foreign exchange gains amounting to S/. 59.0 million and S/. 41.1 million and foreign exchange losses amounting to S/. 47.0 million and S/. 36.9 million, respectively +

4] Cash and Banks

At December 31, this account comprises:

	2004	2003
	S/. 000	S/. 000
Time deposits	12,136	25,051
Current accounts	10,327	9,818
Petty cash	1,578	2,200
	<u>24,041</u>	<u>37,069</u>

Time deposits in foreign currency are of current maturity and bear interest at average market rates +

5] Trade Accounts Receivable

At December 31, this account comprises:

	2004		2003	
	Current	Long-term	Current	Long-term
	S/. 000	S/. 000	S/. 000	S/. 000
Invoices and notes receivable	165,034	31,647	118,190	40,066
Deferred interest	[6,892]	[2,982]	[5,754]	[1,876]
Provision for doubtful accounts	[64,971]	-	[63,191]	-
	93,171	28,665	49,245	38,190
Affiliates [Note 7]	13,363	-	28,121	-
	<u>106,534</u>	<u>28,665</u>	<u>77,366</u>	<u>38,190</u>

Trade accounts receivables are guaranteed with the inventories sold and, in some cases depending on the transactions' importance, additional guarantees are required + These accounts receivable do not bear interest, except the notes receivable that bear an annual interest rate and a collection commission of between 14% and 16% +

At December 31, 2004 trade accounts receivable for US\$ 0.6 million and notes in collection in a local bank for US\$ 0.2 million are guaranteed with promissory notes granted by Caterpillar Financial Services [Note 12] +

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

	2004	2003
	S/. 000	S/. 000
Beginning balance	63,191	60,335
Additions of the year	14,098	7,856
Reversion for annulled sales	[185]	[1,903]
Reversion for portfolio transference	[1,259]	-
Write-offs	[4,034]	[902]
Result of the adjustment for the effect of inflation	[6,840]	[2,195]
Ending balance	64,971	63,191

The aging detail of trade accounts receivable is the following:

	2004	2003
	S/. 000	S/. 000
Current	135,756	121,258
Between 1 to 30 days past due	641	769
Between 31 to 90 days past due	4,886	835
Between 91 to 180 days past due	1,451	23
Over 181 days past due	67,310	63,492
	210,044	186,377

Trade accounts receivable over 180 days past due as of December 31, 2004 and 2003, had a provision for doubtful accounts amounting to S/. 65.0 million and S/. 63.1 million, respectively +

6] Other Accounts Receivable

At December 31, this account comprises:

	2004	2003
	S/. 000	S/. 000
Securitization trust [Note 25]	52,856	61,741
Affiliates [Note 7]	2,544	10,228
SVC Inversiones S.A.C.	5,683	8,407
Obras de Ingeniería S.A.	2,298	-
Personnel	2,806	3,547
Other	2,387	5,052
	68,574	88,975
Provision for doubtful accounts	[7,904]	[5,529]
	<u>60,670</u>	<u>83,446</u>

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

	2004	2003
	S/. 000	S/. 000
Beginning balance	5,529	528
Additions of the year	2,499	5,001
Result of the adjustment for the effect of inflation	[124]	-
Ending balance	<u>7,904</u>	<u>5,529</u>

7] Transactions with Affiliates

The movement of the accounts receivable and payable with affiliates for the year 2004 is the following:

	Beginning balance	Additions	Deductions	Result of the adjustment for the effect of inflation	Ending balance
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Accounts receivable					
Trade:					
Orvisa S.A.	21,797	13,658	[28,177]	4	7,282
Unimaq S.A.	3,972	3,936	[3,257]	[1]	4,650
Domingo Rodas S.A.	-	27	-	-	27
Motorindustria S.A.	341	1,702	[1,867]	2	178
Fiansa S.A.	1,868	925	[1,656]	1	1,138
Depósitos Efe S.A.	143	246	[301]	-	88
	<u>28,121</u>	<u>20,494</u>	<u>[35,258]</u>	<u>6</u>	<u>13,363</u>
Accounts receivable					
Other:					
Unimaq S.A.	3,126	2,650	[4,580]	[538]	658
Fiansa S.A.	573	1,016	[174]	[243]	1,172
Motorindustria S.A.	3,202	130	[3,186]	[146]	-
Depósitos Efe S.A.	693	373	[632]	[61]	373
Domingo Rodas S.A.	-	351	-	[10]	341
Orvisa S.A.	2,634	4,005	[5,611]	[1,028]	-
	<u>10,228</u>	<u>8,525</u>	<u>[14,183]</u>	<u>[2,026]</u>	<u>2,544</u>
Accounts payable					
Trade:					
Orvisa S.A.	1,669	1,354	[3,013]	[10]	-
Unimaq S.A.	159	2,643	[2,507]	[1]	294
Motorindustria S.A.	2,972	31,312	[31,648]	3	2,639
Fiansa S.A.	377	3,776	[3,831]	1	323
Depósitos Efe S.A.	30	791	[730]	[1]	90
	<u>5,207</u>	<u>39,876</u>	<u>[41,729]</u>	<u>[8]</u>	<u>3,346</u>
Accounts payable					
Non commercial:					
Orvisa S.A.	-	3,115	[1,913]	[11]	1,191

The other accounts payable are included in the Other accounts payable in the balance sheet +

Main transactions with affiliates are summarized as follows:

	2004	2003
	S/. 000	S/. 000
Sales of goods:		
Fiansa S.A.	162	30
Unimaq S.A.	2,558	1,966
Orvisa S.A.	11,225	5,703
Motorindustria S.A.	477	1,121
Sales of services:		
Fiansa S.A.	62	89
Unimaq S.A.	137	258
Motorindustria S.A.	539	1,015
Orvisa S.A.	44	248
Depósitos Efe S.A.	-	196
Purchase of goods:		
Unimaq S.A.	2,221	1,535
Orvisa S.A.	1,307	1,522
Fiansa S.A.	3,173	870
Purchase of services:		
Motorindustria S.A.	26,313	21,006
Fiansa S.A.	-	1,648
Depósitos Efe S.A.	664	727
Orvisa S.A.	-	43

8) Inventories

At December 31, this account comprises:

	2004	2003
	S/. 000	S/. 000
Machinery, engines and vehicles	94,839	114,211
Spare parts	67,040	71,591
Repair shop services in process	23,730	23,886
In transit	32,427	13,982
	218,036	223,670
Provision for obsolescence of inventories	[13,948]	[13,697]
	<u>204,088</u>	<u>209,973</u>

At December 31, 2004, certain machinery, engines and vehicles for US\$ 2.1 million and warrants for US\$ 0.3 million are in guarantee of promissory notes granted by Caterpillar Financial Services and endorsements granted by a local financial institution for US\$ 0.5 million on notes payable to Caterpillar Brasil S.A. and Agco do Brasil S.A. [Note 12] +

The annual movement of the provision for obsolescence of inventories was the following:

	2004	2003
	S/. 000	S/. 000
Beginning balance	13,697	14,879
Additions of the year	9,854	17,716
Reversion of sales	[8,776]	[14,506]
Write-offs	[827]	[4,392]
Ending balance	13,948	13,697

9) Investments in Securities

At December 31, 2004 and 2003 this account comprises:

	Quantity		Participation in equity	Unit nominal value	Book values	
	2004	2003			2004	2003
			%		S/. 000	S/. 000
Common shares in subsidiaries						
Orvisa S.A.	5,750,673	5,637,915	99.00	S/. 1	22,586	17,673
Motorindustria S.A.	12,292,341	12,292,341	99.98	S/. 1	20,488	16,927
Domingo Rodas S.A.	9,365,206	8,927,746	100.00	S/. 1	13,556	9,529
Unimaq S.A.	6,005,311	3,991,845	99.99	S/. 1	9,012	7,974
Fiansa S.A. [common shares]	5,080,010	5,080,010	99.00	S/. 1	5,588	5,445
Heavy Machinery Services Ltd.	-	300,000	100.00	US\$ 1	-	1,125
Fiansa S.A. [investment shares]	1,004,965	1,004,965	93.50	S/. 1	1,105	1,077
Depósitos Efe S.A.	843,082	512,843	99.87	S/. 1	1,647	954
					73,982	60,704
Common shares in other companies						
Quoted						
La Positiva Seguros y Reaseguros S.A.	11,247,007	10,684,957	13.79	S/. 1	12,837	14,074
Not quoted						
Other					1,484	1,127
					14,321	15,201
Securitization trust [Note 25]						
Investment					985	10,953
Equity interest					362	13,403
					1,347	24,356
Other investments						
Securitization trust - Cosapi S.A.					3,948	6,323
					<u>93,598</u>	<u>106,584</u>

At December 31, 2004 and 2003, the balance of investments in subsidiaries and associates has been determined by the equity method on the basis of their financial statements, recognizing the Company's participation in the results of these subsidiaries of those years of S/. 10.7 million and S/. 7.3 million, respectively, which have been included in the account Other, net in the statement of profit and loss [Note 23] +

In November 2004, the Company made a capital contribution to its subsidiary Depósitos Efe S.A., increasing its investment in S/. 0.3 million and acquired the investments in Domingo Rodas S.A. of own of its subsidiaries Depósitos Efe S.A. and Orvisa S.A. for S/. 0.2 million and S/. 3.1 million, respectively + These acquisitions were paid through the compensation of account receivables to those subsidiaries [Note 26] +

Securitization bonds - Cosapi S.A., correspond to an exchange of a liability for securitization bonds issued by a securitization company, with a monthly redemptions until October 2006 +

On April 7, 2003, the Company sold the total of its shares of Matreq **Ferreyros** S.A. for approximately S/. 36.4 million, equivalent to US\$10 million + This transaction generated a loss for the Company of approximately S/. 2.5 million, equivalent to US\$ 0.7 million, which includes the elimination of the goodwill for S/. 18.3 million which was originated from the acquisition of the above-mentioned investment, and is included in the account Other, net in the statement of profit and loss [Note 23] +

As part of this transaction, the Company guaranteed that Matreq **Ferreyros** S.A. would obtain minimum accumulated gross profits of US\$ 45 million in the first eight years as from the date of the transaction + If this profit level is not achieved, the Company must pay to the buyer between US\$ 1 million and US\$ 4 million in accordance with the profit obtained at the end of the established period and without a financial charge [Note 17] +

10] Property, Plant and Equipment

Changes in the property, plant and equipment accounts and in the corresponding accumulated depreciation for the year ended at December 31, 2004 are as follows:

	Beginning balances	Additions to cost/ application to results	Deductions	Transfers	Reclassifications	Ending balances
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Cost						
Land	49,749	78	-	-	-	49,827
Buildings and other facilities	74,065	118	-	-	[587]	73,596
Installations	9,761	632	-	-	[85]	10,308
Machinery and equipment	104,214	4,800	[3,844]	7,872	[379]	112,663
Machinery and equipment, rental fleet	108,983	14,597	-	[37,966]	-	85,614
Vehicles	4,936	308	[320]	[192]	-	4,732
Vehicles, rental fleet	8,302	156	-	[8,462]	4	-
Furniture and fixtures	25,081	2,976	[67]	[18]	-	27,972
Work in progress	1,840	422	-	-	-	2,262
	<u>386,931</u>	<u>24,087</u>	<u>[4,231]</u>	<u>[38,766]</u>	<u>[1,047]</u>	<u>366,974</u>
Accumulated depreciation						
Buildings and other facilities	19,057	2,389	-	-	[548]	20,898
Installations	6,546	893	-	-	-	7,439
Machinery and equipment	66,788	13,707	[2,448]	[2,986]	[2]	75,059
Machinery and equipment, rental fleet	28,211	12,020	-	[19,065]	-	21,166
Vehicles	4,372	382	[234]	[173]	-	4,347
Vehicles, rental fleet	3,276	346	-	[3,622]	-	-
Furniture and fixtures	19,832	2,274	[45]	[1]	-	22,060
	<u>148,082</u>	<u>32,011</u>	<u>[2,727]</u>	<u>[25,847]</u>	<u>[550]</u>	<u>150,969</u>
Net cost	238,849					216,005

Machinery and equipment for US\$ 5.1 million at December 31, 2004 are pledged in guarantee of long-term debt with Caterpillar Financial Services [Note 12] + In addition, the Company has constituted mortgages on its property for US\$ 25.0 million as a guarantee of promissory notes for US\$ 18.5 million granted by such institution +

At December 31, 2004, the account machinery and equipment, rental fleet includes cost and depreciation amounting to S/. 8.4 million and S/. 1.3 million, respectively [S/. 24.9 million and S/. 8.7 millions, respectively, at December 31, 2003] related to financial lease agreements which were partially cancelled by utilizing a purchase option +

11] Bank Overdrafts and Loans

At December 31, this account comprises:

	2004	2003
	S/. 000	S/. 000
Bank overdrafts	1,098	321
Bank loans in foreign currency		
Banco de Credito del Perú	-	9,084
BBVA Banco Continental	-	7,267
Interbank	6,566	-
Standard Chartered	12,516	-
	<u>19,082</u>	<u>16,351</u>
First program of short-term financial instruments	-	10,857
	20,180	27,529

Bank loans correspond to credits obtained to finance working capital and importations + These balances have current maturities, bear annual interest at fixed rates that fluctuate between 3.9% and Libor plus 2.0% and are without specific guarantees +

Additionally, the Company finances its operations through short-term financial instruments; in this sense, until the end of 2003, the Company had recorded in the Public Registers of the Stock Market the First Program of Short-term Financial Instruments - **Ferreyros** for an amount of US\$ 30 million + At December 31, 2003, the balance of the outstanding liabilities corresponds to the Third Issue, series B for US\$ 3 million which were redeemed in January 2004 and bore an annual interest rate of 3.83% + In addition, in a meeting of the Board of Directors held on July 21, 2003, the Second Program of Short-term Financial Instruments was approved for an amount of US\$ 30 million, which was authorized, in October 2003, by the General Management Resolution No.083-2003-EF/94.11 of CONASEV + This new program is guaranteed by the Company's equity + At December 31, 2004, financial instruments corresponding to this program have not been issued +

12] Long-Term Debt

At December 31, 2004 and 2003 this account comprises:

Institution	Type of loan	Maturity	Authorized and used amount US\$ 000	Total		Total		Current		Outstanding balances	
				2004	2003	2004	2003	2004	2003	2004	2003
				US\$ 000	US\$ 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Caterpillar Financial Services Promissory notes with an annual interest of Libor plus 3.25% to 4.5% and an annual interest of 10.2% with guarantee of trade accounts receivable, inventories and property, plant and equipment [Notes 5, 8 and 10] +	Promissory notes	Quarterly and semi-annually until 2010	60,000/ [1] 27,461	27,461	36,276	90,156	131,822	16,930	12,888	73,226	118,934
Ferreyros Bonds Fourth emission A, B and C series and Corporate bonds First emission A and B series with annual interest rates of 4.5% to 7.5% with guarantee on the Company's equity +	Corporate Bonds	Until November 2007	45,000/ [3] 45,000	45,000	30,000	147,735	109,012	49,245	-	98,490	109,012
Financial institutions Promissory notes with a semi-annually interest rate of 4.5% and annual rate of 10% +	Promissory notes	Monthly and semi-annually until 2006	5,000/ 4,142	4,142	1,690	13,600	6,142	5,428	1,792	8,172	4,350
Caterpillar Brasil S.A. Notes payable at an annual interest rate of 4,625% to 6.25% [Note 8], with the endorsement of a local financial institution +	Notes	Quarterly until 2005	5,000/ [2] 256	256	1,017	840	3,696	840	2,767	-	929
Agco do Brasil S.A. Notes payable at an annual interest rate of 4.56% to 6.375% [Note 8], with the endorsement of a local financial institution +	Notes	Semi-annually until 2005	5,000/ [2] 492	492	915	1,614	3,323	1,614	2,483	-	840
Other Comprise various loans and credits for importations at several interest rates +	Various	Semi-annually until 2004	-	-	189	-	686	-	686	-	-
				77,351	70,087	253,945	254,681	74,057	20,616	179,888	234,065

[1] Corresponds to a joint credit line +

[2] Corresponds to an endorsement granted by a local financial institution +

[3] Credit line granted for one time only +

The payment schedule of the total debt, net of interest, as of December 31, 2004 in United States dollars and in New Peruvian soles at this date, is as follows:

Years	US\$ 000	S/. 000
2005	22,558	74,058
2006	23,494	77,131
2007	17,270	56,697
2008	1,437	4,718
2009	1,437	4,718
2010	11,155	36,623
	<u>77,351</u>	<u>253,945</u>

On March 16, 2004, the General Management Resolution No.028-2004-EF/94.11 of CONASEV approved the advance proceeding and inscription in the Public Registers of the Stock Market of the First Program of **Ferreyros** Corporate Bonds for up to US\$ 50 million + At December 31, 2004, the Company has issued the first issue of series A and B for a total amount of US\$ 15 million +

13] Trade Accounts Payable

At December 31 this account comprises:

	2004 S/.000	2003 S/.000
Notes payable	73,216	153,930
Invoices	57,674	44,749
Affiliates [Note 7]	3,346	5,207
	<u>134,236</u>	<u>203,886</u>

At December 31, 2004, the balance mainly includes accounts payable to Caterpillar Americas Co. for US\$ 22.1 million, equivalent to S/. 73 million [US\$ 42.3 million, equivalent to S/. 154 million at December 31, 2003] which bear interest at annual rates which fluctuate between 3.65% and 3.94%, plus a commission of 0.785% +

14] Deferred Income Tax and Workers' Profit Sharing

At December 31, 2004 and 2003 the balance of this account comprises:

	2004 S/. 000	2003 S/. 000
Income tax	5,634	4,789
Workers' profit sharing	1,506	1,422
Balance at December 31	<u>7,140</u>	<u>6,211</u>

The temporary differences that originate deferred income tax and workers' profit sharing are as follows:

	Balances at December 31, 2003 S/. 000	Additions and reversals of 2004 S/. 000	Balances at December 31, 2004 S/. 000
Provision for obsolescence of inventories	[5,041]	[456]	[5,497]
Differences on depreciation rates	[4,355]	224	[4,131]
Other provisions	[3,554]	298	[3,256]
Result of the adjustment for the effect of inflation of inventories, land and investments in securities	[1,189]	[2,593]	[3,782]
Equity participation in securitization trust	-	142	142
Provision for vacations	[854]	[803]	[1,657]
Intangibles with limited life	84]	96]	180]
Deferred earnings, net	156]	2,884	3,040]
Financial lease operations	[2,916]	[1,202]	1,714
	<u>[11,837]</u>	<u>[1,410]</u>	<u>[13,247]</u>
Land revaluation	[5,626]	481	6,107
	<u>[6,211]</u>	<u>[929]</u>	<u>[7,140]</u>

	2004 S/. 000	2003 S/. 000
Deferred income debt tax at the end of the year	7,140	6,211
Deferred income debt tax at the beginning of the year	[6,211]	[4,136]
	<u>929</u>	<u>2,075</u>
Credit to income of the year		
Workers' profit sharing	279	526
Income tax	1,489	1,772
Adjustment	[839]	223
	<u>929</u>	<u>2,075</u>

Based on its forecasts, the Company's Management considers that the deferred income tax and workers' profit sharing will be recovered through their application to future taxable income +

15] Stockholders' Equity**a] Capital stock**

The authorized, subscribed and paid-in capital stock at December 31, 2004 amounts to S/. 239,800,000, formalized by public deed and represented by 218,000,000 common shares at a nominal value of S/. 1.10 each one, of which 86.96% belongs to national investors and 13.04% to foreign investors +

By agreements of the Ordinary Stockholders' Meeting of March 24, 2004, the capital stock was increased in S/. 10.3 million through the capitalization of the restatement of the additional capital, revaluation surplus and retained earnings +

At December 31, 2004 the Company's capital structure is the following:

Percentage of individual participation in capital	Number of stockholders	Percentage of total participation
Up to 1.00	745	13.66
From 1.01 to 5.00	9	25.38
From 5.01 to 10.00	4	26.78
From 10.01 to 100	3	34.18
	761	100.00

The issuance of the shares corresponding to the restatement for the effect of the inflation of 2004 is still pending + In accordance with current legislation, the issuance of such shares does not constitute a dividend and is not subject to income tax +

b] Additional capital

Corresponds to the additional premium on the subscription for shares related to the increase in capital stock agreed in the Extraordinary Stockholders' Meeting of January 13, 1997, for placing 24,999,989 shares at a nominal value of one New Peruvian Sol each, in both local and international stock markets, including those placed through an American Depositary Receipts Program [ADRs] + The premium amount, which can be capitalized at any time, will benefit equally the outstanding shares as well as the shares to be issued as a result of the mentioned increase in capital stock + At December 31, 2003 the total balance was capitalized +

c] Revaluation surplus

The surplus corresponds to the difference between the book balance of land with the assigned value from technical appraisals of an independent expert in 1999 which can be capitalized and/or used to compensate losses. + At December 2004 and 2003 a portion of this balance was capitalized for S/. 659,000 and S/. 1,416,000, respectively +

d] Legal reserve

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

The appropriation from net income for the year 2004 for S/. 2.8 million to the Legal reserve will be carried out when approved by the Company' Stockholders +

e] Retained earnings

The General Stockholders' Meeting held on March 24, 2004 was approved the distribution of cash dividends for S/. 9,318,000 and the capitalization of retained earnings for S/. 9,610,000 +

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

16] Tax Situation

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 adjusted for inflation [suspended as from 2005], those items considered as taxable and non-taxable, respectively + Taxable income has been determined as follows:

	2004 S/. 000	2003 S/. 000
Income before workers' profit sharing and income tax	43,697	34,927
Plus [less] permanent items		
Non-deductible expenses	10,796	14,997
Equity value of investments in affiliates	[12,537]	[7,857]
Plus [less] temporary differences		
Deferred income of the year	[6,687]	[190]
Prior years' deferred income - application	2,328	942
Provision for obsolescence of inventories	1,084	[2,106]
Difference on depreciation rates	[1,723]	2,450
Provision for vacations	2,291	377
Result of the adjustment for the effect of inflation of inventories, investments in securities and land	6,091	[1,130]
Financial lease operations	4,196	2,564
Provision for estimated expenses	[697]	3,542
Dividends received from the securitization trust during the year	2,345	-
Other items	[267]	645
Taxable income	50,917	49,161
Workers' profit sharing	[3,772]	[3,641]
Basis for income tax	47,145	45,520
Income tax	[14,144]	[12,290]

b] The loss [profit] for income tax includes:

	2004 S/. 000	2003 S/. 000
Current income tax	14,144	12,290
Deferred income tax [Note 14]	[1,489]	[1,772]
	12,655	10,518

The income tax before tax is different from the theoretical amount that would have resulted from applying the income tax rate as follows:

	2004 S/. 000	2003 S/. 000
Profit before taxes	43,697	34,927
Income tax by applying the tax rate of 30% and 27%	13,109	9,431
Non-deductible expenses	3,239	4,049
Non-taxable income	[3,761]	[2,121]
Workers' profit sharing	[1,132]	[841]
Other	1,200	-
Income tax for the year	12,655	10,518

Additional estimated payment of income Tax was inapplicable since its inception +

The credit not applied is considered as an illegally made payment and its return and or compensation will be required in accordance with the regulations of the Peruvian Tax Code +

f] Temporary tax on net assets

As from January 1, 2005 the temporary tax on net assets will come into effect, which is applicable to the entities which generate third category income subject to the general regime of income tax +

The taxable income is determined on the basis of the net assets stated in the balance sheet, restated following Legislative Decree No.797, as of December 31 of the prior year to when the payment is expected to be made, after depreciation and amortizations have been deducted +

The value of the net assets in the balance sheet as of December 31 will be restated applying the IPM of the period comprised between December 31, of the prior year to when the payment is to be made and March 31, when the payment is expected to be made +

The tax rate is 0.6% applicable to the net assets exceeding S/. 5 million +

The amount effectively paid may be used as a credit as follows:

[a] Against payments in advance of Income Tax under the General Regime for the tax periods from March to December of the taxable period for which the tax was paid, until the due date for payment of each on-account payment +

[b] Against the regularization payment of the Income tax of the related period +

A tax refund may be requested only in the case the tax losses incurred are supported or a lower payment is determined of the Income Tax under the General Regime +

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 next year at the date the tax returns have been filed [years subject to examination] + Years 2000 through 2004, inclusive, are subject to examination + Because of the differences that can arise in the interpretation by the tax authorities on the regulations applied to the Company, at present it is not possible to estimate if any additional tax liabilities will arise as a result of eventual examinations + Any additional tax, fines and interest, if arising, will be recognized in the results of the period when such differences are resolved + The Company's Management considers that no significant liabilities will arise as a result of these possible tax examinations +

d] As established under regulations in force up to the fiscal year 2003, for purposes of determining income tax and general sales tax, transfer pricing among related and non-related parties should have adequate supporting documentation as well as information supporting the methods and valuation criteria used + Peruvian tax authorities are entitled to request such information from the taxpayer +

Recent modifications to the income tax law, applicable as from 2004, establish that the supporting documentation of transfer pricing of those transactions among related companies that have not reduced the total of their income tax will not be required + In addition, the supporting documentation of the transactions between related companies is required, without exceptions, in the case of international and national operations in which one of the parties is tax exempt, has subscribed agreements of juridical stability or has declared tax losses in the last six years + Additionally, such supporting documentation will be required when transactions between related parties result in a lower tax payment in Perú +

e] As from 2003 companies should make Additional estimated income tax payments calculated at a progressive rate of up to the 1.5% of the total net assets adjusted for inflation at the prior year-end + On November 13, 2004 a sentence of the Constitutional Court was released stating that the

17] Contingencies and Commitments

Contingencies

At December 31, 2004 the Company has the following contingencies:

a] In February 2003, the Company received a Resolution of a fine for S/. 2.3 million, including interest, because of a supposed omission in the regularization payment of income tax for the year 2000 + The Company has filed the respective claim with the Fiscal Court +

b] In April 2003, the Company received tax assessments related to income tax and value-added tax for the year 2000 for a total amount of S/. 4.0 million, which includes fines and interest + The Company has filed the respective claim with Tax authorities +

c] At December 31, 2004 the Company maintains in process its reclamation against claim for indemnities for contractual responsibility brought against it by third-parties for US\$ 2.0 million +

The Company's management, based on the opinion of its legal and tax advisors, considers that these assessments and claim are unfounded and that the final result will be favorable to the Company; therefore, it has not considered it necessary to record a provision +

Commitments

At December 31, 2004 the Company has the following commitments:

a] Guarantees amounting to US\$ 5.0 million and US\$ 4.1 million for affiliates' credit operations and purchase operations from third parties, respectively +

b] Bank guarantees in favor of financial institutions amounting to US\$ 3.3 million that guarantee several transactions +

c] In addition, as a result of the sale of the shares of Matreq Ferreyros S.A., in case of non-compliance of the guarantee covenant, the Company should pay to the buyer an amount that can fluctuate between US\$ 1 million and US\$ 4 million [Note 9] +

18] Cost of Sales

Cost of sales for the years ending December 31 comprise:

	2004 S/. 000	2003 S/. 000
Beginning balance of inventories	209,688	243,124
Purchases of inventories	507,293	424,729
Labor and workshop expenses	61,482	60,383
Operational expenses of rental fleet	20,756	18,601
Other	35,040	16,227
Ending balance of inventories	[185,609]	[209,688]
	<u>648,650</u>	<u>553,376</u>

19] Administration Expenses

Administration expenses for the years ending December 31 include the following items:

	2004	2003
	\$/ 000	\$/ 000
Employees' costs	32,975	27,899
Services rendered by third parties	15,316	16,703
Taxes	959	1,546
Sundry expenses	4,499	4,365
Depreciation and amortization	5,643	5,143
Provisions	1,164	1,091
	<u>60,556</u>	<u>56,747</u>

20] Selling Expenses

Selling expenses for the years ending December 31 comprise:

	2004	2003
	\$/ 000	\$/ 000
Employees' costs	32,556	24,238
Services rendered by third parties	17,302	14,869
Taxes	1,025	1,168
Sundry expenses	14,050	9,358
Depreciation	14,090	15,483
Provisions	12,624	7,139
	<u>91,647</u>	<u>72,255</u>

21] Financial Income

Financial income for the years ending December 31, comprise:

	2004	2003
	\$/ 000	\$/ 000
Interest from credit sales	7,949	4,454
Discounts for prompt payment	7,592	5,214
Equity participation in securitization trust	794	2,898
Interest penalties	1,603	2,413
Interest earned from bank deposits	165	343
Dividends received	1,009	198
Other financial income	574	437
	<u>19,686</u>	<u>15,957</u>

22] Financial Expenses

Financial expenses for the years ending December 31 comprise:

	2004	2003
	\$/ 000	\$/ 000
Interest on bank loans	9,784	11,006
Corporate bonds interest	8,178	7,360
Foreign suppliers' financial interest	4,655	7,485
Securitization of accounts receivable	2,188	6,370
Tax on financial transactions	2,598	-
Other financial expenses	608	871
	<u>28,011</u>	<u>33,092</u>

23] Other, Net

This account for the years ending December 31 comprises:

	2004	2003
	\$/ 000	\$/ 000
Equity participation in subsidiaries	10,676	7,349
Income for contract resolution	3,270	5,478
Income for rental of properties	792	905
Recovery of taxes assumed initially by the Company and reimbursed by a supplier	-	1,740
Provision for obsolescence of inventories	[9,854]	[17,716]
Loss on the sale of the shares of subsidiary	[38]	[2,472]
Penalties assumed	[179]	[892]
Application of credit balances of customers	1,073	-
Reversion of provision for discounts to customers	1,416	-
Other	1,005	472
	<u>8,161</u>	<u>[5,136]</u>

24] Basic Earnings per Common Share

The basic earnings per share for each common share have been determined as follows:

	2004	2003
Attributable earnings	\$/ 000 27,549	21,294
Weighted-average number of outstanding common shares	<u>218,000,000</u>	<u>218,000,000</u>
Basic earnings per share	\$/ 0.126	0.098

Due to the absence of conditions that justify it, the diluted earnings per share were not determined; this is established when potential shares exist [common or labor shares], that correspond mainly to financial instruments or contracts that give rights to their holders to obtain common or labor shares +

At December 16, 2004, the extinction of Securitization Trust - Leg. Decree No. 861 Title XI, **Ferreyros** - PFF, 2000-01 ["Securitization IV"] extinction was declared, which was created by Contract of Securitization Trusteeship of April 5, 2000, and its amendment of November 24, 2000 and December 20, 2000 +

The balance of accounts receivable to Securitization Trust at December 31, 2004 and 2003 [Note 6] corresponds to the successive fiduciary transfers of accounts receivable, net of collections carried out at such dates; is considered of current maturity and does not bear any interest + The balance at such date is summarized as follows:

	Assets in Trust IV		Assets in Trust II		Total	
	2004	2003	2004	2003	2004	2003
	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M
Balance at January 1	[0.1]	0.2	17.1	6.3	17.0	6.5
Transfers of the year	3.3	8.6	160.8	171.8	164.1	180.4
Transfers for the payment of obligations	12.2	12.6	-	15.0	12.2	27.6
Repurchased portfolio	[8.0]	-	-	-	[8.0]	-
Collections	[7.4]	[21.5]	[161.8]	[176.0]	[169.2]	[197.5]
Balance at December 31	-	[0.1]	16.1	17.1	16.1	17.0
Equivalent in million of new Peruvian soles	-	[0.4]	52.9	62.1	52.9	61.7

The Company has also made contributions in cash for the incorporation of the Securitization Trusts. At December 31, 2004 and 2003 the balance of investments in the Securitization Trusts [Note 9] is summarized as follows:

	Investment		Participation in equity		Total	
	2004	2003	2004	2003	2004	2003
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Securitization Trust IV - Certificates of participation	-	9,827	-	12,973	-	22,800
Securitization Trust II - Reserve account	985	1,126	362	430	1,347	1,556
	985	10,953	362	13,403	1,347	24,356

At December 31, 2004 and 2003, the Company has recognized its participation in the results of Securitization Trusts, on the basis of its financial statements at such dates, crediting S/. 0.8 million and S/. 2.9 million, respectively, to the account Financial income of the statement of profit and loss +

26] Non-Cash Transactions

The following are the main transactions performed in the years ended December 31 that are not incorporated in the statement of cash flows, due to the fact that they do not represent cash flows transactions:

	2004	2003
	S/. 000	S/. 000
Transfers of inventories to property, plant and equipment	36,935	39,878
Transfers of property, plant and equipment to inventories	50,312	30,657
Sale of the Heavy Machinery Services Limited shares, compensated with account payables	998	-
Acquisition of Domingo Rodas S.A. shares compensated with account receivables	3,302	-
Capital contribution through installations in its subsidiary Depósitos Efe S.A.	335	335

27] Financial Risk Management

The Company's activities expose it to a variety of financial risks, the potential adverse effects of which are permanently evaluated by the Company's Board of Directors and Management so as to minimize them + The financial risks that the Company is exposed to are:

Foreign exchange risk: All sales and purchases and operational expenses are mainly made in United States dollars, thus reducing the risk of negative variations of the exchange rate against the New Peruvian sol +

Interest rate risk: Income and operational cash flows of the Company are substantially independent of changes in market interest rates + Additionally, management obtains financing at floating and fixed interest rates, which are in accordance with market rates +

Credit risk: The Company does not have significant risks of credit concentration, having established policies to ensure that sales of products and services are made to customers with an appropriate credit history + Additionally, the Company requires guarantees on products sold and, when applicable, additional guarantees +

Liquidity risk: Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities + The Company aims at maintaining flexibility in funding by keeping committed credit lines available, because of its policy of diversifying its sources of financing +

25] Securitization Operations

At December 31, 2004 the Company has in force a Contract of Securitization Trusteeship with Citicorp Perú Sociedad Titulizadora SA [hereinafter Securitization Company], Securitization Trust - Leg. Decree No. 861, Title XI, **Ferreyros** - PFF, 1998-01, through which the Company transferred to the Securitization Company accounts receivable to be integrated in the securitization trust which is used as a guarantee for the corporate bonds issued by way of a public offer [securitization bonds] +

Securitization Trust - Leg. Decree No.861, Title XI, **Ferreyros** - PFF, 1998-01 ["Securitization II"], created by Contract of Securitization Trusteeship of December 29, 1998, and its amendment of October 27, 1999, whereby the Company transferred accounts receivable [invoices] to the Securitization Trust, which is managed by a Securitization Company + The Company reports on a monthly basis the amount of invoices transferred and the amounts collected and the Securitization Trust received new invoices to replace those collected + Accounts receivable transferred to the Securitization Trust in the year 2004 amount to US\$ 160.8 million [US\$ 171.8 million in 2003], of which at December 31, 2004 a balance remains of US\$ 16.1 million [US\$ 17.1 million in 2003] + These accounts are used as a guarantee for the securitization bonds issued by this securitization trust as of September 11, 2001 for US\$ 4 million, which will be redeemed in 2005 + In addition, the trade accounts receivables transferred will use as a guarantee for the future bonds that would be made, thus the trade account receivables transfers are made in a permanent way +

On the other hand, the investment of the Company in the Securitization Trust corresponds to the initial amount which has been granted as a reserve account for US\$ 300,000, which will be re-paid to the Company at the date of redemption of the bonds + In the same way, when transferring invoices in excess to the amount of the bonds, the Company has the right to receive the surplus funds, after payment of the bond holders +

Ica

Calle Fermín Tangüis 159 167
 Urb San Miguel, Ica
 P 056 233952 F 056 235041

Arequipa

Av Alfonso Ugarte 207, Arequipa
 P 054 287578 054 285503
 F 054 282576 054 211030

Cusco

Av Mariscal Sucre Lote J 8-9
 Urb Huancaro, Cusco
 P.O.Box 139
 P 084 223321 084 225951 F 084 223319

Huancayo

Av Mariscal Castilla 2936
 El Tambo, Huancayo
 P 064 244845 F 064 249632

Ferreyros S.A.A.**Orvisa S.A.****Main Office****Lima**

Av Industrial 675, Lima
 P.O.Box 150
 P 336 7070 F 336 8331 336 8371
 www.ferreyros.com.pe

Branch Offices**Piura**

Prolongación Av Sánchez Cerro Km 1
 Zona Industrial, Piura
 P 073 303049 F 073 334593

Chiclayo

Av Balta 155, Chiclayo
 P.O.Box 137
 P 074 234590 074 235741 F 074 238651

Cajamarca

Km 5.2 Carretera Cajamarca Baños del Inca,
 Cajamarca
 P 076 348381 076 348427 F 076 348370

Trujillo

Av Teodoro Valcárcel 925 Urb Santa Leonor,
 Trujillo
 P 044 223338 044 223345 F 044 246199

Chimbote

Av La Marina 161 Urb Buenos Aires,
 Chimbote
 P.O.Box 169
 P 043 311411 F 043 312026

Huaraz

Carretera Huaraz-Caraz Km 5.500
 Monterrey, Huaraz
 P 043 427575 043 421585 F 043 427573

Iquitos [Main Office]

Av Abelardo Quiñónez Km 2, Iquitos
 P.O.Box 439
 P 065 263710 065 263976 065 264142
 F 065 265517

Pucallpa

Av Centenario 3900,
 Pucallpa
 P 061 571694 061 571703 F 061 577480

Tarapoto

Jr Jiménez Pimentel 1351,
 Tarapoto
 P 042 522344 042 522378 F 042 523205

Bagua

Av Chachapoyas 1484 Utcubamba,
 Bagua Grande
 P 041 774776

Huaypetuhe

Asociación 05 de Junio Mz 146 Lote 3 y 5,
 Madre de Dios
 P 084 223321 anexo 249

Puerto Maldonado

Av Dos de Mayo 546, Puerto Maldonado
 P 082 573916