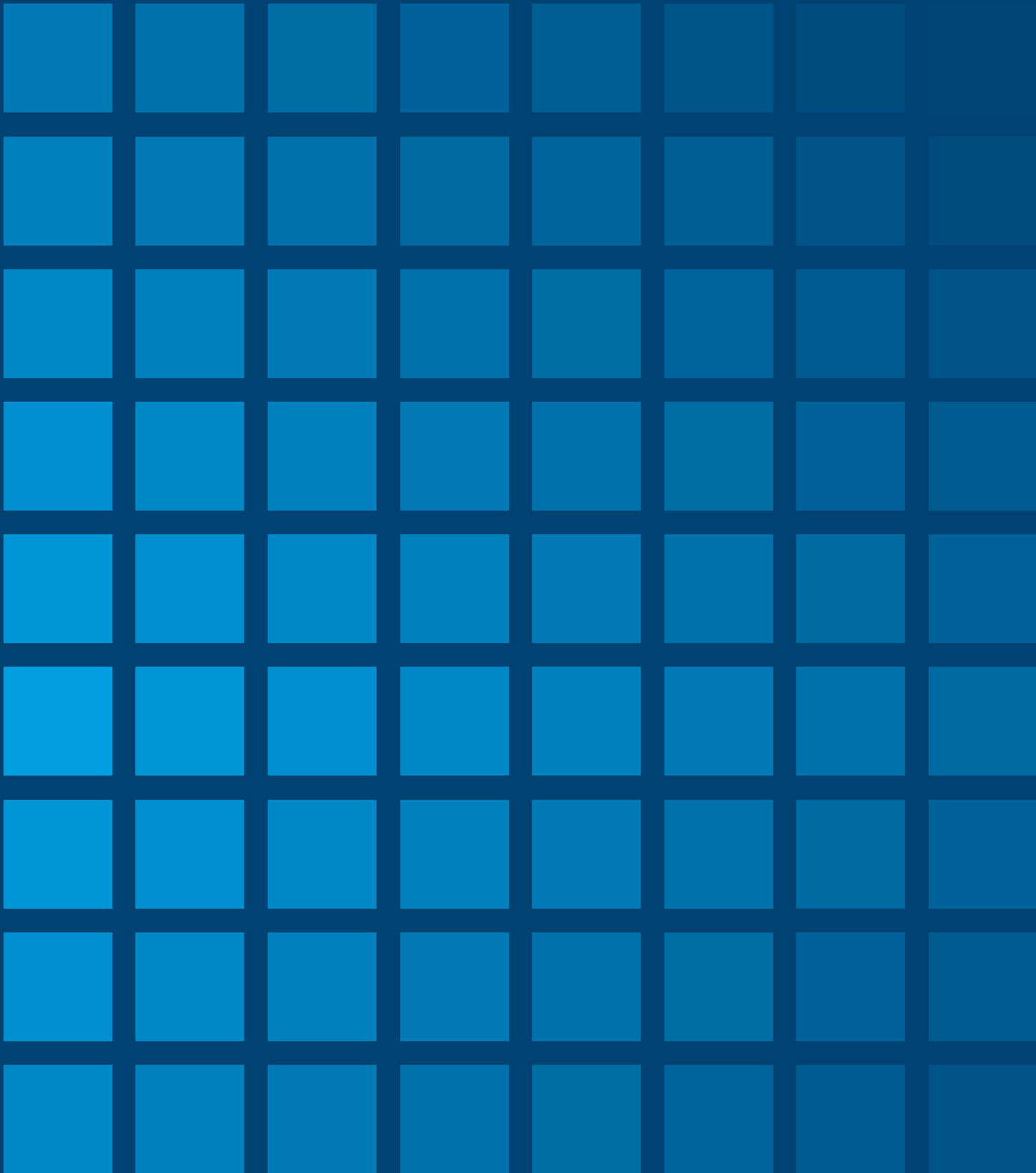




**GRUPO
GRAÑA Y MONTERO
2007 ANNUAL
REPORT**

OUTLOOK



Liability Statement

“This document contains true and sufficient information on the operations of Graña y Montero S.A.A. during the year 2007. Notwithstanding the liability of the issuer, the undersigned assume responsibility for its content in accordance with the applicable legal provisions”.

Mario Alvarado Pflucker

Corporate General Manager

Gonzalo Rosado Solis

Corporate General Accountant

**GRUPO
GRAÑA Y MONTERO
2007 ANNUAL
REPORT**

OUTLOOK



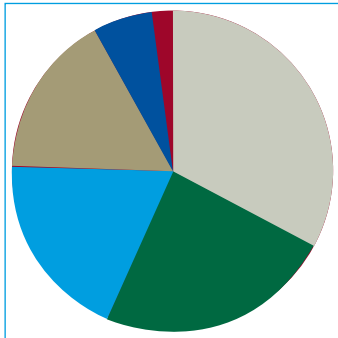
Key Figures

Constant Values as of December 2007

Thousands of New Soles

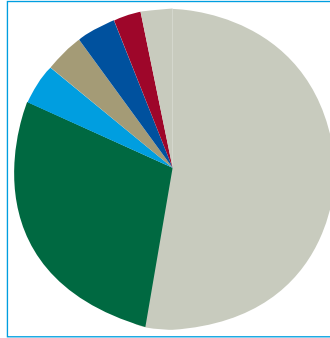
	2004	2005	2006	2007	Equivalent USD Thousands
Activity	840,974	915,217	1,320,849	1,529,818	510,450
Venta	833,731	894,005	1,188,813	1,439,974	480,472
Gross Income	141,991	174,599	272,755	299,027	99,775
Income before Taxes	47,460	71,465	174,373	207,199	69,136
Net Income	17,515	32,724	104,918	129,900	43,343
OIBDA	147,502	173,611	275,451	286,607	95,631
Professionals	984	1,286	1,380	1,705	

Activity by sector



Energy and Petroleum	33%
Infrastructure	24%
Mining	19%
Construction and Industry	16%
Technology	6%
Other	2%

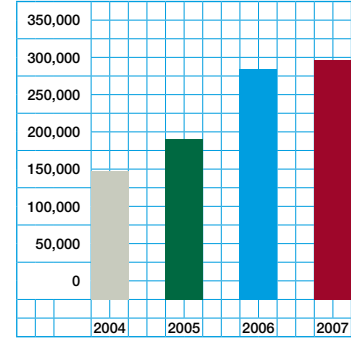
OIBDA



GyM	53%
GMP	29%
Larcomar	4%
GMD	4%
Concar	3%
Other	3%

OIBDA

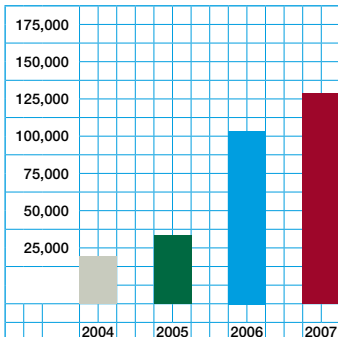
Thousands of New Soles



2004	147,502
2005	180,408
2006	275,451
2007	286,607

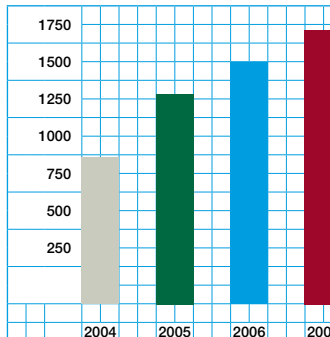
Net Income

Thousands of New Soles



2004	17,515
2005	31,591
2006	104,918
2007	129,900

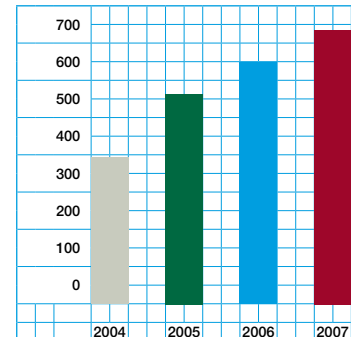
Professionals



2004	984
2005	1,286
2006	1,380
2007	1,705

Backlog

Thousands of US Dollars



2004	278
2005	539
2006	592
2007	720



Letter to Shareholders

Dear Shareholders: With only a few months remaining before we celebrate the 75th anniversary of the founding of the company, it is our pleasure to present the Annual Report for the year 2007 for your consideration.

These 75 years are the best proof of our Quality, Reliability, Responsibility and Efficiency commitment to our clients and our history of strategic success that has enabled the original construction company to grow into an Engineering Services Group with over 1,700 professionals that has diversified into other activities such as Petroleum, Information Systems and Infrastructure Concessions.

The results for the year are the best we have ever had in this long history. The Group's activity amounted to US\$ 510 million, which is 23% growth calculated in dollars (16% in soles due to the revaluation effect), and net profit was US\$ 43.3 million, which is 32% more than for the preceding year (24% in soles).

This last year Peru obtained the approval of a Free Trade Agreement with the United States and maintained macroeconomic stability with over 6% growth, which means that the country will likely attain an investment grade rating in the coming months.

This will surely bring a large increase in private investment in the country, expand the demand for housing exponentially and require an enormous investment in infrastructure, especially through public-private mechanisms. These are precisely the activities for which we have prepared and in which we have obtained clear leadership and valuable experience in recent years.

With these promising possibilities, at the beginning of the year a new Strategic Plan 2007-2011 was approved that can be summarized with three Objectives. Firstly, there is the creation of value, mainly through investment in new projects, for which the shareholders approved the reinvestment of 80% of the profits. Secondly, the structural stability of the Group is sought by directing these new investments toward the reinforcement of its main pillars: The Hydrocarbon Sector with new possibilities of gas development, the Infrastructure that new highway concessions and other infrastructure works will require, and the Construction Sector with the enormous unsatisfied demand for housing. The third objective is to build our capacities and prestige, taking strict adherence to our values to the highest



José Graña
Miró Quesada

President



Mario
Alvarado
Pflucker

General
Manager

international standards and focusing on knowledge management in order to build the Group's professional capacities and enable us to assume the greater challenges presented by the growth we are planning.

In 2007 we have made noteworthy progress on this strategic plan.

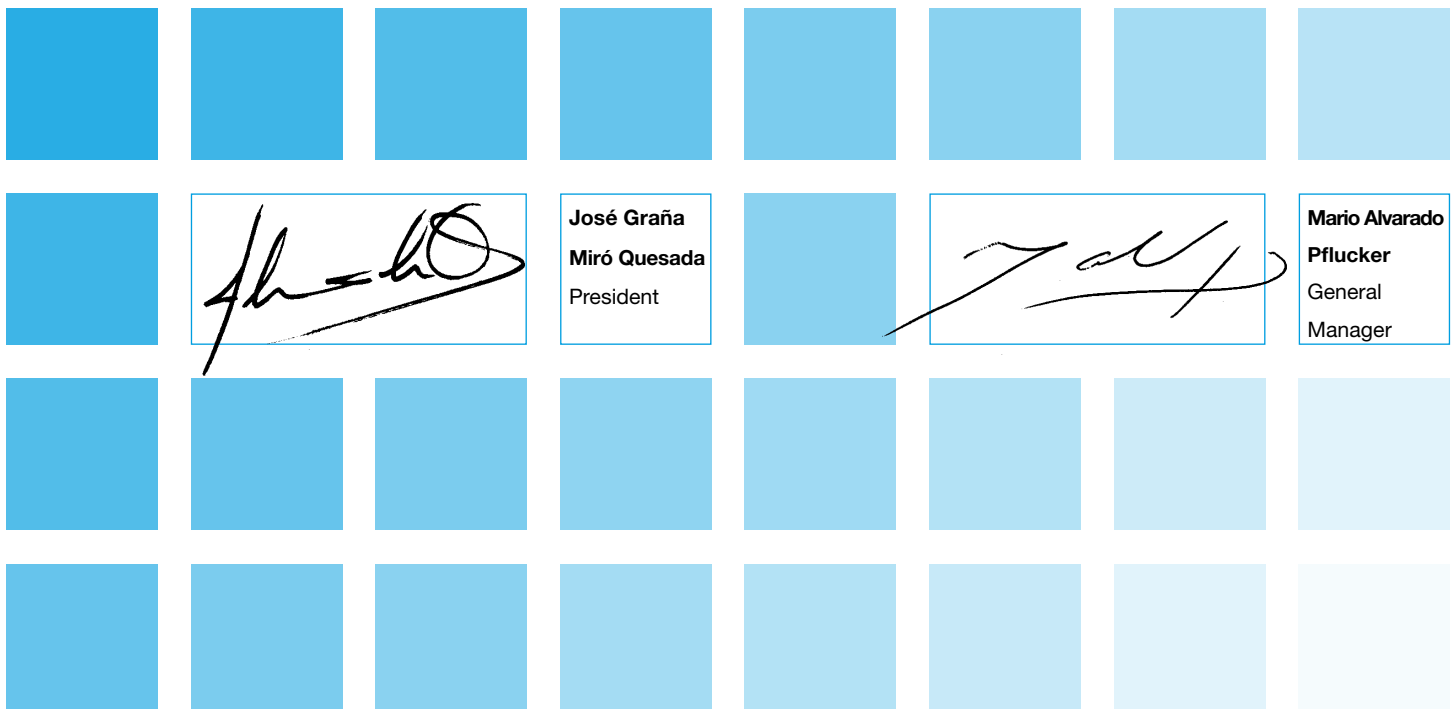
The value of the company has increased 90% during the year on the Lima Stock Exchange and we have made investments totaling over US\$61 million, mainly in the three strategic sectors we have determined. The 41 MMPCD Talara Gas Fractionation Plant is being completed and work has begun on the 3,400-unit Los Parques de El Agustino housing project, which is the first MiVivienda Fund mega-project. Additionally, we have been awarded the concession for Section 1 of the 750-Km Interoceanic Highway.

This year we have also made progress on building our capacities and prestige. We obtained ISO 9001:2000 certification on the project management system, Level 3 CMMI certification on the GMD Software Factory and, for the tenth year in a row, the KPMG Certificate of Compliance with Contract Deadlines (Debe tener un nombre preciso en ingles). A total of 107,300 man hours of training was provided, including the new internal program "Developing Project Managers", and 612,000 man hours were invested in training on Risk Prevention and Environmental Management.

With regard to our Social Responsibility commitment to the communities where we work, in 2007, 18,879 persons benefited from the different plans, among which actions related to education and Job Training Workshops aimed at fostering employability among local populations stand out. It should be noted that this year we initiated a new CSR program aimed at providing technical assistance to communities that are interested in carrying out investment projects with resources from mining "canon" royalties, but lack the technical skills to execute them. This program has begun by supporting the execution of Drinking Water and Sewer Service projects in the communities of Orcopampa, Miraflores and Mariano Melgar in the department of Arequipa.

This strategic plan has enabled us to position ourselves in a situation where high expectations of leadership exist in order to participate in the development of the infrastructure that the country will need, which is reflected in our contract backlog totaling over US\$720 million to date, an amount that is 22% higher than in the preceding year.

Lastly, we would like to thank our clients and workers for making these successes and this promising outlook possible.



1
WAYS OF
LOOKING INTO
THE FUTURE

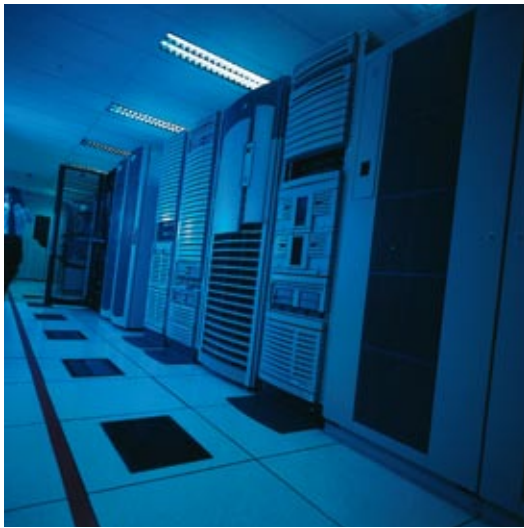
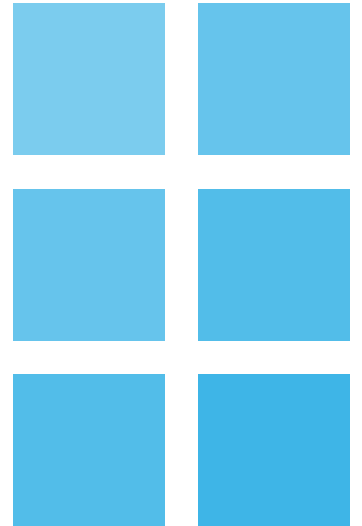


**1.
WAYS OF
LOOKING INTO
THE FUTURE**



Diversification

Over 20 years ago, we adopted a diversification strategy in order to increase the stability of our business without distancing ourselves from our basic knowledge; so we focused our efforts on turning the company into an Engineering and Infrastructure Services Group. Today, what was once a construction company has become a group of 16 companies grouped in 6 operating companies, thereby achieving the objective of having the new companies generate over half of the operating profits of the Group.



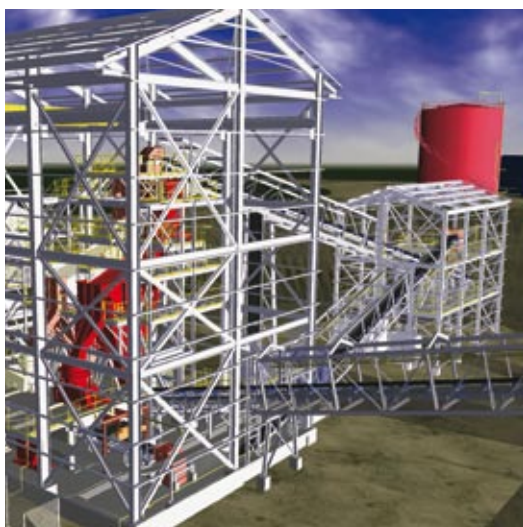
GMD, the Information Technology Services company that has a Technological Operations Center for outsourcing systems services



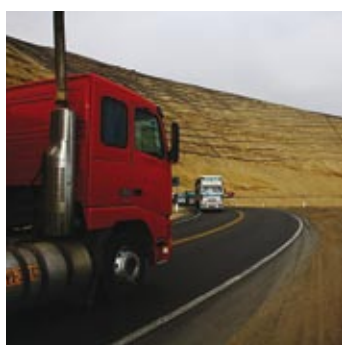
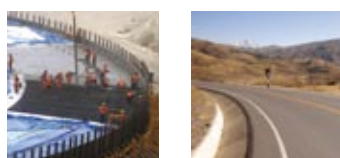
GMP, which is the Petroleum Services company that drills oil wells for third parties, operates two petroleum fields in northern Peru and has formed Consorcio Terminales, a consortium with Oiltanking of Germany for the operation of fuel terminals in Peru and Bolivia. Recently, a Natural Gas Fractionation Plant, which is being expanded, was acquired in Talara



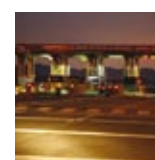
GMI, the Engineering Consulting company that has a subsidiary specializing in Environmental Engineering called ECOTEC



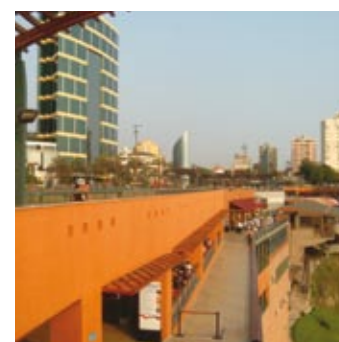
GyM, the original construction company, which has four divisions: Electromechanics, Civil Works, Buildings and Real Estate



Concar, the company specializing in the operation and maintenance of highways under concession



Larcomar, the company that operates Larcomar Entertainment Center in the Lima district of Miraflores that was recently expanded to include an important commercial area, which became the company Fashion Center S.A.



Concessions

In recent years we have been successful in attaining our objective of ensuring the stability of the Group by achieving the development of knowledge and skills in design, construction, finance and the operation of Infrastructure Concessions, which is clearly the way that large projects will be carried out in the future.

The Builder-Concessionaire model generates extensive synergies between the different business lines of the Group. In the economic aspect, the cycles of concessions are long-term, sometimes 60 years, in comparison with 1 or 2-year construction contracts. Concessions produce very stable margins, although they are capital intensive, while construction companies require less capital and generate cash flow. In operations, the two areas strengthen and complement each other in execution and maintenance work.

Currently, we own shares in the concession companies listed below.



Larcomar
 Concessionaire of the Larcomar Entertainment Center and Fashion Center in Miraflores



TGP
 (Transportadora de Gas del Perú), the company that was awarded the contract for the construction of a transportation and distribution system for gas from Camisea.

CLHB
 Compañía Logística de Hidrocarburos de Bolivia (Hydrocarbon Logistics Company of Bolivia), is also operated by Consorcio Terminales. This company is included in Bolivia's Nationalization of Hydrocarbons Decree, which has not yet been implemented.



Norvial

Concessionaire for Road Network No. 5, the Northern Lima highway from Ancón to Pativilca



Consortio Terminales

In association with Oiltanking of Germany, which operates fuel storage terminals in Peru, the Camisea Loading Dock in Pisco, and NASH Storage and Dispatch facilities at the Matarani Port



Concar

Norvial Concession for the Arequipa - Matarani Highway until December 2007

Concesionaria

IIRSA Norte S.A.
a company that has the concession contract for the 980 Km Paita-Yurimaguas Highway.



Canchaque

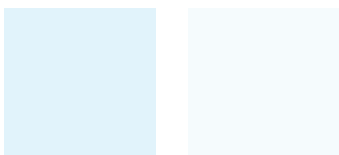
the concessionaire for the Buenos Aires-Canchaque Highway, to be built starting in early 2008

Concesionaria IIRSA Sur

A company that is building the 2nd and 3rd sections of the Interoceanic Highway to Brazil

Survial

The company that toward the end of 2007 won the concession contract for the 750 km first phase of the Interoceanic Highway between Cuzco and Nazca

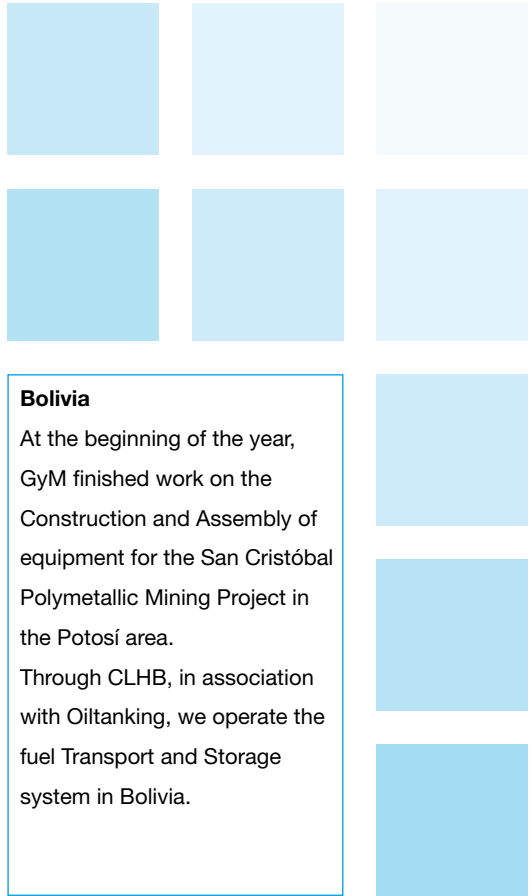


International Development

During the year, our Group has had contracts in three other countries as a consequence of a decision we took some years ago to develop business outside of Peru, due to the need to be competitive internationally rather than only in one market.

República Dominicana
GMI completed its work of supervising the expansion of Hotel Paradisus for the Sol Meliá Group and is now supervising the 1800-room Hotel Moon Palace Project in Punta Cana.





Bolivia

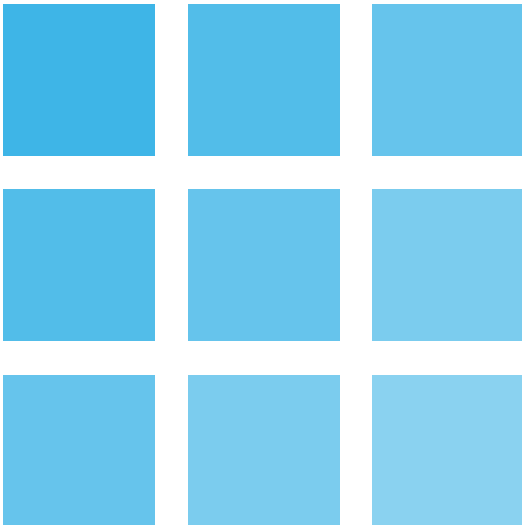
At the beginning of the year, GyM finished work on the Construction and Assembly of equipment for the San Cristóbal Polymetallic Mining Project in the Potosí area.

Through CLHB, in association with Oiltanking, we operate the fuel Transport and Storage system in Bolivia.



Argentina

GMI is in charge of Detail Engineering for the San José Mining Project in the province of Patagonia, Argentina.



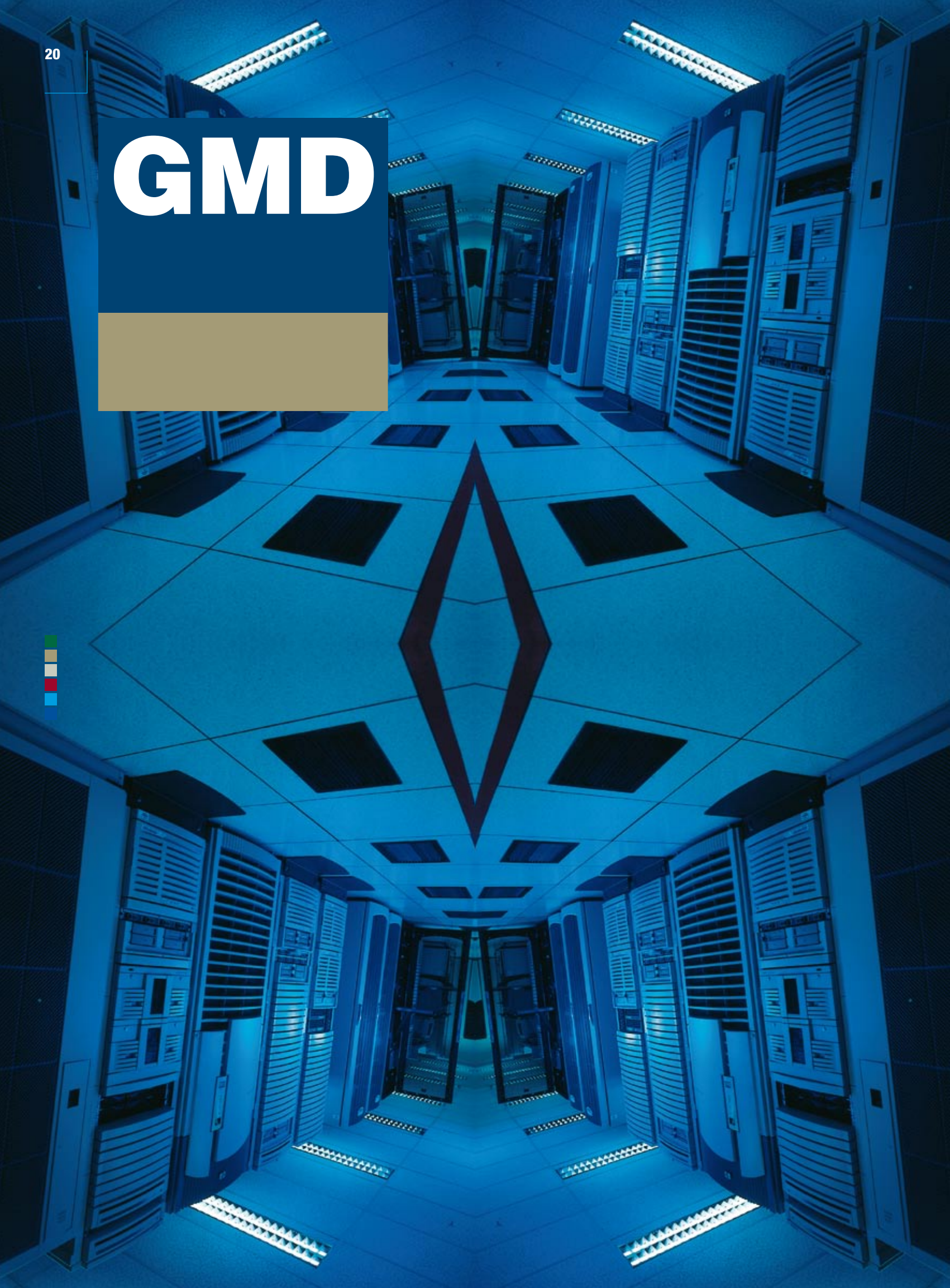
2.
DIFFERENT
OF ANGLES OF
STABILITY



2. DIFFERENT ANGLES OF STABILITY



GMD



GMD OUTLOOK:

STRONG BASES



In the year 2007, GMD increased its market share in the Help Desk and Technological Outsourcing business and consolidated its leading position in the Software Factory business. These results have enabled us to improve our financial position and lay the foundations for solid future growth.

The total activity of the company for the year was US\$ 32 million, which generated an EBITDA margin of 11.4%. During the year, financial debt was reduced by US\$2.3 million and significant investments were made in the amount of US\$2.35 million for the purpose of maintaining the growth of the Outsourcing business and following the strategy of executing projects with stable flows.

The activity generated by the Help Desk and Technological Outsourcing business amounted to US\$10.26 million, which represents 79% growth compared to the year 2006. The activity generated by the service business amounted to US\$ 23.19 million, representing 6.32% growth compared to 2006 and 66% of the total activity of the company. This growth only validates our vision and further consolidates our leadership in this market segment. In the technology sales business, GMD had 11.39% growth and increased profitability by 14.40% compared to the previous year, in accordance with the commercial selectivity strategy adopted.

During the year 2007 GMD obtained SAP Hosting Partner certification and expanded 100% of the Outsourcing contracts, in addition to being recognized once again by our partners – Cisco Systems, Hewlett Packard and Microsoft – as their principal partner in the country.

GMD obtained level 3 CMMI certification in Software Factory, thereby guaranteeing reliability and quality in the development

and maintenance of software, as well as positioning the company as the first Information Technology company in Peru to obtain this international certification. Following the strategy of consolidating processes and operations, the Project Management Office (PMO) was created for the purpose of standardizing processes and the methodology for all of the company's projects. Additionally, it reaffirmed its commitment to Quality Management by renewing the ISO 9001 certification of all of its processes for the third time in 9 years.

The Human Management strategy initiated in 2005 that was aimed at improving the workplace climate, identifying skills by role, evaluating performance and recognizing adherence to our values, permitted a 15% improvement in the workplace climate and simplification of the organizational structure. During the year, a Manager and Project Supervisor training program was initiated, as well as a Leadership Encounter program aimed at transmitting and communicating the results, achievements and problems of each GMD business in order to align the efforts of the company and our personnel. Additionally, communication and recognition of our personnel were enhanced through different means and events, being the most remarkable awards: Internal Educator of the Year, GMD Values Award, and Circle of Excellence.

The following is a list of the main projects on which GMD has worked.





Jaime
Dasso Botto

General
Manager



Industry and Commerce Sector

Repsol

Outsourcing of the billing and fuel dispatch service nationwide.

Avícola San Fernando

Renewal and extension of the contract through the year 2010. Comprehensive Outsourcing of Technology and Support of Oracle Suite systems.

Romero Group

Implementation of SAP Solution Manager 4.0 processes; support provided for SAP Service Desk; support provided in the implementation of SKIMO Ecuador roles and profiles.

Backus

Renewal of outsourcing of the communications system and of the Help Desk service nationwide.

Schlumberger

Service contract for Technical Support and Operation; administration and operation of the database for Perupetro's exploration and production of hydrocarbons.

Unique

Expansion of the Help Desk service in relation with the number of users and countries (Guatemala, Ecuador, Bolivia); management of servers and help desk.

Saga

Renewal of the Platform for the SAB System (Sistema Automático de Bodegas/Automatic Store System), Oracle Financial, Alpha Servers, network equipment for stores.

Telecommunications Sector

Telefónica

Software Factory Systems ATIS: Customer Service, Billing, Collection and Integration, Maintenance of Legacy System, System Design, Testing and Integration.

Governmental Sector

ONP

(Oficina de Normalización Previsional / Pension Fund Normalization Office): DyM II Software Factory; outsourcing of DataCenters, user service and file.

Osinergmin

Outsourcing of Supervision of the Regulatory Application for Handling Claims, Field Supervision and Supervision of Regulatory Compliance.

Consucode

Integral System for the Peruvian electronic public procurement platform.

Sunarp

User support contract; acquisition of database server for the Real Estate Management Department of ZR No. IX, Lima Office.

Banking and Finance

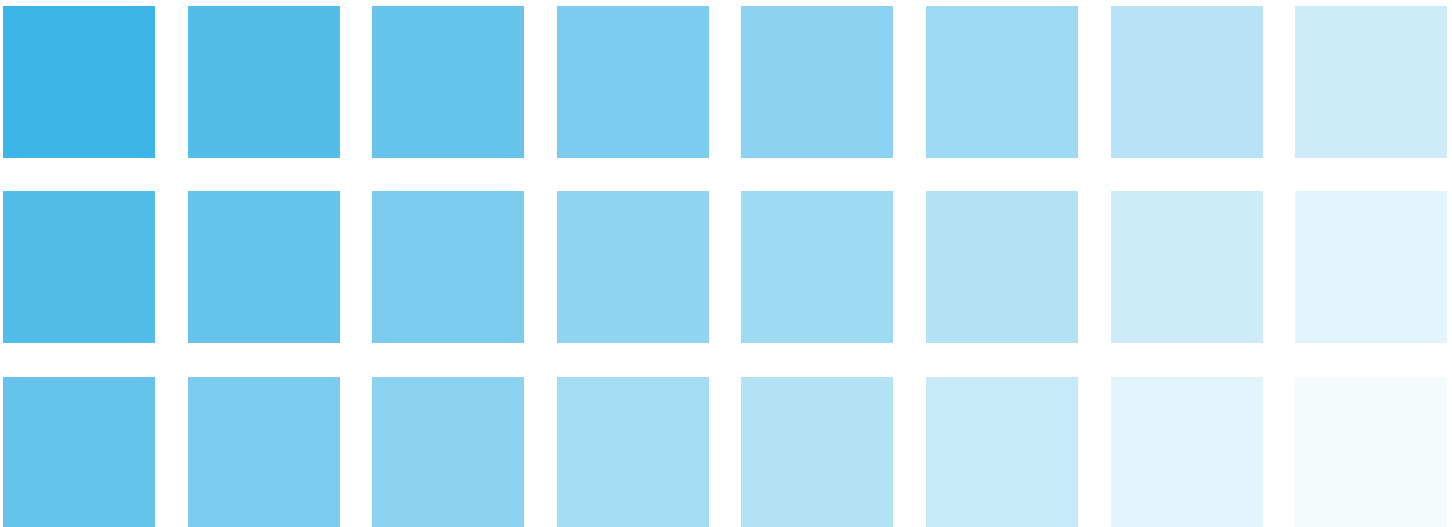
AFP Integra

Outsourcing of the Software Factory for the Development and Maintenance of Free Disaffiliation Systems, new account statements and creation of the AS/400 testing environment.

AFP Horizonte

Outsourcing of Application Maintenance: Pension Fund Management, Revenues, Administration, Human Resources, Development and Maintenance of the Free Disaffiliation System and new account statement, implementation of Sarbanes Oxley (SOX) processes.



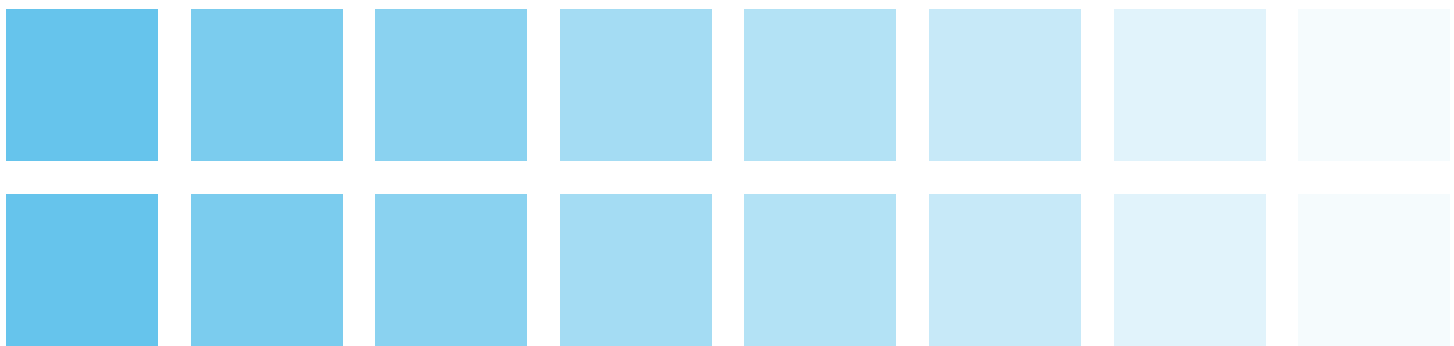


GMI



GMI OUTLOOK:

CONSOLIDATION LEADERSHIP



The year 2007 was one of the greatest years in the history of GMI in terms of progress, as the company consolidated its clear position as one of the leaders in Engineering Consulting in Peru. Sales grew 136% compared to the preceding year, totaling US\$22.6 MM, with EBITDA of US\$ 3.6 MM and net income of US\$ 1.8 MM.

In addition, we made considerable progress in Organizational Development, promoting innovation and Knowledge Management, attaining 16,962 hours of training, 37 discussion forums and 19,117 inquiries in the information system, as part of the new Comprehensive Knowledge Management Plan. We also renewed our ISO 9001:2000 Quality Certification and expanded that certification to include Supervisory Consultancy Services.

Regarding our international activity, we successfully completed the expansion of Hotel Paradisus Punta Cana for Meliá. We also supervised the Hotel Moon Palace project in the Dominican Republic for the Mexicana Palace Resorts chain and we provided engineering services for the expansion of a Gold Concentrator Plant for Minera Santa Cruz in Argentina.

At the national level, the following projects were among the most important.

We see 2008 as a year of great opportunities for GMI. Our country and the region as a whole have macroeconomic indicators that reflect continuous growth. The recently signed FTA with the United States and the possibility that Peru will receive an investment grade rating in 2008 entail many opportunities in which GMI will undoubtedly play a prominent role. This will demand intensive use of knowledge; therefore, Knowledge Management and Organizational Development become key elements for our future development. We must instill a culture of innovation and continuous improvement, building our management capacities and continuously updating technical knowledge.



GMI



Walter Silva
Santisteban

General
Manager

Mining Sector

Compañía Minera Antamina

Under the Engineering Framework Contract, the following projects were carried out:

- Construction Management for the Supervision of the Tuchsh Seepage Return Line project
- Supervision of Microcell Sparger Mobi
- Basic engineering for new building at Yanacancha Camp
- New Yanacancha Camp facilities

Sociedad Minera Cerro Verde S.A.A.

Under the Engineering Framework Contract, the following projects were carried out:

- Expansion EW Electro Mining facilities
- Nash Concentrator Plant Warehouse
- New Pad 1X
- Drinking water plant upgrade at concentrator
- Expansion of Jacking Header at the Tailings Dam

Compañía Minera Volcán S.A.A.

- Conceptual study on the expansion of the Victoria Plant to 5,000 MTPD
- Detail engineering and supervision of the Victoria Plant expansion

Río Tinto Minera Perú Limitada S.A.C.

The following also merit mention:

- Engineering for La Granja Camp
- Project Management: La Granja Camp, health facilities and site preparation for the Acid Water Treatment Plant
- Management of Community Office Remodeling Project
- Querocoto - La Granja Highway repair work
- Supervision of the electrification in the communities neighboring the area of influence of La Granja project
- Definitive engineering for the construction of La Granja – Northern Route Access Highway
- La Granja Procurement and Construction Management

Kvaerner Peru S.A.

- Detail civil and structural engineering for the Doe Run Peru Copper Circuit Acid Plant

Doe Run Perú

- Materials management for the new Lead Circuit Sulfuric Acid Plant
- Feasibility study on New Rectifiers for the Lead and Copper Refinery

Canper Exploraciones S.A.C.

- Feasibility study on existing tailings
- Pinaya Project

Minera Quellaveco

- Study on Alternatives for Access Roads Leading to the Quellaveco Project Facilities

Minera Yanacocha S.R.L.

- Detail engineering for new East Sector Acid Water Treatment Plant - Pampa Larga. Process, Basic Pipeline Plot P&IDS, Topography

Construction and Industry

Neptunia

- Technical profile for Dock 5 Expansion, Port of Callao

Cemento Andino S.A.

- Service contract on Industrial Clean Up and Waste Management performed by our subsidiary, Ecotec S.A.

GyM

- Engineering for Pariñas Gas Plant

Hydrocarbons

Petroperú S.A.

- Supervision of Environmental Remediation at La Pampilla Refinery and its sales plant

Refinería La Pampilla

Under the Engineering Framework Contract for Investment Projects, approximately 40 projects were carried out, some of the most important of which were as follows:

- Updating of P&ID Plans for La Pampilla Refinery
- Flexibility study on the old 16" wastewater pipeline
- Regularization of municipal files



Pluspetrol Perú Corporation

- Engineering and design of the Cashiriari 1 and 3 platforms
- Engineering for improving the water recovery system of the tailings dam

Barrett Resources LLC

- Basic Engineering of the Dorado –Andoas oil pipeline

Infrastructure and Transportation

Provías Nacional

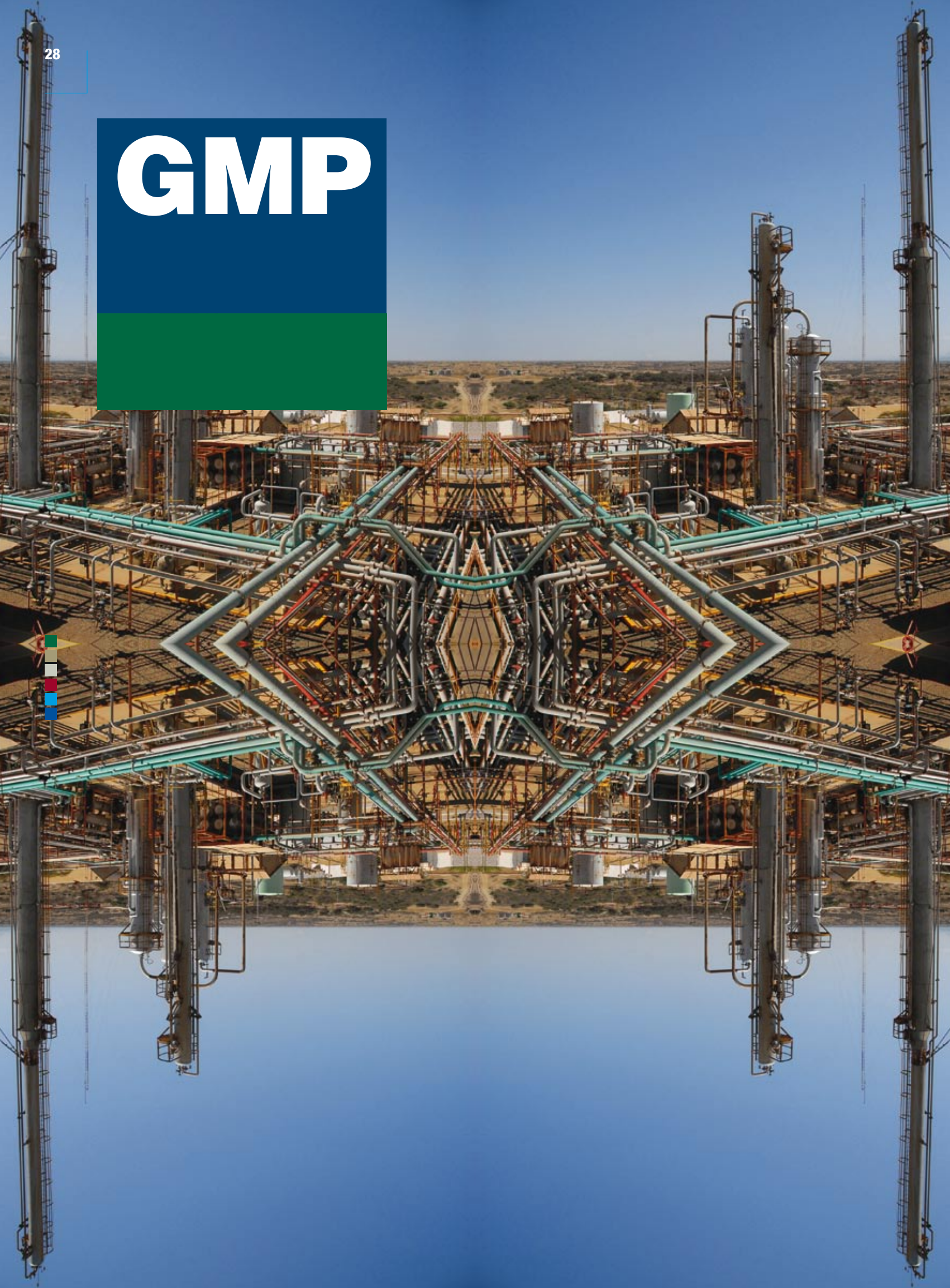
- Project supervision: Improvement of the new Mojón-Chiquian-Aguia Highway interchange, Conococha-Huallanca Highway, Section1: Mojón Chiquian
- Supervision of repair and improvement of the Tarapoto-Juanjui highway, section Km. 34+000- Km.-59+000

Survial

- Inspection of the Ricardo Palma Bridge-Pucallpa Section, IIRSA Center project
- Definitive Engineering Study for the reconstruction and repair of the Buenos Aires-Canchaque section of the old Piura-Huancabamba Highway Pan American Interchange

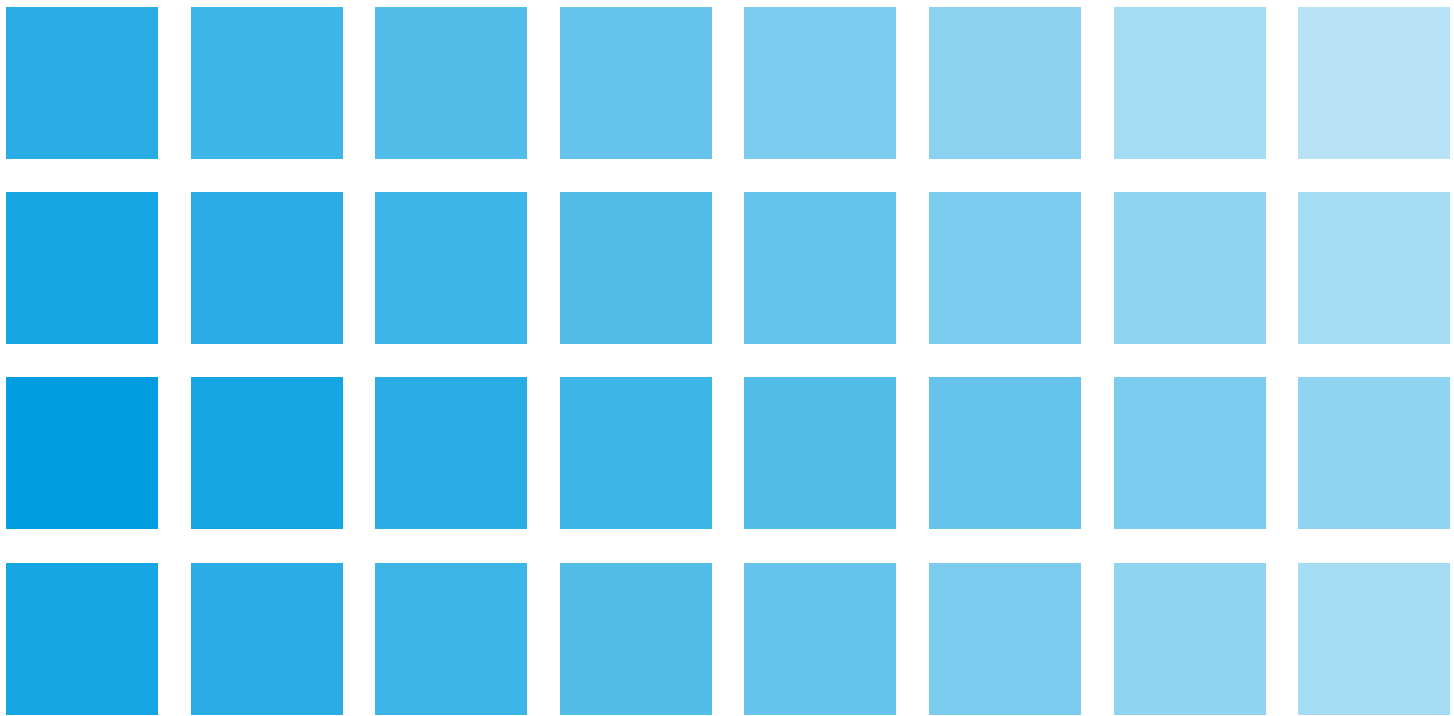


GMP



GMP OUTLOOK:

INVESTMENT INITIATIVE



The year 2007 was exceptional for the petroleum industry due to the increase in the price of crude oil during the period; additionally, the country's economy and a favorable investment climate contributed toward GMP's record sales and net income, exceeding US\$59 million and US\$16 million respectively.

In line with GMP's development strategy, this year we initiated operations at the new Matarani Chemical Terminal for sodium sulfhydrate and, in the early part of the year, the new 41 MMP-CD Talara Gas Fractionation Plant will begin operations.

This is a good time to initiate investment projects in our sector. We have presented a private initiative to PROINVERSION to build and operate a poliduct between Pisco and Lurín for

the purpose of transporting LPG. In addition, other hydrocarbon terminal projects in Chile and Central America are being evaluated, as well as some projects related to petrochemistry, biofuels and port development in the country.

Our forecast for 2008 enables us to expect a year with a high level of activity and growth, as well as excellent results.

GMP



Francisco
Dulanto
Swayne

General
Manager

Petroleum and Gas Production

Nine successful development wells were drilled in lots I and V in the northeast, which increased our developed reserves by 1,000,000 barrels, and the production obtained during the year amounted to 369,372 barrels of petroleum, which was 12% higher than for 2006. A drilling campaign including 11 development wells is planned for the year 2008.

Drilling

During the year 2007, 38 wells were drilled with a total depth of 141,568 feet, which was 70% more than the number of feet drilled in the year 2006.

Talara Gas Plant

The quantity of natural gas processed in the existing plant was 9.7 BSCF, which is equivalent to 26 MMSCFD. The production of liquids amounted to 264,700 barrels. Regarding the new plant project, by the end of the year, the detail engineering designs and the acquisition of equipment had been completed, while progress on civil works was 52%. Plant start-up is programmed for the first semester of 2008.

Consorcio Terminales

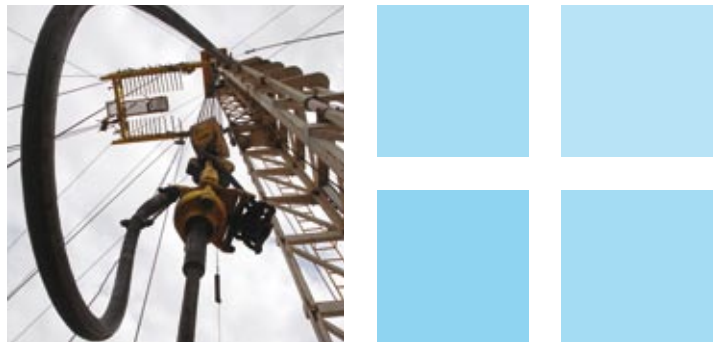
During the year, Consorcio Terminales (GMP-Oiltanking) dispatched an average of 57,111 BPD of products from the country's terminals, which accounted for a 10% increase over the previous year. The storage volume contracted by our users was 1.68 MMBLS on average, amounting to a 12% increase in relation with the year 2006. Regarding our operations at the Camisea Terminal in Pisco, 108 ships were loaded during the year with a volume of 11.4 million barrels.

LQS Matarani

In the month of June, LQS (Logística de Químicos del Sur / Southern Chemical Logistics) started up operations at the Port of Matarani and received 19,125 tons of sodium sulfhydrylate (NaSH) for our mining clients.

CLHB (Bolivia):

Our operations in Bolivia through CLHB were carried out as usual. The volume of products transported through the pipelines was 6.28 MM barrels and the volume dispatched from the plants was 12.36 MM barrels. Regarding the nationalization process in which CLHB is included, no major events occurred.



GyM



GyM OUTLOOK:

NEW RECORD



In the year 2007, GyM's steady growth in the construction market continued; a new sales record of US\$ 372 million was attained, with after tax profits of US\$ 23 million. It should be noted that the company has a backlog of US\$ 405 million, which guarantees its growth and continuity in the coming years.

Graña y Montero S.A.A. obtained the Marcona-Nazca-Puquio-Abancay-Cuzco-Urcos (Survial) and Buenos Aires-Canchaque (Piura) highway concessions, for which GyM will roll out projects in the approximate amount of US\$ 75 million and US\$ 15 million, respectively, beginning in 2008.

In line with its strategy of decisive participation in the construction of economical housing, in the month of May, GyM was the contract award winner in the first major contest held by MiVivienda fund for the execution of the project Los Parques del Agustino, on a 228,000 m² piece of land pertaining to the former military base, La Pólvara, located in the district of El Agustino, where we will build 3,400 homes, commercial areas and an area dedicated to education.

As a result of our internal project to improve processes, this year the Project Management Control Department was created within the organization. In the month of November, it obtained ISO 9001 certification by Bureau Veritas.

The significant growth achieved by the company in recent years has been based on hiring the best young professionals

graduated from several universities in Peru who have received on-going training through our Corporate Learning Center. In the year 2007, 121 engineers with diverse specialties were incorporated.

It should be noted that continuing with the development of these professionals, a skill-perfecting program called "Developing Project Managers" was designed in association with the Senior Management Program run by the Universidad de Piura, which has been training the company's future Project Managers since August of 2007.

The main projects in which we have participated during the year 2007 are listed below.



GyM



Juan Manuel
Lámbarri
Hierro

General
Manager

Mining Sector

Minas Buenaventura

14,573 m of ramps and crossings and 729 m of stacks in Orcopampa and 940 m of crossings in Poracota.

Minera El Brocal

9 years working together in the open pit mine, moving 6,255,442 m3 of earth and 712,684 m3 of mineral in 2007.

Minera Goldfield La Cima

Civil works and mechanical assembly in the Cerro Corona Project.

Minera Yanacocha

Goldmill civil works

Votorantin Metais, Cajamarquilla S.A.

Structural and electromechanical assembly, Indio Plant

Minera Río Tinto

Exploratory tunnel in La Granja mine

Milpo

El Porvenir dam

Energy Sector

Pluspetrol Norte

Reinjection of production waters. Environmental improvement program
Highway maintenance

LNG

Pampa Melchorita Liquefaction Plant
Camps – preparatory work and main civil works

Pluspetrol Corporation

Expansion of the gas compression plant in Malvinas

GMP

Expansion and modernization of the Pariñas gas plant

Ministerio de Energía y Minas

San Gabán Mazuco - Puerto Maldonado transmission line

Infrastructure Sector

IIRSA Sur – Section 2: 300 Km Urcos-Inambari Highway - 86 kms paved during the year

IIRSA Sur- Section 3: 403.20 Km Inambari-Iñapari Highway - 115 kms paved during the year

IIRSA Norte

57 kms. of the Tarapoto-Yurimaguas Highway paved during the year

64 kms of Highway Piura-Olmos paved during the year

Sedapal

Lots 6, 7 and 10. 712,684 m3 of water connections to households and 20,345 of sewer connections to households made during the year

Norvial

88 kms paved and 547 kms with surface treatment during the year.

Construction of the Huaura and Pativilca Bridges

Municipality of Metropolitan Lima

Paseo de los Héroes Navales Interchange

Construction and Real Estate Development Sector

Double Tree Hilton

124-guest room Hotel Paracas

Novotel

210-room hotel in San Isidro

Clínica Ricardo Palma

New office building

INSERFINSA

Santo Toribio office building

Ferreiros

New institutional headquarters

Minera Hochschild

New institutional building

Graña y Montero S.A.A.

Expansion of institutional headquarters

Inmobiliaria Viena S.A.

Golf Millennium Project

Residential Building Balta 1070 Miraflores

Residential Building Golf Los Inkas Monterrico

Telecommunications Sector

Telefónica del Perú

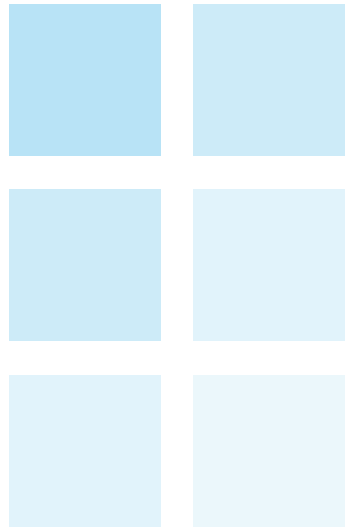
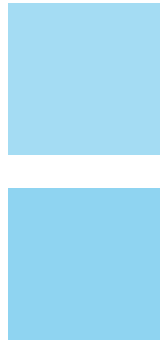
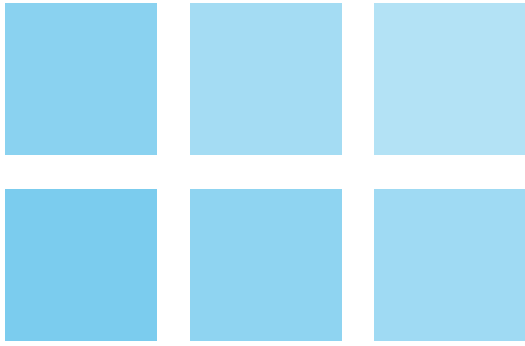
Transmission and radio work. Work on switching. Work on transmission-installation of Huawei Metro 1000 equipment. Installation of Microlink radio equipment. Minilink radio links. Work on relocation of lines and ISDNI. Radio frequency and switching optimization work.

EMSA

Structured cabling of the fire detection system and CATV

GyM

Fiber optic and copper campus backbone at the Pampa Melchorita project

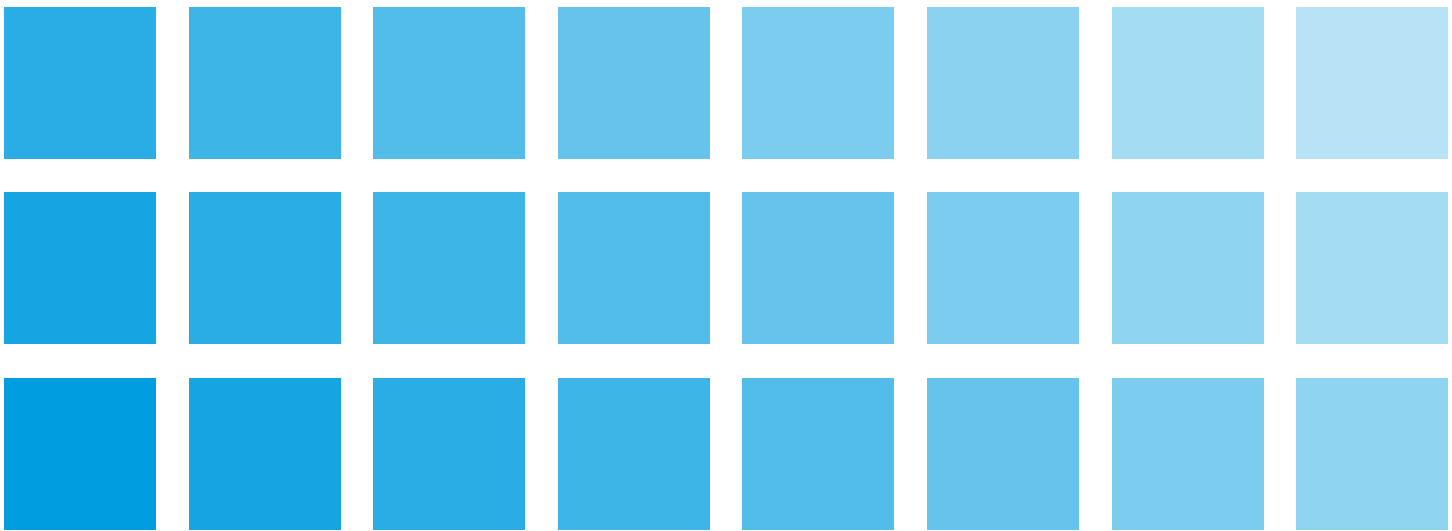


concar



CONCAR OUTLOOK:

MORE KILOMETERS



Continuing with the growth plan initiated in 2006, in 2007 CONCAR consolidated its leading position gained by winning the contract for the operation of Section 1 of the Interoceanic Highway (from Nazca to Cuzco) with over 750 Km and the contract for periodic and routine maintenance of 400 Km of highway located near the city of Tacna in relation with the Peru Project (Proyecto Perú).

With these 2 new contracts, CONCAR attains over 2,400 Kms of highways in operation, and an increase in the number of kilometers of highway for which it is responsible is forecasted for 2008. For this purpose, CONCAR plans to continue participating in the Peru Project, in which the Peruvian government plans to hold a call for tenders for over 7,000 Kms of highway asphaltting and road grading during the year, as well as to continue participating in the highway concession contracts in which our group has obtained a clear leadership position in recent years.

Another achievement in 2007 that should be noted is the completion of the Arequipa-Matarani Highway concession, which we operated efficiently for over 12 consecutive years,

fulfilling every single part of the schedule and making it the first highway concession in the country to be completed and handed over to the State to be then granted in concession again.

Additionally, in line with the objective of specializing in highways, the equity corresponding to the concession for the Ovalo Gutiérrez parking garage was split off and sold to a specialized company.

The results were quite satisfactory; sales grew 30% to US\$14.6 million and profits amounted to US\$1.5 million.

The following are the concession projects that were in operation during 2007:



Jaime
Targarona
Arata

General
Manager



Arequipa – Matarani Highway Concession
 Following the tendency of recent years, in 2007 revenue from traffic increased by more than 15% in comparison with the previous year. After a little over 12 years, this 100.7 Km highway concession was returned to the state on December 7.

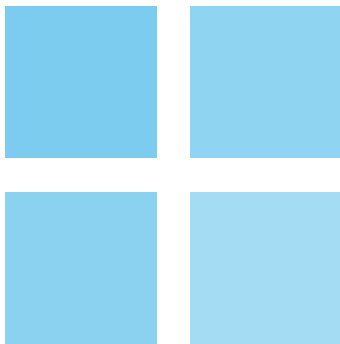
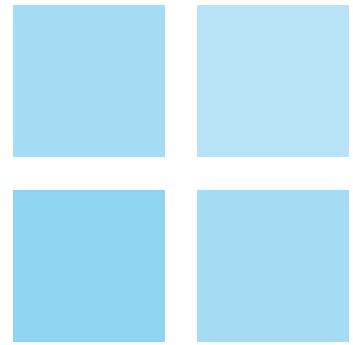
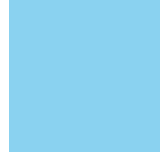
Operation and Maintenance of the Ancon – Huacho – Pativilca Highway
 CONCAR satisfactorily carried out the operation and maintenance of the highway and also assisted Norvial S.A. in developing procedures for technical solutions to specific problems along the 280 Km highway.

Operation and Maintenance of the Northern IIRSA Highway between Paita and Yurimag
 Since April of 2006, CONCAR has satisfactorily handled the operation and maintenance of the Northern IIRSA highway, which is approximately 1000 Km long.

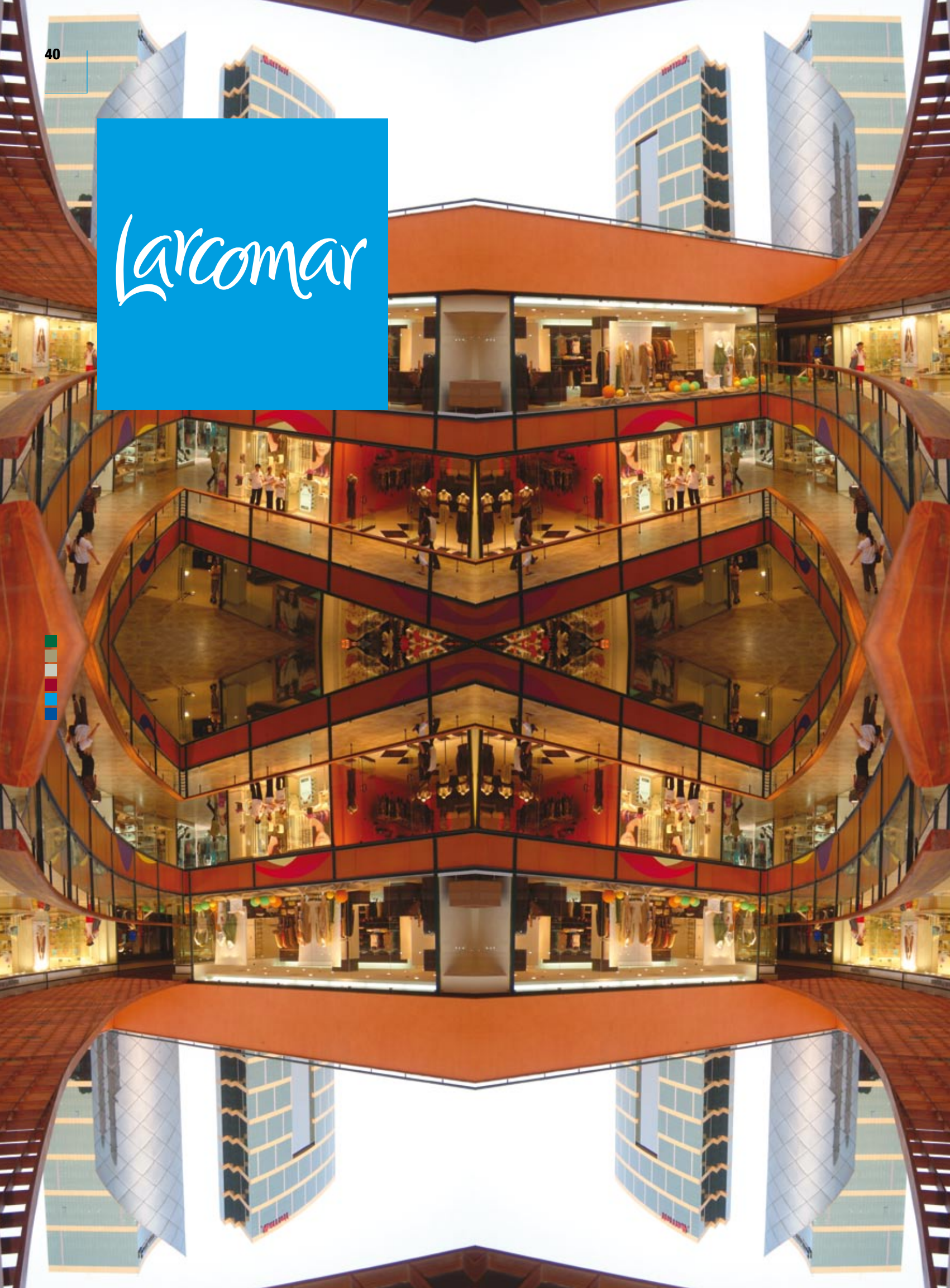
Operation and maintenance of Section 1 of the Interoceanic Highway
 On December 06, the operation and maintenance work began on 755 Kms of highway between Puerto de San Juan de Marcona in Ica and the city of Urcos in Cuzco.

Contract on Routine and Periodic Highway Maintenance on 400 kms of road
 Tacna – Camiara Bridge, Tacna – Tarata, Tacna Palca, Tacna – La Concordia and Tacna – Ilo, in association with GyM. Maintenance work began on December 5.





Larcomar



LARCOMAR OUTLOOK: SURPASSING EXPECTATIONS

During the year 2007, Larcomar surpassed growth expectations, consolidating its new commercial offering with the expansion that opened in December 2006, restructuring the company administratively and financially, and reaffirming its leading position in the tourism, commercial and entertainment industry.

Financially, Larcomar has completely reprofiled its debt, extending the payment period to 14 years and reducing the effective interest rate through a leasing arrangement. The amount of this financial engineering was US\$ 25.3 million and included the sale of all of its assets and liabilities, as well as the transfer of its equity to a related company, Fashion Center S.A., which is the current owner of the business.

Commercially, Larcomar has successfully changed its image, replacing its former logo with an up-to-date logo that represents the growth and changes it is undergoing. The commercial activity, which goes hand-in-hand with the economic growth of the country and is aimed at offering a pleasant experience in an atmosphere of quality and security, has attracted 5.75 million visitors, including 600 thousand tourists. This is 12% more than in 2006 and has enabled our operators to invoice a total of US\$ 47 million dollars, 57% more than for the preceding year. Additionally, 95% of our visitors stated that they were satisfied or very satisfied with the experience they had in Larcomar.

Continuing with the strategy of inserting Larcomar in the tourism circuit in the city of Lima and enhancing its cultural offering, the Gold Museum of Peru Salon, an important effort containing a high-level display of 200 Pre-Colombian pieces, was opened. Our concept of being part of the modern facet of the city has been reinforced with the cultural offering, which is widely recognized now by the sector through major travel agencies, hotels and public institutions, and publicized at international fairs and in the principal tourism forums.

Due to the drills and professionalism of its personnel, Larcomar has been considered an example in terms of security by the most important media.

Organizationally, the 200-member Larcomar staff has gained considerable experience, which has been reinforced with 49 hours of training and leadership programs annually. We have also grown with regard to our CSR activities. We actively participate in Miraflores City Hall's "Adopt a School" program, through which we donated a computer laboratory for students at the Juana Alarco de Dammert primary school, as well as in the activities of the Miraflores Safe Tourism Association (known by its Spanish acronym: Asetumi), in which we facilitated the installation of a Tourism Police Station in the district.

In the year 2007, the result of these strategies has been an occupation rate of 98% of the leasable area and total billing of US\$ 8.8 million, generating EBITDA of US\$ 4.2 million, amounts that are 45 % and 46 % higher , respectively, than those of 2006.

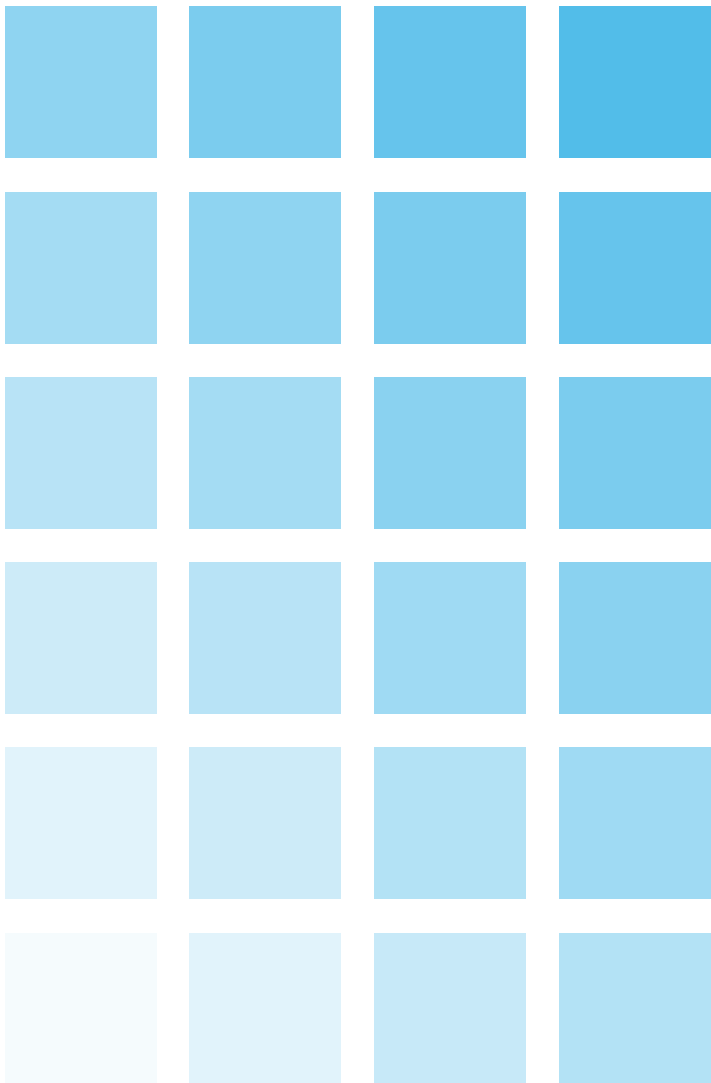
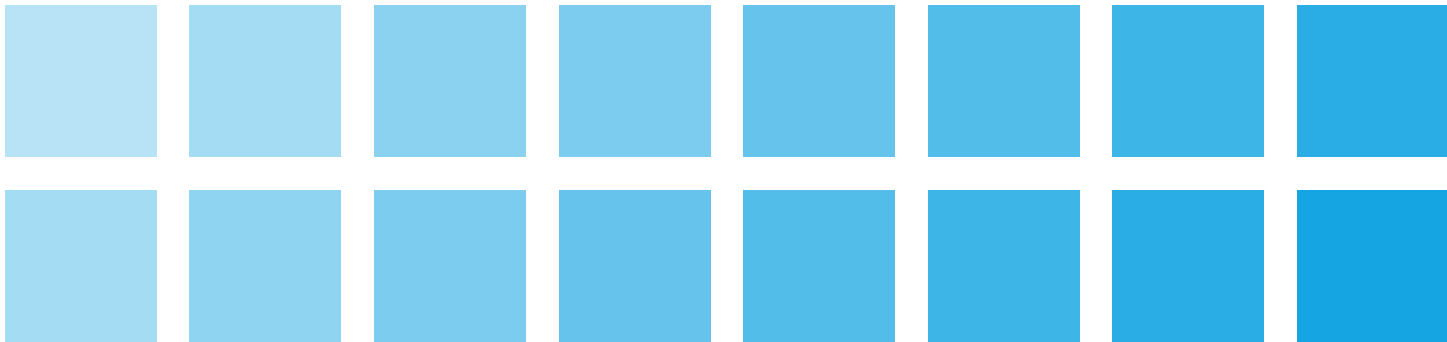
The growth attained, together with the last 4 years' results, a team of committed professionals, and the support of our shareholders, will enable us to take advantage of the significant opportunities arising in our country with a great chance of success, thereby contributing toward the generation of value for our shareholders, clients, employees and society in general.





Antonio
Rodríguez
Canales

General
Manager



Real Estate Area

Main operators, advertisers and franchises

Alpaca 111

Nike

Air Sport Club by Nike

Liliana Castellanos

GMO

NU

Íbero

Giuliana Testino

Tattoo

Hush Puppies

Florsheim

Swatch

Timberland

Pizza Hut

Burger King

KFC

Bembos

Starbucks

Tony Romas

Laritza

Café Café

Mangos

Makoto

Aura

Gótica

UVK

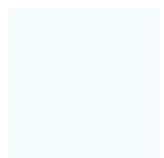
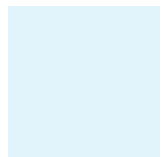
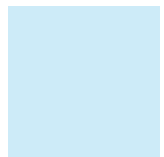
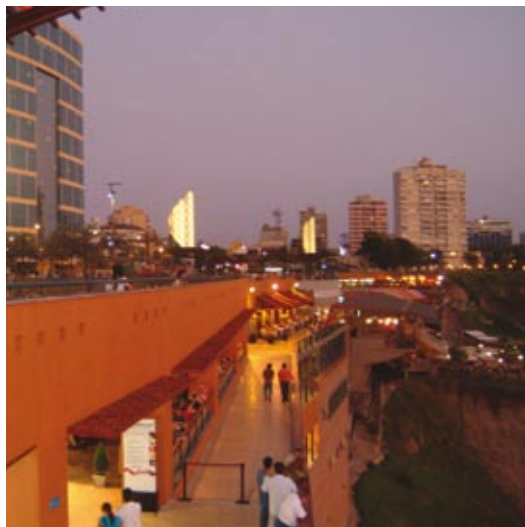
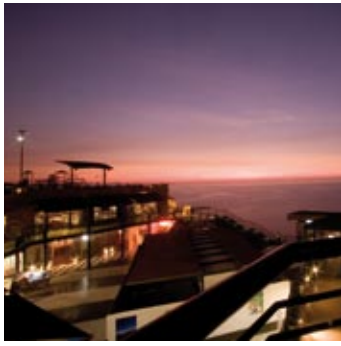
La Dama Juana

Backus

Phillip Morris

Telefónica

Claro



3. DRAWING LOOK



3. INWARD LOOK



Social Responsibility

Continuous commitment to our corporate values of Quality, Dependability, Reliability and Efficiency not only determines our actions and supports our growth; it also upholds the recognition of socially responsible behavior toward our clients, shareholders, workers and the communities with which we relate in carrying out our operations.

During the year 2007, not only have we continued developing Social Responsibility Plans for the different projects we lead; but we have expanded our outreach to the community, developing pilot projects to provide technical assistance to communities interested in carrying out their own social investment projects, which in many cases have resources from mining or petroleum “canon” royalties. However, they lack the technical skills that would enable them to use resources efficiently. This program’s first project was helping the community of Orcopampa, located 4,500 meters above sea level, with the engineering and technical file elaboration for a drinking water and sewer project in that town. Sharing our technical knowledge to benefit society strengthens our social commitment.

With education as a key element in our project’s Social Responsibility Plans, we have increased our line of action aimed at broadening the job skills of the residents of the communities where we operate through Job Skills Workshops that enable them to work in civil construction. These qualifications not only facilitate their access to the job market; they provide them with

qualifications and skills that can be used in community work projects and sustainable development of their communities.

During the year 2007, in accordance with our corporate policy of transparency and as members of the Global Compact promoted by the United Nations, we reported to the UN on social responsibilities fulfilled, thereby making them public knowledge. Additionally, the annual audit of our projects required by the IDB and performed by the company Walsh Peru S.A. verified our adherence to good social practices in relation with the projects.

Within our organization, we have put the highest-priority commitment to our workers into practice by implementing human resource management policies aimed at their personal and professional development, as well as providing them with safe working conditions.



Human Resource Management



The economic growth of the Group has resulted in a substantial increase in the total number of workers, which is now 11,880. The group of employees has increased to 3,508, 37% of whom have been with the company less than 30 years. Among our professionals, 80% are engineers with different specialties.

In view of this growth, and in order to support efficient human resource management aimed at the development and welfare of our workers, Meta 4 human resource software has been acquired and installed.

Because we are an organization mainly composed of engineering professionals, and with knowledge management as a central element, training activities have been given priority in coordination with our Corporate Learning Center. The basic, intermediate and advanced training programs aimed at developing professional skills, as well as identification with our values and corporate personality, have not only had a greater number of participants; they are continuously being impro-

ved, with emphasis on content related to leadership and teamwork.

The year 2007 has also been one of progress in internal communication, with the development of electronic bulletins and magazines issued by the different companies that enable us to know each other better through the work we perform each day as individuals and team members. The sporting events and social activities held by the different companies, as well as within their projects, merit special mention. Many of them were organized by the workers themselves with support from the company.

Distribution by age

As of 12/31/07 No. of Employees

	Holding	GyM	GMD	GMP	GMI	CONCAR	Larcomar	Total
Under 20	0	3	0	0	0	10	0	13
From 20 to 30	9	398	317	45	179	325	14	1,287
From 31 to 40	14	326	363	78	173	271	18	1,243
From 41 to 50	11	196	96	107	57	99	13	579
From 51 to 60	8	110	16	105	43	30	5	317
From 61 to 65	1	18	1	14	4	4	0	42
Over 65	1	10	1	9	4	2	0	27
Total	44	1,061	794	358	460	741	50	3,508



Population Statistics

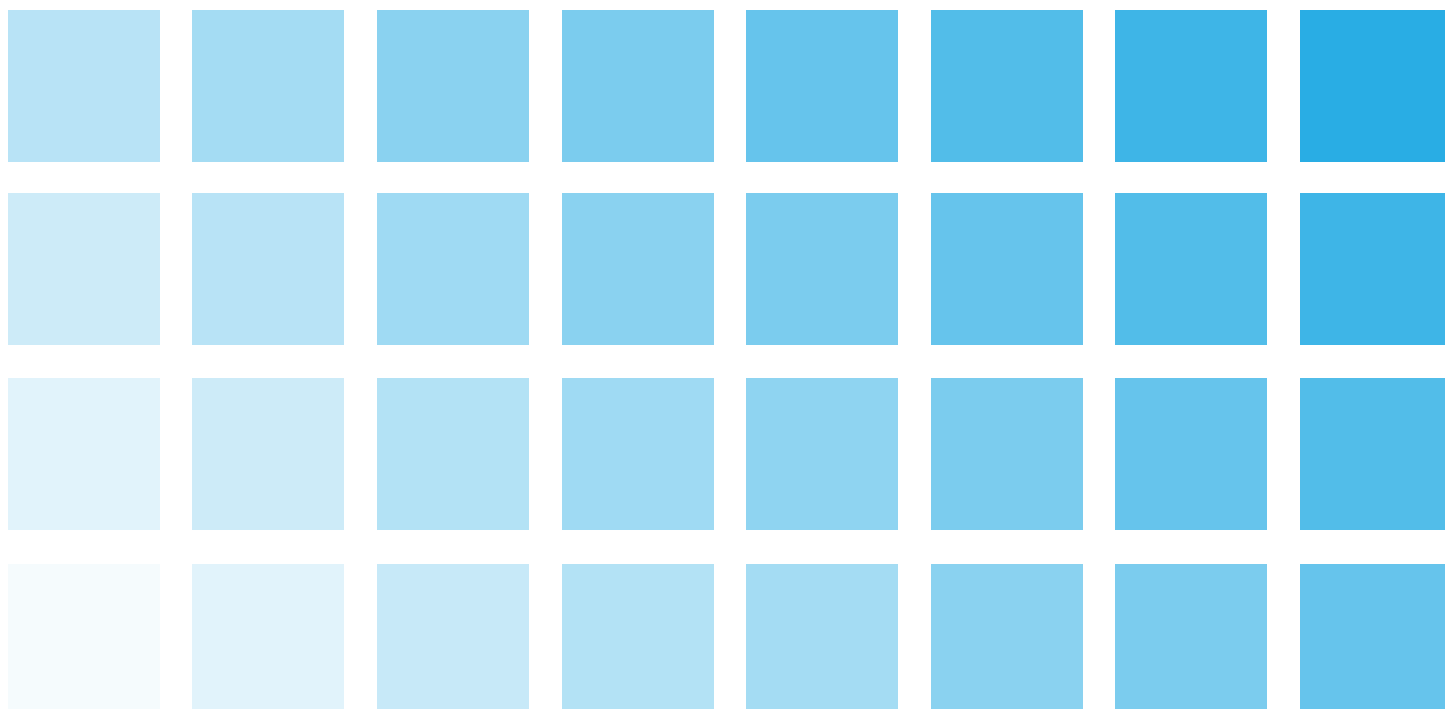
As of 12/31/07 No. of Persons

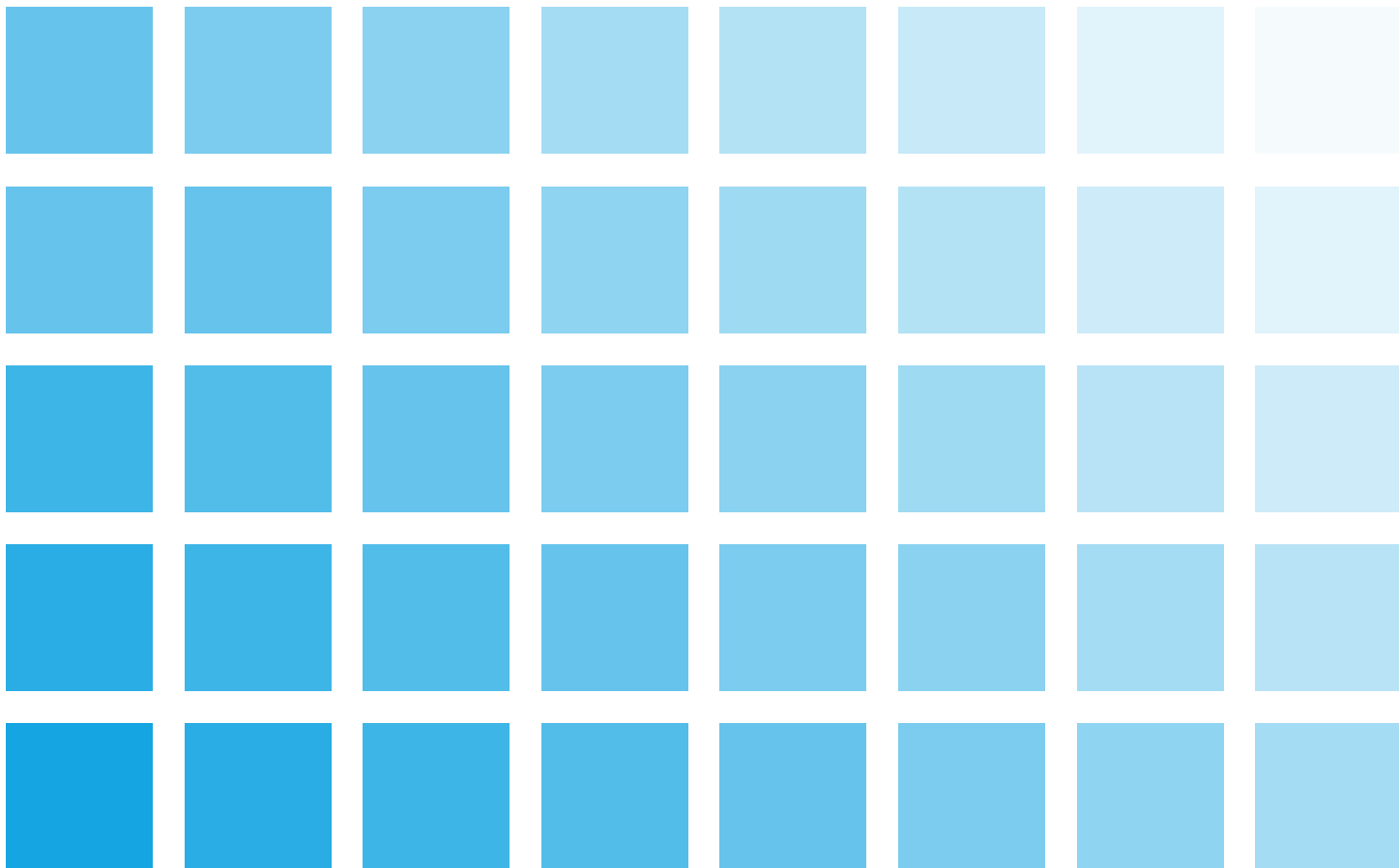
	Holding	GyM	GMD	GMP	GMI	CONCAR	Larcomar	Total
Organization								
Head offices	44	163	330	57	207	11	50	862
Projects	0	898	464	301	253	730	0	2,646
Total	44	1,061	794	358	460	741	50	3,508
Gender								
Masculine	30	870	552	330	368	665	37	2,852
Feminine	14	191	242	28	92	76	13	656
Total	44	1,061	794	358	460	741	50	3,508
Hierarchy								
Senior Management	22	6	28	14	5	4	3	82
Employees	22	1,055	766	344	455	737	47	3,426
Interns	0	82	31	4	0	2	2	121
Independent professionals	1	8	0	3	166	0	2	180
Laborers	0	8,016	0	0	64	0	0	8,080
Total	45	9,167	825	365	690	743	54	11,889

Educational Statistics

As of 12/31/07 No. of Persons

	Holding	GyM	GMD	GMP	GMI	CONCAR	Larcomar	Total
Employees on subsidiary payrolls								
Engineers/architects with post graduate degrees	13	52	16	16	6	4	0	107
Other professionals with post graduate degrees	5	5	0	2	3	24	4	43
Engineering/architecture professionals	4	563	319	56	274	38	3	1,257
Other professionals	18	155	54	21	40	0	10	298
Total Professionals	40	775	389	95	323	66	17	1,705
Technicians	4	286	405	263	137	675	33	1,803
Total employees on subsidiary payrolls	44	1,061	794	358	460	741	50	3,508
Laborers								
Specialized laborers	0	2,786	0	0	0	0	0	2,786
Unskilled laborers	0	4,139	0	0	64	0	0	4,203
Laborers with subcontractors	0	1,091	0	0	0	0	0	1,091
Total	0	8,016	0	0	64	0	0	8,080
Total Personal	44	9,077	794	358	524	741	50	11,588
Interns	0	82	31	4	0	2	2	121
Independent professionals	1	8	0	3	166	0	2	180
Total	1	90	31	7	166	2	4	301
Grand total	45	9,167	825	365	690	743	54	11,889





Hiring Arrangement Statistics 2006-2007

12/31/06 vs. 2/31/07 No. of Persons

	Holding		GyM		GMD		GMP		GMI		CONCAR		Larcomar		Total	
	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07
Type of labor contract																
Employees																
With permanent labor relationship	37	44	194	199	175	160	144	190	21	29	27	27	53	47	651	696
With temporary labor relationship	0	0	496	862	660	634	30	168	141	431	385	710	0	3	1,712	2,808
Total Employees	37	44	690	1,061	835	794	174	358	162	460	412	737	53	50	2,363	3,504
Laborers, Common System																
With permanent labor relationship	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
With temporary labor relationship	0	0	608	891	0	0	149	0	73	64	0	0	0	0	830	959
Special civil construction system (temporary relationship)	0	0	4,707	7,125	0	0	0	0	0	0	0	0	0	0	4,704	7,125
Total laborers	0	0	5,312	8,016	0	0	149	0	73	64	0	0	0	0	5,534	8,080
Total employees and laborers	37	44	6,002	9,077	835	794	323	358	235	524	412	737	53	50	7,897	11,584

Risk Prevention and Environment

Maintaining responsible conduct regarding the environment and the health of the workers while carrying out their activities is a distinctive practice among all Graña y Montero employees. It is a principle upon which our Risk Prevention and Environmental Policies are based.

This good practice is an ineluctable commitment to our clients and to society, as well as a source of value.

In order to guarantee adherence to this commitment, our organization has an integrated risk prevention and environmental management system developed according to the guidelines of OHSAS 18001 and ISO 14001, which is audited annually by the IDB, thereby enabling us to show evidence of effective, efficient implementation for the benefit of our clients and everyone who works on the projects under our responsibility, as well as the environmental setting in the vicinity of our projects.

During the year 2007, the Graña y Montero Corporation generated no less than 28 million man hours of work, with the efforts of approximately 11,800 workers who gave their all in order to carry out their activities adhering to fundamental safety procedures integrated in their work and respect for the environment. The commitment of our personnel to the policies of the corporation has enabled us to end the year 2007 with no environ-

mental accidents and an accident frequency rate of 0.86.

The investment that our organization makes to guarantee the health and safety of its workers is evident in the growth of a preventive culture and continuous protection of its workers from work-related risks. In this regard, during the year 2007, no less than 612 thousand hours were invested in instruction and awareness-raising among our personnel on work-related risks, and approximately US\$3.5 million was spent on the acquisition of personal and collective protection equipment.

Throughout the year 2007, these results merited recognition from our clients who, in virtue of our effort, have renewed their confidence in us and given us new projects that strengthen and prolong our commercial ties.



Knowledge Management



The “Learn to Grow” strategy launched in 2006 has been a boost to professional knowledge management in the companies that compose the Group. They set and achieved goals, according to the nature of the company’s activities and its priorities, in each of four strategic action areas: Learning, Being, Sharing and Growing.

In this way, the ratio of training hours per employee increased 33% compared to 2006 and, more importantly, the results of surveys and measurements related to satisfaction and impact confirm that this achievement contributes toward our identification as “a learning organization”.

In 2007, 107,354 hours of training were provided, of which 75% were taught by our personnel in accordance with the policy of developing Internal Educators.

The effort made in the organization and development of the new internal program called “Developing Project Engineers”, in association with the Senior Management School at Universidad de Piura, merits special mention. The program is aimed at perfecting the management skills of our young engineers who will assume executive management positions in the diverse projects carried out by companies pertaining to the Group.

It should also be noted that during the year 2007, 121 young professionals participated in the “Developing the GyM Style” training program.

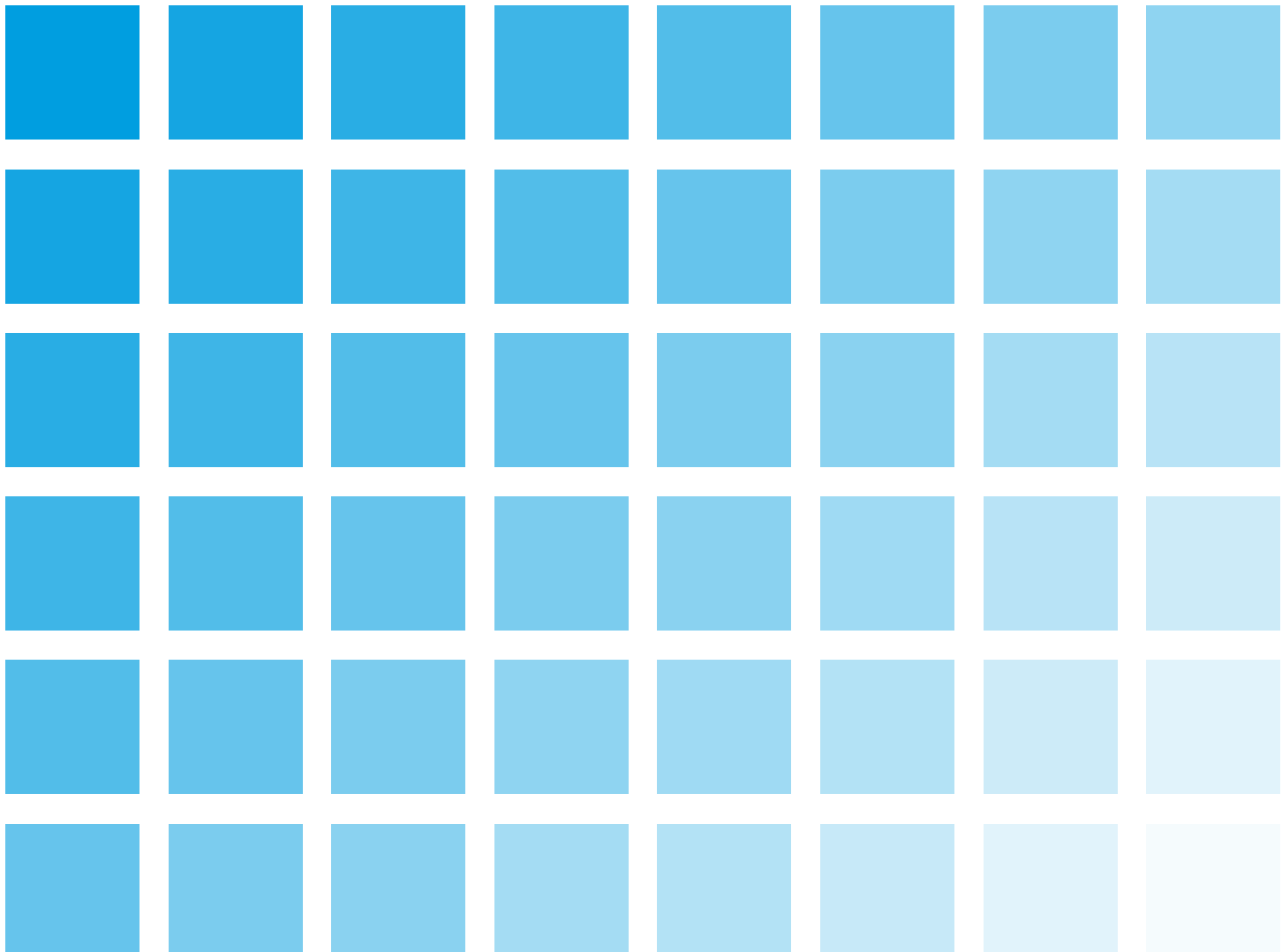
The Board of Directors of the Corporate Learning Center (known by its Spanish acronym, CCA), which is composed of the general managers of all the companies and the corporate management, was enhanced operationally with the support of a special working group composed of the Human Resources managers of all the companies. This organization has permitted better coordination and corporate alignment, as well as a fruitful exchange of experiences.

The progress achieved in 2007 in structuring and sharing knowledge enables us to begin the year 2008 with greater experience and growing commitment to the “Learn to Grow” program.

Training Statistics

As of 12/31/07 Man hours

	GyM	GMD	GMI	GMP	CONCAR	Larcomar	Total
Description							
Basic Program – Young Engineers	9,258	2,895	1,362	515	452	623	15,105
Professional Development	29,321	7,671	12,861	10,035	1,980	929	62,797
Collective Memory	924	206	104	93	64	28	1,419
External Training	9,371	6,756	2,635	5,992	1,438	1,841	28,033
Grand Total	48,874	17,528	16,962	16,635	3,934	3,421	107,354
Monthly Average Employees	894	817	290	336	48	46	2,431
Training Hours/Employees	54.7	21.5	58.5	49.5	82.0	74.4	44.2
Risk Prevention and Environmental Management - Laborers	566,976	0	775	35,000	8,499	0	611,250



Community Relations



In carrying out our activities, especially in the execution of projects, we relate with the communities in the surrounding areas permanently showing respect for them and our willingness to contribute toward their sustainable development.

In line with our Social Responsibility Policy, priority is given to educational activities. However, they are expanded to include activities related to health and the environment, among others.

Therefore, the Job Training Workshops held for the local populations where we execute projects is an important activity. These workshops are held in rural, urban and marginal urban settings in different parts of the country.

During the year 2007, through the execution of the different Social Responsibility Plans in relation with our projects, approximately 8,389 persons benefited from educational activities and 1,836 persons took advantage of other activities related to the environment or other topics for the benefit of the community.

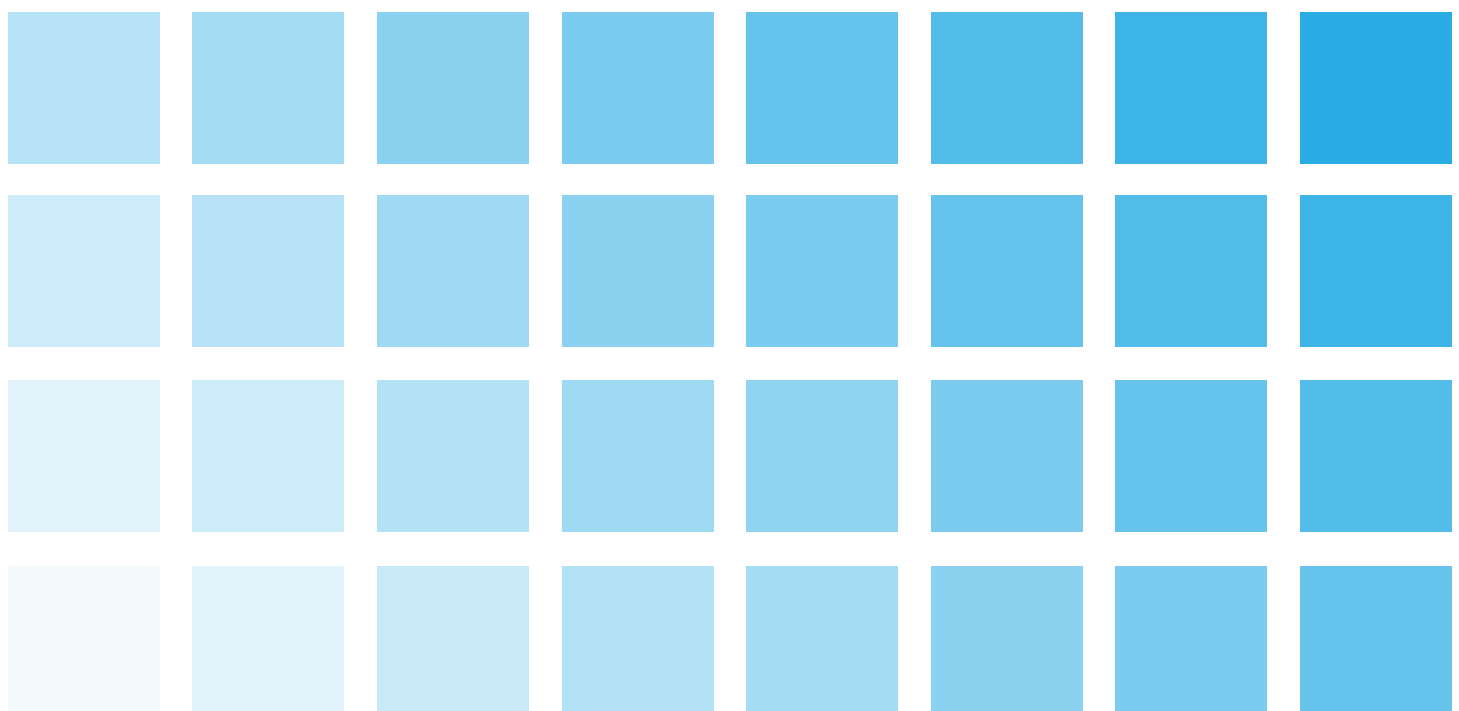
Our special Corporate Social Responsibility (CSR) projects carried out in Arequipa are worth mentioning. Through these projects, we provided technical assistance to communities that receive mining or petroleum “canon” royalties, but lacked adequate technical skills for managing them.

On the following table a summary of the different actions carried out in relation with these special projects is presented, followed by a list of the different CSR actions carried out in the areas of influence of our operations.



Special CSR Projects

Initiative	Current Status	Target Group-Direct Beneficiary	Location
<p>Special CSR Project - Arequipa</p> <p>Technical assistance in the following phases of a project's life cycle:</p> <p>1. Phase I: Technical assistance in the formulation of the technical file for the implementation of trunk water pipelines and sewer system for the district of Orcopampa</p> <p>2. Phase II: Assistance in the management of the call for tenders for the technical file, and in the supervision of the works</p>	<p>Phase I, in which assistance was provided in the formulation of the technical file for the installation of trunk lines (completed in one month in coordination with the company Minas Buenaventura and the local government of Orcopampa)</p>	<p>6,000 persons in Orcopampa</p>	<p>Orcopampa, Arequipa</p>
<p>Technical assistance in the following phases of a project's life cycle:</p> <p>1. Phase I: Technical assistance in the formulation of a pre-investment study within the parameters of the National Public Investment Program (known by its Spanish acronym (SNIP) and registration in the SNIP project bank</p> <p>2. Phase II: Assistance in the management of road works for the project, preparation of technical files, and calls for tenders</p>	<p>Phase I (one a half months), in which assistance was provided in the formulation of a pre-investment profile study including the scope of feasibility that was completed for the improvement of the drinking water and sewer systems in the district of Mariano Melgar in Arequipa, in coordination with the local government of Mariano Melgar and the regional government of Arequipa</p>	<p>29,600 persons in the upper areas of the district of Mariano Melgar (population living in the hills)</p>	<p>Mariano Melgar, Arequipa</p>
<p>Technical assistance in the following phases of a project's life cycle:</p> <p>1. Phase I: Technical assistance in the formulation of a pre-investment study within the parameters of the National Public Investment Program (known by its Spanish acronym (SNIP) and registration in the SNIP project bank</p> <p>2. Phase II: Assistance in the management of road works for the project, preparation of technical files, and calls for tenders</p>	<p>Phase I (01 month), in which assistance was provided in the formulation of a pre-investment profile study including the scope of feasibility that was completed for the improvement of the drinking water and sewer systems in the district of Miraflores in Arequipa, in coordination with the local government of Miraflores and the regional government of Arequipa.</p>	<p>16,976 persons in the upper areas of the district of Miraflores (population living in the hills)</p>	<p>Miraflores, Arequipa</p>



Special CSR Projects

Initiative	Target Group-Direct Beneficiary	Location
Opportunities for Basic Temporary Work for the female population of low-income areas	Population of Comas, Independencia and San Juan de Lurigancho (Mariátegui, Saúl Cantoral, Ganímedes)	Comas , Independencia, San Juan de Lurigancho, Lima
Formation of small and medium-size businesses (PYMES) - "Workshop on Making Tape Holders", including training on organization, production and distribution of the product in formally established family or neighborhood businesses	Population of Ganímedes in San Juan de Lurigancho	San Juan de Lurigancho - Lima
Improvements and repairs in bathrooms and infrastructure in schools, soup kitchens and PRONOEI, in relation with the apprenticeship for "Job Training Workshops"	Population of San Juan de Lurigancho	San Juan de Lurigancho - Lima
Plastering and finishing of benches at the Juan Velasco Alvarado public school stadium	Primary through high school students at Juan Velasco Alvarado School in Juan Pablo II, S.J.L	San Juan de Lurigancho, Lima
Leveling of false floor at the "El Maná del Cielo" soup kitchen	Residents of Juan Pablo II, S.J.L.	San Juan de Lurigancho - Lima
Installation of sewer service for bathrooms, false floor repair, plastering of floors, connection of meter box, and construction of dividing walls between men's and women's restrooms at the Canada Housing Association community center	Residents of Canada Housing Association in Ganímedes	San Juan de Lurigancho - Lima
Donation of 7 truckloads of rock for the construction of a wall around the "Toribio de Luzuriaga y Mejía" school, with manual labor provided by the urban work program, "A Trabajar Urbano"	Students of the Toribio de Luzuriaga y Mejía school in Ganímedes	San Juan de Lurigancho - Lima
Construction of 100mt2 floor in the altar and atrium area of the Fundo El Taro parish church	Residents of Fundo El Taro	Puente Piedra - Lima
Construction of 100mt2 floor at PRONOEI La Ensenada	Students of PRONOEI "La Ensenada"	Puente Piedra - Lima
Construction of athletic track at the Kumamoto I School	Primary through high school students at Kumamoto I School in La Ensenada.	Puente Piedra - Lima
Guided visit to the Gold Museum at Larcomar provided for schoolgirls and teachers	Juana Alarco de Dammert School	Miraflores - Lima
Professional talk on the "Preparation of Balanced Meals", in order to disseminate the importance of the value of vitamins and calories in foods, balanced diets, health and growth	Members of the "Sol Radiante" soup kitchen and mothers of the Mirador II community in Pamplona Alta, San Juan de Miraflores.	San Juan de Miraflores - Lima
Experiential workshop called "Mi Proyecto de Vida y Mi Bandera Personal" (My Life Project and My Personal Flag) aimed at fostering an enterprising spirit for the achievement of individual and family goals	Adult and adolescent female population of the Mirador II community in Pamplona Alta, San Juan de Miraflores	San Juan de Miraflores - Lima



Special CSR Projects

Initiative	Target Group-Direct Beneficiary	Location
Gender workshop: "Así soy Yo" (That's the Way I Am), in which issues related to sex, gender, masculinity, femininity, equal opportunities, abilities and skills were discussed as key elements in educating children and understanding male chauvinism in the family and community	Adult and adolescent female population of the Mirador II community in Pamplona Alta, San Juan de Miraflores	San Juan de Miraflores - Lima
Workshops on "Rights and Child Abuse" and "Awareness and Defense against Physical, Psychological and Sexual Abuse"	Boys and girls from 8 to 12 years of age of the Mirador II community in Pamplona Alta, San Juan de Miraflores	San Juan de Miraflores - Lima
Drawing contest with the theme "What do I want to be when I grow up?", including contest organization, announcement and judging, as well as presentation of the awards, in coordination with the Fe y Alegría school	Boys and girls from 5 to 6 years of age from the Mirador II community in Pamplona Alta, San Juan de Miraflores	San Juan de Miraflores - Lima
Essay contest on the theme "How can I achieve my goals?", including contest organization, announcement and judging, as well as presentation of the awards, in coordination with the Fe y Alegría school	Boys and girls from 8 to 12 years of age from the Mirador II community in Pamplona Alta, San Juan de Miraflores	San Juan de Miraflores - Lima
Contest "Popular dishes" at soup kitchens, in coordination with neighborhood leaders	Boys and girls from 8 to 12 years of age from the Mirador II community in Pamplona Alta, San Juan de Miraflores	San Juan de Miraflores - Lima
Donation of banner to women at the Surco soup kitchen to commemorate the anniversary of its founding	Members of the Surco soup kitchen	Santiago de Surco - Lima
Donation of balls and sweets at Christmas time	Boys and girls participating in the Healthy Children Program at Las Flores health center in Surco	Santiago de Surco - Lima
Donation of a banner to publicize the national vaccination campaign against rubella and chicken pox	Boys and girls participating in the vaccination program at the health center in Jesus María	Jesus María - Lima
Talk on leadership for the purpose of promoting group work, identification of leaders and guidelines for positive leadership	Members of the health center in Jesus María	Jesus María - Lima
Donation of balls and sweets for children in the tuberculosis program at Christmas time	Boys and girls in the tuberculosis program at the Miraflores and San Isidro health centers	Miraflores y San Isidro - Lima
Donation of baskets with a variety of products for Mother's Day and the anniversary of the "Glass of Milk" program	Grassroots organizations (Glass of Milk program and Soup kitchens)	Downtown Lima
Educational workshops on the rights and responsibilities of children and adolescents	Students at the Sebastian Barranca and Simón Bolívar schools	Downtown Lima
Dance contest for senior citizens for the purpose of bolstering their self-esteem	Senior citizens' center in downtown Lima	Downtown Lima
Technical advice and support for the reconstruction of a building damaged by earthquake	Simón Bolívar school	Downtown Lima
Donation of balls at Christmas time	Grassroots organizations (Glass of Milk program and Soup kitchens)	Downtown Lima

Special CSR Projects

Initiative	Target Group-Direct Beneficiary	Location
Road safety workshop with audiovisual aids and safety charts	High school sophomores and juniors at José Carlos Mariategui School, Km 73,588	Huaral - Lima
Road safety workshop with audiovisual aids and safety charts	High school sophomores and juniors at Juan Pascual Pringles School, Km. 79	Huaral - Lima
Road safety workshop with audiovisual aids and safety charts	High school sophomores and juniors at Alejandro López Durand School, Km. 75.5	Huaral - Lima
Road safety workshop with audiovisual aids and safety charts	High school sophomores and juniors at Daniel Alcides Carrión School, Km. 91.5	Huaral - Lima
Expansion of soup kitchen – 2nd phase, including construction of storage room and bathrooms, with a view to its alternative use as a touristic restaurant, whose profits would benefit the segment of the local population with the greatest needs	Residents of the community of Chilcaymarca – Mothers involved in the Nueva Esperanza soup kitchen	Orcopampa - Arequipa
Expansion of the training capacity of a traditional weaving workshop, with the installation of two traditional weaving machines for the Vista Alegre association	Residents of the Vista Alegre association	Orcopampa - Arequipa
Donation of 80 Guinea pig studs in order to improve the existing line of Guinea pigs	Guinea pig farm pertaining to the community of Umachulco	Orcopampa - Arequipa
Donation of 250 jackets due to inclement weather in the different communities surrounding the Orcopampa mine	Children and parents from the communities of Chilcaymarca, Umachulco, Chapacoco and Huancarama	Orcopampa - Arequipa
Support in organizing a novena to the Virgin of the Immaculate Conception, Mass and reception with hot chocolate afterward at the Orcopampa parish church	Population of Orcopampa	Orcopampa - Arequipa
Professional counseling talk on the problem of child abuse, in coordination with the health center pertaining to the Ministry of Health	Population of the Umachulco annex	Poracota - Arequipa
Talk on the prevention of sexually transmitted diseases, in coordination with the Ministry of Health in Cañete	High school juniors and seniors at the “John Wesley” school in Cañete	Cañete - Lima
Talk on conflict resolution	Community of Lomas Nuevo Imperial in Cañete	Cañete - Lima
Remodeling of library and primary school classroom	“Mater Cristi” school in the district of San Vicente	Cañete - Lima
Construction of a sidewalk in the high school section of a school	“Lorenzo Canepa Pachas” school in the settlement of Nuevo Ayacucho	Cañete - Lima
Construction of a court on the university campus	“Universidad Ada Byron” in the district of Chinchá Alta	Cañete - Lima

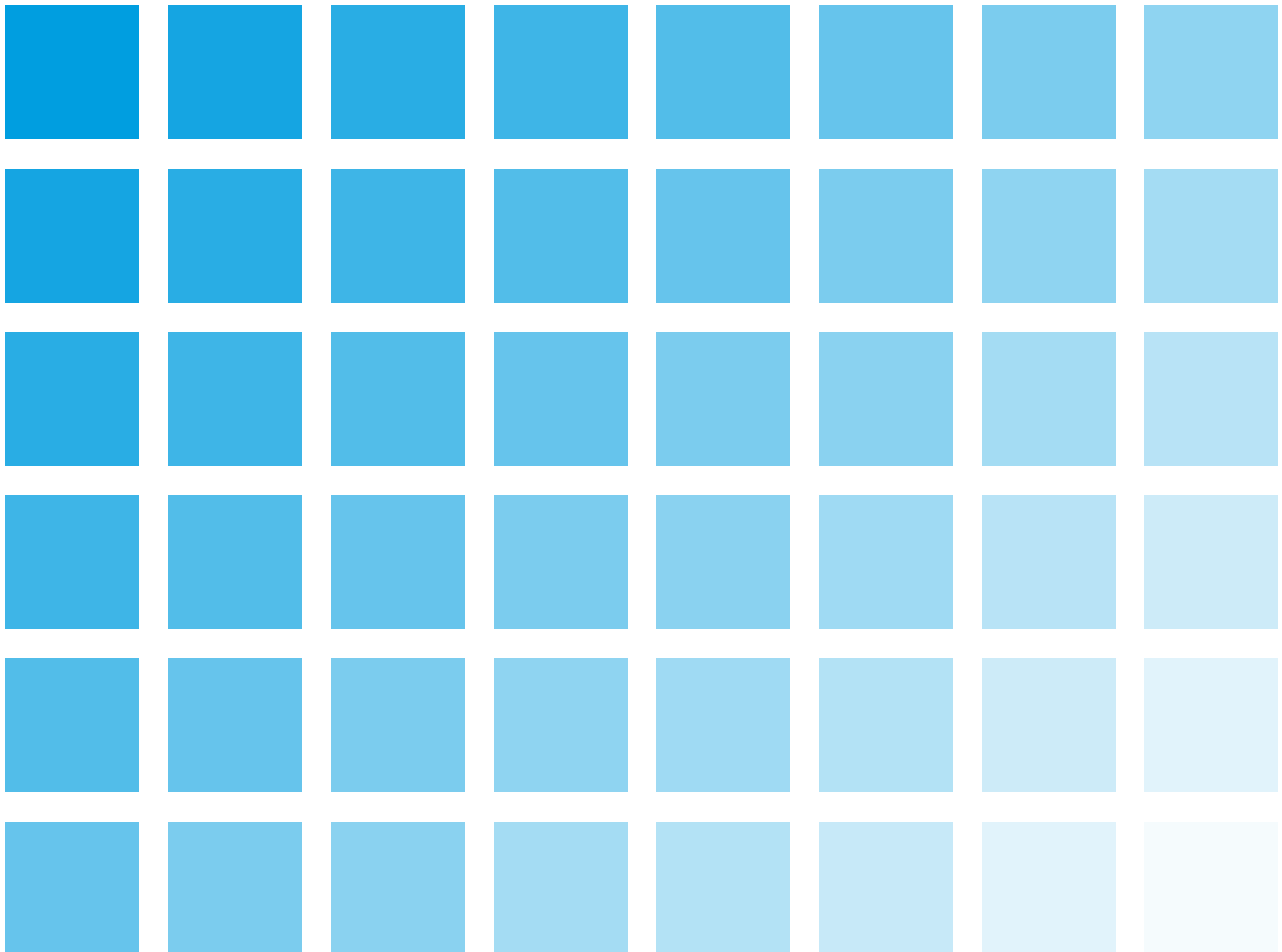


Special CSR Projects

Initiative	Target Group-Direct Beneficiary	Location
Construction of a court at primary school	“Jose B. Sepulveda Fernandez” school in the district of San Vicente	Cañete - Lima
Construction of a court in the school yard	“Nuestra Señora de la Concepcion” school in the district of San Vicente	Cañete - Lima
Remodeling of a primary school classroom	“Cerro Candela” school in the district of Nuevo Imperial	Cañete - Lima
Construction of a court outside the façade of the Mental Health Center	Mental health center in the district of Chinchá Alta	Chinchá - Ica
Construction of courts and sidewalks at a school	“John Wesley” school in Cañete	Chinchá - Ica
Guinea pig breeding project initiated in the year 2006 in order to generate additional income for families in the area, with the participation of 20 women who continue receiving advice	Mothers in Colquijirca	Cerro de Pasco
Donation of 2 computers to the Colquijirca settlement	Residents of the Colquijirca settlement	Cerro de Pasco
Donation of school supplies	School children in the communities of Smelter, Santa Rosa, Huaracaca, Villa de Pasco, Racracancha and the Colquijirca settlement	Cerro de Pasco
Responsible Motherhood Week campaign, in coordination with the local health center, including informative talks given at schools, as well as a march down the main streets of Colquijirca	Residents of the Colquijirca settlement	Cerro de Pasco
Remodeling of bathrooms at the “El Tigre” nursery school in the community of Huaracaca	Children at the “El Tigre” nursery school in Huaracaca	Cerro de Pasco
Donation of baskets with a variety of products for Mother’s Day	Mothers in the communities of Tinyahuarco	Cerro de Pasco
Organization of children’s celebration at Christmas time in the district of Tinyahuarco	Children in the communities of Tinyahuarco	Cerro de Pasco
Solidarity campaign called “Un Niño Feliz” (A Happy Child), including a donation of toys and organization of a children’s party for the purpose of sharing and bringing joy to the children living in the area	Children in the Condorcocha settlement, as well as the Cari Limapuquio and Pomacocha annexes	Tarma - Junín
Preventive promotional program on psychological and social health directed toward mothers, using experiential workshops and video forums, as well as advice on developing children’s self-esteem as a preventive measure	Mothers living in the province of Tarma in the district of Unión Leticia and the Condorcocha settlement	Tarma - Junín

Special CSR Projects

Initiative	Target Group-Direct Beneficiary	Location
Preventive promotional program on psychological and social health directed toward mothers, using experiential workshops and video forums, as well as advice on developing children's self-esteem	Mothers living in the province of Tarma and the Carpapata settlement	Tarma - Junín
Talk on "Human Sexuality, Adolescence and Teenage Pregnancy" based on group dynamics	High school juniors and seniors from C.E. "Coronel Francisco Bolognesi" in Chiquian	Coronel Bolognesi - Ancash
Two-hour preventive promotional talk on family violence with video-forum methodology	Mothers in the Glass of Milk program in the province of Coronel Francisco Bolognesi in Chiquian	Coronel Bolognesi - Ancash
Road safety workshops with children, adolescents and teachers at schools located along the highway	Students from various schools located along the 810 Km. Paíta - Yurimaguas highway	Paíta - Yurimaguas IIRSA NORTE
Donation of two libraries stocked with a variety of books	Community: Negritos - Túpac Amaru Cultural Nucleus	Talara - Piura



Corporate Governance

José Graña
Miró Quesada
President



Mario Alvarado
Pflucker
Internal Director
/ General
Manager



Graña y Montero considers the implementation of standards of good corporate governance to be an on-going process of changes and improvements, always with the objective of maintaining the transparency of information and equitable treatment of the shareholders as fundamental management tools.

In this regard, since we were listed on the Lima Stock Exchange in the year 1997, we have progressed in the implementation of improvements and in the enhancement of practices that we consider to be adequate and efficient in the management of our business.

During the year 2007 we made some important changes. The name of the former Human Resources and Remunerations Committee has been changed to the Human Resources Management and Social Responsibility Committee. New functions of

the committee have been incorporated in the Board of Directors' Regulations, placing emphasis on Social Responsibility as a fundamental mission of the company that must be achieved with the active participation of the Board of Directors. As part of this process, the position of Human Resources and Social Responsibility Manager has been created.

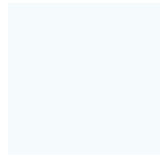
For the second time, we underwent the Self Evaluation of the Board of Directors process in Graña y Montero S.A.A., as well as our subsidiaries, from which we obtained important conclusions



Hernando Graña Acuña
Internal Director



Teodoro E. Harmsen Gómez de la Torre
External Director



Carlos Montero Graña
Vice Chairman



Augusto Baertl Montori
Independent External Director

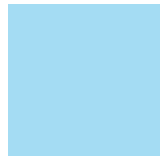
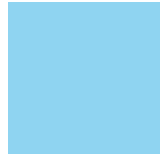


José Chlimper Ackerman
Independent External Director

Jean-Louis Dupoirieux
External Director



Roberto Abusada Salah
Independent External Director



and improvements, among them the delivery of information to be reviewed by the Board 3 days before the session and the strengthening of relations among Project Directors as part of the business knowledge process in the field. Along this line, in 2007 we organized two visits to work projects, the Ancón-Huachopativilca Highway was the first project visited, where the Project Directors not only saw the progress made on the construction of the highway; they also saw how the business of charging tolls functions; the second one, Pluspetrol, Camisea Lot 8.

The frequency of meetings held by the Board of Directors' committees was increased in relation with the prior year. The Auditing and Process Committee held 3 meetings during the year, the Investment and Risk Committee held 6 meetings, and the Human Resources and Social Responsibility Committee, 3 meetings in 2007. The Shareholder Service Office handled 63 inquiries from

shareholders compared to 40 in the year 2006. Lastly, the COMPANY continues working to improve the quality of information on our institutional website.

Currently we have 971 shareholders, of which approximately 12% own less than 1% of the capital stock and nearly 36% hold from 1% to 5%. On our Board of Directors, we have 4 Internal Directors and a majority of 5 External Directors, who are not company executives, 3 of whom are also independent; that is, they do not own shares in the company. They were chosen due to their professional prestige.

Board of Directors composing

José Graña Miró Quesada

President of the Board of Directors since August 1996 and an architect by profession. Additionally he is the President of the Board of Directors of the subsidiaries GyM, GMP, GMD, CONCAR, and LARCOMAR, as well as Vice President of the Board of Directors of GMI. He is also a director at Empresa Editora El Comercio S.A. and Relapasa.

Carlos Montero Graña

Vice President of the Board of Directors since August 1996 and a civil engineer by profession. Additionally, he is the Vice President of the Board of Directors of GyM, Vice President of the Board of Directors of GMP and a director of GMD, GMI and CONCAR.

Roberto Abusada Salah

Director since March 1998, who has a PhD in Economics (Cornell, U.S.A.). He is a director of GMD, CONCAR, Mauricio Hothschild y Cía. Ltda. S.A.C. and the Peruvian Institute of Economics (IPE).

Augusto Baertl Montori

Director since March of 2005 and a mining engineer by profession. He is the Executive President of Gestora de Negocios e Inversiones S.A. and IMA Latin America Inc. Additionally, he is the President of the Board of Directors of Agrícola Chapi S.A. and a director of Alturas Minerals, Norsemont, Interbank, GMP and FIMA.

José Chlimper Ackerman

Director since March of 2006 and an engineer by profession. He has a master's degree in Economics and Business Administration from North Carolina State University and holds the position of

President of the Board of Directors of Corporación Drokasa and Sociedad Agrícola Drokasa, where he is also the CEO. Director of Ace Home Center, Banco Central de Reserva del Perú, Consorcio Exportador S.A. Additionally he is a director of GMD.

Jean-Louis Dupoirieux

Director since March of 2005 and a civil engineer by profession. He is a Project Director at Vinci-Construction Grands Projets (France) and also a director of GyM and Sociedad Concesionaria Puente de Chiloé (Chile).

Teodoro E. Harmsen Gómez de la Torre

Director since August of 1996. He is a civil engineer with a master's degree in Structures. President of GMI S.A. and a director of MDI. Professor emeritus at the PUCP School of Science and Engineering. He is also an honorary member of the American Concrete Institute, the College of Engineers, and the Peruvian Academy of Engineering. Recipient of the ACI Joe Kelly Award, among other distinctions.

Mario Alvarado Pflucker

Director since April 2003 and General Manager. Civil Engineer with a master's degree in Business Administration from George Washington University, U.S.A. Currently, he is also a director of GMD, GMI, GyM, GMP, CONCAR, Larcomar, Norvial and América Leasing.

Hernando Graña Acuña

Director since August of 1996 and an industrial engineer with a post graduate degree in Mining Engineering from the University of Minnesota, U.S.A.. He is a director of GyM, GMI, GMP, Ecotec S.A. and CONCAR. President of Norvial S.A. He is also a director of CAPECO and TGP.

Committees

As of December 31, 2007, the Board of Directors' Committees are composed as follows:

Auditing and Processes Committee Composed of	Human Resources Management and Social Responsibility Committee Composed of	Investment and Risk Committee Composed of
José Graña Miró Quesada	Augusto Baertl Montori	José Graña Miró Quesada
Roberto Abusada Salah	José Chlimper Ackerman	Hernando Graña Acuña
Jean Louis Dupoirieux	Carlos Montero Graña	Teodoro Harmsen Gómez de la Torre

Steering Committee

The Steering Committee responsible for the Group's coordination is composed of 4 Executive Directors and 6 General Managers of companies in the Group.

José Graña Miró Quesada	President
Carlos Montero Graña	Vice President
Hernando Graña Acuña	Director
Mario Alvarado Pflucker	Managing Director
Juan Manuel Lámbarri Hierro	General Manager of GyM
Francisco Dulanto Swayne	General Manager GMP
Jaime Dasso Botto	General Manager GMD
Walter Silva Santisteban Requejo	General Manager GMI
Jaime Targarona Arata	General Manager CONCAR
Antonio Rodríguez Canales	General Manager LARCOMAR



Senior Executives

Mario Alvarado Pflucker

Corporate General Manager from 1997 up to date. Obtained a bachelor's degree in Civil Engineering Civil from Universidad Ricardo Palma and a master's degree in Engineering Administration, specializing in Construction Management, from George Washington University, U.S.A. Currently, he is also a director of GMD, GMI, GyM, GMP, CONCAR, Larcomar, Norvial and América Leasing.

Juan Manuel Lámbarri Hierro

General Manager of GyM from 2001 up to date. Civil Engineer graduated from Pontificia Universidad Católica del Perú and Senior Management Program (Spanish acronym: PAD) at Universidad de Piura. He began working for Graña y Montero in 1982 and currently, he is also a director of GyM.

Hernando Graña Acuña

GyM director and executive. Industrial Engineer with a post graduate degree in Mining Engineering from the University of Minnesota, U.S.A.. He is a director of GyM, GMI, GMP, Eco-tec S.A. and CONCAR. President of Norvial S.A. He is also a director of CAPECO and TGP. He has been with the Graña y Montero Group since the year 1977.

Francisco Dulanto Swayne

General Manager of GMP S.A. since it was founded in 1984, and a director since 1988. Studies at Universidad Nacional de Ingeniería (National Engineering University), ESAN, PAD Universidad de Piura. He has been working for the Graña y Montero Group since 1974. He is also a director of Consorcio Terminales and CLHB (Bolivia). He was the President of SPE (Society of Petroleum Engineers), Lima Section, in 1991 and Director of the Sociedad Nacional de Minería, Petróleo y Energía (the National Society of Mining, Petroleum and Energy) in 1993-1994 and 2005-2006.

Jaime Dasso Botto

General Manager of GMD from 2000 up to date. He obtained a bachelor's degree in Electronic Engineering and a master's degree in Software Development from Stevens Institute of Technology, U.S.A. He was the Commercial Manager of GMD from 1994 to 1999. Currently, he is also a director of GMD.

Walter Silva Santisteban Requejo

General Manager of GMI from 1998 to 2005 and Managing Director from 2006 to the present. He obtained a bachelor's degree in Civil Engineering Civil from Universidad Nacional de Ingeniería (National Engineering University). Currently, he is also a director of ECOTEC.



Jaime Targarona Arata

General Manager of CONCAR since August of 2005. Civil Engineer graduated from Universidad Autónoma de Guadalajara, with an MBA from Universidad San Ignacio de Loyola. Since joining the Group in 1996, he has also held the position of Civil Engineer on different projects, Commercial Manager of the GyM Special Projects Division and General Manager of Graña y Montero Mexico.

Luis Díaz Olivero

Corporate Finance Manager since December 15, 2004. Industrial Engineer with an MBA from the University of Pittsburgh. Since joining the Group in 1993, he has also been the Finance Manager of GMP S.A (1998 to 2000) and the Finance Manager of GyM (2001 to 2004).

Miguel Valentín Ghezzi

Business Development Manager since October of 2006. He has a degree in Business Administration from Universidad del Pacífico and an MBA from Harvard Business School. He has been with the Group since November of 2004. He is a director of CONCAR and Larcomar. He has also been the General Manager of CONCAR S.A. (2004 to 2005). Subsequently, he was placed in charge of the financing of the Northern Section of IIRSA from 2005 to 2006. Previously, he worked for Citibank in the Corporate Finance Area.

César Neyra Rodriguez

Manager of Internal Auditing and Management Processes since the year 2003. He has a bachelor's degree in Accounting from Universidad Nacional Federico Villarreal and a master's degree in Business Administration and Finance from Universidad del Pacífico. He has also studied Quality Improvement Systems and graduated from the Six Sigma Methodology program at Caterpillar University in Mexico and the U.S.A.

Claudia Drago Morante

Corporate Legal Manager from 2000 up to date. Attorney graduated from the University of Lima. PADE in Finance and Corporate Law from ESAN. She was the Legal Advisor to GMD from 1997 to 2000.

Juan José Arrieta Ocampo

Manager of Human Resources Management and Social Responsibility since November of 2007. Bachelor's degree in Sociology from Pontificia Universidad Católica. PADE in Business Administration from ESAN. He was the Human Resources Manager at GyM from 1999 through October 2007.

Kinship

Mr. José Graña Miró Quesada, President of the Board of Directors, has first degree kinship with Mr. Miguel Valentín Ghezzi, a director of Concar and Larcomar and Business Development Manager at Graña y Montero, third degree kinship with Ms. Yamile Brahim Graña, shareholder of the company, and fourth degree kinship with the director, Mr. Hernando Graña Acuña. Lastly, Mr. Teodoro Hans Harmsen Andress, a director of GMP, has first degree kinship with Mr. Teodoro Harmsen Gomez De La Torre, a director of the company.

Company Name

In a corporate split-off from Inversiones Graña y Montero S.A., Graña y Montero S.A.A. was incorporated by public deed on August 12, 1996 and registered on card 131617 and electronic record 11028652 in the Registry of Legal Entities of Lima.

Capital

The capital of the company as of December 31, 2007 amounted to S/.299,756,683.10, represented by 428,223,830 paid up shares with a nominal value of S/. 0.70 each as a result of an increase in capital stock agreed upon by the General Assembly of Shareholders on March 29, 2007.

Principal Shareholders

The principal shareholders are: Graña Holdings, represented by José Graña Miró Quesada, President of the Board of Directors, and Vinci Construction, the French company that pertains to the largest construction company in the world.

List of Principal Shareholders

as of 12/31/2007

Shareholder	Shares	Percentage	Nationality
Graña Holdings S.A.	90,156,002.00	21.05%	Panama
Vinci Construction (Grupo Vinci)	68,370,420	15.97%	Francia
Prima AFP (Grupo Crédito)*	44,020,299	10.28%	Peru
AFP Integra (ING Group)*	38,427,356	8.97%	Peru
Bethel Enterprises	26,068,490	6.09%	Panama
AFP Horizonte (Grupo BBVA)*	23,650,212	5.52%	Peru
Byron Development	18,440,049	4.31%	Panama
Profuturo AFP (Grupo Citibank)*	18,148,371	4.24%	Peru
Genesis Smaller Companies SICAV	17,094,067	3.99%	Luxemburgo
Subtotal	344,375,266	80.42%	
Other Shareholders	83,48,567	19.58%	
Total	428,223,833	100.00%	

*Sum of funds 1, 2 and 3

Shareholding	Number of Shareholders	Ownership Interest as of 12/31/07
Less than 1%	954	13.98%
Between 1% - 5%	13	36.03%
Between 5% - 10%	2	12.97%
Over 10%	2	37.02%
Total	971	100.00%



Corporate purpose

The company's main objective is to dedicate its efforts toward investments and business operations in general, as well as engineering services, management consultancy, real estate investments, and the acquisition, transfer and negotiation of shares of companies, and other securities.

CIU - 6719

Duration of the Company

Graña y Montero S.A.A. was incorporated for an indefinite period of time.

Changes in Shares

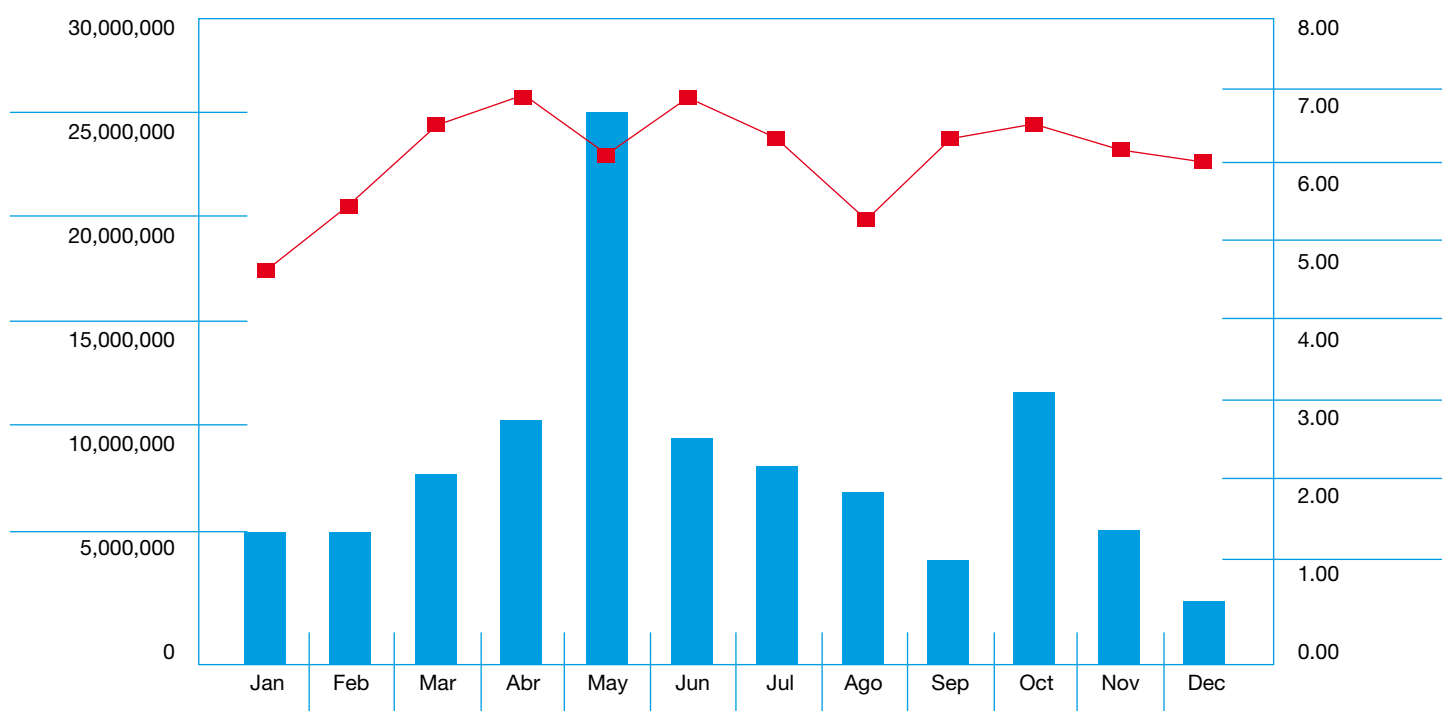
During the year 2007, the profitability of the shares reached 90% including the effect of the issuance of fully paid-in shares in May. The stock market quotation was S/.4.00 per share in January and S/.6.00 per share at year-end closing. The average liquidity during the period was 97.60 % and the volume traded during the year totaled S / . 333,089,700.27.

Monthly Quotation on Shares

ISIN Code	Mnemonic	Year-Month	2007 Quotations				Avg. Price S/.
			Opening S/.	Closing S/.	Max. S/.	Min. S/.	
PEP736581005	GRAMONC1	2007-1	4.00	4.55	4.62	4.00	4.35
PEP736581006	GRAMONC1	2007-2	4.52	5.55	5.65	4.52	5.30
PEP736581007	GRAMONC1	2007-3	5.56	6.20	6.20	5.55	5.84
PEP736581008	GRAMONC1	2007-4	6.20	7.20	7.25	6.20	6.62
PEP736581009	GRAMONC1	2007-5	7.50	6.15	8.90	6.10	7.89
PEP736581010	GRAMONC1	2007-6	6.51	7.25	7.55	6.18	6.80
PEP736581011	GRAMONC1	2007-7	7.25	6.33	7.25	6.30	6.87
PEP736581012	GRAMONC1	2007-8	6.33	5.55	6.33	5.30	5.72
PEP736581013	GRAMONC1	2007-9	5.55	6.23	6.25	4.99	5.55
PEP736581014	GRAMONC1	2007-10	6.45	6.54	6.60	6.30	6.49
PEP736581015	GRAMONC1	2007-11	6.52	6.29	6.54	5.40	5.96
PEP736581016	GRAMONC1	2007-12	6.30	6.00	6.50	6.00	6.16

Volume Traded GRAMONC1

■ Vol Neg. US\$ —■— Closing Price



Securitization Bonds

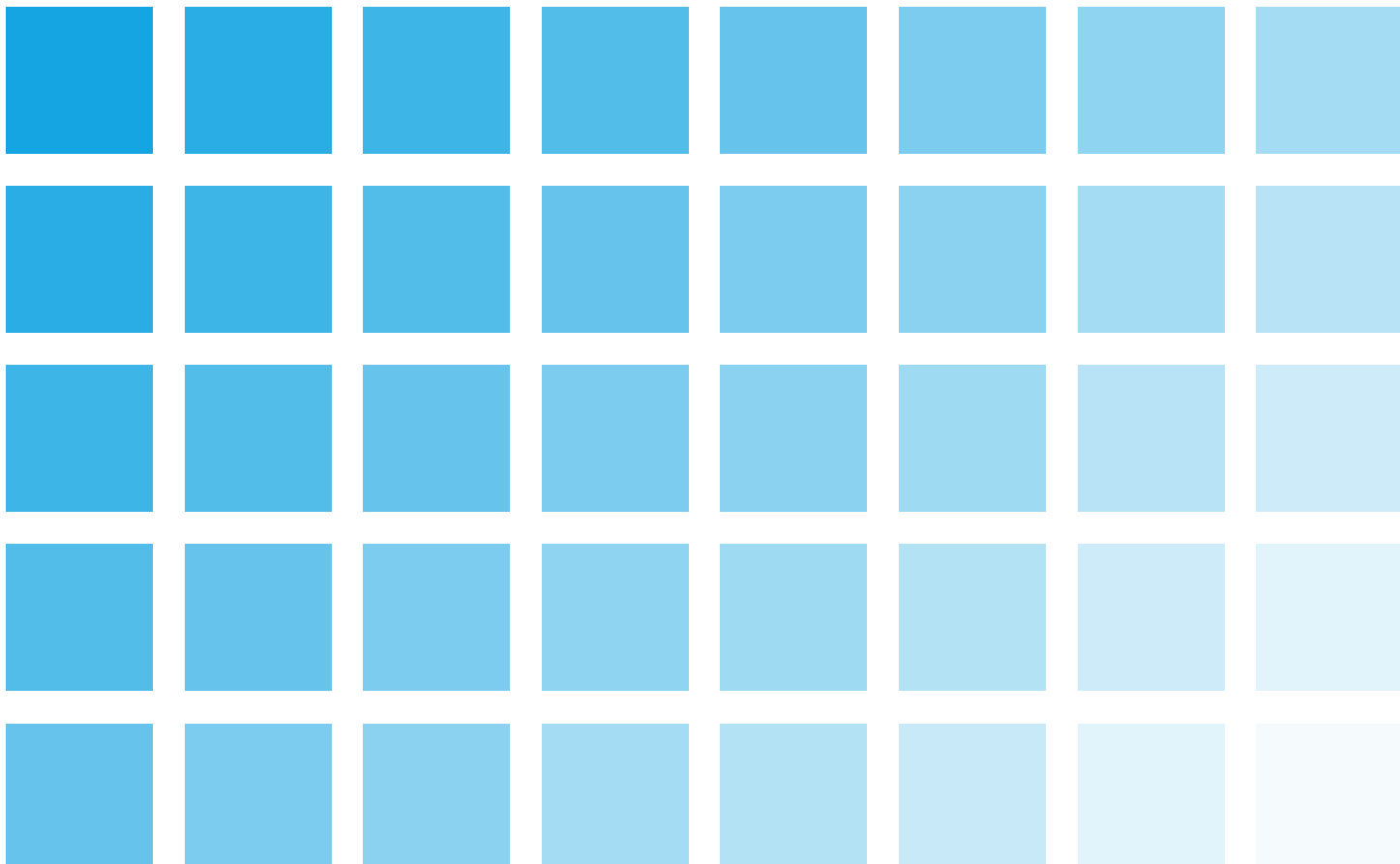
In October 2003 the company and its main subsidiaries placed Securitization Bonds on the market with a partial guarantee from the IDB and the FMO in the amount of US\$ 50 million, with semi-annual interest payments and a maturity date in September 2011. At the end of December 2006, the balance of these bonds was S/. 91,371,000 (US\$ 30.6 MM). During the year 2006, the company obtained the approval of the Assembly of Bondholders and the Guarantors to reduce the levels of the IDB and FMO guarantees, release the reserve account and relax certain conditions on the structure of the Bonds that generated operating and tax inefficiencies. These modifications do not affect the classification of the bonds, which continue to have an AAA rating.

Monthly Quotation on Bonds							
Isin Code	Mnemonic	Short-Term Instrument	2007 Quotations				Avg. Price %
			Opening %	Closing %	Max. %	Min. %	
PEP80070F083	INTEOBTG1U	Securitization Bonds	102.23%	102.23%	102.23%	102.23%	102.23%

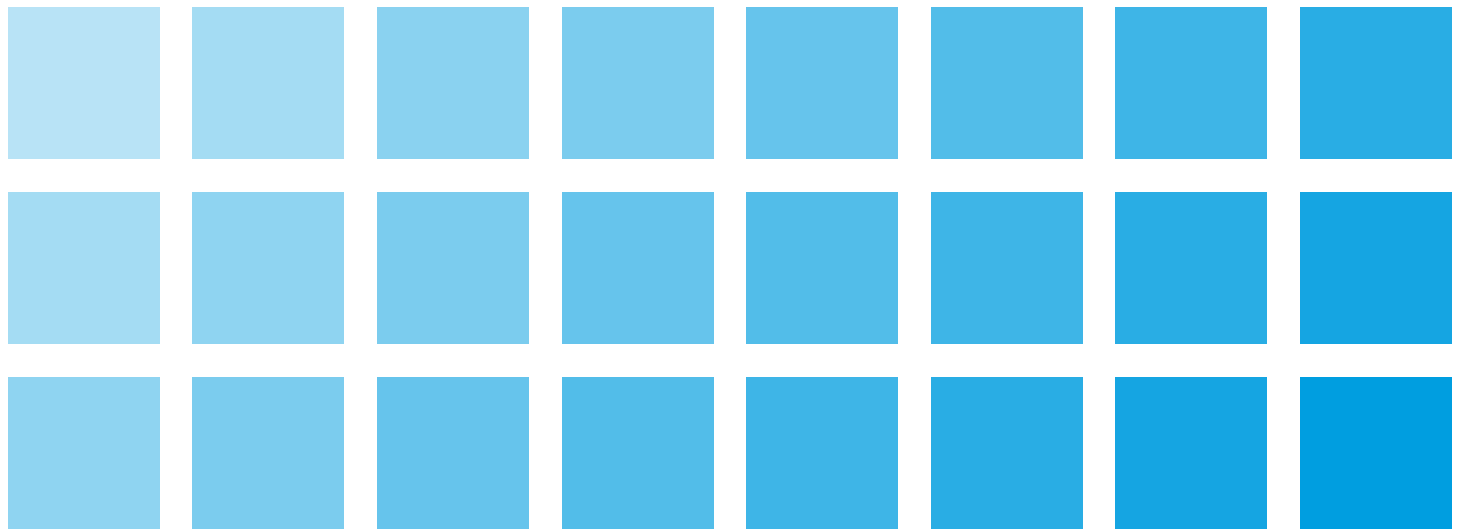
Short-term Instruments

In November 2006 the company obtained approval from CONASEV to offer a line of short-term instruments on the capital market in the amount of US\$ 20 million for a period of two years.

As of December 31, 2007, the company had paid the amounts corresponding to both issues outstanding during the year.



Historical Summary of the Graña y Montero Group



The Group was founded by the engineers Carlos Graña Elizalde, Alejandro Graña Garland and Carlos Montero Bernales 75 years ago in the city of Lima on June 22, 1933, under the name GRAMONVEL.

It was a construction company until the year 1949 when it merged with Morris y Montero to acquire the capacity to execute projects involving paving and earth movement under the new name, Graña y Montero.

In those days, the company participated in the country's major infrastructure works, such as the South Pan-American Highway, the Pato Air Base for the government of the United States and the city of Talara, as well as landmark buildings in Lima such as the Ministry of the Economy and the Ministry of Labor.

In the nineteen fifties, Consorcio de Ingenieros Contratistas Generales S.A. was formed to carry out complex projects such as the Cañón del Pato Hydroelectric Plant, the Chimbote Steel Mill and the runway at Lima's Jorge Chávez Airport, as well as the Ministry of Education.

Subsequently, the company focused its growth on large, private projects such as the Cuajone and Cerro Verde mines, petroleum projects for Shell, Mobil and Occidental, and the Chavimochic and Chinecas irrigation projects.

Following its 50th anniversary celebration in 1983, the company launched a Strategic Diversification Plan that led to the formation of GMP, the petroleum service company, GMD, the information technology service company, and GMI, the engineering consulting company that together were the origin of what is now the Graña y Montero Group.

In the nineties, Graña y Montero actively participated in the Peruvian privatization process as the local partner of Telefónica in Telefónica del Perú, of ENDESA in the Electrical Generation Company of Lima, and of REPSOL in its La Pampilla Refinery.



In recent years, Graña y Montero has been the first company to participate in the infrastructure concession program. The company has been involved in the majority of the contracts and is currently in charge of the operation of over 2,400 Kms of highways.

Similarly, it has recently started work on the construction of 3,300 economical housing units, which is the first project of this type in Peru and the groundwork for an ambitious plan to participate in this market.

Currently, the Group has 1,364 engineers, is the only company of its kind listed on the Lima Stock Exchange, and is clearly the leader in the country's engineering and infrastructure sector.

Graña y Montero S.A.A.

In the year 1996, the company Graña y Montero split into two companies: (i) Inversiones Graña y Montero, and (ii) Graña y Montero S.A.

In the year 1997 Graña y Montero increased its capital stock through a public offering of shares, thereby making the company an open corporation traded on the stock exchange.

Graña y Montero S.A.A. is the holding company for the Graña y Montero Group, which owns the shares of its main subsidiaries: (i) GyM S.A., (ii) GMP S.A.; (iii) GMI S.A.; (iv) GMD S.A.; (v) CONCAR S.A.; and (vi) LARCOMAR S.A., among others.



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