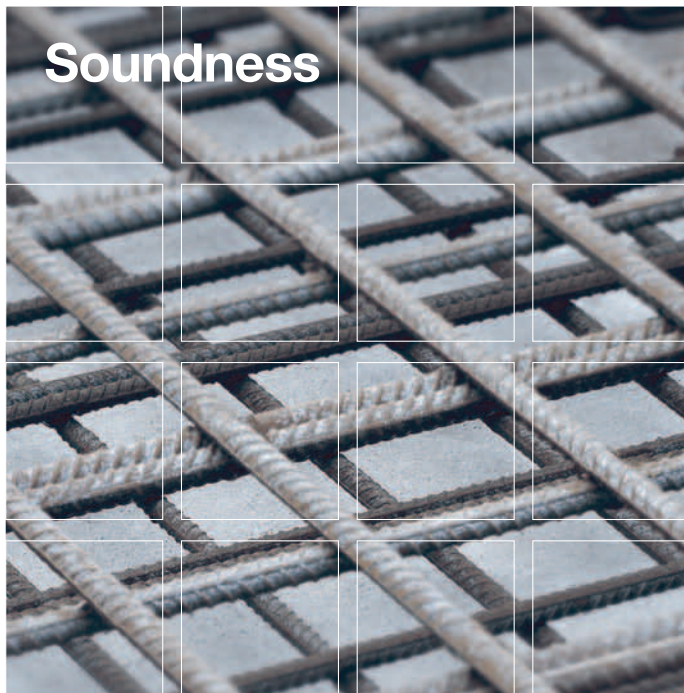


Grupo Graña y Montero

The four
phases of one
strategy

Soundness



Diversification



Annual
Report

Commitment



Fullfilment



2004

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Grupo Graña y Montero

The four
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Financial Highlights

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Grupo Graña y Montero

Constant Values at December 2004 Stated in thousands of nuevos soles (S/'000)	2001	2002	2003	2004	Equivalent in US\$'000
Activity	686,583	692,020	807,571	840,974	256,160
Billing	704,727	688,291	811,200	833,731	253,954
Gross Profit	86,612	93,621	124,290	141,991	43,250
Income Before Taxes	-15,853	-12,596	24,461	47,460	14,456
Net Income	-18,709	-25,954	8,034	17,515	5,335
EBITDA	76,347	101,883	135,540	147,502	44,929
Professional Staff	612	495	643	984	

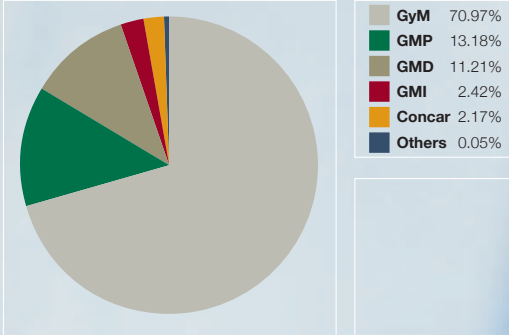
Graña y Montero S.A.A. is a holding of five companies, with over 950 professionals, that provides engineering and infrastructure services in four Latin American countries.

Our mission is to attend to our customers' engineering and infrastructure service requirements beyond contractual obligations. Integral to this mission is maintaining a highly motivating working environment that fosters the development of our employees' capacities and skills, respecting and caring for the environment and maintaining harmonious relations with the communities in which we operate, as well as securing adequate returns to our shareholders.

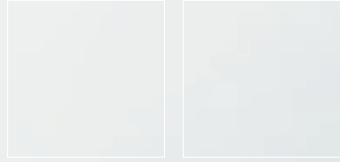
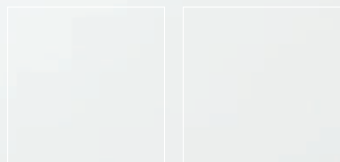
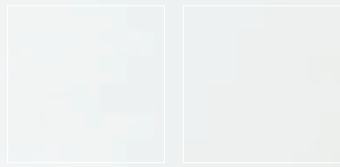
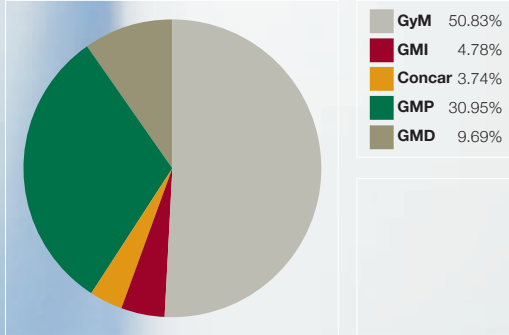
Our vision is to be recognized among Latin America's best and most compliant engineering and infrastructure service providers.



Activity by Subsidiary 2004



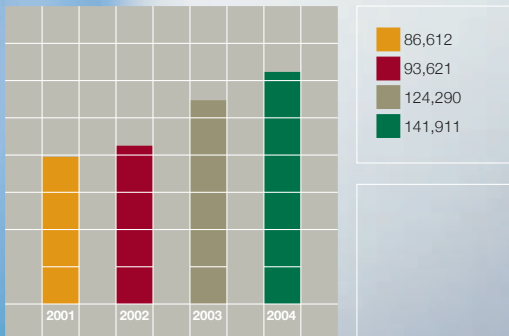
Gross Profit 2004




Activity 2004
In millions of nuevos soles



Gross Profit 2004
In millions of nuevos soles





As to financial soundness, we have reduced our financial debt by 22% and generated an Earnings before Interest, Taxes, Depreciation, and Amortization –EBITDA– of 45 million dollars.

Letter to Shareholders

We are very pleased with this year's results. Our activity has exceeded 256 million dollars.

We hereby respectfully submit for your consideration the 2004 Annual Report of Graña y Montero S.A.A., the 71st report issued since its incorporation as a construction company that has grown to become a Group of engineering services companies that is well diversified into other business activities such as hydrocarbons, information technology (IT) and infrastructure concessions.

We are very pleased with this year's results. Our activity has exceeded 256 million dollars, as earnings before taxes increased nearly twofold, compared to last year, to 14.4 million dollars.

These outstanding results lead us to assert that this year has been the year of consolidation of the Group. Following 2003's successful 50-million dollar bond placement, we resolved that our main objective for the upcoming years would be the Group's financial and strategic soundness.

As to financial soundness, we have reduced our financial debt by 22% and generated an Earnings before Interest, Taxes, Depreciation, and Amortization –EBITDA– of 45 million dollars. Such achievements were the result of a corporate wide effort to improving productivity, which has lead to an increase in our gross profit from 15.4 to 16.9%.

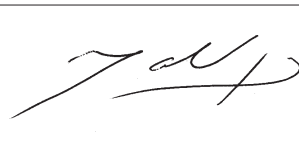
Simultaneously, we have made significant progress in connection with our strategic consolidation objectives. Thanks to our Diversification Plan, 49% of the Group's current gross profit is generated by activities that are isolated from the construction cycle. Our Specialization Strategy has conducted us to carry on 70% of our activity in the energy and mining sectors. Our Technical Training Plan has allowed us to engage on increasingly sophisticated projects, such as the Camisea Project Gas Fractioning Plant in Pisco that we

will complete this year and Cerro Verde's new Copper Sulfide Concentrator Plant, which we will start building next year.

These achievements allow us to be optimistic about the future. Peru has achieved excellent macroeconomic stability indicators, an aggressive highway concession program has been launched, and a Free Trade Agreement with the United States is expected to be signed next year. Moreover, the announcement of important mining projects and the development of the gas industry in Peru, make us confident that that growth will occur precisely in the industries for which we have prepared ourselves, as well as in activities in which we are clear leaders in Peru.

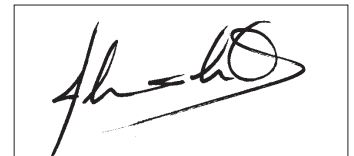
However, we must keep in mind that having gone beyond 70 years is not only the result of working on medium term strategies, but rather of the permanent concern on keeping our reputation based on the values of Quality, Compliance, Seriousness, and Efficiency. Consistent with the aforementioned, this year we adhered to the principles of the United Nations Global Pact and started a program, after we were elected to participate by the Corporacion Andina de Fomento (CAF), aimed at leading the best Corporate Governance practices in Peru.

Finally, we would like to especially thank our clients and employees for last year's accomplishments.



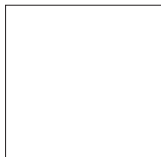
Mario Alvarado Pflucker

General Manager



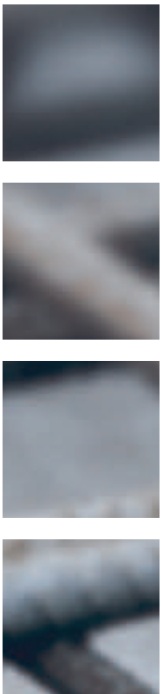
José Graña Miró Quesada

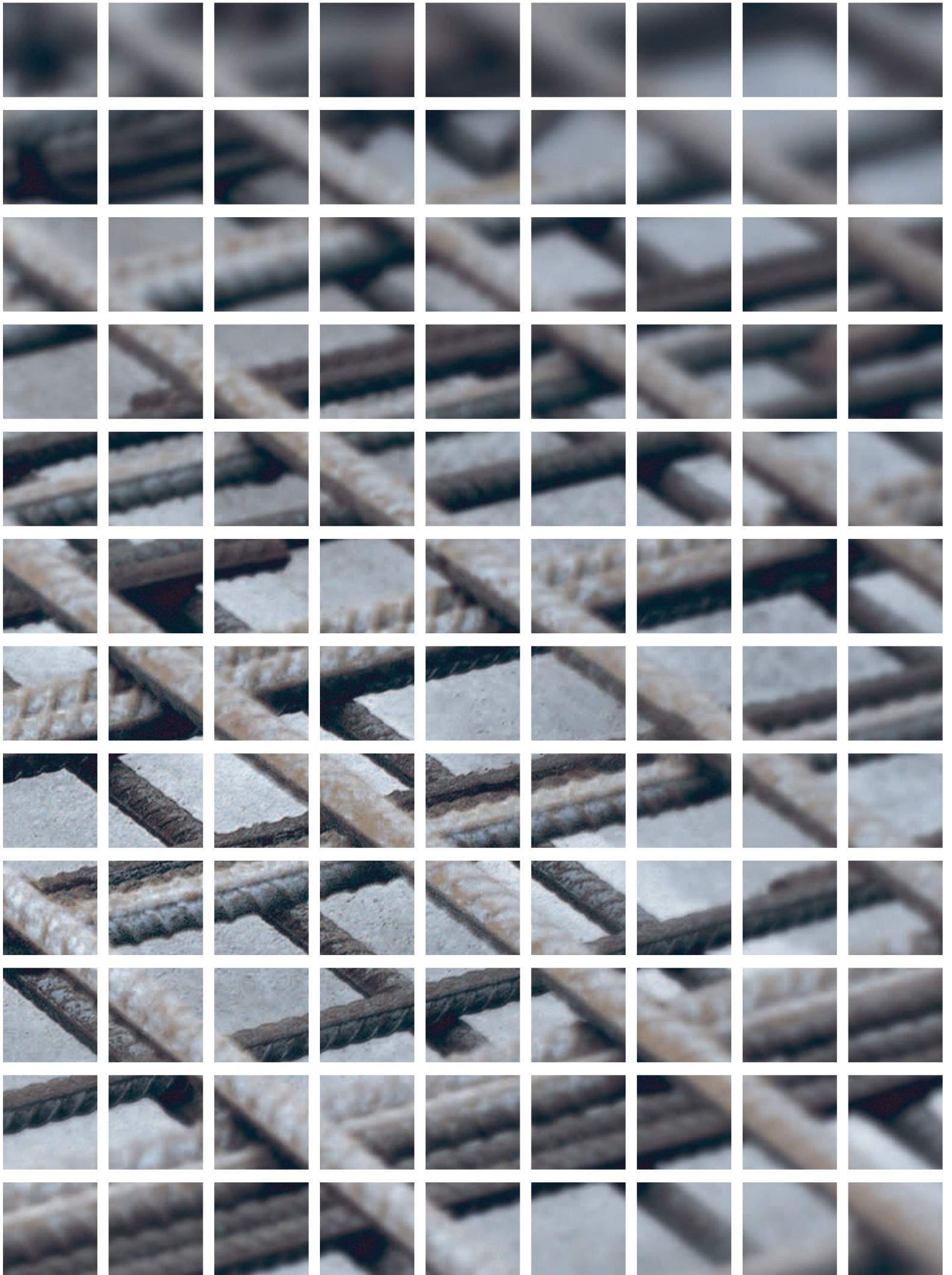
Chairman



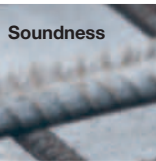
Soundness

This has been
the year of
consolidation
for the Group.

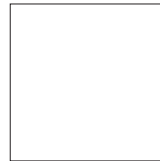
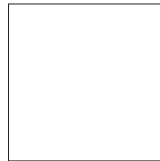
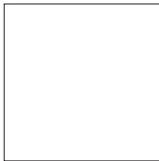
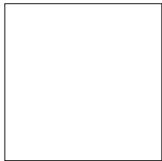




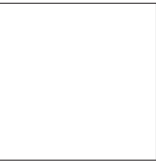
Diversification Plan



Soundness

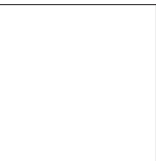
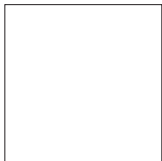


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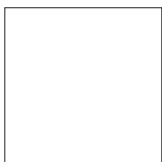


Twenty years ago, we adopted diversification strategies to expand our business without veering away from our basic knowledge. As a result of these strategies, we steered the company towards becoming an Engineering and Infrastructure Services Group.

Today, what used to be a construction business has grown into the following five companies:

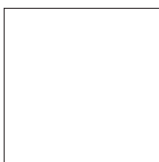
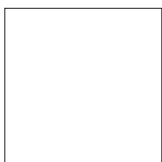
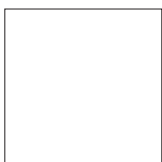


GMD, an Information Technology Services company that operates the Technology Operations Center (COT) and provides outsourcing IT services.



GyM, the initial construction company that has four Divisions:

- Electro-mechanics
- Civil Works
- Buildings
- Real Estate Development



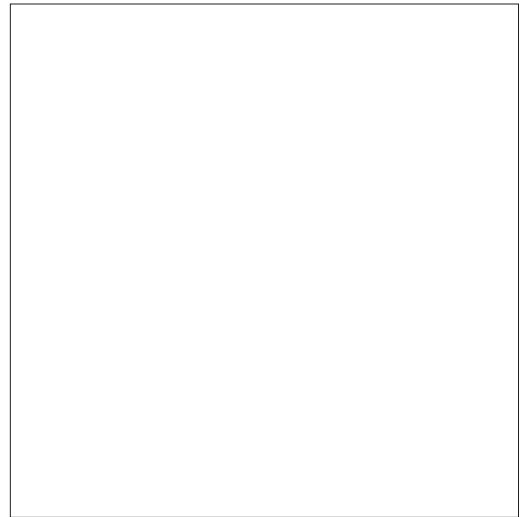
GMP

GMP, a Hydrocarbons Services company that drills oil wells on behalf of third parties. GMP operates in two oil blocks in Northern Peru and has formed Consorcio Terminales in association with Oiltanking of Germany, for the purpose of operating fuel terminals in Peru and Bolivia.



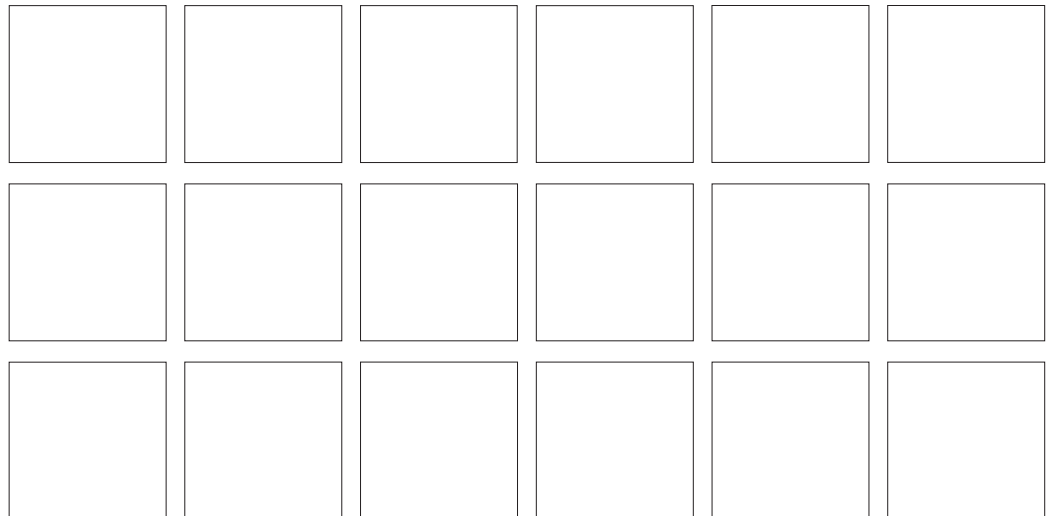
CONCAR, a company specialized in operation and maintenance of toll road concessions.

concar



GMI

GMI, an Engineering Consulting firm that is the main shareholder of Ecotec, a company specialized in Environmental Engineering.



Concessions

Over the past years we have successfully implemented our strategy to develop the knowledge and capabilities that enable us to operate infrastructure concessions.

10

As we all now know, the concession system allows the development of large-sized infrastructure projects that generate very attractive long-term and stable cash flow agreements.

Northern Lima Highway
from Ancon to Pativilca



LarcoMar Recreation Center
in Miraflores



**Fuel Terminal
in Pisco**





**Camisea
Inauguration**

José Graña Miró Quesada
(Graña y Montero Chairman),
President Alejandro Toledo,
Ray Hunt
(Hunt Oil Chairman)

Currently, we hold stakes in the following concession companies:

CONCAR concessionaire of the Arequipa-Matarani highway and the Ovalo Gutierrez underground parking lot in Miraflores, and operator of Road Network No. 5 that runs from Ancon to Pativilca.

Consorcio Terminales under an association with Oiltanking of Germany, operates fuel storage terminals in Peru and most recently the Camisea Terminal in Pisco.

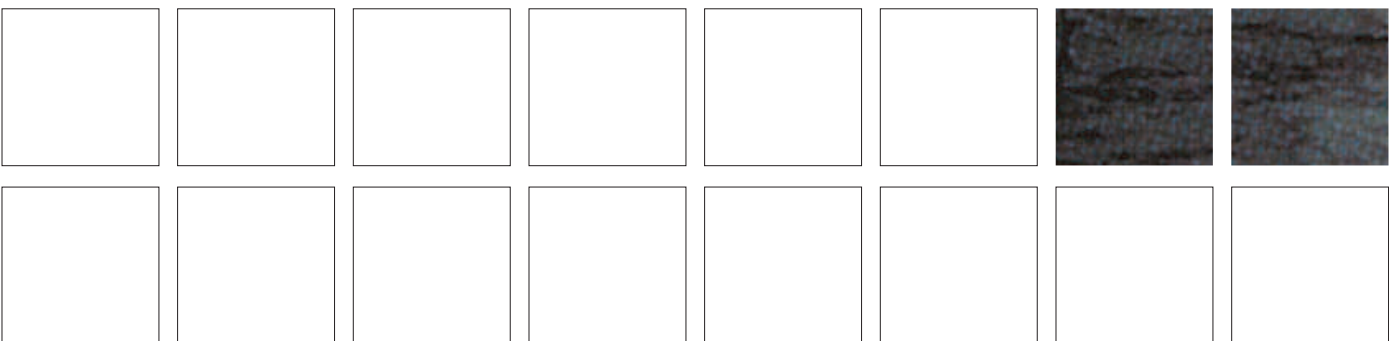
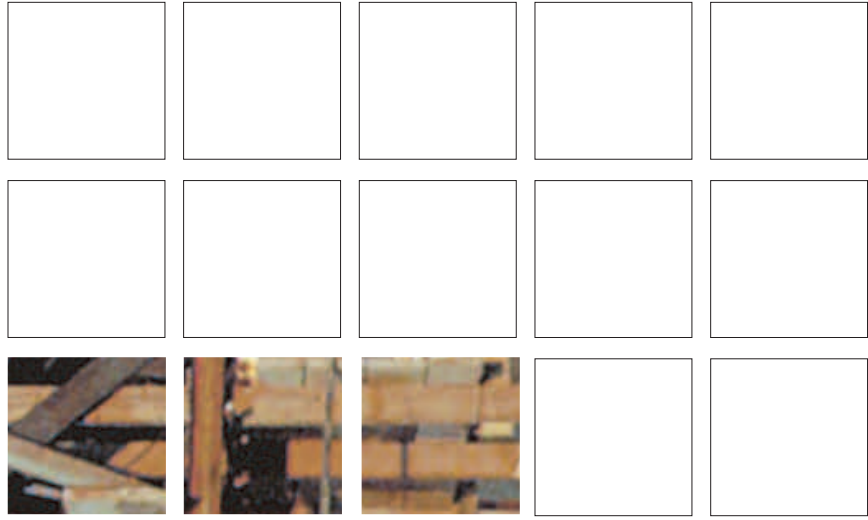
CLHB Compañía Logística de Hidrocarburos Boliviana, operated by Consorcio Terminales.

Larcomar concessionaire of the Larcomar Recreation Center in Miraflores.

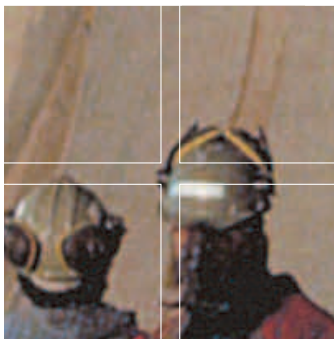
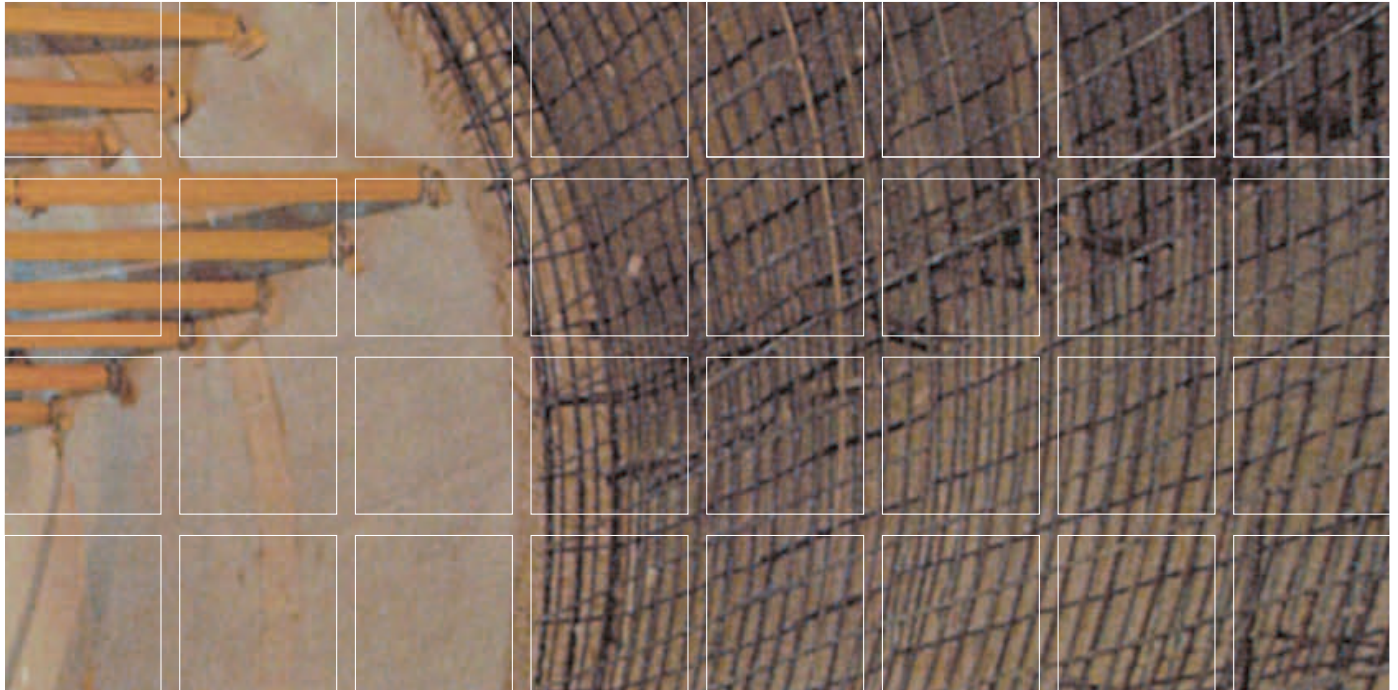
Transportadora de Gas del Perú (TGP) awarded the contract for the construction, transportation and distribution of the Camisea gas.

Norvial concessionaire of Road Network No. 5, the highway north of Lima that runs from Ancon to Pativilca.

International Development



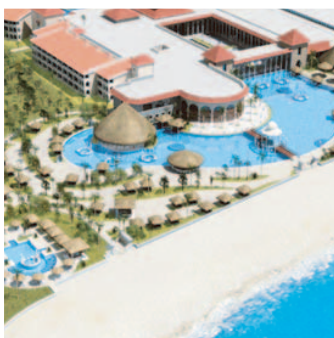
The need to be competitive on an international basis and not concentrated in a single market led us, a few years ago, to the decision to develop ourselves outside of Peru. Coherent with this decision, this year we have exported our services to three foreign countries.



Chile During the year, we successfully completed the Machine Cave works and the Tunnel of the Ralco Hydropower Plant for Endesa, which we worked on in association with Grupo Acciona of Spain.



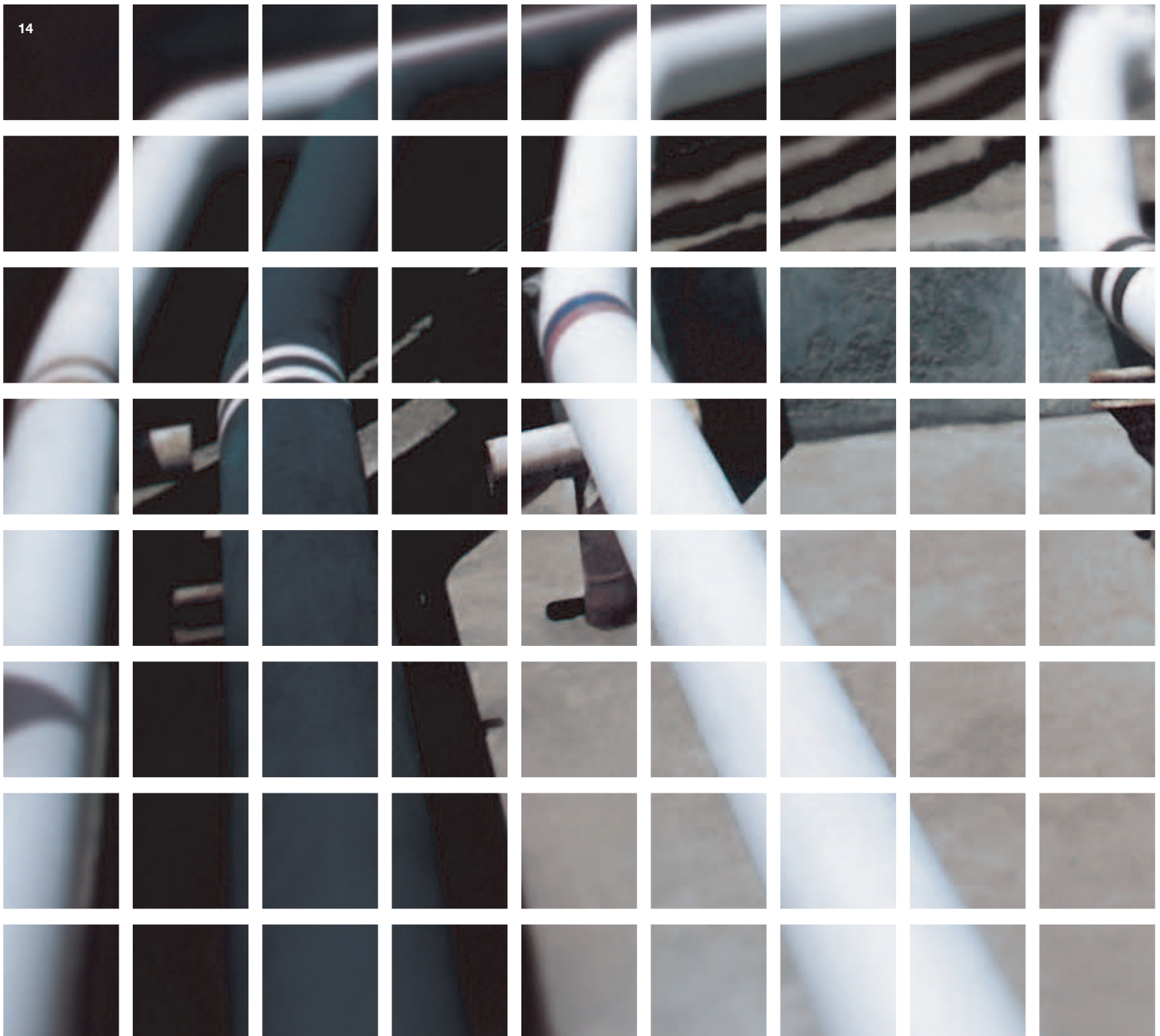
Bolivia Through CLHB, with Oiltanking as partner, we are managing the fuel transportation and storage system in Bolivia, including the operation and maintenance of 1,600 km of pipelines.

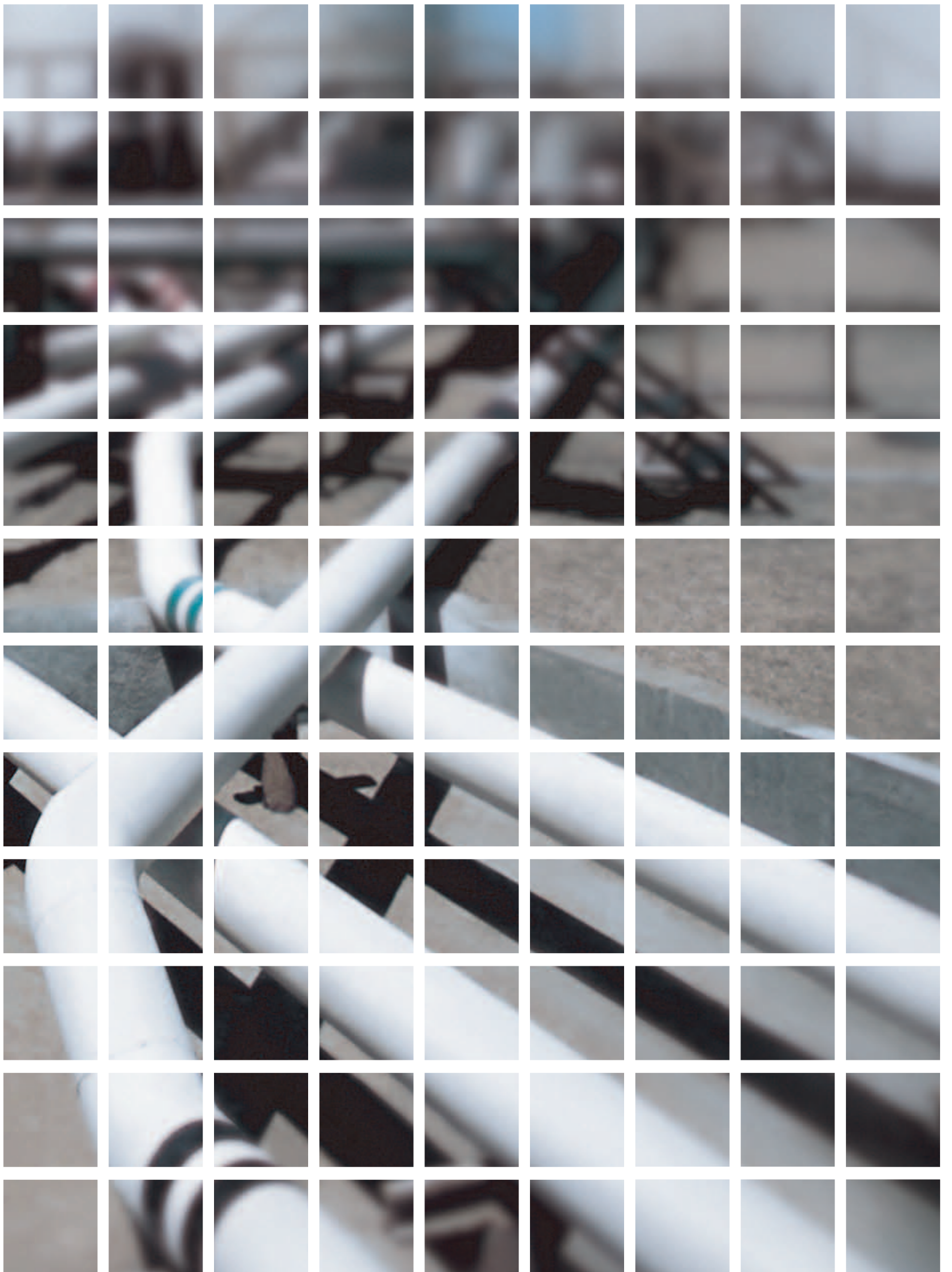


Dominican Republic During 2004, we started managing the 700 room Gran Melia Punta Cana Hotel Project, the fifth hotel project that we manage for the Sol-Melia Group in the Dominican Republic.

Diversification

Forty-nine per cent of our gross profit is generated by activities other than construction.





GMD

Revenues from outsourcing and services reached US\$ 20million, representing 69% of total activity.

Diversification

Jaime
Dasso Botto
General
Manager



Telefónica

Management,
Implementation
and Maintenance
and Applications



2004 was a year of consolidation for GMD. Our company increased its market share in the outsourcing business, further consolidating its leadership in supplying information technology solutions for the corporate market.

A strategic change towards stable cash flow transactions has resulted in consolidating our leading position in the Peruvian market. Revenues from outsourcing and services reached US\$20 million, accounting for 69% of the total activity, accounting for a 53.8% growth with respect to 2003. The foregoing confirms our vision and consolidates even further our leadership in this segment of the market.

GMD's annual activity totaled US\$ 28.7 million, which represents a 45% increase compared to 2003. The foregoing generated operating amounting to US\$2.2 million and Earnings Before Interest, Taxes, Depreciation, and Amortization - EBITDA amounting to US\$ 4.5 million, which represent a 47% growth vis-à-vis the preceding year.

GMD's technological leadership has been strengthened and acknowledged by our main strategic allies. In 2004, GMD was awarded the recognition of Best Performance Partner in Peru by Cisco Systems, Best Service Partner by Microsoft, and Best Partner in Peru by Hewlett Packard. In addition, GMD was acknowledged

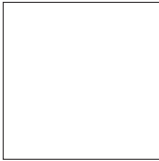
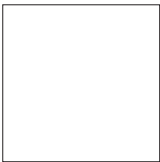
by the Best Company of the Year Association, as the Best Peruvian Company of the 2004 in the Information Technology Services business.

In 2004, GMD renewed its commitment to Quality Management, obtaining for the third time the ISO 9001:2000 certification. GMD's Help Desk service was also certified. Both certifications are in keeping with GMD's strategy for maintaining international quality standards.

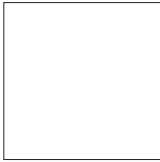
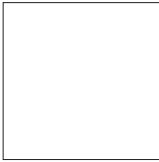
Following is a list of the main projects carried out in the Industry and Trade, Telecommunications, Government and Banking and Finance sectors, in which GMD has participated.



Corporación Ebel
Comprehensive Outsourcing
Technology Solutions



Alicorp
Comprehensive Outsourcing
Technology Solutions



Industry and Trade Sector

■ **Alicorp** Comprehensive Outsourcing Technology Solutions ■ **San Fernando** Comprehensive Outsourcing Technology Solutions ■ **Corporación Ebel** Comprehensive Outsourcing Technology Solutions
 ■ **Euromotors** Comprehensive Outsourcing Technology Solutions ■ **Backus** Comprehensive Outsourcing Technology Solutions ■ **GyM, GMP, GMI** Comprehensive Outsourcing Technology Solutions
 ■ **“El Comercio” Newspaper** IP Telephony Contact Center ■ **Lima Airport Partners** The Communications System for a new section of the Jorge Chavez International Airport ■ **Unique, Backus, Rimac Internacional, Repsol YPF** Help Desk ■ **Saga Falabella y Financiera CMR** Infrastructure for Oracle Financial System ■ **Antamina, Southern Peru, Grupo Romero, Corporación Backus, Belcorp** Microsoft Services ■ **América TV, Clements Perú** Process Optimization Consultancy.

Telecommunications Sector

■ **Telefónica** Sale, post-sale, billing and Speedy Business management systems. Wireless Network assignment, installation and fault system. Solution for differentiated commissions for Public Use Telephony (TUPS). Project to support regulatory requirements. Development and adjustment of Departmental Interfaces of the new ATIS commercial system ■ **BellSouth** Smart Pre-Payment System Maintenance ■ **TIM** Data Network ■ **Siemens Perú** Systems Outsourcing.

Government Sector

■ **National Pension Office (ONP)** Outsourcing of Pension Payment Process. Outsourcing of Bond Recognition Process. Software Maintenance and Development (Software Factory) of all ONP's applications ■ **Congress of the Republic** Communications Infrastructure ■ **Banco de la Nación** Communications Infrastructure ■ **Ministry of Transportation and Communications** New Headquarters Communication System.

Banking and Finance Sector

■ **Lima Stock Exchange (BVL)** Technology Outsourcing ■ **Central Securities Depository of Lima (CAVALI)** Technology Outsourcing and Development and Maintenance of Management Systems
 ■ **Securities Deposits of Bolivia** Securities System ■ **Banco Continental** Intranet Platform
 ■ **Banco de Crédito** Human Resources System Maintenance ■ **AFP Unión Vida** Pension Management System ■ **Financiera CMR** Credit System ■ **Financiera Cordillera** Disaster Tolerance System ■ **Unibanca** Disaster Tolerance System.



The best proof of the success of our Selectivity Strategy in recent years is the list of projects and clients in the Mining and Transportation industries in which we have specialized

Diversification

Walter Silva Santisteban
General Manager



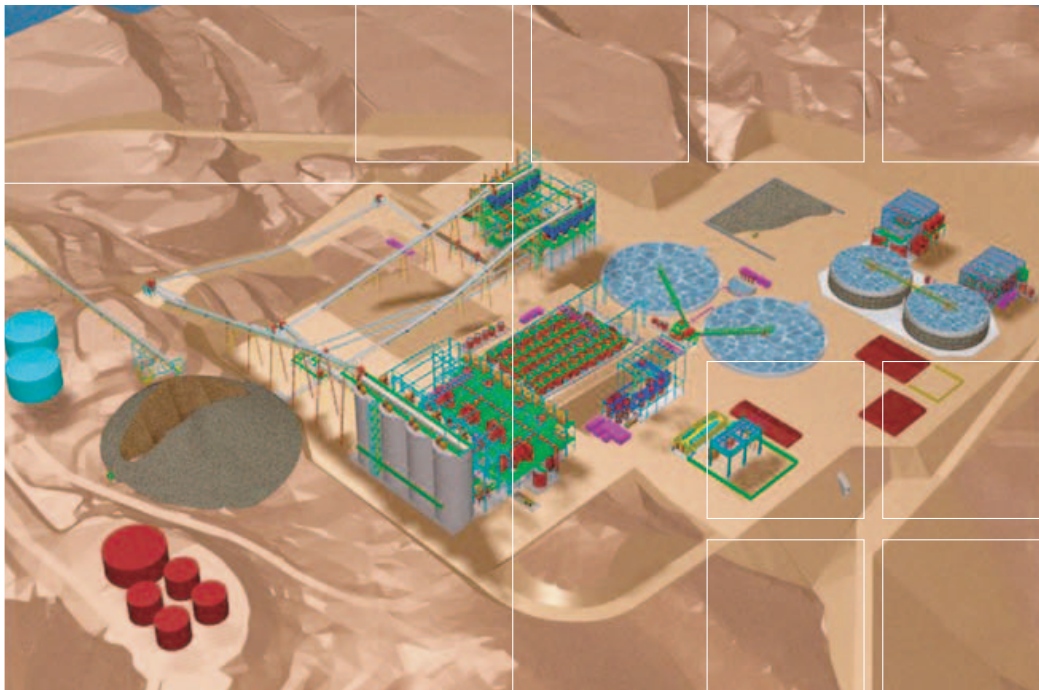
18

In 2004, our sales reached US\$6.2 million, generating an operating income of US\$825,000.

2004 has been a year of continuing macroeconomic stability in Peru. For GMI, it has been a year of consolidation as a result of the strategy adopted, as of previous years, for obtaining agreements that generate stable cash flows and specializing in potential development sectors such as mining.

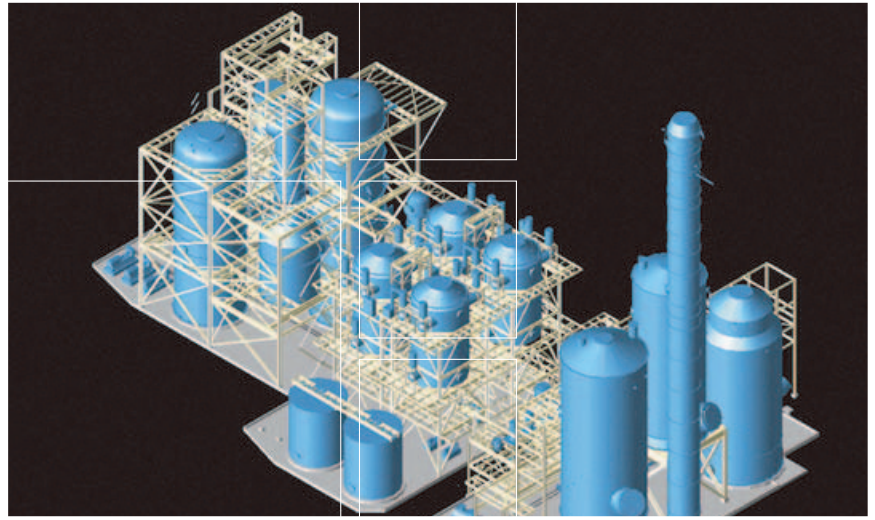
The best proof of the success of our Selectivity Strategy in recent years is shown in the list of our projects and customers in the Energy and Mines and Transportation sectors. Following are GMI's main projects in 2004:

Sociedad Minera Cerro Verde
Map Updating and digitalization



Huacho Pativilca Highway

Road Easement Study
for Norvial



Aker Kvaerner

Structural Design
Ilo Acid Plant

Mining Sector

■ **Antamina** Relocation of Concrete Plant. Risk Assessment of Ore Duct ■ **BHP Billiton Tintaya** Design of Drainage Collection Pond of Dump No. 23. Evaluation of the Matarani Imata Tintaya Route for the New Biarticulated-Type Concentrate Transportation System ■ **Sociedad Minera Cerro Verde** ■ **SMCV** Updating and Digitalizing maps in its different areas. Engineering and Remodeling of the Special Projects Building ■ **Fluor Daniel Chile** Isometrics of the Carachugo Coal Columns Project ■ **Volcán Cia Minera** Detailed Engineering for the Compressor House. Development of Technical Specifications and Mechanics for Electricity Conduits and Instrumentation in the Paragsha, Chungar and Yauli Complex ■ **GyM** Topography of the Alto Chicama Project. Engineering and Topography for Yanacocha Leach Pad Projects – Stages 5 and 6 ■ **Aker Kvaerner** Structural design at the Ilo Acid Plant, for Southern Perú Copper Corporation.

Energy Sector

■ **Petroperú** Supervision of Remediation Works in Block X - Piura. Supervision of Remediation Works in La Pampilla Refinery ■ **Transportadora de Gas del Perú** Inventory of Archaeological Remains Salvaged During Construction of the Camisea Project ■ **Empresa de Generación Chilca S.A.** Environmental Impact Study for the future 520MW Combined-Cycle Thermal Gas Plant with two gas turbines and one sea-water cooled steam turbine.

Transportation Sector

■ **Transportation and Communications** Study on Intermodal Plan ■ **Ingenio-Chachapoyas Highway** Supervision ■ **Northern Pan-American Highway** Supervision Detour: Chiclayo – Bayovar ■ **Chamaya-Jaen Highway** Supervision ■ **Norvial** Road Easement Study for the Huacho Pativilca Road ■ **Cia. Minera Antamina** Monitoring Services for the Conococha-Yanacancha Highway and Topographic Control Services for Several Projects at the Mine Site.

International Business

■ **Minera Inti Raymi of Newmont Mining Co.** Engineering Services for an Electrical Room and Installation of Coal Columns in Bolivia ■ **Melia Chain of Spain** Managing and Supervising Construction of Paradisus Palma Real Hotel and the Melia Caribe Vacation Club with a total of 722 rooms in the Dominican Republic.

GMP

The results of the year confirm the success of the diversification and stable cash flow strategy.

Diversification

Francisco
Dulanto Swayne
General
Manager



Camisea Maritime Terminal
Pisco

20



2004 was an excellent year for the international oil industry in which use of derivatives increased in Peru and Bolivia. It was also a milestone year owing to the start-up of operations of the Camisea project.

GMP celebrated its twentieth anniversary and its year-end results confirmed that diversification and stable cash flow business strategies designed by the Group proved to be wise decisions. Due to the foregoing, we have achieved a recognized relevant position in the country, based on a strong vocation for service and adequate training of our personnel, as well as a growing awareness of environmental care and protection.

In keeping with the Company's health, safety and environmental protection responsibilities and policies, GMP as part of Consorcio Terminales (GMP & Oiltanking) has become a member of Oil Spill Response Limited (OSRL) through Oiltanking's holding company Marquard & Bahls. OSRL is based in Southampton, United Kingdom and provides valuable services, not only in immediate oil spill response to members anywhere in the world, but also training, consultancy and operations support. The aforementioned company is the world's largest in this field of expertise and Consorcio Terminales as its member, is the only company in Peru with guaranteed permanent access to OSRL experts and equipment.

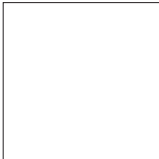
Oil and Gas Output

Production in Blocks I and V in the Northeast totaled 285,406 oil barrels. The value of our average crude basket increased by 28.5% compared to the previous year.

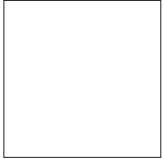
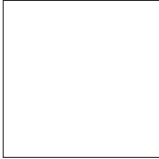
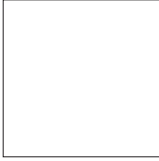
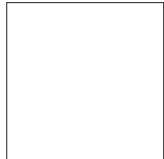
Gas production was 788 MM cubic feet, which represents a 360% increase owing to the start-up of operations under the five-year agreement signed with Empresa Eléctrica de Piura, on October 2003.

Drilling and Exploration

29,030 feet were drilled in five wells this year. After the last exploration well was drilled in Block XIV in the Northeast, an agreement was reached to give the area back to Perupetro.



Juliaca Terminal
Storage Tanks



Pumping Unit
Talara

Storage and Dispatch

Through Consorcio Terminals, an average fuel dispatch of 50,100 barrels per day was achieved in our terminals throughout the year, which represents an 8.9% increase compared to 2003. The average contracted storage was 1,526,000 barrels in the tanks of nine terminals.

Camisea Maritime Terminal in Pisco

On July 12, 2004, an agreement with Pluspetrol Peru Corporation was signed to carry out maritime operations in Pisco. Shipping began on September 14, 2004 and 39 shipments were made throughout the year totaling 3,003,000 barrels of products (propane, butane, naphtha and diesel).

Fuel Storage and Transportation in Bolivia

Bolivia's domestic demand for fuel increased in 2004. Through Compañía Logística de Hidrocarburos Boliviana (CLHB), 10,586,000 barrels were dispatched, representing a 15% increase vs. previous year demand. Also, 5,514,000 barrels were transported through the polypipeline system.

In 2004, in keeping with the Strategic Specialization Objective, 70% of the company's activities were carried out in the Energy and Mines sector.

Diversification

Juan Manuel
Lámbarri Hierro
General
Manager



22

In 2004, GyM consolidated its market leadership. Sales increased by 10%, exceeding US\$182 million. As in the three previous years, GyM consistently improved its gross margins, reaching 13% vs. 12% in 2003. This positive trend enables us to affirm that the value of efficiency is firmly anchored in the organization.

During 2004, we carried out two internal programs: one for improving our sales and contracting, and the other for developing our Quality Management Manual. Both yielded very good results and are part of the company's ongoing improvement process.

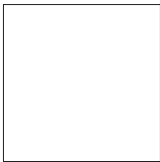
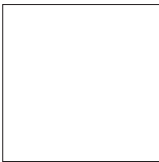
We are pleased to say that we completed all our projects before the established deadline and to the entire satisfaction of our customers. In our opinion, based on the professional capacity of our personnel and our quality, reliability, seriousness, responsibility, compliance and efficiency values, we are ready to meet any challenge that may arise in the future.

During 2004, in line with GyM's Strategic Specialization Objective, 70% of the company's activities were carried out in the energy and mines sector. Some of these works involved sophisticated technical demands as in the case of the Camisea Gas Fractioning Plant that we completed in July, and the new contract that was awarded to us by Phelps Dodge at year end, for the Cerro Verde Sulphide Plant.

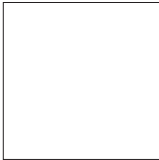
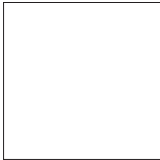
Following is a list of the GyM's main projects carried out during the year:



Pisco Gas Fractioning Plant
for Camisea



**Tunnel for the Ralco
Hydropower Plant**
in Chile



**Alex Ciurlizza
Residential Building**
in San Isidro

Mining Sector

- **Minera Yanacocha** Leaching Pond
- **Minas Buenaventura** 5 km of tunnels in Orcopampa
- **Alto Chicama Mining Project** Moving earth and reinforced concrete
- **Minas Buenaventura** 6 km of additional tunnels in Orcopampa
- **Sociedad Minera El Brocal** Open pit for a four-year term
- **Southern Perú** New Ilo Smelter
- **Kemetics** Sulphuric Acid Plant in Ilo

Energy Sector

- **Pluspetrol** Pisco Gas Fractioning Plant
- **Transportadora de Gas del Peru (TGP)** Lima City Gate
- **Transportadora de Gas del Peru (TGP)** Ayacucho City Gate
- **Tractebel** Main Gas Distribution Network in Lima

International Market

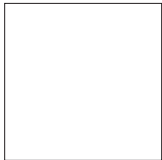
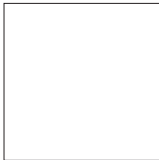
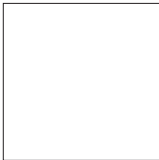
- **Endesa** 7.2 km of tunnel for the Ralco Hydropower Plant in Chile.

Transportation Sector

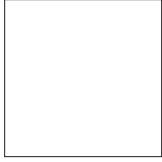
- **Ministry of Transportation and Communications** Imperial-Izcuchaca Highway, 33.32 km
- **Norvial** Huacho - Pativilca Highway, 57.26 km.

Buildings

- **Ernst & Young** New Office Building
- **Ransa** New 20,000 m² Warehouse
- **Alex Ciurlizza Residential Building** in San Isidro
- **Residential Complex** Paseo de la República
- **Campo de Marte** Home Building



**Smelter Plant in Ilo
for Southern Perú**



concar

The Graña y Montero Group decided to give priority to the development of the concession business.

Diversification

Miguel Valentín Ghezzi
General Manager



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Within the framework of Grupo Graña y Montero's strategy for diversification and increased stable cash flow agreements, the Group decided to give priority to the concession business.

To that end, Concar was entrusted the responsibility for concentrating and orienting efforts towards developing the road concession business.

In 2004, activities related to the concession agreement for the Arequipa - Matarani Highway and the Ovalo Gutierrez Parking Lot in Miraflores, as well as the agreement to operate and maintain the Ancon - Huacho - Pativilca Highway, reached an aggregate amount of US\$5.6 million and generated Earnings Before Interest, Taxes, Depreciation, and Amortization - EBITDA amounting to US\$2.5 million. Compared to 2003, said amounts represent a 17% and 11% increase respectively,

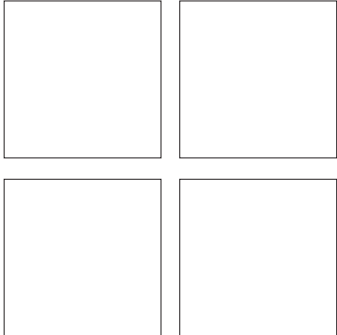
2005 promises to be a very busy year for road building concessions, since the government has announced an ambitious road concession program. The main projects that will be put up for bidding in 2005 include Road Network No. 6 (Puente Pucusana - Cerro Azul - Ica), the Northern, Central and Southern axes for the integration of regional infrastructure for South America (IIRSA), and Road Network No. 1 (Piura - Sullana - Macará - Aguas Verdes), Road Network No. 4 (Pativilca - Casma - Trujillo and Pativilca - Huaraz - Caraz) and 6 of the 28 small projects tagged "Costa-Sierra". It is estimated that within the next three years investments in concessions to be bid upon in 2005 will exceed US\$925 million. As a result of efforts made, Graña y Montero Corporation is ready to engage in these processes and make the most of the opportunities they offer, aimed at having an important portfolio of construction projects, as well as stable cash flows generated by concession revenues and their respective operation agreements.



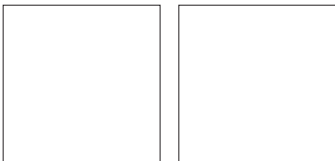
Ovalo Gutiérrez
Parking Lot Concession



**Arequipa-Matarani
Highway Concession**



**Ancon-Huacho-Pativilca
Operation and Maintenance**



**Ovalo Gutiérrez
Parking Lot Concession**

CONCAR has a 30-year concession contract for the underground Parking Lot that has a 220-vehicle capacity and is built over an area of 8,200 m². The Parking Lot is located under the roundabout named "Ovalo Gutierrez".

**Arequipa-Matarani
Highway Concession**

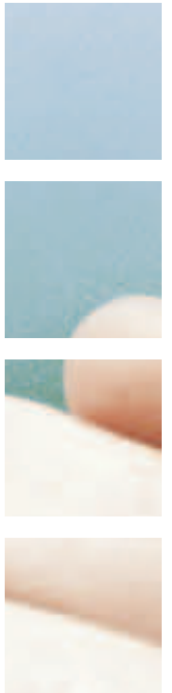
During 2004, traffic increased by 7% and over US\$900 thousand was invested in routine highway maintenance.

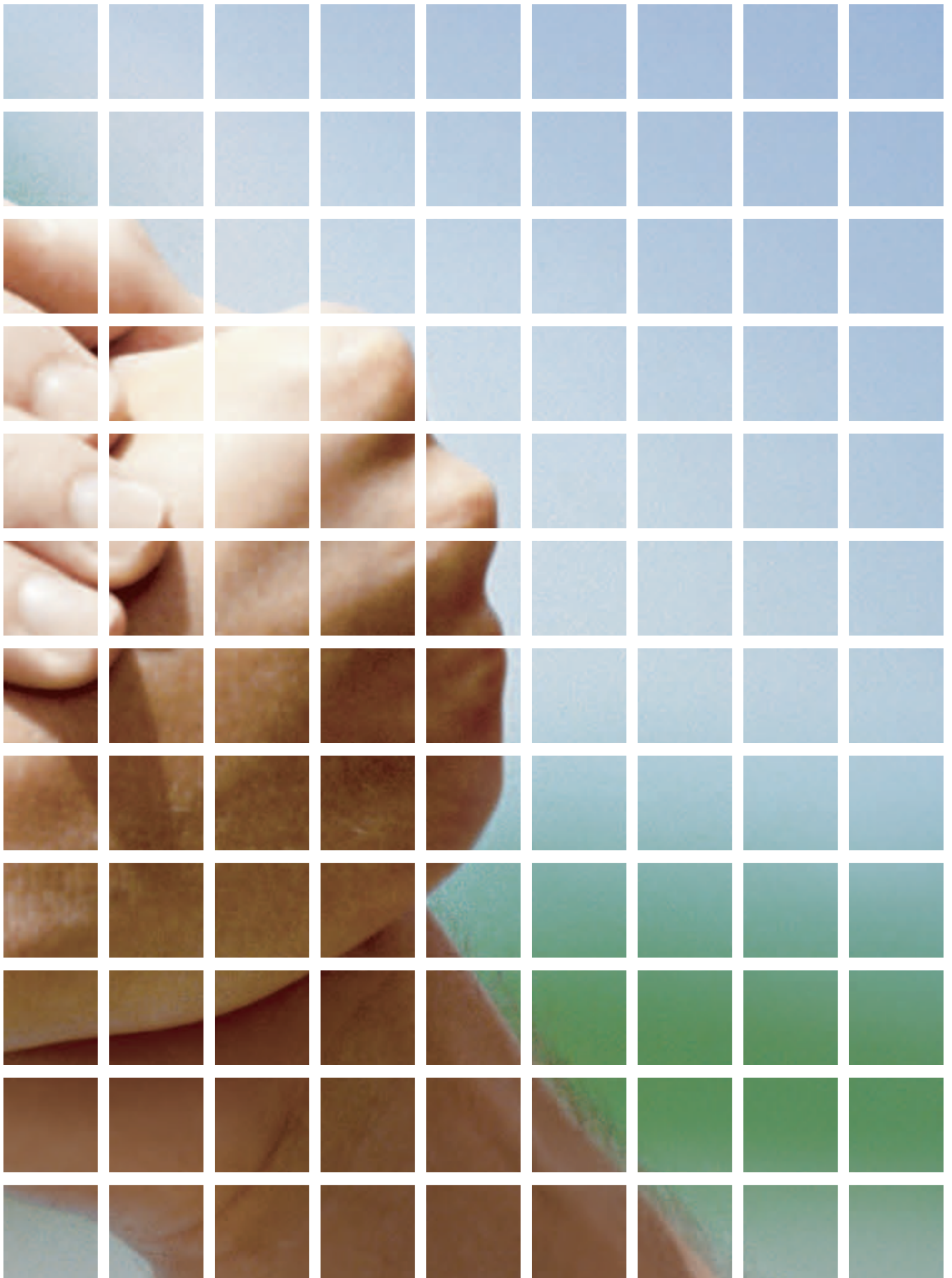
**Ancon-Huacho-Pativilca
Road Span
(Road Network No. 5)
Operation and Maintenance**

In January 2004, CONCAR completed its first year as the company responsible for operating and maintaining the 182.66 kilometers of road infrastructure on the Ancón – Huacho – Pativilca Northern Pan-American Highway Span (Road Network No. 5), which was awarded to Norvial S.A. in May, 2002. Graña y Montero S.A.A. has a 34% interest in the concessionaire company, Norvial S.A.

Commitment

We are committed to the country's social and environmental matters.





Corporate Social Responsibility

During 2004 Graña y Montero signed the Global Pact promoted by Secretary General of the United Nations.



Within the framework of our corporate identity –vision, mission and values– beginning this year, we entered a stage in which the Company's social responsibility is formally inserted into the development of our operations.

The Charter of Ethics signed in 1995; the Risk Prevention Policy (1999) and the Environmental Policy (1998) are part of this process and set forth clear guidelines for our behavior towards our customers, shareholders, personnel and the community on the whole.

During 2004, Graña y Montero signed a Global Pact promoted by the Secretary General of the United Nations as proof of our commitment to the company's social and environmental dimension.

This socially responsible behavior is clearly delimited; that is, aimed internally at its personnel and externally at the different sectors of the public making up the communities that the Company deals with when developing its operations.

In this connection, throughout the year the different companies making up the Group have promoted specific activities in the following ambits:

1. Human Resources The Company's employees are the first target group of our corporate social responsibility policy; therefore, they are given priority in personnel policies and programs to ensure their development and well-being that will be a solid foundation for supporting their good performance and satisfaction.

In 2004, we have carried out thorough Organizational Environment studies at GMD, GyM and GMP. Recommendations resulting from the findings of these three studies

are already being implemented, encompassing a total of 1,489 employees. In addition, sports and recreational activities have also been carried out throughout the year aimed at fostering personnel integration; outstanding among these being sports championships and painting contests for employees' children.

Furthermore, to promote the personal well-being of the Company's daily-payroll workers who in 2004 were more than 3,500 in number, the Company imparted several health and safety prevention talks.

2. The Environment Graña y Montero is determined to attain leadership in environmental performance in all sectors of its activities. Thus, the Company strives to create and raise environmental awareness among its customers, personnel, community members and shareholders as well.

In this connection, we are committed to constantly improve our environmental performance in all our activities and in the products and services related to our operations. We seek to become leaders in environmental consulting, engineering and management activities, and experts in professional activities for the conservation of nature.

The Group's environmental policy was defined and published in 1998 and in compliance with its commitments, ECOTEC, a company specialized in environmental engineering, is part of the Group. This company recently completed an

Training

Group Employees

Courses and Talks	Hours
Managerial Capacities Programming and Production Contract Management Talks on Different Subjects Other Meetings and/or Courses	8,171
Knowledge Management (CCA) Program for Young Engineers	4,880
Professional Development	3,240
Collective Memory	760
English Program	2,000
Post-Graduate Studies (Masters Degrees)	2,200
External Courses	1,990
Annual Total	23,241

Monthly-Payroll Employees	Total
Engineers with Post-Graduate Degrees	66
Other Professionals with Post-Graduate Degrees	15
Engineering Professionals	714
Other Professionals	189
Total Professionals	984
Technicians	526
Total Monthly-Payroll Employees	1,510
Daily Payroll Employees	
Skilled	692
Unskilled	2,894
Total Daily-Payroll Employees	3,586
Total	5,096

important archaeological environmental work for the Camisea project.

Moreover, during 2004, two environmental audits of the Group's activities were carried out by Walsh, an independent company selected by the Inter-American Development Bank (IDB) for this purpose.

As part of the environmental project, 80,000 hours of talks on the environment were given to our employees throughout the year. And, several environmental preservation educational campaigns were also carried out for community members residing in the remote places where the Company operated this year.

3. Risk Prevention The risk prevention and environmental policy has been one of the key issues on which the Group has focused its efforts during the past years, having obtained significant recognition nationwide and achieved a leading position as regards these matters.

During 2004, 298,500 hours of training on safety and environmental matters were imparted to about 5,000 of our employees. As a result of the foregoing, we have been able to keep our accident frequency rate down and well within optimum international standards.

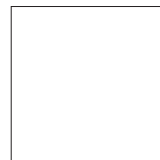
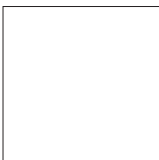
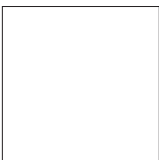
4. Knowledge Management One of the pivotal aspects for the Group's strategic development is our commitment to training for all

members of the organization and to the Group's knowledge management. Responsibility for this task has been assigned to the Group's Corporate Learning Center (CCA) –created in 1998– which this year has taught 4,880 class hours for the Induction Program for Young Engineers. In addition, 5,440 teaching hours were devoted to professional development and 4,750 to Collective Memory and other programs.

5. Community Relations Relations with the community, especially when executing a project, must be developed within a positive context of harmony and mutual respect, in which the Company promotes and carries out activities that contribute to the sustainable development of the communities in which it operates.

During 2004, environmental management and preservation, and health and hygiene educational campaigns have also been carried out in the communities located immediately close to our project sites.

In addition, we continuously seek to make long-lasting contributions to the communities in which we operate, which will continue existing well after the Group has completed its works. For instance, this year we built and donated the Acostambo Health Center in Huancavelica.



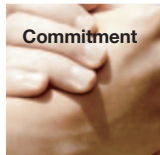
Acostambo Health Center
in Huancavelica



Corporate Governance

We have been chosen by Corporación Andina de Fomento as the Peruvian company to lead the pilot study on Corporate Governance.

Commitment



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In 1996, Graña y Montero decided to become listed on the Lima Stock Exchange, having adopted since then the main corporate governance standards regarding transparency, representation and information to shareholders.

Currently, we have more than 800 shareholders. Four external Board Members that are not company officers are represented in the Board of Directors. In addition to the Annual Report, we issue quarterly reports on the Company's situation and inform of any material fact to the Stock Exchange and the Peruvian Securities and Exchange Commission (CONASEV). We also keep an updated web page with complete information about the company.

During 2004, the Board of Directors agreed to make progress on corporate governance mechanisms. To this end, it created the following committees made up mainly of external directors:

Committee for Auditing and Processes

Committee for Human Resources and Remunerations

Committee for Investments

At year end of 2004 we were chosen by Corporación Andina de Fomento (CAF) as the Peruvian company to lead a pilot project on Good Corporate Governance in Peru. We must also highlight that in 2004 our Company signed the Global Pact promoted by the Secretary General of the United Nations, thus strengthening our commitment to Social Responsibility, Human Rights, Decent Labor and the Environment. These are the principles that we have been working for a long time, through the Annual Objectives System of the Group's Strategic Plan.



José Graña
Chairman
of the Board



Carlos Montero
Deputy
Chairman
of the Board



Mario Alvarado
Member
of the Board
& General
Manager



Board of Directors
At December 2004,
the Board of Directors
is made up as follows:

José Graña Miró Quesada
Carlos Montero Graña
Teodoro E. Harmsen Gómez de la Torre
Jean Francois Paulus
Hugh Pyers Sarne Griffith Mostyn
Roberto Abusada Salah
Hernando Graña Acuña
Mario Alvarado Pflucker

Chairman of the Board
Deputy Chairman of the Board
External Member of the Board
External Member of the Board
External Member of the Board
External Member of the Board
Member of the Board
Member of the Board and General Manager

José Graña Miró Quesada Chairman of the Board (Architect). He is also Chairman of the Board of the subsidiaries GyM, GMP, GMD and CONCAR. He is Chairman of the Board of Inmobiliaria Pezet 535 S.A. and Deputy Chairman of the Board of GMI, as well as a Member of the Board of Empresa Editora El Comercio S.A. and EDEGEL S.A.A.

Carlos Montero Graña Deputy Chairman of the Board (Civil Engineer). He is also Deputy Chairman of the Board of GyM, Deputy Chairman of GMP and a Member of the Board of GMD and GMI. He is also a Member of the Board of UNICON.

Teodoro E. Harmsen Gómez de la Torre Member of the Board and President of GMI S.A. (Civil Engineer). He is a Member of the Board of Wagon Lits and MDI. He is a Professor Emeritus at the School of Sciences and Engineering of the Catholic University (PUCP). Among other distinctions, he is an honorary member of the American Concrete Institute.

Hernando Graña Acuña Member of the Board (Industrial Engineer). He is a Member of the Board of GMI, GMP, Ecotec S.A. and CONCAR and Executive Deputy Chairman of the Board of GyM and Chairman of the Board of Norvial S.A. He is also a Member of the Board of the Peruvian Chamber of Construction (CAPECO).

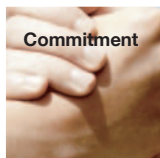
Roberto Abusada Salah Member of the Board (PhD in Economy/Cornell, USA). He is a Member of the Board of GMD, Mauricio Hochschild y Cía. Ltda. S.A.C. and a Member of the Board of the Peruvian Institute of Economics (IPE).

Jean-Francois Paulus Member of the Board. (Civil Engineer/Public Works School - ESTP Paris). Since 2001, he has been Director for Latin America at Vinci Construction Grands Projects.

Pyers Griffith Member of the Board (Language Degree from the University of Durham, United Kingdom). He is Corporate Finance and Advisory Director for HSBC Bank plc. He is a Member of the Board & General Manager of The Peru Privatization and Development Fund and a Member of the Board of La Pampilla Refinery.

Mario Alvarado Pflucker Member of the Board (Civil Engineer with a Master of Science Degree in Engineering from George Washington University, USA). He is also a Member of the Board of GMD, GyM, GMP and CONCAR and a Member of the Board of Inmobiliaria Pezet 535 S.A., America Leasing S.A. and Arrendadora Comercial S.A.

Corporate Governance



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Committees

Auditing and Processes

Pyers Griffith, Roberto Abusada Salah, José Graña Miró Quesada

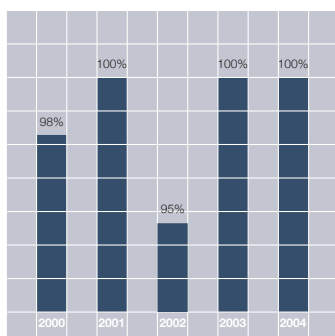
Human Resources and Remunerations

Jean-Francois Paulus, Teodoro E. Harmsen, Carlos Montero Graña

Investments

Teodoro E. Harmsen, Hernando Graña Acuña, José Graña Miró Quesada

Before Deadline Compliance Percentages



Senior Management

Mario Alvarado Pflucker Corporate General Manager since 1997. He has a Bachelor of Science Degree in Civil Engineering from Universidad Ricardo Palma and a Master of Science Degree from George Washington University, USA, in Engineering Management specializing in Construction Management. He is a Member of the Board of GMD, GyM, GMP and CONCAR.

Andrés Colichón Sas Corporate Financial Manager since 2000. Business Manager with an MBA from Boston University, USA. He was GyM S.A.A. Corporate Financial Deputy Manager from 1997 to 2000. (He worked until December 15, 2004).

César Neyra Rodriguez Manager of Internal Auditing and Management Processes. He has a Bachelor of Science Degree in Accounting from Universidad Nacional Federico Villareal and a Master in Business Administration and Finance Degree from Universidad del Pacífico. He studied Quality Improvement Systems and graduated from Six Sigma Methodology at Caterpillar University in Mexico and the USA.

Claudia Drago Morante Corporate Legal Counsel since 2000. An attorney at Law graduated from Universidad de Lima. She also graduated from ESAN's Corporate Finance Graduate Program (PADE). She was GMD's Legal Counsel 1997 to 2000.

Brief Company's History

The Group was incorporated in Lima in 1933, under the name of Gramonvel S.A. Ingenieros. In 1949, it merged with Morris and Montero, making up Graña y Montero S.A. In 1980 Graña y Montero S.A. started a diversification process that ended in 1996 with the creation of a holding company. In 1997 Graña y Montero S.A.A. increased its capital stock through a public stock offer and became a publicly held corporation (S.A.A.)

Before Deadline

Since 1994, the Group has established a policy to comply with its contractual obligations tagged "Before Deadline". Coherent with its policy, our external auditors, Price Waterhouse Coopers, prepare a special annual report on contracted works that have been completed and delivered within the established terms. The report corresponding to 2004 is attached hereto.

Shareholding Structure

Shareholders with more than five per cent (5%)

Shareholder	Shares Post Ipo at December 31, 2005	% at December 31, 2004	Shares at January 31, 2005	% at January 31, 2005
Graña Holdings S.A. (Panama)	62,417,287.00	19.508%	62,417,287.00	21.175%
Vinci (France)	47,062,257.00	14.709%	47,062,257.00	15.966%
The Peru Privatization and Development Fund Ltd. (Gran Cayman)	41,895,650.00	13.094%	38,493,809.00	13.059%
IN-CARTADM (Peru)	20,182,789.00	6.308%	20,773,661.00	7.048%
Carlos Montero Graña (Peru)	18,691,715.00	5.842%	18,691,715.00	6.341%
Byron Development (Panama)	16,450,600.00	5.141%	16,450,600.00	5.581%
Portfolio Shares	25,193,436.00	7.874%	-	-

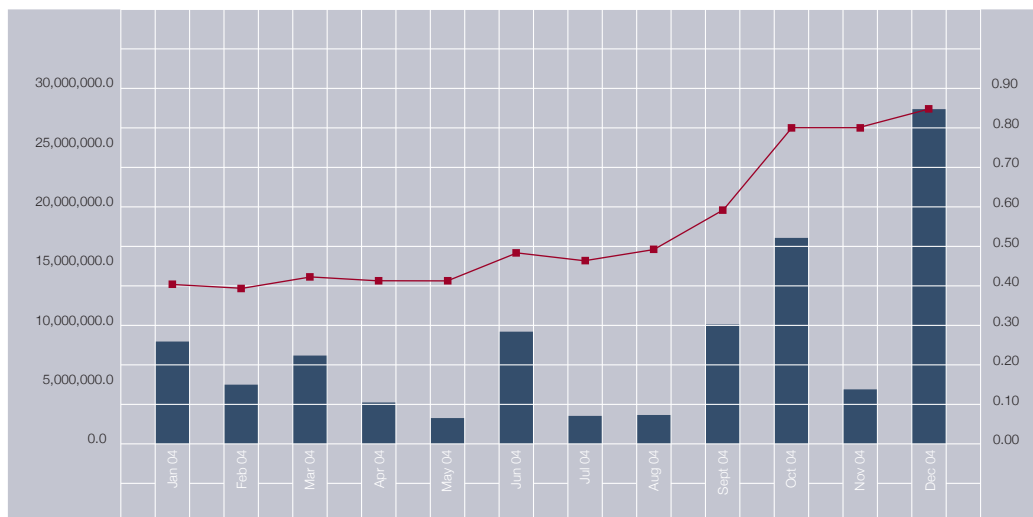
Capital Stock and Public Exchange Offer

On December 30, 2004, the Company made an Offer for Redemption of Common Stock, and Subscription and Payment of Corporate Bonds, in accordance with a Public Exchange Offer, involving holders of 25,193,436 shares equivalent to 7.874% of the company's capital stock. These shares were exchanged for Graña y Montero S.A.A. Corporate Bonds – Second Issue. As of December 31, 2004, the shares were kept in the portfolio but were annulled by decision of the Board of Directors at a meeting held on January 31, 2005. The reduction of the Company's capital stock to S/294,764,611.00 was agreed upon in this meeting, by delegation of the General Shareholders' Meeting held on December 22, 2003.

As a consequence of the aforesaid, the company's capital stock at December 2004 was S/.319,958,047.00 (three hundred nineteen million nine hundred fifty-eight thousand forty-seven and 00/100 New Soles); however, as of January 31, 2005, the company's capital stock amounted to S/.294,764,611.00 (two hundred ninety four million seven hundred seventy-four thousand six hundred eleven and 00/100 New Soles).

GRAMONC1 Transacted Volume

Traded Volume-US\$ MM
Closing Price



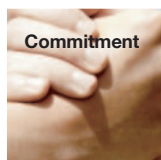
Graña y Montero (GRAMONC1) Share Quotation

Annual Development 2004

Month	Stock Market Capital S/.	Freq. %	Nr. Trans. Shares	Closing
January 04	127,983,219	90.5%	8,692,441	0.40
February 04	124,783,638	85.0%	5,000,897	0.39
March 04	134,382,380	95.7%	7,525,319	0.42
April 04	131,182,799	85.0%	3,574,786	0.41
May 04	131,182,799	85.7%	2,132,285	0.41
June 04	153,579,863	100.0%	9,616,610	0.48
July 04	147,180,702	90.0%	2,346,027	0.46
August 04	156,779,443	95.2%	2,433,583	0.49
September 04	188,775,248	95.5%	10,103,811	0.59
October 04	255,966,438	100.0%	17,561,907	0.80
November 04	255,966,438	95.2%	4,585,015	0.80
December 04	271,964,340	75.0%	28,508,670	0.85

Management Analysis

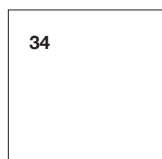
and discussion of operations results and the economic-financial situation for 2004



Commitment



Alto Chicama Project



Summary

Activity volumes show a 4.2% growth in 2004, i.e. 15.4% measured in US dollars.

Gross profit and operating income increased by 14.6% and 26.8%, respectively.

Retained Earnings exceeded those of 2003 by 118%, reaching S/. 17.5 million.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounted to S/147.6 million, that is, an 8.4% increase compared to the previous year.

Financial Expenditures coverage reached 4.64x in 2004 compared to 3.8x at the closing of 2003.

The Group's leverage decreased from 2.95x to 2.15x in the last 12 months.

Financial debt was reduced by S/41.8 million during 2004.

Profit and loss

In 2004, Grupo Graña y Montero's activity and sales volume increased by 4.2% and 2.8% respectively.

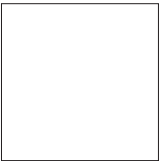
This growth, which if measured in US dollars with a 5.11% devaluation for 2004 represents a 15.4% increase, is the result of a favorable upturn in the Information Technology business (+29%), Oil business (+8.4%), Concessions (+5.4%) and Infrastructure (+2.1%). However, engineering and real estate businesses decreased by 25% and 10%, respectively.



Imperial - Izcuchaca Highway



El Brocal Mine



As for the infrastructure business, most of the activity took place in the Civil Works Division, which reached nearly S/325 million. This division carries out projects related to the mining and energy industries. This year the most important projects were the Alto Chicama Project for Minera Barrick, the ore transportation system for Sociedad Minera el Brocal and the general and maintenance services provided to Pluspetrol in Block IAB and Block 8.

Growth in the Information Technology business is based on the consolidation of its outsourcing and “Software Factory” services. It also shows an important increase in platform services. Services provided to Telefonica del Peru, Lima Airport Partners (LAP), Banco de la Nacion and outsourcing services for San Fernando are note worthy.

Growth in the oil business is based on the new operating contract for the Pisco-Camisea dock. Likewise, the greater consumption of hydrocarbons as a result of a year with good fishing and a long rainy season helped improve the activity in the Fuel Storage and Dispatch Service. Finally, the commencement of sale transactions of the gas produced by the wells, as well as the crude price contributed to increasing the activity.

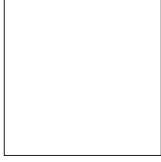
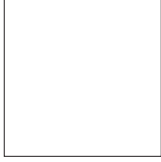
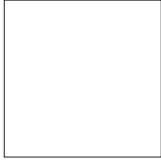
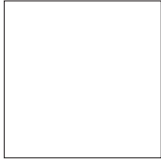
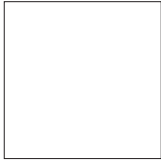
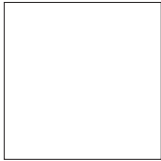
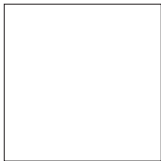
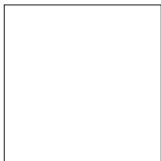
Greater dynamics in the Road Concession business is explained by the increase in traffic on the Arequipa – Matarani Highway Concession (7.91%) and the services that began to be provided to Norvial in the Ancón – Huacho – Pativilca Highway concession in 2004.

Forty nine per cent of the consolidated gross profit comes from business not related to construction. This share in the gross profit of businesses not related to construction increases on an annual basis as a result of the Group’s diversification strategy. It is important to emphasize that although this activity comprised solely 29.9% of the total activity, it contributed 49% of the Group’s gross profits.

The Group’s gross margin reached 16.9%, which allowed for the 14.6% Gross profit growth compared to last year. Improvements in the gross margins of Information Technology (+150pbs), Oil (+238pbs) and Infrastructure (+89pbs) as well as the larger volumes of activity in these businesses, permitted the Group to attain a Gross profit of S/142.3 million.

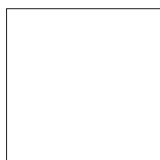
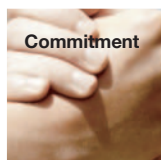
As we reported last year, the greater presence of Outsourcing Businesses that have larger gross margins has permitted us to improve the Gross profit of the IT business. In 2004, the increased Gross profit for this business was 45%.

Likewise, gross profit in the oil business increased through better margins in the Fuel Storage and Dispatch Business, as well as the price of crude. Gross profit in the oil business grew by 24.9% this year.

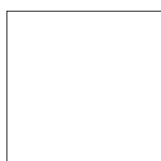
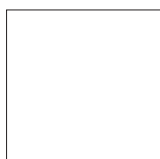


Management Analysis

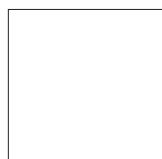
and discussion of operations results and the economic-financial situation for 2004



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Hospital del Seguro Social del Empleado



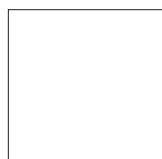
In infrastructure and Construction, gross profit increased 10.6% compared to last year as a consequence of greater efficiency in productive processes, as well as greater volumes. Likewise, a larger gross margin in the Ralco Hydropower Plant (Chile) that was completed this year contributed to this business closing with a gross margin of 12.9%.

Greater gross profit, complemented by an overhead reduced by 3.7% resulted in an 11.2% Operating Profit for 2004. Consequently, the operating margin at year's end in 2004 amounted to S/94.5 million, which represents a 26.8% increase compared to last year.

Net financial expenses decreased 12.1% compared to 2003. As mentioned previously, debt rescheduling and better results obtained by the Group have permitted us to reduce the Group's interest rates on the whole. Likewise, the reduction of debt as a consequence of an application of the Group's cash surplus resulted in financial expenditures reaching S/31.5 million at year's end, in 2004.

EBITDA at closing of 2004 amounted to S/147.6 million nuevos soles, which means an 8.4% cash growth compared to last year. Similar to the case of gross profit, solely 29.9% of the Group's activity in businesses other than construction represented 47% of the EBITDA in 2004, thus consolidating the Group's diversification strategy. Likewise, it is worth noting that this year's revenue generation provided by medium and long-term stable cash flows as in the case of concessions and outsourcing businesses, reached 38% of the EBITDA.

Available income reached S/17.5 million, which represents a net 2.1% margin for shareholders. The foregoing represents a 118% growth in available income compared to the previous year.

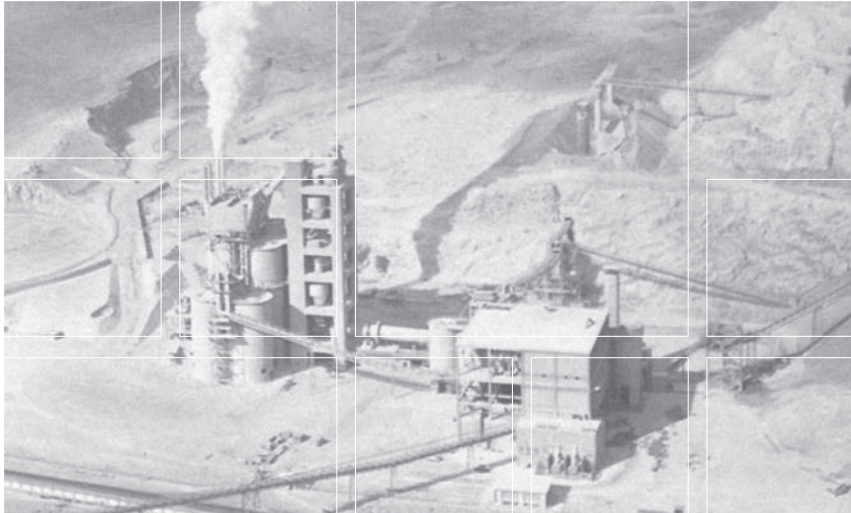


¹ Utilidad antes de impuestos, REI, gastos financieros netos más depreciación y amortización (EBITDA).

Fábrica de Cementos Lima



Centro Cívico de Lima



Balance Sheet

Current liquidity was 1.36x at year close 2004. As explained in previous reports, liquidity improved after rescheduling the Group's financial debt, reaching its current levels. In 2004, this situation did not change. Likewise the Group has realized current assets, the result of which was applied to current liabilities, reducing them by 22.3%

Group leverage decreased by 2.95x in 2003 to 2.15x at the year end 2004. Reducing financial debt as well as the number of days of payment to suppliers has resulted in a reduction in the Group's total liabilities by S/135 million. Likewise, the year's results have strengthened the Group's net worth in keeping with its strategy for its own financial consolidation.

The Group's financial debt was reduced by S/41.8 million in 2004, having additionally absorbed the issue of Corporate Bonds worth US\$7.7 million, as a consequence of the Public Share Exchange Offer for Bonds carried out in December 2004, which reduced the Group's financial debt by 13.5%.

Furthermore, debt average maturity closed the year at 39 months, while with the EBITDA generated in 2004, the EBITDA/ total debt ratio will permit repayment of its total debt within 1.67 years.

Financial Expenditure coverage improved from 3.8x in 2003 to 5.03x at the year close 2004, based upon EBITDA growth and the financial expenditure reduction previously explained in this report.

Backlog

The Group's Backlog closed 2004 at US\$263 million. Of this total amount, US\$146.1 million will be realized in 2005, US\$83.0 in 2006 and US\$33.7 in 2007.

The backlog/activity ratio closed the year at 1.03x. Given the high backlog that will have to be realized in 2005, the activity's prospect for 2005 should be at least equivalent to that of 2004.

Graña y Montero and subsidiaries

Graña y Montero S.A.A.

Av. Paseo de la República
4675 Oficina C-401,
Lima 34, Perú
T 444-5016 F 447-4301
Representante Legal:
Mario Alvarado Pflucker

GyM S.A.

Paseo de la República 4675
Oficina A-201, Lima 34, Perú
T 241-0444 F 446-6919
Representante Legal:
Juan Manuel Lambarri

GMD S.A.

Paseo de la República 4675
5° piso, Lima 34, Perú
Oficina B-101, Lima 34, Perú
T 213-6300 F 446-9667
Representante Legal:
Jaime Dasso Botto

GMI S.A.

Ingenieros Consultores
Paseo de la República 4667
Oficina C-301, Lima 34, Perú
T 444-0497 F 444-0373
Representante Legal:
Walter Silva Santisteban

CONCAR S.A.

(Concesiones de Carreteras)
Paseo de la República 4675
2° piso, Lima 34, Perú
T 446-2272 F 446-4600
Representante Legal:
Miguel Valentín Ghezzi

Servisel

Pevas 338, Mainas
Iquitos, Perú
T (065) 236454
F (065) 241306
Representante Legal:
Antonio Cueto Saco

Oficina Lima

Jr. Pasaje Acuña 127
6° y 7° piso, Lima 1, Perú
T 428-3890 F 428-3890
Axo 550

Ecotec

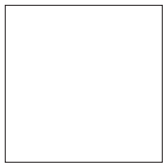
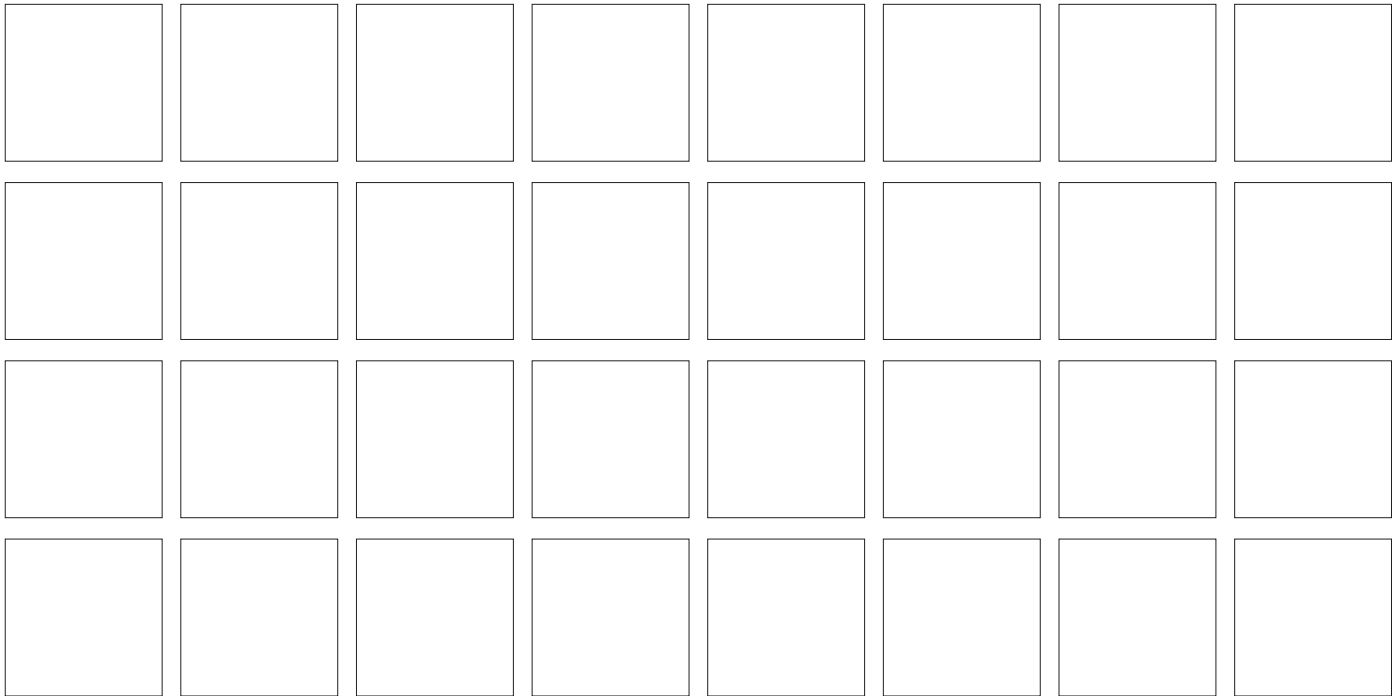
Paseo de la República 4667
T 444-3393 F 242-5259
Representante Legal:
Daniel Mayuri Gallo
Guillermo Alarcón Ramírez

GMP S.A.

Paseo de la República 4675
Oficina A-101, Lima 34, Perú
T 445-3554 F 444-7474
Representante Legal:
Francisco Dulanto Swayne

Digicomp S.A.

Paseo de la República 4667
Lima 34, Perú
T 241-2626 F 242-3011
Representante Legal:
Jaime Dasso Botto



Grupo Graña y Montero



Paseo de la República 4667
Lima 34
Perú

T (511) 444 5016 444 5017
F (511) 447 4301
www.granaymontero.com.pe

