



Peru's Business and Investment Guide

2015 / 2016

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Peru

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Private Investment Promotion Agency - Peru





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2015 / 2016

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Foreword

Peru is one of the most important countries in Latin America. Its diverse characteristics include a variety of climates, a vast territorial expanse, significant natural resources, people with great skills and high academic standards, and a solid economic and industrial background. Today, Peru is considered one of the world's leading emerging markets, with a solid recent history of economic stability based on an uninterrupted average annual growth over the past 15 years of 5.3% of its Gross Domestic Product (GDP), as well as a people who are notable for their productivity and entrepreneurship. These factors make Peru an excellent destination for foreign investment.

This Business and Investment Guide is a tool for foreign and national investors, providing key information on the country's current economic situation and the principal tax, legal, and labor issues, as well as on how to incorporate businesses in Peru, and general information on how to invest and do business in the country. It also contains a complete index of Peru's embassies and consulates abroad, as well as contacts of interest to investors.

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Ollanta Humala Tasso
President of the Republic of Peru

Dear friends,

In one single generation, we Peruvians have made a transformation based on the consolidation of democracy, stability, the opening of the economy and the creation and development of a policy of social inclusion with economic growth. It is precisely because of this that our aspirations, objectives and goals are becoming increasingly ambitious.

Thanks to the enforcement of suitable macroeconomic policies and a stable legal framework, Peru has experienced a sustained economic growth over the past 15 years and even the most cautious forecasts indicate that the country will continue to lead the growth rates in South America during the year 2015. To this effect, we are busy implementing measures that will allow us to face the challenges that may arise and that, among other benefits, will create further jobs and encourage private investment.

It is within this context that all the Peruvian or foreign economic, commercial and investment activities shall be fully guaranteed. We are a serious country that fulfills its commitments and that offers the same treatment to both national and foreign investors. As a result, in 2014, Moody's Investor raised our credit rating from Baa2 to A3, a level that ranks Peru in the highest investment category and we believe that in 2015 the estimated growth of our Gross Domestic Product (GDP) shall exceed 4%.

From the President of the Republic of Peru

In terms of our projection in the international economic sphere, over the last few years we have made considerable progress in economic integration, within the scope of the Pacific Alliance that includes the most dynamic economies of the Region, based on shared visions of the world and on the movement of goods, capitals, services and persons. Furthermore, we are determined to continue expanding and deepening our trade relations with the world, strengthening the 17 trade agreements we have in force, that cover 95% of our foreign trade and that represent a window of opportunity for companies intending to invest in Peru. Likewise, my country is firmly committed to engaging in the negotiations of the Trans-Pacific Partnership Agreement (TPP) to reach a successful conclusion, with a view to upgrading the projection and presence of Peru in Asia Pacific, thereby promoting economic growth.

Peru is aiming high. We aspire to becoming a full member of the Organization for Economic Co-operation and Development (OECD) for which we have recently signed a Cooperation Agreement with the Secretary of this Organization, to implement the Country Program that will allow us to substantially improve the quality of the public policies and utilities that the Peruvian State provides to its citizens in areas such as decentralization, anti-corruption, health, education, competitiveness, investments, tax and fiscal policies, among others.

In October 2015, Peru will host the Annual Meetings of the World Bank (WB) and the International Monetary Fund (IMF) and, in 2016, Lima will also host the United Nations Conference on Trade and Development (UNCTAD) and the World Investment Forum, as well as, once again, the Summit of the Asia-Pacific Economic Cooperation Forum.

Peru is a thriving country with a privileged geographical location which makes it a potential hub for the companies in South America. As a venue we offer a great number of business opportunities and a reliable investment destination; therefore, I encourage you to take advantage of these benefits.

Welcome to Peru.



Ollanta Humala Tasso
President of the Republic of Peru



**Paulo Pantigoso
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From the beginning of the new millennium through 2014, Peru has achieved an impressive cumulative growth of 116% of its Gross Domestic Product (GDP) accompanied by a cumulative inflation during the same period of just 52%, the best rates of their kind in all of Latin America. In monetary terms, poverty has been reduced by half in recent years, with more Peruvians living in better conditions, with a brighter future. Nowadays, Peru is a true economic miracle nearly 20 years after the end of its history of hyperinflation and terrorism, which have given way to the best possible conditions of stability, respect, and promotion of investment in the Region, becoming the sixth-largest economy in South America—measured in purchasing power parity—after Brazil, Chile, Argentina, Colombia, and Venezuela. Together with this economic progress, national pride has experienced sustained growth, rooted in our knowledge that we will continue to conquer the world together as a result of our own effort. This pride also stems from the rich historical legacy that has influenced our flourishing awareness of what it means to be Peruvian, manifested, for example, in our cuisine and tourist attractions. Effectively, our entrepreneurial nature, as well as the exploitation and processing of our riches, are changing our cities markedly, along with our way of life, and articulating a new Peru.

This growth comes with the challenge of sustaining it, which in turn demands an increase in productivity based on improvements in educational quality, infrastructure, domestic security, productive efficiency and modernity, the reduction of bureaucracy, and the implementation of much-needed reforms. Indeed, with a Gross Domestic Product (GDP) per capita measured in Purchasing Power Parity (PPP) estimated at approximately

Peru: Challenges to Achieve Sustainable Growth

US\$11,989 for 2014, in the short term, Peru will cross a development threshold where it will be forced to avoid falling into a group of nations inserted in the so-called “middle-income trap”. This trap occurs when the growth of GDP per capita slows considerably after a period of rapid growth (generally, when the PPP reaches US\$10,000 to US\$15,000) and could be attributed to a phenomenon of complacency with the relative success achieved, causing the continuous reforms so necessary for progress to stagnate. With all of this, Peru is just beginning its “demographic bonus” period, where 65% of its population between the ages of 15 and 64 reach their highest records of production, consumption, savings, and investment. This is why it cannot fail to take advantage of this historic moment of definitive consolidation, as a country making the jump from a developing economy, to a developed nation.

Some of the challenges and opportunities that our Peru has prioritized in order to maintain the economic stability it has worked so hard to achieve are as follows: the concrete challenges of vanquishing poverty and extreme poverty; prioritizing investment in technological innovation and improving the quality of education; fostering private investment and infrastructure investment and positioning itself in the Region as a bustling hub of international commerce, thanks to the implementation of treaties strategically signed with the world's primary economies; sustaining a powerful domestic demand; consolidating itself as an international reference point in cuisine and tourism; improving the management of public health, domestic security, and the environment; implementing a revamped, efficient, and committed public administration; resolving social conflicts in a

timely manner; fighting corruption; fostering social inclusion; fighting against drug trafficking and eliminating the remnants of terrorism.

The sustainable annual growth potential of Peru's GDP is above 6% and if, for example, over a period of ten continuous years it maintained an annual average growth rate of 6%, counted as from today, it would reach a Gross Domestic Product (GDP) per capita, measured in Purchasing Power Parity (PPP) of approximately US\$20,000 as at 2025.

Peru is growing rapidly and, consequently, there are new and better business opportunities. By this Business and Investment Guide, we, as EY, commit ourselves to support Peru's growth by helping companies to start, grow and succeed.

If you are a foreign investor interested in investing in Peru, you may also approach the nearest Peruvian Diplomatic or Consular Mission, the details of which are included at the end of this Guide.

Finally, we have provided readers with the most recent data on the country's shining economic performance, as well as important technical information on how to establish businesses in the country. We invite you to read through, and to contact us should you have any questions or comments.

What to expect for Peru in the year 2025?



We give below a summary of some of the issues that our readers and investors should address upon reading this Business and Investment Guide and other publications, with the aim of improving the country's environment for doing business. These are some of the goals that we hope to achieve, as a country, over a period of ten years.





**Ministry of Foreign Affairs
Peru**



Guido Loayza Devescovi
Director of Economic Promotion
Ministry of Foreign Affairs

Dear readers:

Those of us who promote Peru as an investment destination are sure that, as we have predicted, our country will continue to lead the growth in the Region over the next years. This is a result of the solid economic policies that have been implemented for over a decade and which continuity bears major fruits for our country today, in terms of economic growth with social inclusion, the reduction of poverty and in positioning Peru as an attractive market for foreign investment.

It is important to highlight that in July of 2014, Peru raised its credit rating thereby introducing our country into a higher category for attracting investment, showing that we have the capacity to face adverse external conditions, a fact that was corroborated during the financial crisis that occurred some years ago.

From a physical viewpoint, the strategic location of Peru on the west coast of South America, makes the projection of the country as a natural, productive and commercial hub in the South American region possible. To this effect, our country is promoting private participation in infrastructural projects and utilities that will allow it to raise its competitiveness and consolidate it as an efficient bridge between the markets of South America, Asia and the United States. The development of infrastructure added to the modern investment policy and the commercial dynamics boosted by the trade agreements, make my country an efficient platform of production and export, from which an investor may access a total market of more than 4 billion persons.

The Peruvian Ministry of Foreign Affairs, through the Executive Office for Economic Promotion, seeks to disseminate the different investment opportunities that the country offers to the different economic sectors, through its more than 131 Diplomatic and Consular Missions around the world, and in coordination with other institutions of the public and private sectors.

In this regard, this Guide is the best tool for foreign investors interested in doing business in Peru, since it contains relevant and updated information on the main macroeconomic indicators of Peru as well as sectorial, legal, tax, labor and financial compliance information.

I invite you to read this important document which I can assure you will give you an overall and accurate panorama of the good business atmosphere in my country.

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ProInversión

Private Investment Promotion Agency - Peru



Carlos Herrera Perret
Executive Director
ProInversión

The Peruvian economy is one of the economies with the largest growth in the last ten years, mainly due to its continuous stable policies that have enabled it to promote private investment and boost the growth of the domestic market, developing a clear policy of commercial integration at the same time. As a result of the good performance of the Peruvian economy, the risk rating agencies raised the credit rating of Peru in the past few years. For example, in July 2014, Moody's raised Peru's credit rating to A3, with a stable perspective.

In 2014, although the Peruvian economy grew at a rate of close to 3% - much below the average of 6% obtained in the previous decade - it shall recover and develop at rates of around 5% as of this year. For example, in its latest inflation report (January 2015) the Central Reserve Bank of Peru (BCRP) forecasts a upward trend of 4.8% for 2015 and 6% for 2016.

The bright perspective of the Peruvian economy is based on the start of the construction of concession infrastructural megaprojects over the last few years, the entry in production of large mining projects as well as the tax reforms in favor of investment and the investment facilitation measures implemented by the Government.

It must be emphasized that in Peru, foreign investment can freely develop alongside national investment in equal conditions and it is not subject to the fulfillment of performance requirements. Additionally, the Peruvian regulations contain special systems that guarantee the invariability of relevant aspects for the development of investments, such

as, the free circulation of capitals, free competition and the guaranty of private property. This policy is based on the conviction that private investment must be the driving force of growth and to this effect we require the concurrence of national and foreign capitals that will boost the development of the enormous opportunities that the country offers.

From ProInversión - Agency for the Promotion of Private Investment- as a State agency in charge of promoting and facilitating private investment in Peru, we assist investors in the prospection, establishment and post-establishment stages. Similarly, with the aim of reducing the gap in infrastructure, Proinversion implements processes to promote private investment in infrastructural and public utilities projects, through Public-Private Associations. The projects can be generated by the direct identification of the different institutions of the National Government or Sub-National Governments, or respond to proposals made by the private sector, declared of interest by the competent government entity.

The portfolio of Proinversion contains projects that will significantly contribute towards improving the connectivity and competitiveness of the country and, at the same time, it shall begin to attend to the requirements for social infrastructure, a gap that, when covered, will strengthen the foundations for a sustained growth even further.

We invite investors to explore the investment possibilities in Peru and to share the benefits of its promising development.



Background Information

1 | Government

Peru is a constitutional democratic republic with a multi-party system. Under the current Constitution of 1993, the President is the Head of State and Government, elected for a five-year period, without the possibility of running for immediate re-election. The President designates the Prime Minister and the rest of the Cabinet. There is a 130-member unicameral Congress elected for a five-year term. Bills may be proposed either by the Executive or by the Legislative Branches, and they become law after being passed through Congress and enacted by the President. The Judiciary and the National Electoral Board are independent institutions.

The Peruvian Government is directly elected and voting is compulsory for all citizens between the ages of 18 and 70. In the most recent democratic elections of 2011, Ollanta Humala was elected President of the Republic of Peru. Peru has some of the best macroeconomic indicators in Latin America, with an expected Gross Domestic Product (GDP) growth rate well above the regional average.

Country Overview

Type of Government	▸ Constitutional Republic.
Legal System	▸ Constitutional State of Law based on laws and codes.
Executive Branch	<ul style="list-style-type: none"> ▸ Head of State and Government: President Ollanta Humala (since July 2011). ▸ Elections: Every five years by popular vote (consecutive re-election not permitted). Next elections: April 2016. ▸ Cabinet: The Cabinet of Ministers is appointed by the President.
Legislative Branch	<ul style="list-style-type: none"> ▸ Unicameral Congress. ▸ 130 seats. ▸ Members are elected by popular vote for a period of five years. ▸ Next elections: April 2016.
Judiciary Branch	▸ Judges are appointed by the National Judge Selection and Evaluation Board.
Main Autonomous Entities	<ul style="list-style-type: none"> ▸ Superintendency of Banking and Insurance (SBS) and Private Pension Fund Management Companies (AFP). ▸ Central Reserve Bank of Peru (BCRP). ▸ Constitutional Court. ▸ National Electoral Board. ▸ Controller General's Office.
Regional Governments	<ul style="list-style-type: none"> ▸ 25 Regional Governments (including the Constitutional Province of Callao). ▸ Metropolitan Municipality of Lima.
Local Governments	<ul style="list-style-type: none"> ▸ 195 Provincial Municipalities. ▸ 1,647 District Municipalities.
International Relations	<ul style="list-style-type: none"> ▸ Peru has numerous economic cooperation and Free Trade Agreements (FTAs) with multiple countries (see Section II.2: Trade Agreements). ▸ Member of the United Nations since 1945 and a member of the Security Council in 2006 and 2007. ▸ Member of the World Trade Organization (WTO) since 1995. ▸ Member of the Pacific Alliance since its creation in 2011. ▸ In 1998, it became a member of the Asia Pacific Economic Cooperation (APEC) hosting the APEC and EU-LAC summits in 2008 and the Arab-South American Summit (ASPA) in 2012. In 2013, it hosted the World Economic Forum on Latin America. ▸ Peru was the site of the COP 20 (Climate Summit organized by the UN) in 2014; and in October of 2015 it shall be the site of the World Bank (WB) and International Monetary Fund (IMF) Annual Assembly in 2015; and will host the APEC Summit and the meeting of the United Nations Conference on Trade and Development (UNCTAD) in 2016.

Sources: Peruvian Constitution / CIA - The World Factbook / United Nations (UN) / Ministry of Foreign Affairs (MRE)

2 | Geography

Peru is located on the west central coast of South America. It is bordered by the Pacific Ocean to the west, by Chile to the south, by Bolivia and Brazil to the east, and by Colombia and Ecuador to the north. With a total land area of 1,285,215.60 km², Peru is the third largest country in South America after Brazil and Argentina, and can be divided geographically into three natural regions:

- ▶ Although the Coast, a narrow strip along the ocean measuring approximately 3,080 km long, accounts for only 10.7% of Peru's territory, it is home to approximately 17.4 million inhabitants. Lima, the political and financial capital of the country, is located in this Region.
- ▶ The Highlands, or Sierra, is the site of the Andean Mountain Range, covering 31.8% of national territory and serving as home to approximately 10.9 million inhabitants. This Region contains the country's major mineral deposits.
- ▶ The Amazon Rainforest, or Selva, is the largest region and occupies 57.5% of the country's territory, rich in petroleum and forestry resources. There are approximately 2.9 million inhabitants in this area.

Peru



Population

31.2 million (estimate 2015)

Urban: 76.6%

Rural: 23.4%



Area

1,285,215.60 km²



Currency*

Nuevo Sol (S/.)

S/.1 = US\$ 0.335

US\$1 = S/. 2.981



Principal languages

Spanish / Quechua / Aymara



Religion

Freedom of Religion

Principal Roman Catholic



Climate

Ranges from tropical in the Amazon to dry along the Coast, and from temperate to very cold in the Highlands



Time Zone

GMT - 5 (five hours Greenwich Mean Time). There is no daylight saving time, and there is only one time zone throughout the entire country



Recursos naturales

Gold, copper, silver, zinc, lead, hydrocarbons, fishing, phosphates and agricultural products as coffee, potato, rice, cotton, asparagus, cocoa and organic banana, artichokes, sugar, quinoa, blueberries and corn.



*Interbank exchange rate as of December 31, 2014

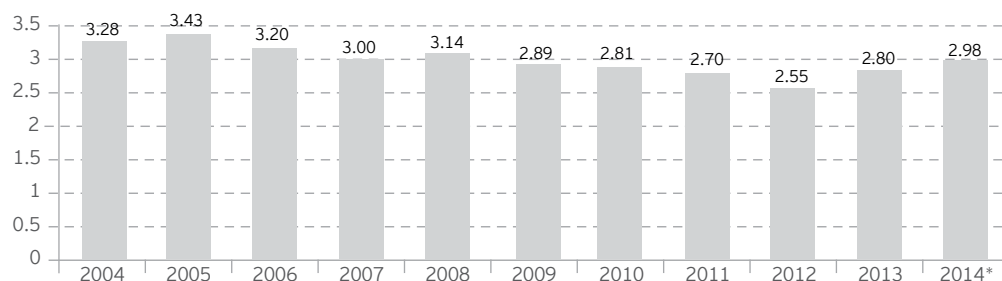
Sources: Central Reserve Bank of Peru (BCRP) / International Monetary Fund (IMF)

3 | Currency

The official currency of Peru is the Nuevo Sol (S/.). The country has a free-floating exchange rate regime, with the government occasionally intervening for purposes of stabilization. As at December 31, 2014, banks were buying US Dollars at S/2.979 and selling them at S/2.981. The gray market has very similar exchange rates.

According to estimates as of the end of 2014, the Nuevo Sol is one of the least volatile currencies in the world, exhibiting firmness in the face of international market and currency fluctuations. The Central Reserve Bank of Peru (BCRP) implements fiscal stimulus and liquidity control measures. There are no restrictions or limitations on the number of bank accounts in foreign currency or the remittance of funds abroad that an individual or legal entity may make.

Exchange rate evolution: Nuevos Soles per US\$1 (end of each year)



*As of March 11, 2015, the exchange rate rose to S/3.09 per US\$1.00

Source: Central Reserve Bank of Peru (BCRP)

4 | Economy

Gross Domestic Product (GDP)	► US\$204 billion (estimate for 2014)
GDP per Capita	► US\$6,623 (estimate for 2014)
GDP per Capita (Purchasing Power Parity / PPP)	► US\$11,989 (estimate for 2014)
Net International Reserves	► US\$62.307 billion (as of December 31, 2014)
Foreign Debt	► US\$17.8 billion (estimate for 2014)
Total Public Debt	► US\$40.19 billion or 19.7% of the GDP (estimate for 2014)
Fixed Gross Investment	► 25.6% of the GDP (estimate for 2014)
Unemployment Rate	► 5.5% (estimate for 2014)
Population Living Below the Poverty Line	► 22.7% (estimate for 2014)
Minimum Wage	► S/.750 (as of December 31, 2014, approximately US\$252)
Principal Destinations of Peruvian Exports	► Germany, Brazil, Canada, Colombia, Chile, China, South Korea, Italy, Japan, Spain, Switzerland, United States and Venezuela
Principal Exports	► Gold, copper, silver, zinc, lead, crude oil and byproducts, coffee, potatoes, asparagus, paprika, organic bananas, quinoa, artichoke, berries, mango, cacao, textiles, fishmeal, and urea
Principal Countries of Origin of Imports to Peru	► Germany, Argentina, Brazil, Chile, China, Colombia, South Korea, Ecuador, United States, and Mexico
Principal Imports	► Petroleum and byproducts, plastics, machinery, vehicles, iron and steel, wheat and paper

Sources: Central Reserve Bank of Peru (BCRP) / Ministry of Economy and Finance (MEF) / International Labor Organization (ILO) / National Institute of Statistics and Informatics (INEI) / International Monetary Fund (IMF) / EY

With a population of 31.2 million (the estimate for 2015) Peru also has rich deposits of copper, silver, gold, lead, zinc, natural gas, petroleum, and urea. Owing to climate variations in its regions, as well as its natural and cultural resources, it is internationally classified as a mega-diverse country.

Peru's economy reflects its varied geography. The abundance of resources is found mainly in mineral deposits in the mountainous regions, while its extensive maritime territory has always traditionally yielded excellent fishing resources. Despite the fluctuations of the world economy, the administration has resisted pressures for fiscal spending and has used the savings generated by the high prices of commodities between 2006 and 2008, investing in 2011 and 2012 in infrastructure and in social aid programs, paying off part of the public debt, and increasing assets.

Peru has achieved significant progress in its macroeconomic performance in recent years, with very dynamic Gross Domestic Product (GDP) growth rates, stable currency exchange rates, and low inflation. In fact, over the past decade, the Peruvian economy has had the lowest annual average inflation rate in Latin America, at 2.5%, below that of Chile (2.9%), Colombia (4.6%), and Brazil (6.0%). There is also its impressive annual growth rate of approximately 5.8% of its GDP achieved in 2013 and of 2.4% in 2014, which gives the country the privileged ranking of one of the fastest-growing economies in the Region, consistently achieving an accumulated annual average growth of approximately 5.3% since the year 2000. This dynamism has been driven by the promotion and diversification of the exportable supply, the rise in world commodity prices, market policies beneficial to investors, and aggressive free trade strategies. Over the past decade, Peru's GDP has tripled as a result of the country's economic growth, moving increasingly towards a middle and upper-middle income economy. Its rapid expansion has contributed to the reduction of the national poverty rate in almost 18% in recent years, representing around 22.7% of its total population for 2014.

According to the International Monetary Fund (IMF) Peru is considered a rising star that is part of the new wave of leading emerging markets, (2013) and today has solid fundamentals, a framework of sensible policies, and a prudent macroeconomic approach, all of which enables it to enjoy sustained growth and reduced vulnerability. Likewise, in 2014, the IMF declared that *"Peru has a decade of wide growth and (...) the macroeconomic policies that it is putting into practice (...) allow it to achieve a fast development, thereby bringing economic stability to the country (...) are strongly encouraged for the implementation of policies and measures that have been implemented from a monetary, tax and infrastructural aspect"*.

The country's recent boost in economic development has much to do with the monetary and fiscal policies applied over the past two decades, reducing the debt level (from 32.3% of the GDP in 2006 to 19.7% in 2014 and an estimated 19.6% in 2015) and ensuring consistent fiscal surpluses: 2.2% in 2012, and official estimates of 0.6% and 0.1% of the GDP for 2013 and 2014, respectively. All of this has gone hand-in-hand with the liberalization of the goods and labor markets, opening up trade through multiple recent international trade agreements, direct foreign investment, and the maximization of the revenues resulting from its rich natural resources. Peru is also reaping the benefits of the increasing size of its market and domestic consumption, and the development of its financial sector, which can be seen, for example, in the increase of private consumption by an estimated 4.3% in 2014 over the previous year (estimated at 4.5% and 4.8% for 2015 and 2016, respectively). Likewise, as of December 31, 2014, net international reserves stood at approximately 30.5% of the estimated GDP as of the same date.

The Peruvian economy for 2015 is expected to be the first fastest growing in Latin America, with an increase of 4.8% of its GDP (4.2% as at March of 2015). This is driven principally by private consumption (4.5% for 2015) domestic demand (estimated in 4.7% for 2015) improved employment indicators, and the recovery of total exports. At the same time, the development of fixed private investment in 2015 is expected to be situated at 3% (5.2% for 2016) while increase in public investment is estimated at 12% for 2015.

The total GDP and GDP per capita (measured in Purchasing Power Parity - PPP) of the main economies of Latin America, according to the International Monetary Fund (IMF) as at 2014 and projected to 2019, are given below:

GDP and GDP per capita (Purchasing Power Parity-PPP) of the principal economies of Latin America (2014 and 2019)

Country	2014		2019	
	GDP in US\$ billions (PPP)	GDP per capita in US\$ (PPP)	GDP in US\$ billions (PPP)	GDP per capita in US\$ (PPP)
Brazil	3,073	15,153	3,282	18,172
Argentina	927	22,101	1,008	22,715
Colombia	642	13,459	883	17,489
Venezuela	546	17,917	611	18,574
Peru	377	11,989	541	15,953
Chile	410	23,165	551	29,946
Mexico	2,143	17,925	2,843	22,618

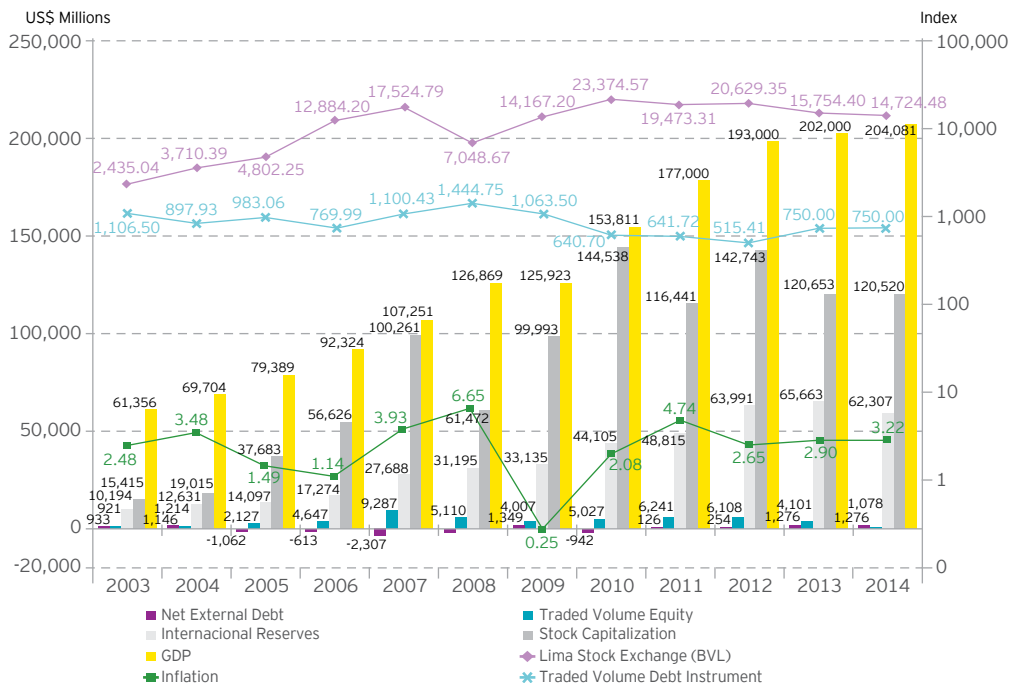
Source: International Monetary Fund (IMF), World Economic Database, October 2014

Peru has signed a number of Free Trade Agreements (FTAs) covering approximately 95% of its exports as of December 31, 2014. Free Trade Agreements (FTAs) have been entered into with the United States, China, Thailand, the European Union, the European Free Trade Association (EFTA), the Southern Common Market (MERCOSUR), South Korea, Canada, Costa Rica, Chile, Mexico, Venezuela, Panama, Singapore, and Cuba. It also has 28 Bilateral Reciprocal Investment Promotion and Protection Agreements. Finally, Peru has commenced trade negotiations corresponding to the Trans-Pacific Partnership Agreement, which includes Chile, the United States, Singapore, Australia, and New Zealand, among others. (Also refer to Section II.2 Trade Agreements)

The Free Trade Agreement (FTA) with the United States entered into force on February 1, 2009, opened the way to greater trade and investment between both countries. Likewise, the Free Trade Agreement (FTA) with China became effective in 2010. More recently, the Free Trade Agreement (FTA) with Japan came into force on March 1, 2012. Additionally, Peru entered into the Framework Agreement for the Pacific Alliance in April 2011. Peru forms part of this trading bloc together with Chile, Colombia, and Mexico, which is aimed at encouraging regional integration and the greater growth, development, and competitiveness of their economies, as well as achieving the free circulation of goods, services, capital, and people. (Also refer to Section II.3)

Peru's main traditional exports are gold, copper, petroleum oil, natural gas, zinc, lead, iron, fishmeal, and coffee, and its principal trading partners are the United States, China, Bolivia, Brazil, Chile, Colombia, Ecuador, Argentina, Venezuela, Switzerland, South Korea, Japan, Canada, Germany, Spain, Holland, The United Kingdom, Mexico, and Italy.

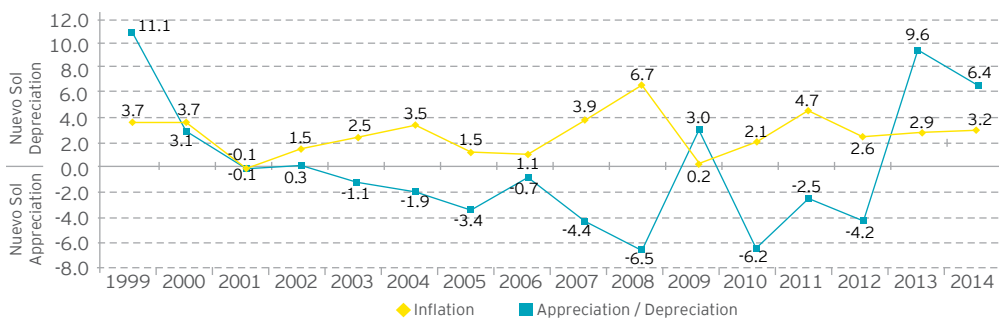
Evolution of financial indicators



Sources: Central Reserve Bank of Peru (BCRP) / Lima Stock Exchange (BVL)

Appreciation / Depreciation and inflation

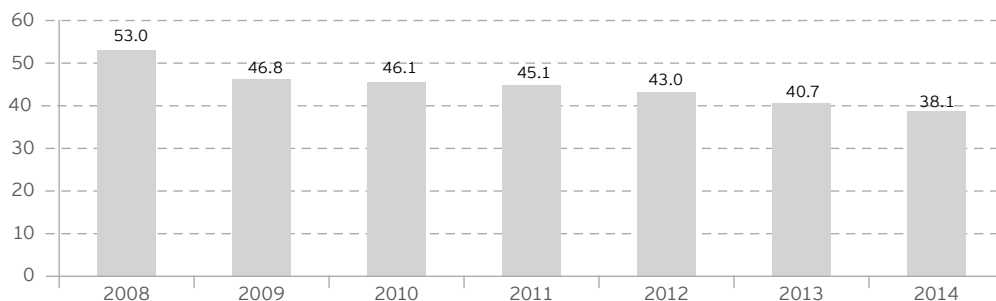
As of the end of 2014, the inflation rate in Peru was 3.22% (real rate of 2.9% in 2013). The annual depreciation rate of the Nuevo Sol against the US Dollar for 2014 is 6.4% (real appreciation rate of 9.6% in 2013).



Sources: Central Reserve Bank of Peru (BCRP) / EY

By the end of 2015, inflation is expected to be within the target range set by the Central Reserve Bank of Peru (BCRP) at 1.0% to 3.0%. Meanwhile, as of March 6, 2015, the average interbank interest rate in local currency set by the BCRP was 3.44%, while the preferential corporate rate was 4.2%.

Dollarization rate of bank deposits



Source: Central Reserve Bank of Peru (BCRP)

Peru's principal economic activities

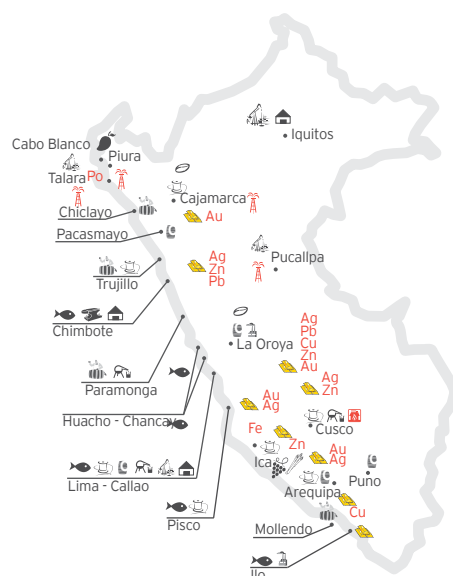
In 2014, the non-traditional productive markets that registered the highest exports were the agricultural (21.2%) and handcraft (61.9%) markets. The main non-traditional products exported in 2014 were quinoa (US\$196 million, an increase of 147.1%), mangoes (US\$138 million, a growth of 3.60%), asparagus (US\$533 million, drop of 7%), organic bananas (US\$119 million, a growth of 33.99%), grapes (US\$641 million, an increase of 44.39%), berries (US\$30 million, a growth of 71.24%), refrigerated asparagus (US\$38 million, a drop of 24.05%), avocado (US\$384 million, a decrease of 6.96%), cocoa (US\$152 million, an increase of 82.5%), artichokes (US\$92 million, a growth of 3.81%), tangerines (US\$60 million, an increase of 38.78%), paprika and capsicum (US\$41 million, a decrease of 8.88%), natural calcium phosphates, refined copper wire, giant squid, squid, either frozen, dried or in brine. With regards to the traditional products, the most important were gold, copper, silver, lead, zinc, gas, petroleum oil, coffee and fishmeal.

In mining, according to the Mineral Commodity Summaries Publication authored by the U.S. State Department, Peru ranked third in the world in 2014 in the production of silver, copper, tin and zinc, fourth in molybdenum and lead, fifth in mercury, and sixth in gold, besides having large deposits of iron ore, phosphates, manganese, petroleum, and gas.

Principal industries in the different regions of Peru

- Petroleum
- Au Gold
- Ag Silver
- Cu Copper
- Natural Gas
- Zn Zinc
- Pb Lead
- Fe Iron
- Po Phosphates

- Sugar Refinery
- Fishmeal Plant
- Textile Industry
- Cement Plant
- Chemicals Plant
- Oil Refinery
- Metals Industry
- Foundry
- Metal-Mechanical Plant
- Asparagus
- Grapes
- Mangoes
- Coffee

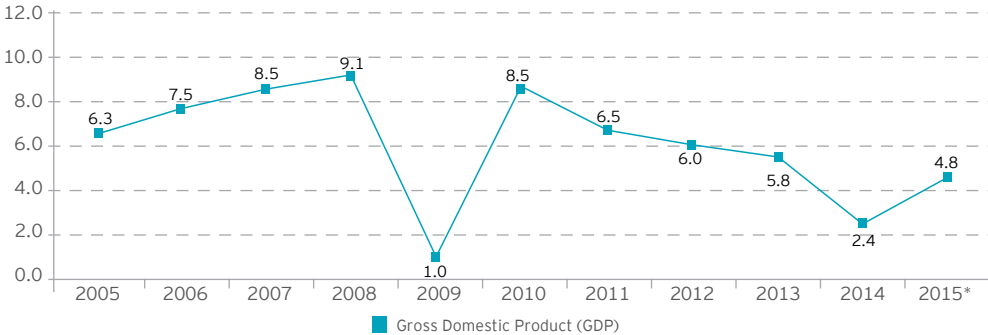


Source: EY

Gross Domestic Product (GDP) / Trade Balance

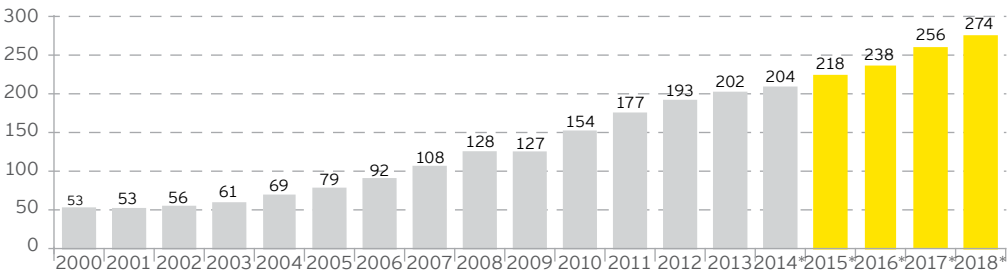
The Gross Domestic Product (GDP) estimate for 2014 is US\$204 billion. It is forecasted that at the end of 2014, total FOB exports came to US\$37,913 billion, while imports totaled US\$42,377 billion. The principal exports came from the mining, hydrocarbons, and agricultural and livestock industries.

Real Gross Domestic Product (GDP) (annual percentage change)



*Estimate of 4.2% as at March 10, 2015
Source: Central Reserve Bank of Peru (BCRP)

Real Gross Domestic Product (GDP) (in millions of US\$)



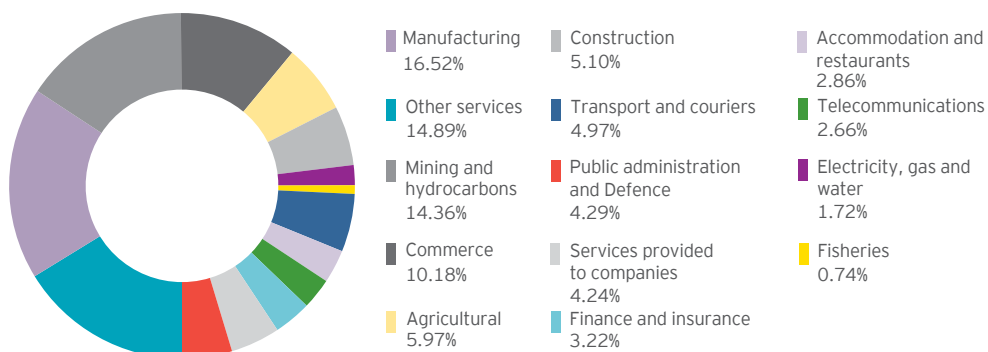
* Estimate
Sources: Central Reserve Bank of Peru (BCRP) / World Economic Forum

Gross Domestic Product (GDP) by industry - Annual % change

	2008	2009	2010	2011	2012	2013	2014	2015*	2016*
Agriculture and livestock	8.0	1.3	4.3	4.1	5.9	1.0	1.4	2.6	3.5
Fisheries	3.0	-3.4	-19.6	52.9	-32.2	18.1	-27.9	17.2	18.1
Mining	7.3	-1.4	-0.7	-1.1	2.2	4.3	-2.2	6.3	12.1
Hydrocarbons	10.3	16.1	28.4	19.7	2.3	7.2	3.9	3.2	5.0
Manufacturing	8.6	-6.7	10.8	8.6	1.5	5.1	-3.3	3.7	4.7
Electricity, gas and water	8.1	1.1	8.1	7.6	5.8	5.5	5.0	5.3	6.1
Construction	11.0	-0.5	12.5	8.9	7.2	8.9	1.7	5.7	7.0
Commerce	16.8	6.8	17.8	3.6	15.8	5.9	4.4	4.9	5.5
Other services	8.7	3.6	8.8	7.0	7.3	6.2	4.8	4.9	5.5
GDP	9.1	1.0	8.5	6.5	6.0	5.8	2.4	4.8	6.0

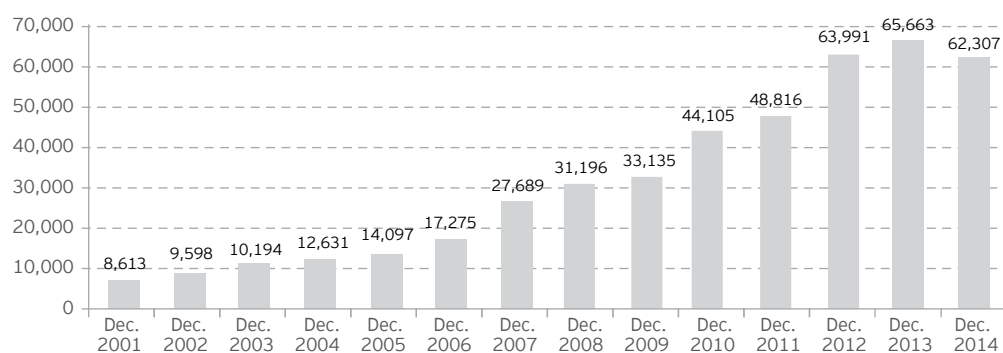
*Estimate
Sources: Central Reserve Bank of Peru (BCRP) / National Institute of Statistics and informatics (INEI) (2014)

Peru Gross Domestic Product (GDP) by economic sector in %, using the economic structure with a base estimate year of 2007



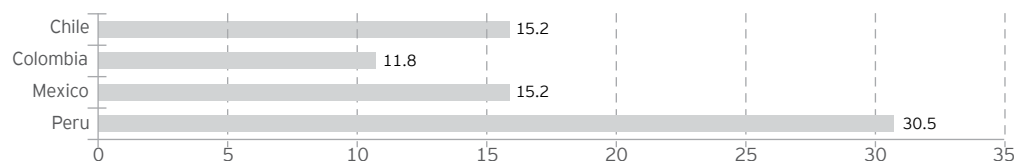
Source: National Institute of Statistics and informatics (INEI)

Net International Reserves (in US\$ millions)



Source: Central Reserve Bank of Peru (BCRP)

Net International Reserves (in percentage of GDP, estimate for 2014)



Sources: Central Reserve Bank of Peru (BCRP), International Monetary Fund (IMF) / EY

Indicators of emerging economies: Net International Reserves vs. Gross Domestic Product (GDP) and Fiscal Deficit/Surplus of emerging economies (estimated for 2013)



Source: Central Reserve Bank of Peru (BCRP)

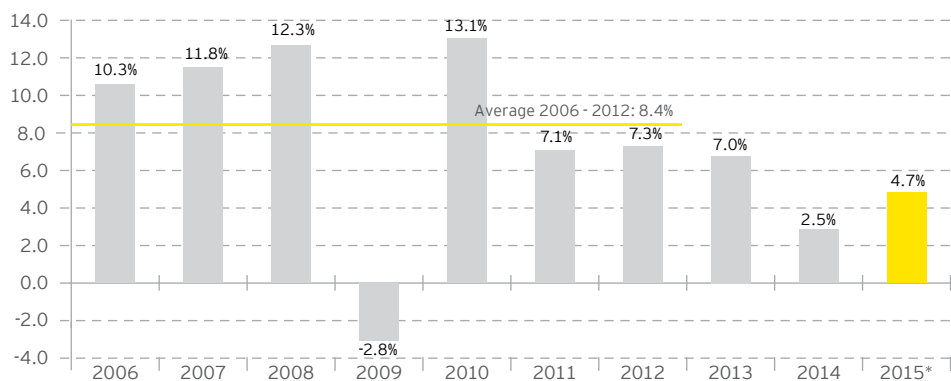
Gross Domestic Product (GDP) by spending type (percent change)

Variables	2008	2009	2010	2011	2012	2013	2014	2015*
Gross Domestic Product	9.1	1.0	8.5	6.5	6.0	5.8	2.4	4.8
Imports	26.2	-16.0	29.3	9.8	10.4	3.6	-1.3	2.9
Domestic Demand	12.3	-2.8	13.1	7.1	7.3	7.0	2.5	4.7
a. Private Consumption	8.7	2.4	6.3	6.4	5.8	5.3	4.3	4.5
b. Public Consumption	2.1	16.5	7.9	4.8	9.4	6.7	6.4	6.6
Private Investment	25.9	-15.1	22.1	11.4	13.5	6.4	-1.5	3.0
Public Investment	33.6	21.2	26.7	-18.0	20.8	12.1	-3.6	12.0
Exports	9.9	-2.9	4.8	8.8	5.4	-0.9	-2.2	3.4

*Estimate

Source: Central Reserve Bank of Peru (BCRP)

Domestic demand (percent change)



*Estimate

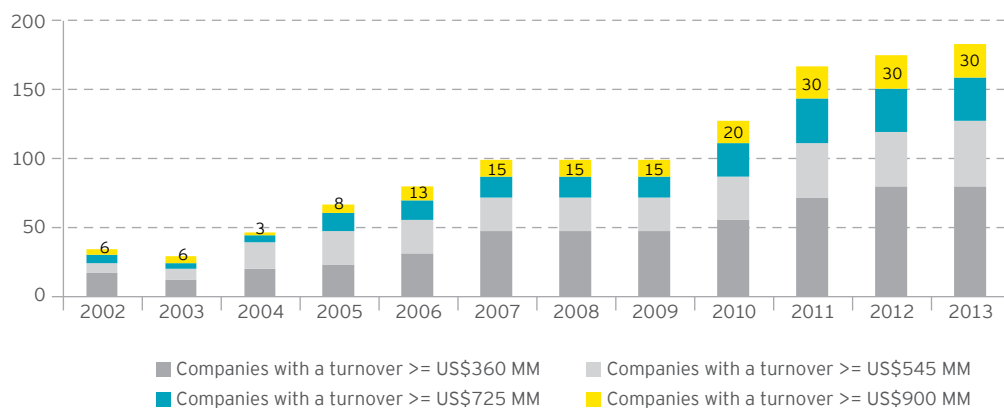
Source: Central Reserve Bank of Peru (BCRP)

Leading indicators of consumption

	2004	2013	Increase by
Sale of evaporated milk (thousands of TM)	308	439	1.4
Percentage of families with a gas cooker	49	72	1.5
Sale of packaged pasta	210	346	1.7
Sale of vegetable oil (Thousands of TM)	144	240	1.7
Percentage of families with a TV	41	73	1.8
Consumption of chicken per capita (kg)	26	48	1.9
Number of connections to paying TV service (thousands)	365	1,353	3.7
Number of malls	15	63	4.2
Percentage of families with a computer	6	27	4.4
Mobile telephone lines in service (millions)	3	30	10.2
Sale of new family vehicles (thousands of units, refer to section III.12)	10	139	14.4

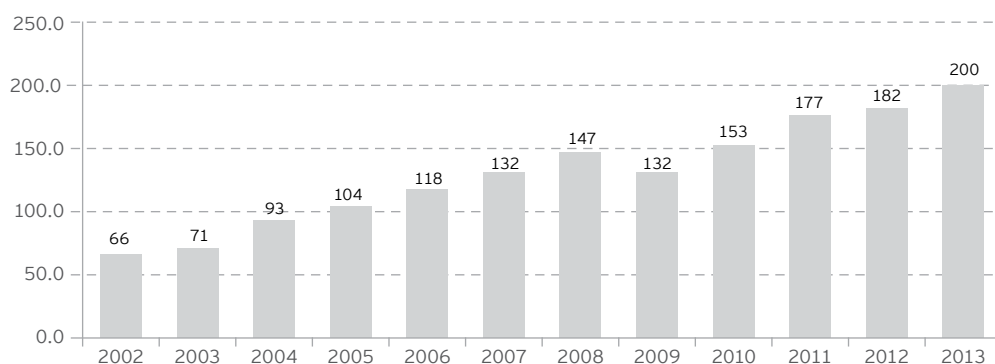
Source: National Home Survey 2004 and 2013

Number of companies with annual revenues of more than US\$360 million (more than one billion Nuevos Soles)



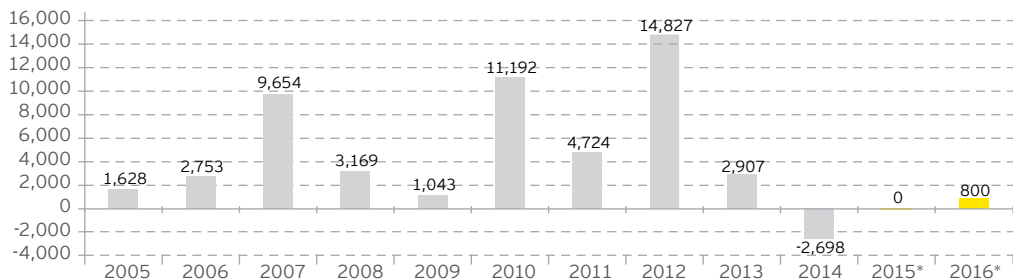
Sources: Top 10k - Peru Top Publications / Peruvian Business Directory - Dun & Bradstreet / Prepared by EY

Number of companies in Peru with exports of a value of more than US\$20 million



Source: National Institute of Statistics and Informatics (INEI) 2013

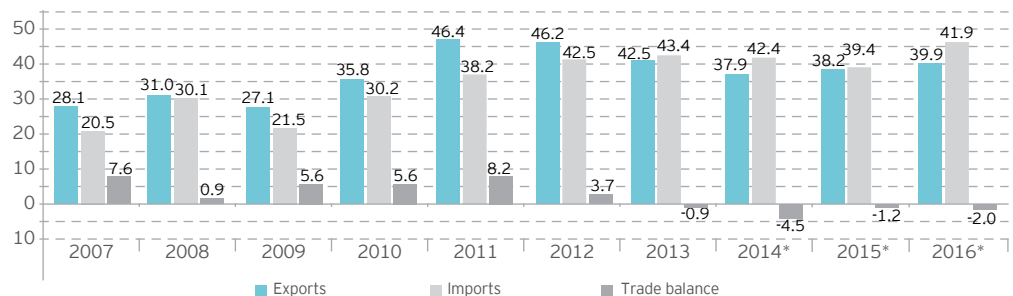
Balance of payments (in US\$ millions)



*Estimate

Source: Central Reserve Bank of Peru (BCRP)

Trade balance (in US\$ billions)

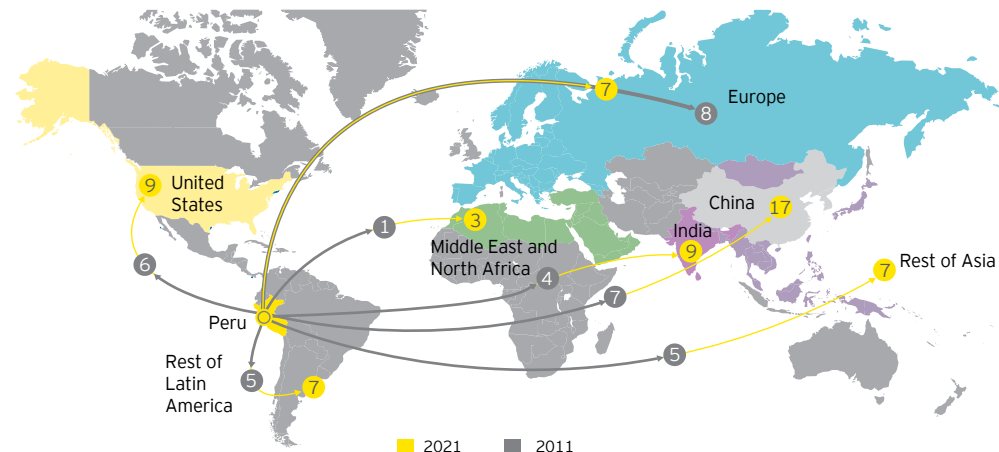


*Estimate

Sources: Central Reserve Bank of Peru (BCRP) / ComexPeru

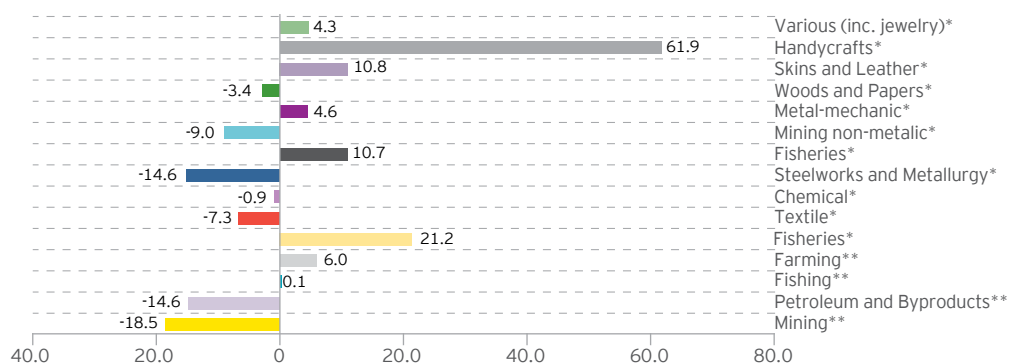
According to estimates, by 2015, Peruvian exports will total nearly US\$38.2 billion, while imports will come to approximately US\$39.4 billion. Likewise, the projection for the 2011-2021 period of the total in billions of US Dollars of Peruvian exports is as follows:

Projection of regional exports of Peruvian goods 2011 - 2021 (in US\$ billions)



Source: Oxford Economics / Prepared by EY

Annual change in exports by economic sector, in percentage (2014/2013)

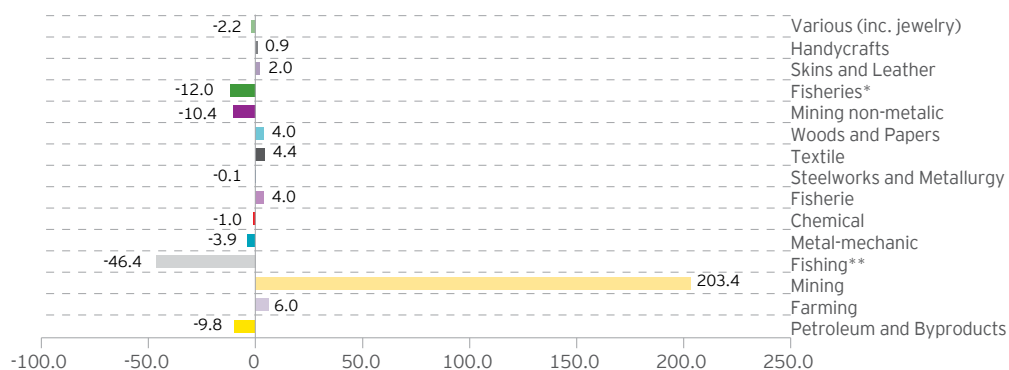


*Non-traditional

**Traditional

Source: ComexPeru

Annual change in imports by economic sector, in percentage (2014/2013)

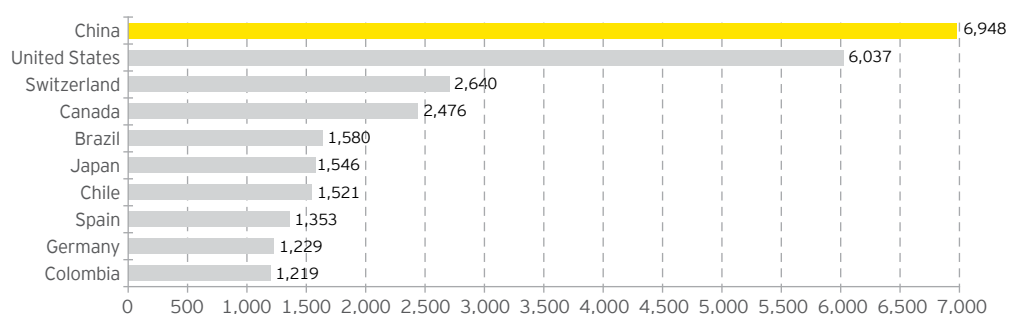


*Traditional

**Non-traditional

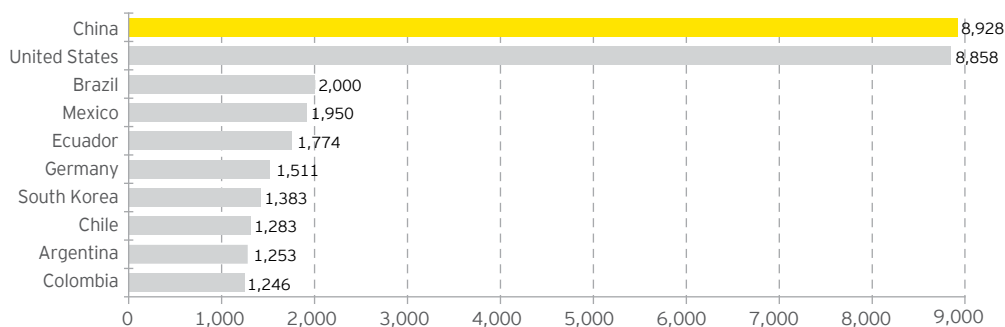
Source: ComexPeru

Exports by trading partner in US\$ millions - Top ten partners (2014)



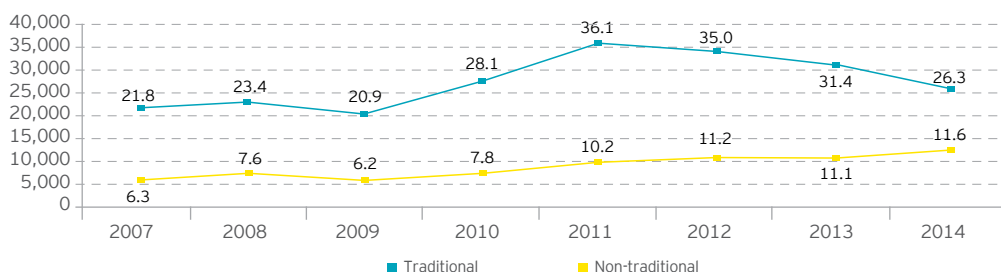
Source: ComexPeru

Imports by trading partner in US\$ millions - Top ten partners (2014)



Source: ComexPeru

Traditional and non-traditional exports in US\$ billions



Sources: ComexPeru / Central Reserve Bank of Peru (BCRP)

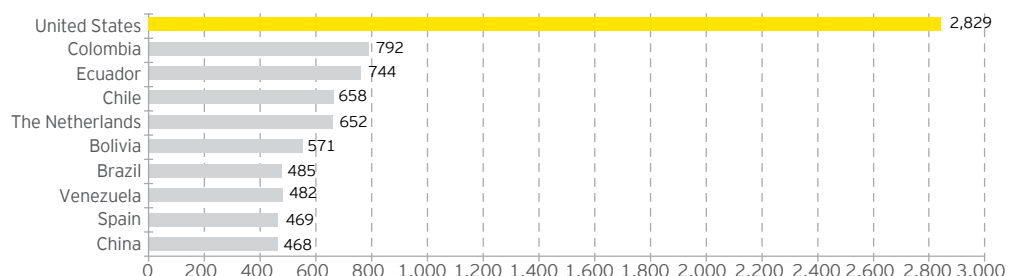
In 2014, the non-traditional markets that registered the highest exports were the agricultural (21.2%) and handcraft (61.9%) markets. The main non-traditional products exported in 2014 were quinoa (US\$196 million, a growth of 147.1%), mangoes (US\$138 million, an increase of 3.60%), asparagus (US\$533 million, a drop of 7.00%), organic bananas (US\$119 million, a growth of 33.99%), grapes (US\$641 million, an increase of 44.39%), berries (US\$30 million, a growth of 71.24%), refrigerated asparagus (US\$38 million, a drop of 24.05%), avocado (US\$384 million, a decrease of 6.96%), cocoa (US\$152 million, a growth of 82.5%), artichokes (US\$92 million, an increase of 3.81%), tangerines (US\$60 million, a growth of 38.78%), paprika and capsicum (US\$41 million, a decrease of 8.88%), natural calcium phosphates, refined copper wire, giant squid, squid, either frozen, dried or in brine. With respect to the traditional products, the most important were gold, copper, silver, lead, zinc, gas, petroleum oil, coffee and fishmeal.

Exports in the agricultural and livestock sector in US\$ millions FOB, annual percent change, first 30 products

Product	2013	2014	Change %
Fresh grapes	444	641	44.39%
Asparagus fresh or refrigerated	413	384	-6.96%
Fresh avocados	184	306	66.20%
Quinoa	80	196	147.11%
Cocoa in grain, whole or split, raw	83	152	82.53%
Asparagus, prepared or canned	150	149	-0.17%
Other processed products used for animal feed	109	141	30.02%
Fresh mangoes	133	138	3.60%
Evaporated milk, unsweetened	104	121	16.83%
Other fresh bananas: "Cavendish Valery" type	89	119	33.99%
Artichokes processed or canned	89	92	3.81%
Other vegetables, fruit and other edible plant parts processed or canned	51	69	35.51%
Onions and shallots (<i>allium ascalonicum</i>) fresh or refrigerated	63	65	2.59%
Other vegetables processed or canned (except in vinegar or in acetic acid)	54	61	12.33%
Mandarins (including tangerines and satsumas) fresh or dried	43	60	38.78%
Mango (<i>mangifera indica</i> 1.) uncooked or cooked with water or steamed, unsweetened, frozen	40	49	21.97%
Palm oil, crude	21	48	132.49%
Cocoa butter with an acid indicator expressed in oleic acid superior to 1%	32	48	47.09%
Fruit of the capsium or pepper type: dried, neither crushed nor powdered: paprika	50	46	-8.82%
Sweet biscuits (with sweetener)	40	43	7.78%
Piquillo pepper (<i>capsicum annuum</i>) processed and canned (except in vinegar)	45	41	-8.88%
Asparagus cooked in water or steamed, frozen	51	38	-24.05%
Juice of any other fruit or vegetable	30	38	25.21%
Other food pastes uncooked, unfilled and unprocessed in any other way	40	38	-3.84%
Olives, processed or canned (excluding in vinegar or acetic acid)	22	36	62.96%
Seaweed: others	37	33	-10.00%
Tara powder (<i>caesalpinia spinosa</i>)	32	33	3.49%
Chestnuts shelled, fresh or dried	29	31	6.40%
Berries or myrtle fruit and other fruit of the <i>vaccinium</i> type fresh	17	30	71.24%
Other clementines, wilkings and hybrids similar to citrus fruit fresh or dried	24	29	20.75%
Total first 30 products	2,599	3,274	25.97%

Source: National Superintendency of Tax Administration (SUNAT) / Prepared by ComexPeru

Non-Traditional exports by trading partner in US\$ millions (2014*)



*Preliminary

Source: ComexPeru

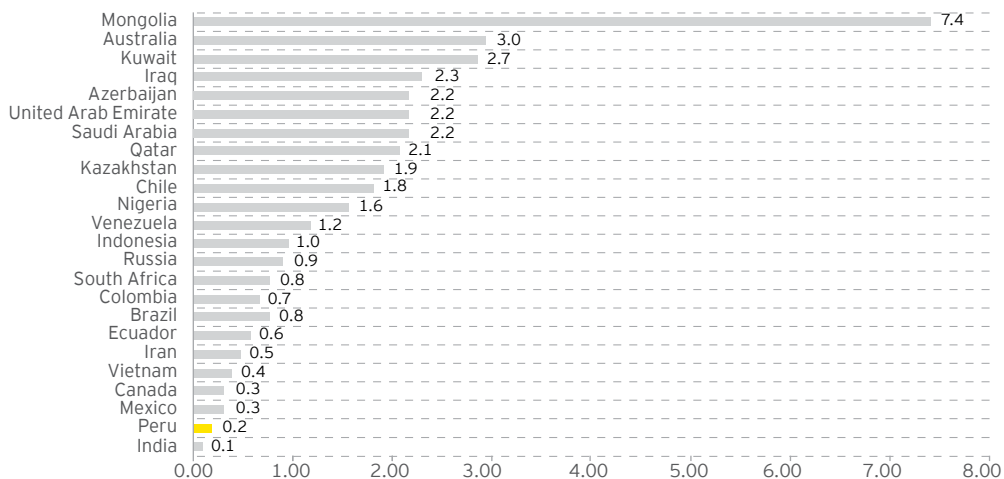
Concentration of export basket (2012)

Country	HHI*	Products with higher weight in total exports	Joint Participation
Italy	95	Refined oil, medicines, parts and replacements	12.0%
United States	108	Cars, refined oil, planes and helicopters	11.8%
Sweden	164	Refined oil, medicines, phones	16.0%
Spain	171	Cars, refined oil, medicines	18.8%
Denmark	174	Medicines, refined oil, crude oil	18.1%
Germany	191	Cars, replacement parts, packaged medicines	19.0%
Finland	228	Refined oil, couche paper, laminates, stainless steel pianos	21.7%
Korea	316	Refined oil, integrated circuits, cars	25.5%
Canada	345	Cars, planes and helicopters, coal briquettes	21.7%
Mexico	386	Crude oil, automobiles, computers	27.4%
Brazil	391	Iron mineral, crude oil, soya	28.7%
Peru	874	Copper mineral, gold, refined oil	45.0%
Singapore	891	Refined oil, integrated circuits, computers	39.8%
Australia	917	Iron mineral, coal briquettes, gas and oil	45.4%
Chile	1,264	Refined copper, copper mineral, unprocessed copper	52.4%
Norway	1,997	Crude oil, gas, refined oil	67.0%
Colombia	2,116	Crude oil, coal briquettes, refined oil	64.2%

*Herfindahl Hirschman indicator. Measures the market concentration, where 0 represents the maximum diversification

Source: ComexPeru

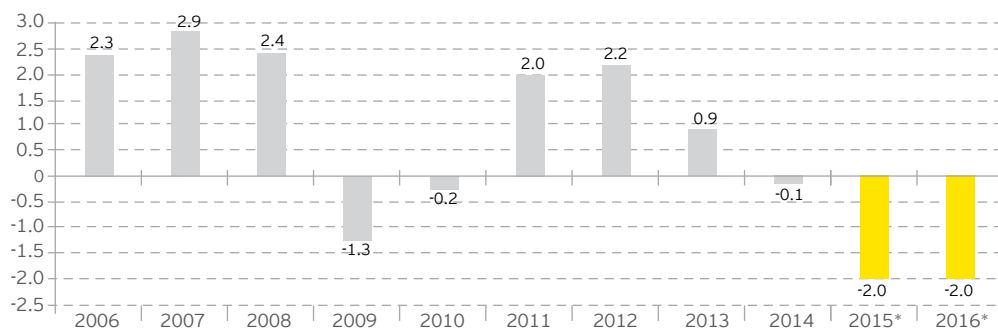
Percent impact on Gross Domestic Product (GDP) of slowed Chinese demand on exporters of raw materials, considering a decrease of 1% of the GDP of China over the coming decade*



*Does not include the indirect impact of a country exporting to China and importing a component of said export from a third country

Source: International Monetary Fund (IMF)

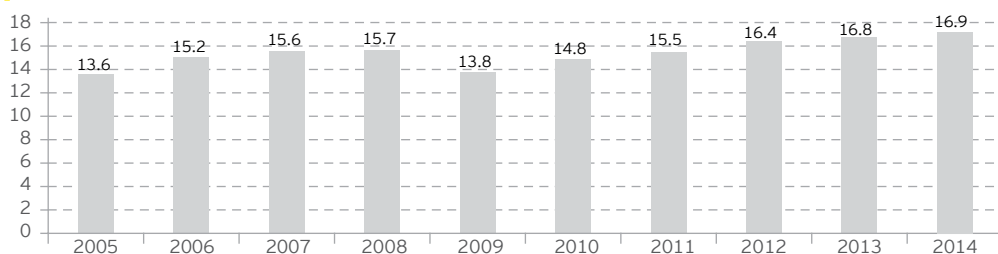
Economic results (Fiscal Surplus / Deficit) of the non-financial public sector (in % of the Gross Domestic Product - GDP)*



*Estimate

Source: Central Reserve Bank of Peru (BCRP)

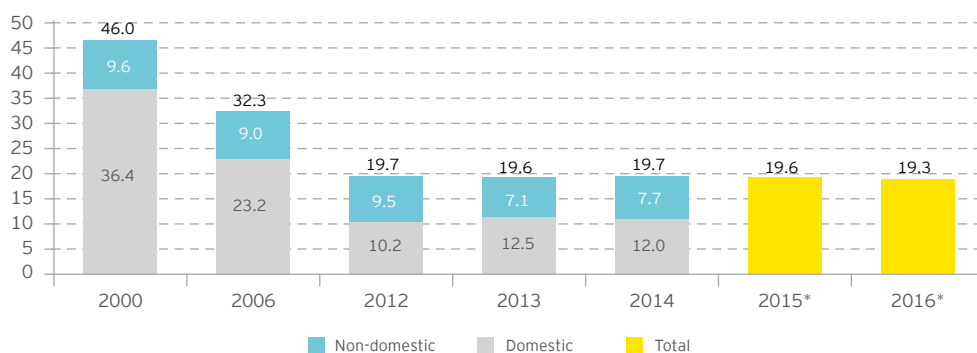
Tax pressure (in % of the Gross Domestic Product - GDP)



Source: Central Reserve Bank of Peru (BCRP) / National Superintendency of Customs and Tax Administration (SUNAT)

During 2014, according to the National Superintendency of Customs and Tax Administration (SUNAT) the tax base was broadened by 3.4%. This was due in large part to auditing, control, and facilitation actions, which have helped tax collection to exceed the national average rate in many regions of the country. In 2014, the tax revenues collected totaled S/. 95,389 billion and the registered taxpayers increased by 6% in comparison to 2013.

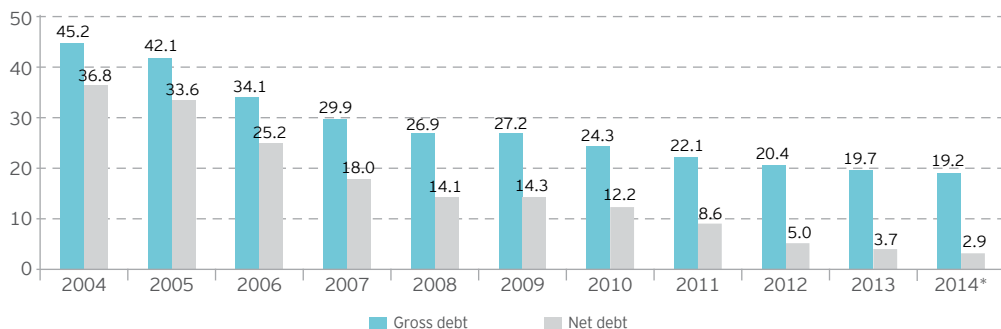
Public debt (% of the Gross Domestic Product - GDP)



*Total domestic and non-domestic

Source: Central Reserve Bank of Peru (BCRP)

Debt of non-financial public sector



*Estimate

Source: Central Reserve Bank of Peru (BCRP)

5 Country Risk and Investment Grade

Peru has been given good forecasts by the best-known risk rating agencies, which have not only ratified the country's investment grade but have also raised the Peruvian sovereign credit rating. The factors that back this rating are the solid economic prospects reflected in a growth of 2.4% of the Gross Domestic Product (GDP) for 2014, and an estimated 4.2% for 2015 (as at March of 2015). These economic forecasts are backed by the rapid growth in investment and the significant drop in fiscal and external vulnerabilities, all within the context of several sources of growth, with low inflation and strong macroeconomic fundamentals.

Obtaining the investment grade has permitted Peru to attract a great deal of international attention. Recently, an increasing number of multinational corporations have been looking at Peru with greater interest. The subsequent increase in jobs and decrease in poverty will predictably help improve social wellbeing.

The progress made in watching out for the tax results, the promotion of investment in important job creation sources (such as infrastructure, mining, hydrocarbons and telecommunications) the implementation of tenders as a specific "countercyclical" measure in response to the economic slowdown (i.e. infrastructural projects of the Gas Pipeline of the South, Line 2 of the Electric Train, the Airport of Chincheros, the General Terminal of the Port of San Martín de Pisco, among others) as well as the measures taken to modify the tax system included in Sections V and VI of this Guide (Taxes and Labor System, respectively) allow us to observe how Peru aims its development towards improving its level of investment.

Peru's investment grade ratings

Country	S&P	Fitch	Moody's
Chile	AA-	A+	Aa3
Peru	BBB+	BBB+	A3
Mexico	BBB+	BBB+	A3
Colombia	BBB	BBB	Baa2
Brazil	BBB-	BBB	Baa2
Uruguay	BBB-	BBB-	Baa2
Bolivia	BB	BB-	Ba3
Paraguay	BB	BB-	Ba2
Ecuador	B+	B	B3
Venezuela	CCC+	CCC	Caa3
Argentina	SDu	RD	Caa1

Sources: Standard & Poor's / Fitch Ratings / Moody's

S&P / Fitch	Moody's	Feature
AAA	Aaa	Risk free
AA+, AA, AA-	Aa1, Aa2, Aa3	High grade
A+, A, A-	A1, A2, A3	High repayment capacity
BBB+, BBB, BBB-	Baa1, Baa2, Baa3	Moderate repayment capacity
BB+, BB, BB-	Ba1, Ba2, Ba3	Some repayment capacity
B+, B, B-	B1, B2, B3	Highly uncertain repayment capacity
CCC+, CCC, CCC-, CC	Caa1, Caa2, Caa3	Extremely vulnerable to default
SD/D	Ca	Default

O Investment Grade

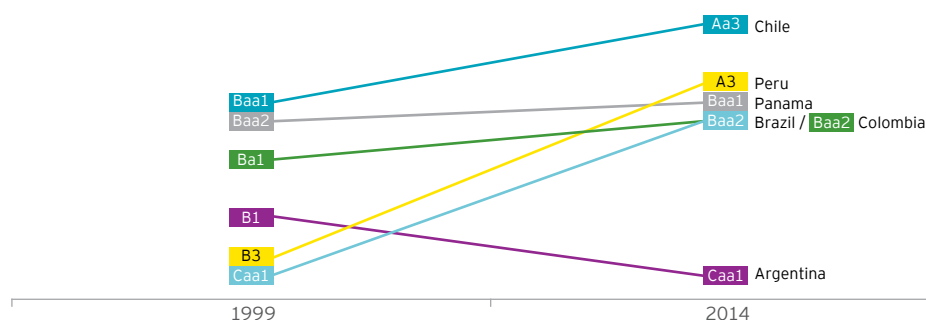
Source: Bloomberg

Evolution of the long-term debt rating in foreign currency

Agency	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fitch	BB-	BB-	BB	BB	BB+	BB+	BBB-	BBB-	BBB-	BBB *	BBB	BBB+	BBB+
S&P	BB-	BB-	BB	BB	BB+	BB+	BBB-	BBB-	BBB-	BBB **	BBB	BBB+	BBB+
Moody's	Ba3	Ba3	Ba3	Ba3	Ba3	Ba2	Ba1	Baa3	Baa3	Baa3	Baa2	Baa2	A3

Source: EY

Classification of Region Risk According to Moody's

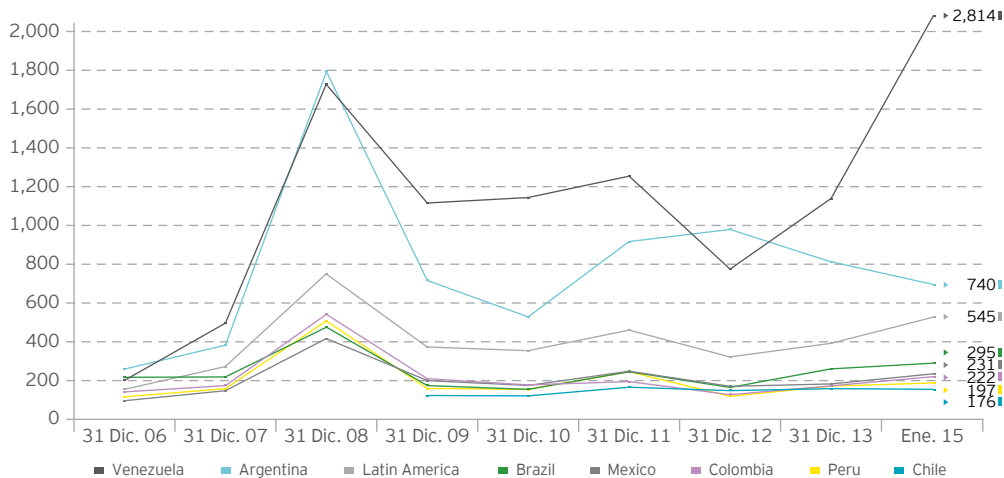


Sources: National Institute of Statistics and Informatics (INEI) / Financial Studies of Scotiabank / Bloomberg / Moody's

Country risk

As of December 31, 2014, Peru had a country risk of 162 base points, ranking second-lowest in Latin America. This score is less than half of the regional average (407 points).

Country risk indicator (in base points)

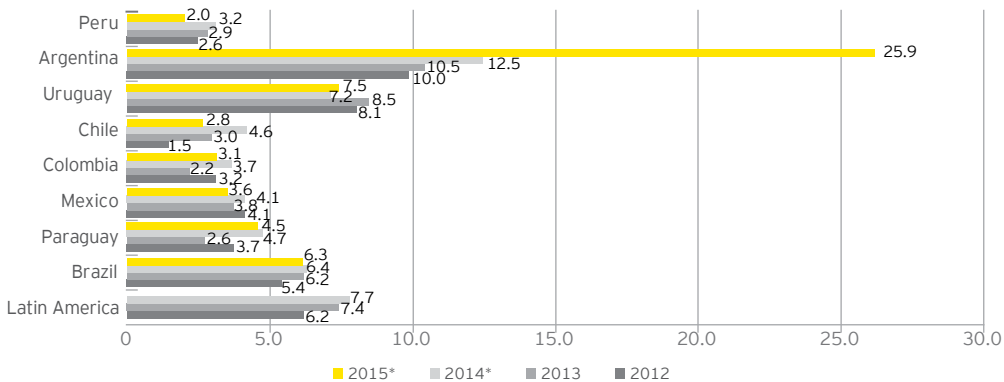


Source: Central Reserve Bank of Peru (BCRP)

Peru has recently achieved the position of the third most globalized country in Latin America, according to the Globalization Index established by EY (Ernst & Young). Five elements are considered within this index: openness to foreign trade, capital flows, exchange of technology and ideas, international movement of workers, and cultural integration. Additionally, in early January 2013 Bloomberg Markets positioned Peru as the fourth emerging market with the greatest international projection in 2012, based on the country's advantages, such as low share prices and their possible increase in the future.

As may be seen in the following charts, Peru's level of inflation is one of the lowest in Latin America, with a rate of 3.2% in 2014, and an estimated range of 1% and 3% for 2015. In addition, over the past decade, the Peruvian economy had the lowest average annual inflation rate in Latin America, at 2.5%, below that of Chile (2.9%) Colombia (4.6%) and Brazil (6%).

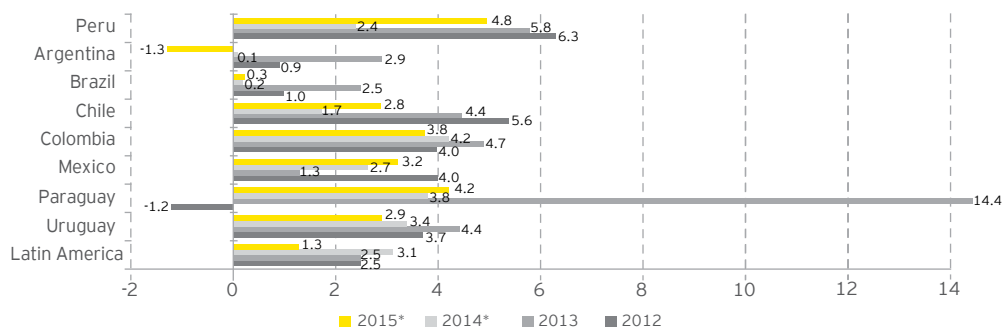
Estimated inflation rates in Latin America



*Estimate

Sources: BBVA Research - Peru / Central Reserve Bank of Peru (BCRP)

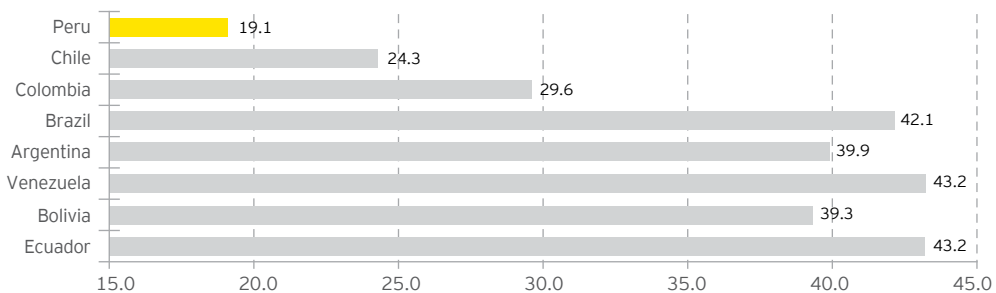
Estimated Gross Domestic Product (GDP) growth percentage rates in Latin America



*Estimate

Sources: BBVA Research - Peru / Central Reserve Bank of Peru (BCRP) / International Monetary Fund (IMF) / Banxico / Bank of the Republic of Colombia/ Central Bank of Chile / EY

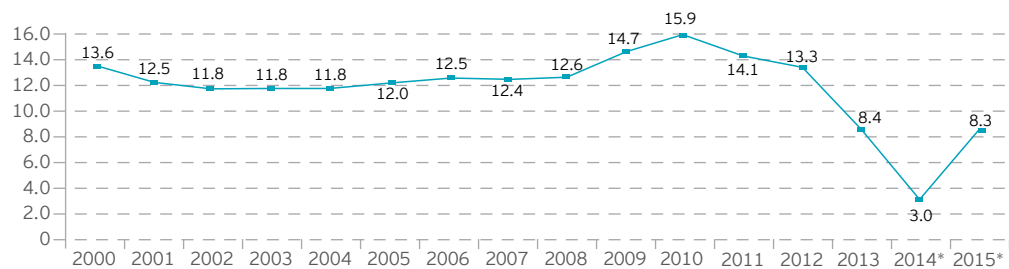
Public spending in South America in % of the Gross Domestic Product - GDP (2014*)



*Estimate

Source: Apoyo

Public spending in Peru (real percent change)



*Estimate

Source: Central Reserve Bank of Peru (BCRP)

Main indicators of some of the country's regions:

Indicators	Arequipa	Cuzco	La Libertad	Lambayeque
Total population (2014)	1,273,180	1,308,806	1,836,960	1,250,349
Urban population (%)	89.2%	53.8%	77.1%	81.5%
Rural population (%)	10.8%	46.2%	22.9%	18.5%
Economically Active Population (EAP %)	55.5%	58.5%	52.1%	52.2%
GDP with constant prices (thousands of Nuevos Soles) - 2013	22,691,024	20,715,997	19,470,669	10,274,275
GDP per Capita with constant prices (thousands of Nuevos Soles) - 2013	18,021	15,928	10,732	8,286
Main activities	Agriculture, livestock, fisheries, mining and industry	Agriculture, commerce and mining	Agriculture, fisheries, mining, manufacturing and construction	Agriculture, fisheries, manufacturing
Main products	Onions, rice, wheat, beans	Potato, corn, onions, carrots	Asparagus, sugar cane, potato, cement	Sugar cane, beans, cotton, paprika
Main projects	Awarded contracts - Projects			
	1. Ica-Chilean Border Highway (US\$196 million)	1. International Airport of Chinchero (US\$ 537 millions)	1. Chavimochic Phase III Irrigation project (US\$677 million)	1. Second stretch of the longitudinal mountain highway (US\$ 651 million)
	2. Molloco Hydroelectric Power Plant (US\$ 800 million)		2. Public auction of plots of land for non-agricultural purposes (S/. 11.6 million)	2. Integrated broadband connectivity (US\$ 31.5 million)
	In the Process of Evaluation			
	1. Monorail transport system	1. Design, construction and exploitation of settlement roads to connect district capitals	1. High performance school	1. High performance school
	2. High performance school	2. High performance school	2. Sanitation system for EPS Sedalib	
Main projects	Invitation to tender			
		1. Choquequirao Telepheric (US\$43 million)	1. Huayday Ambara Prospection (US\$ 8 million)	

Sources: National Institute of Statistics and Informatics (INEI) / Central Reserve Bank of Peru (BCRP) / ProInversion / Prepared by EY

6 | Investment

In the period 2011-2014, ProlInversion granted the concession of 27 projects, in the form of Public-Private Associations (PPA). A total of US\$18 billion shall be invested in these projects, a figure that will contribute towards the dynamism of the main economic sectors of the country.

Investment amounts (Including VAT, figures as of October 2014)

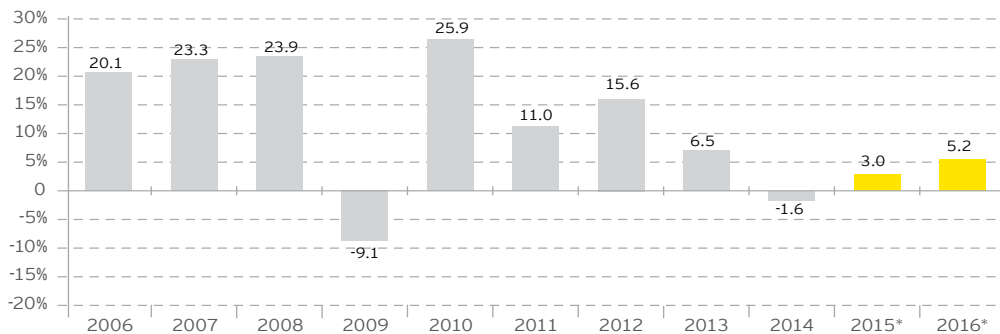


- 1 US\$5,989 billion: Line 2 of the Lima Train Station and Connecting Extension of Line 4 (Av. Faucett - Av. Gambetta)**
 - Subway linking Ate Vitarte to Callao in just 45 minutes, linking 13 districts.
 - The first stretch will be operational in 2016 and the entire project will conclude in 2019.
 - It is designed to have up to 86 trains of 7 cars (77 for Line 2 and 9 for Line 4 Connecting Extension) and transport 1.2 million people daily.
- 2 US\$634 million: International Airport of Chinchero - Cuzco**
 - This new airport will have an area of three times the area of the current Cuzco airport.
 - It will provide passengers with a high level of service with a potential to serve 5.7 million people a year.
 - It offers direct international connections with the main cities of America.
- 3 US\$4,299 billion: South Peru Gas Pipeline (Cuzco, Apurímac, Arequipa, Puno, Moquegua and Tacna)**
 - This megaproject, more than 1000 km long, will promote the industrial development of the south and will provide homes and the automotive sector with clean and economical energy.
 - It will provide natural gas to the new thermic generators in Mollendo thereby de-concentrating the production of energy in the country.
 - According to the winning consortium, the project should be operative by the end of 2017.
- 4 US\$589 million: 220 kV Moyobamba - Iquitos Transmission Line**
 - With this 630 km line, Loreto will be integrated to the Interconnected Electrical System, thus having a permanent national electrical service.
- 5 US\$21 million: Kuelap Cablecar System (Amazonas)**
 - With a cablecar, the commute time to the city of Kuelap, which currently takes one hour and a half, will be reduced to 20 minutes.
 - The number of tourists visiting the zone will increase by 100,000 people a year.
- 6 US\$651 million: Stretch 2 of the Longitudinal Mountain Highway**
 - The longitudinal mountain highway will be the Pan-American Highway of the Andes.
 - With the reconditioning of the second stretch, 875 km long, it will enable to travel from Cajamarca to Trujillo comfortably, passing through a number of localities within these two departments.
- 7 US\$677 million: Chavimochic Irrigation Project Phase III (La Libertad)**
 - It will increase agricultural production.
 - It will improve the irrigation of 48,000 hectares of arable land and will extend the access of water to 63,000 new hectares.
- 8 US\$152 million: General San Martín - Pisco Port Terminal**
 - The port will be modernized to receive large ships.
 - It will be equipped with forklifts and mobile cranes amongst other machinery in order to cater for a larger volume of export and import cargo.
- 9 US\$826 million: Southern Energy Node**
 - Another additional core of the electrical generation which already exists on central coast.
 - The Mollendo Plant will be operational from May 2016 and the Ilo Plant from March 2017.
- 10 US\$242 million: Mass use of natural gas**
 - This project will start its commercial operation in 2015 and will encourage the mass use of natural gas through residential gas connections.
- US\$326 million: National Fiber Optics Network**
 - This Fiber Optic Network spread over 13,400 km will connect 22 regional capitals and 180 provincial capitals, enabling a quicker and cheaper telephone, internet and cable television service.
- US\$5 million: Technological Security Services in Prisons (mobile phone and Wi-Fi blocks)**
 - Mobile phone calls and Wi-Fi will be blocked in 33 prisons in the country which represents 90% of the inmate population.
- US\$1,202 billion: Telecommunication bands for 4G mobile internet**
 - This will make the use of high technology mobile internet 4G LTE more popular.

*Estimate

Source: ProlInversion

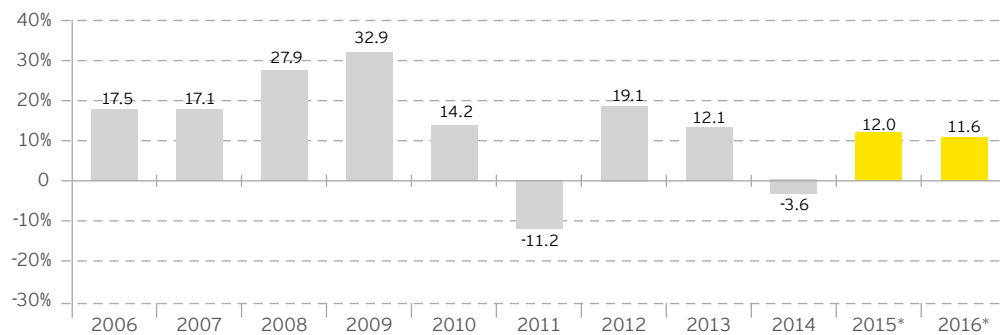
Private investment (percent change)



*Estimate

Source: Central Reserve Bank of Peru (BCRP)

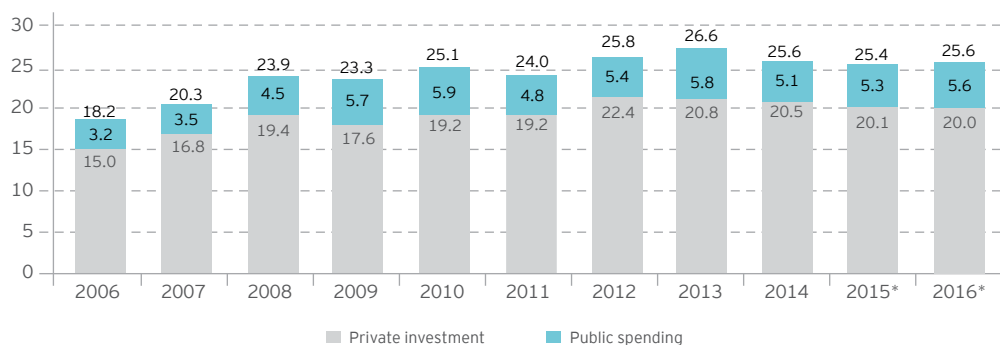
Public spending (percent change)



*Estimate

Source: Central Reserve Bank of Peru (BCRP)

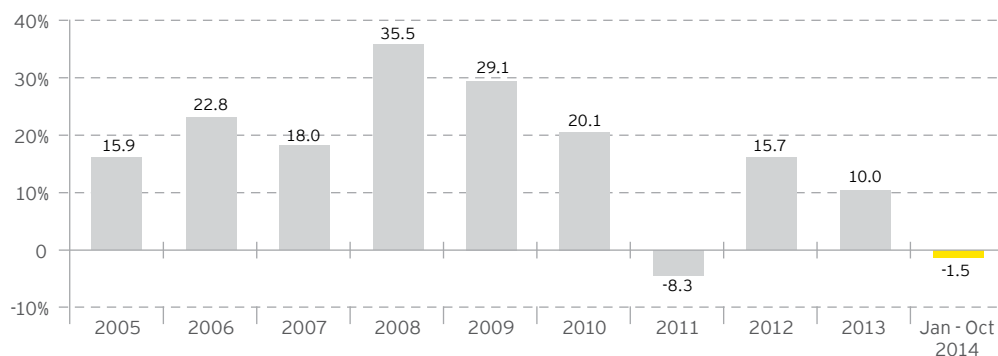
Fixed gross investment in % of the Gross Domestic Product (GDP)



*Estimate

Source: Central Reserve Bank of Peru (BCRP)

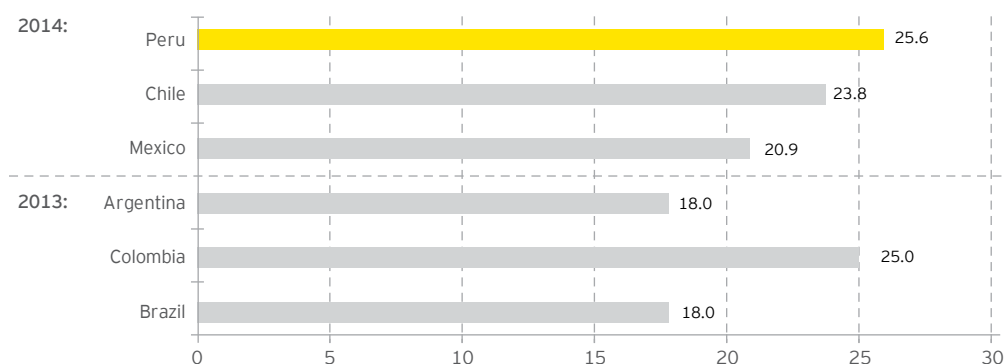
Gross fixed capital formation (real percent change)



	January - October 2012	January - October 2013	January - October 2014
Gross capital formation	15.7	10.0	-1.5
National government	15.4	11.0	8.2
Regional government	19.2	4.5	-12.2
Local government	14.1	12.3	-2.5

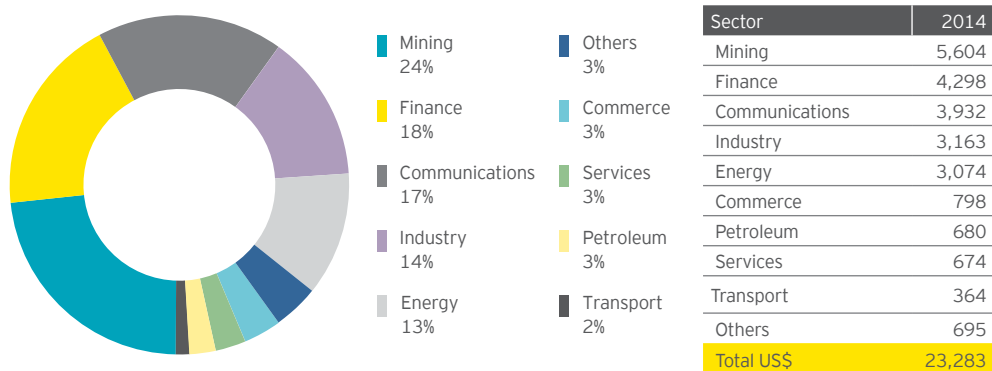
Source: Central Reserve Bank of Peru (BCRP)

Total investment in % of Gross Domestic Product (GDP) (2014 and 2013)



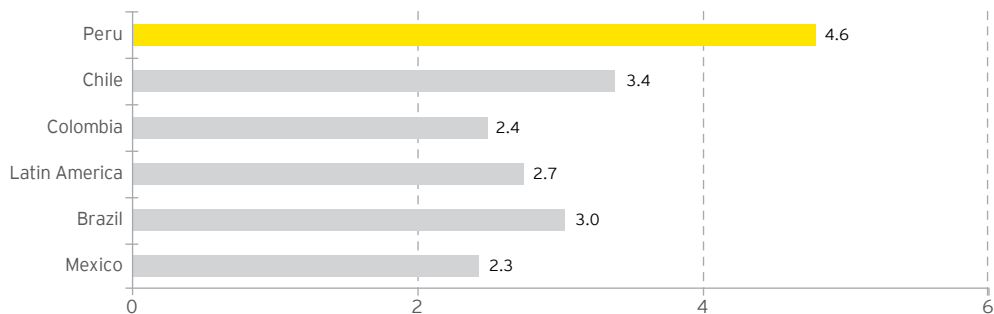
Sources: International Monetary Fund (IMF) / Central Reserve Bank of Peru (BCRP)

Direct foreign investment stock by sector in US\$



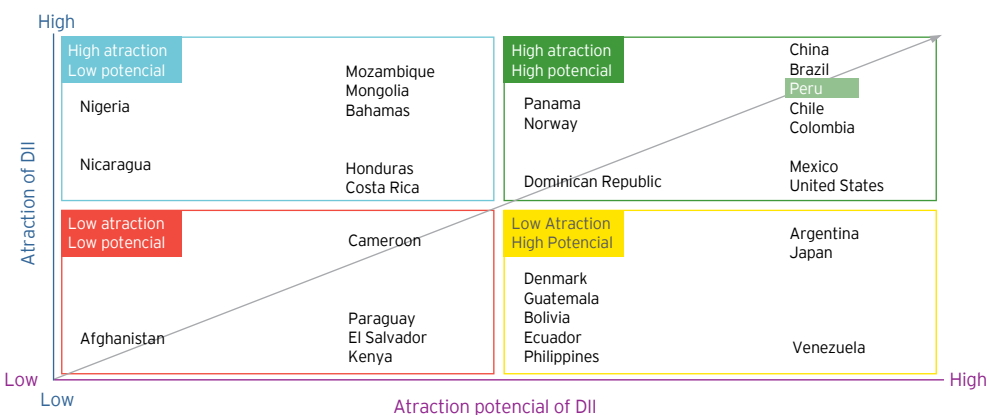
Source: ProInversion

Direct foreign investment in Latin America in % of Gross Domestic Product (GDP) (2013)



Source: Ministry of Economy and Finance (MEF)

Direct foreign investment attraction matrix regarding potential



► Attraction of DII

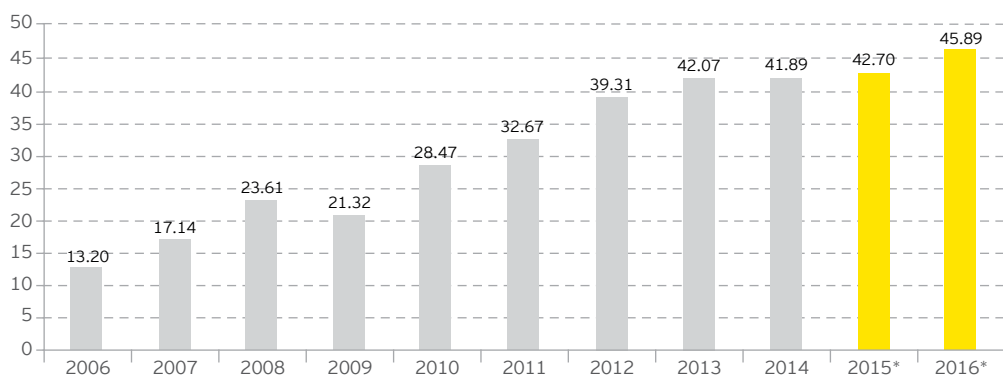
DII received because of the country's economic size

► Attraction potential of DII

1. Market attraction
2. Available work force
3. Presence of natural resources
4. Infrastructure

Source: United Nations Conference on Trade and Development (UNCTAD)

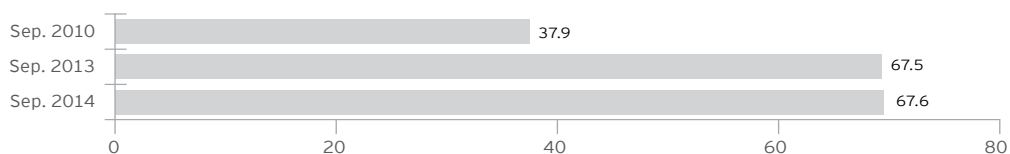
Private investment (in billions of US\$)



*Estimate

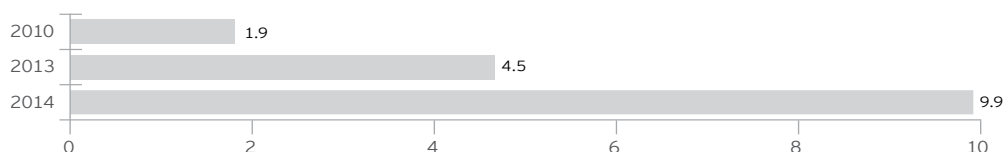
Source: Central Reserve Bank of Peru (BCRP)

Total portfolio of investment announcements in US\$ billions



Source: Central Reserve Bank of Peru (BCRP) (September 2014)

Awarded projects in US\$ billions



Source: ProInversion

Awarded investment projects portfolio in 2014 (US\$ millions)

Sector	N° of Projects	Estimated Investment* (US\$ millions)
Overland transport (roads and railways)	3	5,741
Energy (electricity and hydrocarbons)	4	4,216
Tourism	1	18
Penitentiaries	1	4
Health	1	-
Total	10	9,979

*Information as of January 30, 2015

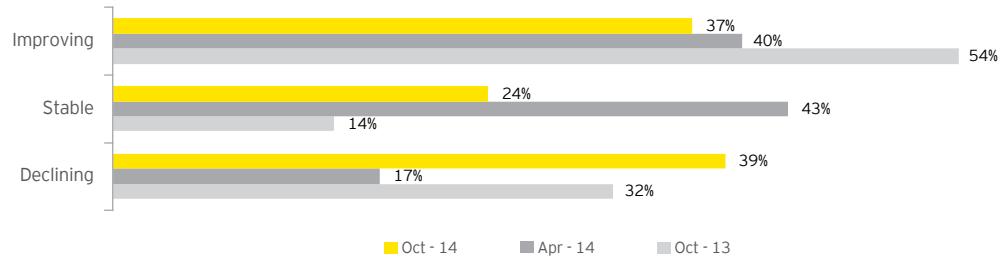
Source: ProInversion

During the period 2015-2017, there are plans to award contracts for an estimated amount of more than US\$13.5 billion. Additionally, between the years 2014 and 2016, an investment of more than US\$200 million in the educational sector is projected, in relation to projects led by private business groups.

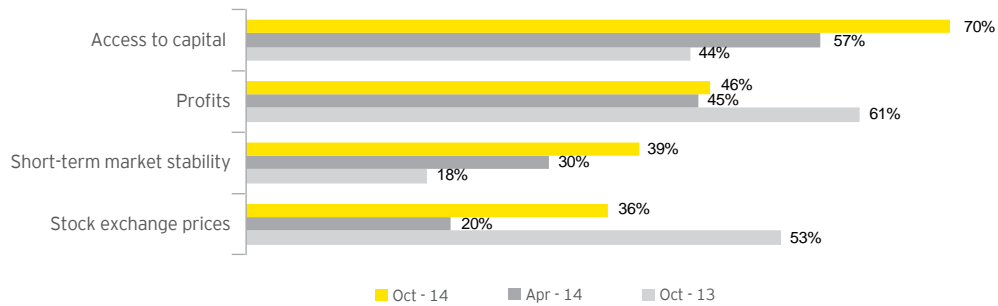
On a sixth month basis, EY prepares the "Confidence Barometer for Investment in Peru". For the Investor's interest, please find below the latest evolution of the barometer indicators:

11th Confidence Barometer for Investment - EY

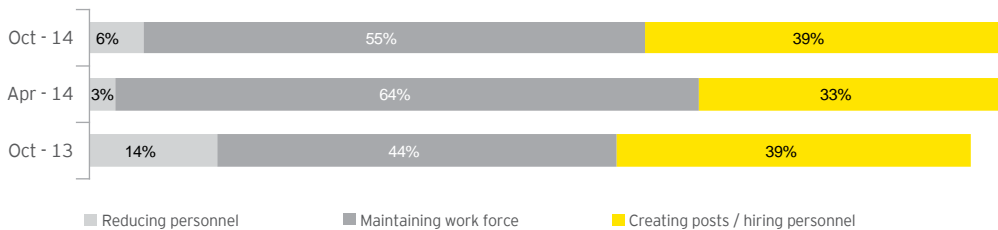
► What is your vision with respect to the local economic situation?



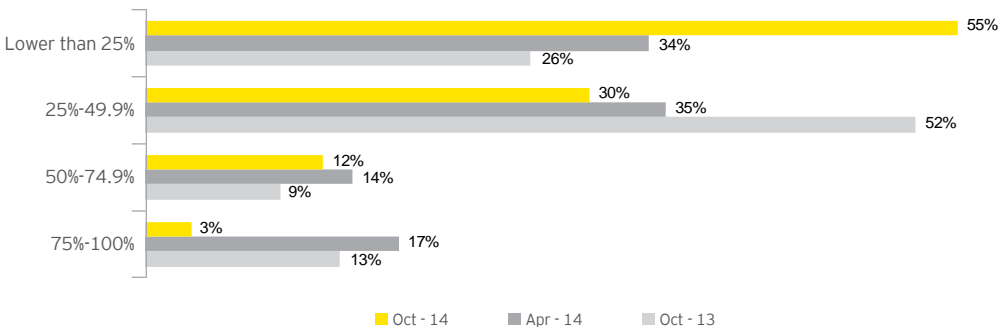
► Indicate your level of confidence in the following elements:



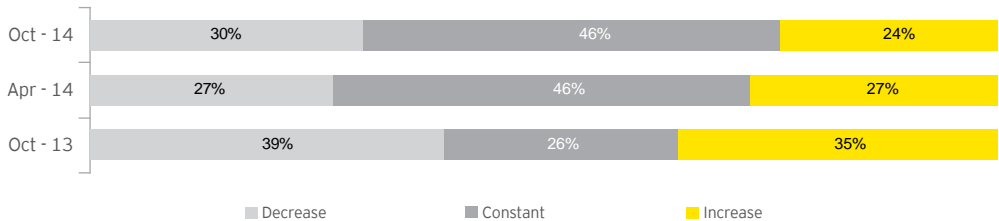
► Regarding employment, what does your organization hope to achieve in the next 12 months?



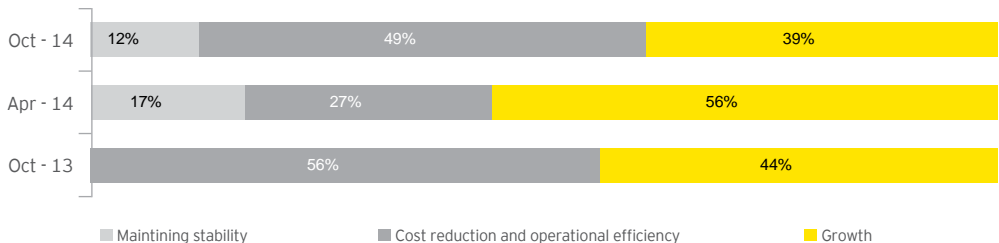
► What is currently the debt to capital ratio in your company?



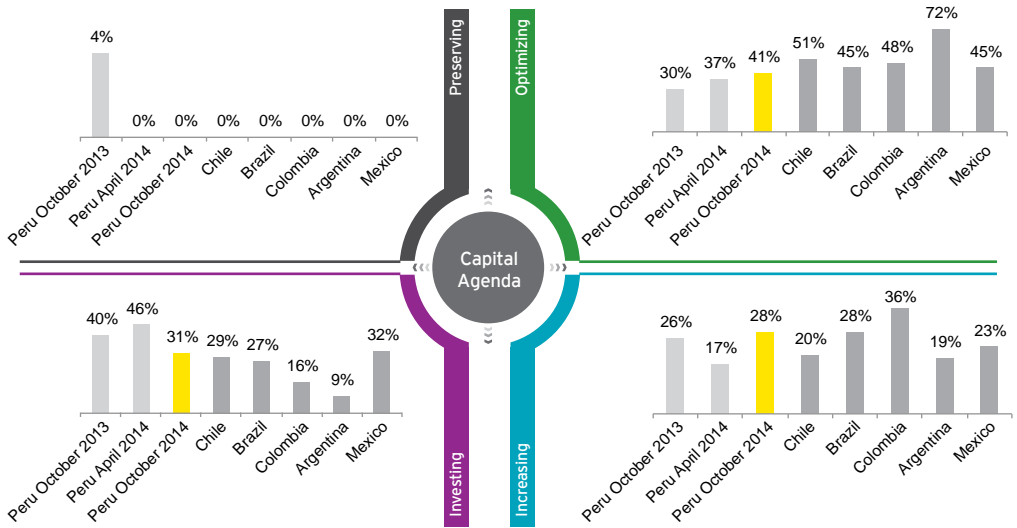
► How would you like to see the debt to capital ratio of your company evolve in the next 12 months?



► Which of the following statements best describes the direction of your company in the next 12 months?



► ¿To which of the following issues related to capital management is your company currently dedicating most attention and resources?



You can find the updated version of this Barometer at www.ey.com/pe/ey/EYPeruLibrary

7 | Population and Human Development

The estimated population of Peru for 2015 is approximately 31.2 million (30.4 million in 2013) of which approximately 10.5 million (2013) reside in Lima (including the Constitutional Province of Callao). The national workforce Total Economically Active Population - EAP is estimated at around 16.2 million people (2013).

The main religion is Roman Catholicism, and the principal official languages are Spanish and Quechua. The Aymara language is also spoken, mostly in the Southern Highland Region, along with various other native languages, particularly in the Amazon Jungle Region. As of 2012, the literacy rate was 93.8% of the population over age 15, and it is estimated that by 2015, 94.3% of Peruvians over the age of 15 will be able to read and write.

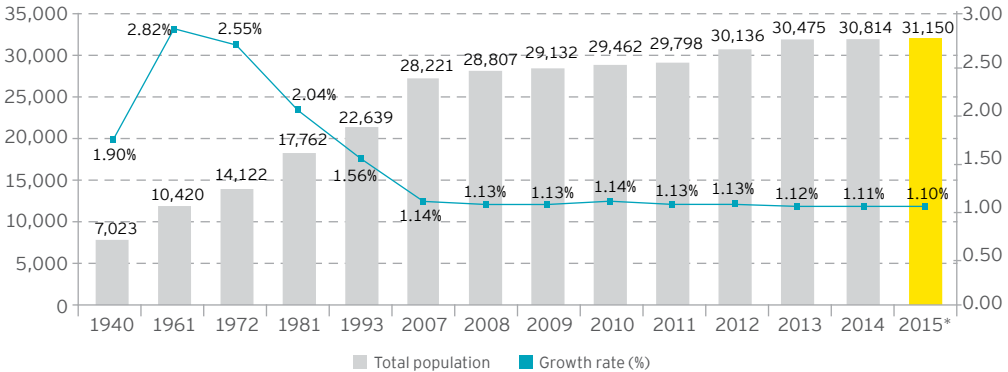
Population summary

Population	<ul style="list-style-type: none"> ▸ 31.2 million (estimate for 2015) ▸ 76.2% live in urban areas (2014)
Age range	<ul style="list-style-type: none"> ▸ 0 - 14 years old: 28.7% ▸ 15 - 64 years old: 65.0% ▸ 65 years or older: 6.3%
Growth rate	▸ 1.12% (estimated 2013)
Birth rate	▸ 20.4 births / 1,000 people
Mortality rate	▸ 5.6 deaths / 1,000 people
Gender ratio	▸ Births: 1.046 male / female
Life expectancy at birth	▸ 74.1 years (estimate for 2010-2015)

Sources: National Institute of Statistics and Informatics (INEI) / Economic Commission for Latin America and the Caribbean (CEPAL) - Statistical Yearbook for Latin America and the Caribbean / International Monetary Fund (IMF) (Population).

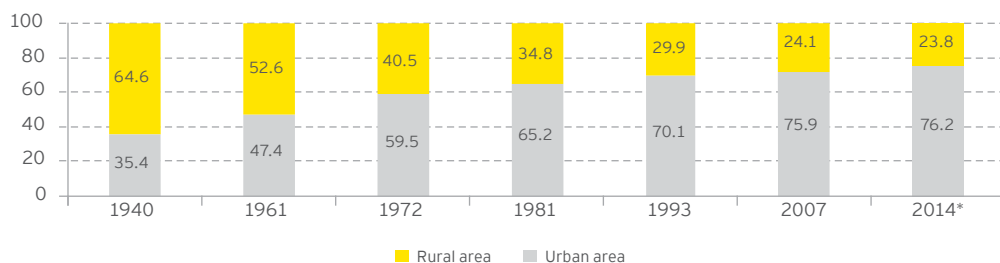
Over the last four years, the population has grown by an average of 1.13% annually (in 2013, it is estimated to have grown by 1.12%). For 2014, the population in urban areas will account for a total 76.2%, while in rural areas it will ascend to 23.8%.

Total population and average annual growth rate in %



*Estimate
Source: National Institute of Statistics and informatics (INEI) (differs from the IMF that estimates 30.9 million inhabitants in 2013)

Population census by area of residence

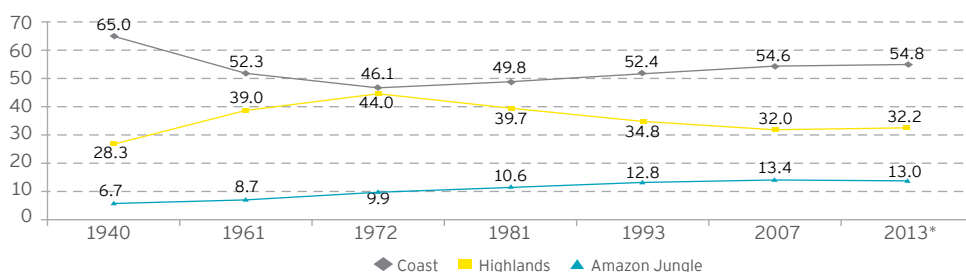


*Estimate; information taken from National Censuses through 2007

Sources: National Institute of Statistics and informatics (INEI) / EY

In 2013, the male population was greater than the female population by 0.1%. On the other hand, the population on the Coast accounted for 54.8% of the total population, while the population of the Highlands was 32.2%, and that of the Jungle was 13%.

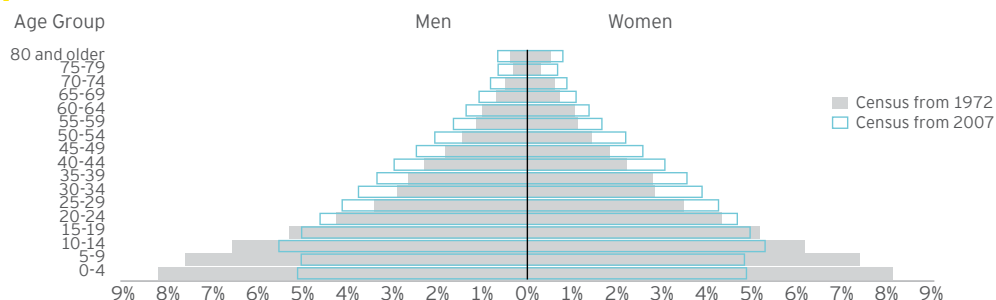
Evolution of the census population by natural region in %



*Estimate

Sources: National Institute of Statistics and informatics (INEI) / EY

Population pyramid as registered in the census (1972 and 2007)



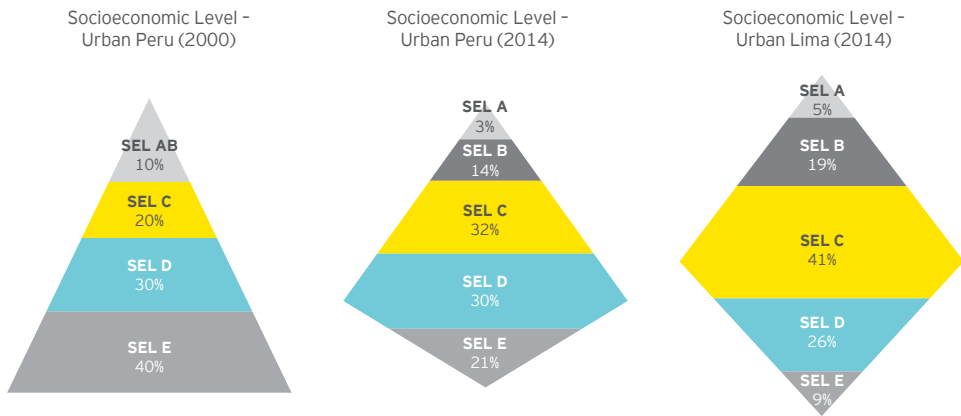
Source: National Institute of Statistics and informatics (INEI)

Of the total Peruvian population, 65% is between the ages of 15-64, while the Economically Active Population (EAP) as of 2012 was 72.8% of the total, giving Peru a “demographic bonus” effect, which may be simply explained as the structural benefit of its population being of an age to produce and consume. It is estimated that this high percentage of workforce will extend its maximum registration period for up to three and a half more decades, and the power of this “demographic bonus” is that of fostering greater production, consumption, savings, and investment. Perhaps the most important aspect of this demographic overview is that Peru has the advantage of practically just having begun its “demographic bonus” period, which will provide it with the conditions to make the necessary public and private investments in order to cover the demands and opportunities that arise from the consumption of its “demographic bonus” period.

Transformation of the social structure in Peru

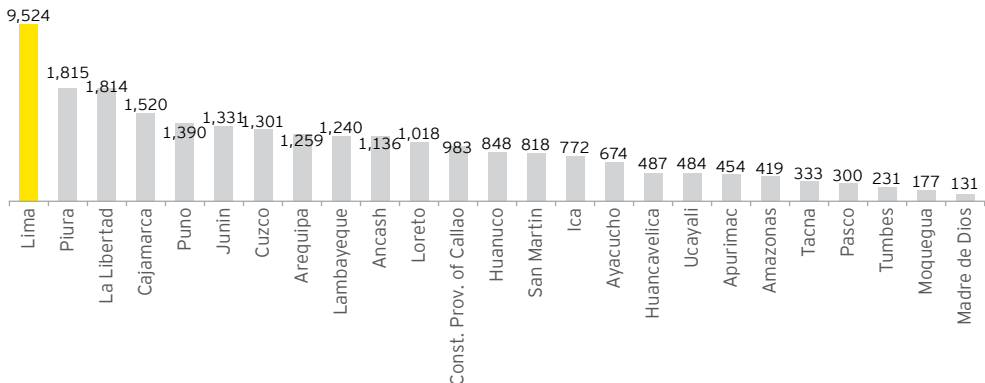
According to the information provided by the National Institute of Statistics and informatics (INEI) and the Peruvian Association of Market Research Companies (APEIM) the distribution by levels of social structure of urban Peru, which as a whole accounts for an estimated 77% of the national population, has suffered an important change if its trend over the past 14 years is considered. As observed in the following graph, in the year 2000 the socioeconomic distribution that included the Socioeconomic Levels (SEL) ABC represented 30% of the urban population, while the remaining 70% was comprised by the Socioeconomic Levels (SEL) DE.

As from that date and only up to 2014, the Gross Domestic Product (GDP) grew 113%, a fact that has significantly influenced the change in distribution of the profile of urban Peru and in the “geometry of the social structure” of the country. Thus, today, there has been a change from a distribution of the “triangular” type of social structure, to a “rhomboid” type of structure, in urban Peru and a “quasi-rhomboid” structure in urban Lima. This conclusion is based on the analysis of the almost equal distribution of the percentage of the SEL ABC with 49%, vs. the SEL DE with 51% at a national urban level, while this evolution has been further noticeable in urban Lima, where the distribution of the SEL ABC already accounts for 65% of the population vs. the percentage distribution of the SEL DE with the remaining 35%.



Sources: National Institute of Statistics and Informatics (INEI) / Peruvian Association of Market Research Companies (APEIM) / Rolando Arellano Cueva

Projected population by department in thousands (2013)



Source: National Institute of Statistics and Informatics (INEI)

Coinciding with the population percentages by Region, the three most populous departments of Peru belong to the Coast Region: Lima, Piura and La Libertad, followed by Cajamarca, Puno, Junin, Cuzco, and Arequipa.

In 2013, the national illiteracy rate totaled 6.2% of the population aged 15 and over. Thus, considering the total national population aged 15 and over, the illiterate rural population represented 15.8%, while the percentage in urban areas came to 3.5%. Of the total male population over the age of 15, 3.1% were illiterate as of 2013, while 9.3% of women over the age of 15 did not know how to read or write. These percentages keep decreasing year by year.

Illiteracy rate of the population aged 15 and over, by sex and area of residence (2013)



Source: National Institute of Statistics and Informatics (INEI)

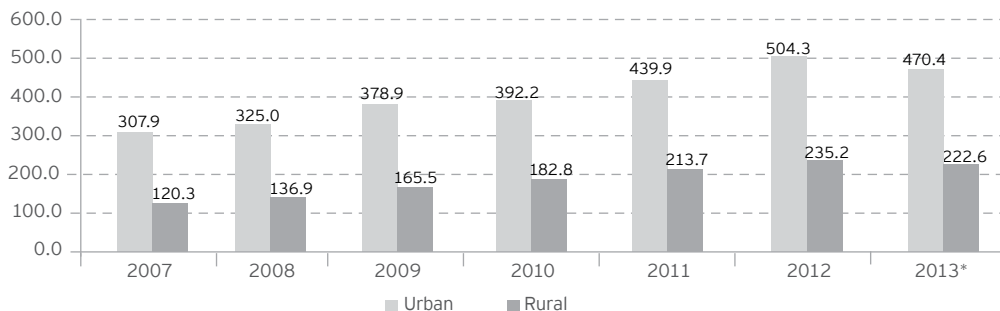
Human Development

The Human Development Index (HDI) is a compound index that measures the average advances in three basic dimensions of human development: a long and healthy life; knowledge level of dignified life, via the combination of indicators for life expectancy, educational achievements, and income. The HDI defines a minimum and maximum value for each dimension (called "objectives") and then shows the position of each country with regard to these objective values, expressed in the form of a value between 0 and 1. According to the 2014 Human Development Report issued by the United Nations Development Programme (UNDP) the ranking and evolution of the six principal countries in Latin America are as follows:

Ranking	Classification country	1980	1990	2000	2005	2010	2011	2012	2013	Growth rate 2013 / 1980
	World Total	0.561	0.600	0.639	0.666	0.690	0.692	0.694	0.702	25%
	Latin America and the Caribbean	0.574	0.623	0.683	0.708	0.736	0.739	0.741	0.740	29%
Very high human development										
41	► Chile	0.638	0.702	0.759	0.789	0.813	0.817	0.819	0.822	29%
49	► Argentina	0.675	0.701	0.755	0.771	0.805	0.810	0.811	0.808	20%
High human development										
71	► Mexico	0.598	0.654	0.723	0.745	0.770	0.773	0.775	0.756	26%
79	► Brazil	0.522	0.590	0.669	0.699	0.726	0.728	0.730	0.744	43%
82	► Peru	0.580	0.619	0.679	0.699	0.733	0.738	0.741	0.737	27%
98	► Colombia	0.556	0.600	0.658	0.681	0.714	0.717	0.719	0.711	28%

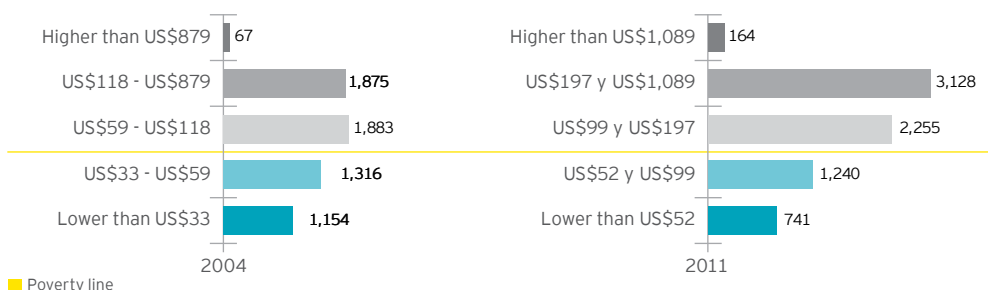
Note: The ranking refers to each country's position in the world classification for 2013.

Real monthly income per capita according to geographic regions (in US\$)



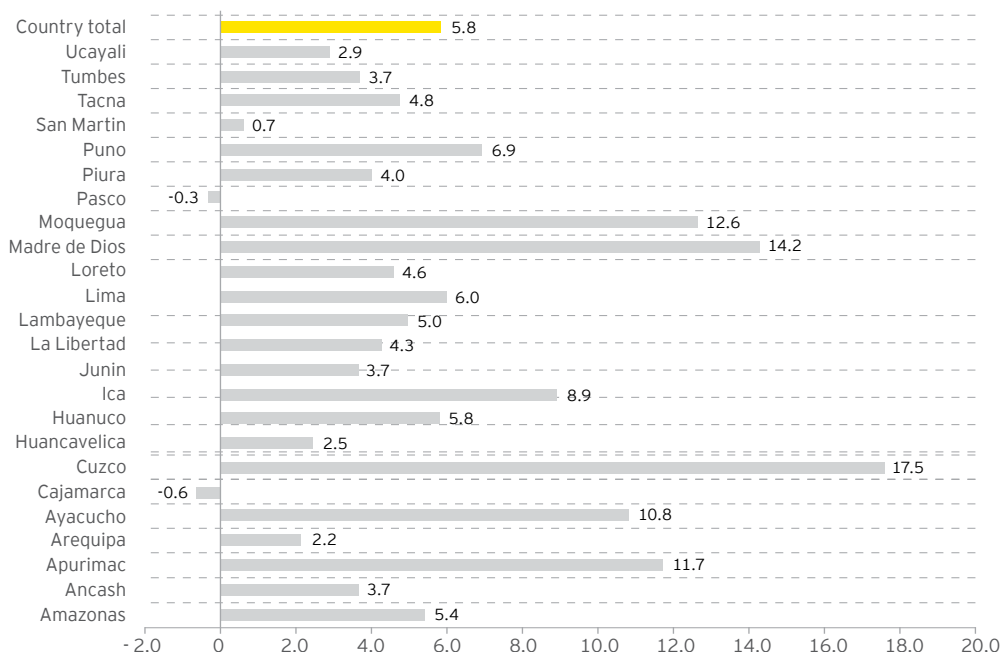
*Decrease explained mainly through the devaluation of the Nuevo Sol against the US Dollar
Source: National Institute of Statistics and Informatics (INEI) 2014

Monthly income per capita per number of homes (thousands of homes)



Source: Ministry of Economy and Finance (MEF)

Annual change of the GDP per region in percent, tax free constant values (2013)

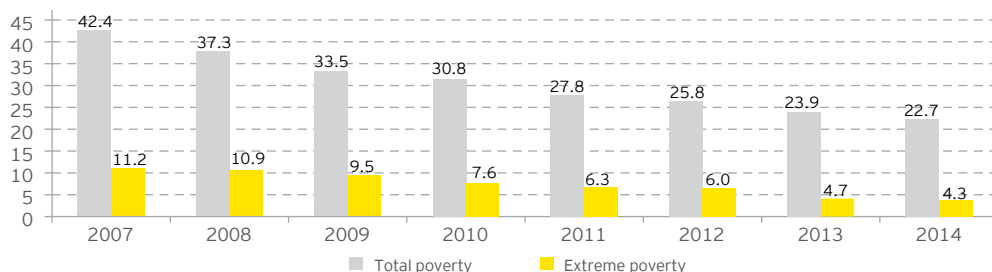


Source: National Institute of Statistics and Informatics (INEI)

8 Poverty and Employment

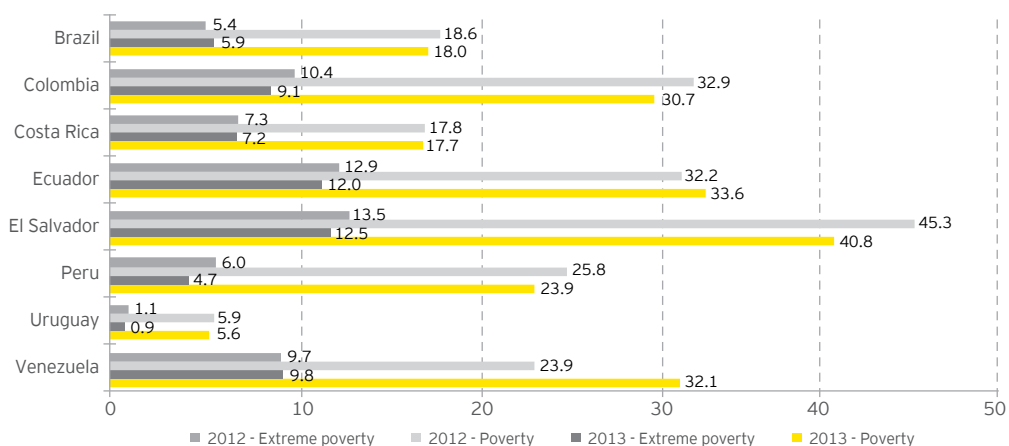
Recently, the United Nations stated that Peru has all the conditions necessary to achieve its poverty reduction goal of 20% of the population by 2016.

Total incidence of poverty (%)



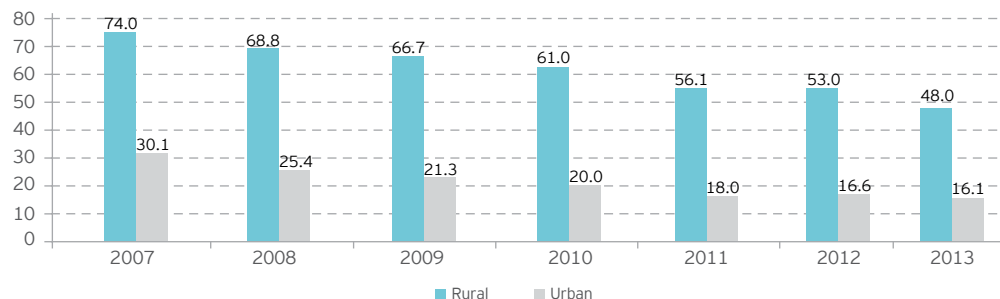
Source: National Institute of Statistics and Informatics (INEI)

Poverty rate in Latin America (2012 and 2013)



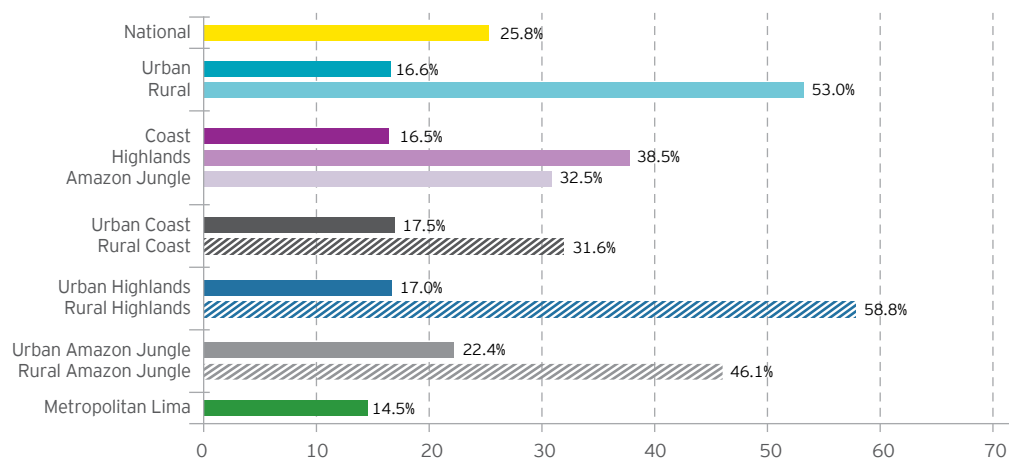
Source: Economic Commission for Latin America and the Caribbean (CEPAL)

Poverty rate by area of residence



Source: National Institute of Statistics and Informatics (INEI)

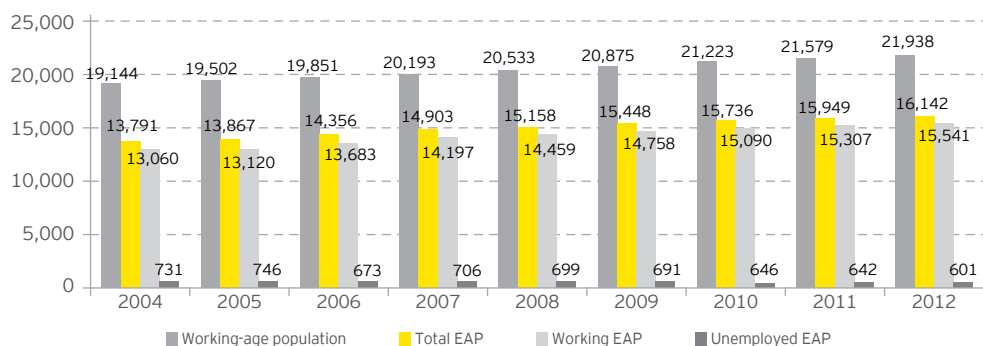
Total incidence of poverty by geographic area (2012)



Source: National Institute of Statistics and Informatics (INEI)

In 2013, the country's Economically Active Population (EAP) included 72.8% of the total population (including employed and unemployed EAP) with 96.3% of the EAP employed. Of this percentage, 74.3% were located in urban areas, while the remaining 25.7% were located in rural areas.

Evolution of the economically active population (thousands of people)



Source: National Institute of Statistics and Informatics (INEI)

Working-age population by activity conditions

Activity Conditions	2007	2008	2009	2010	2011	2012
Working-Age Population (WAP)	100.0	100.0	100.0	100.0	100.0	100.0
(In thousands)	20,193.3	20,533.2	20,875.0	21,223.5	21,579.4	21,938.0
Economically Active Population (EAP)	73.8	73.8	74.0	74.1	73.9	72.8
Employed EAP (%)	95.3	95.4	95.5	95.9	96.0	96.3
Unemployed EAP (%)	4.7	4.6	4.5	4.1	4.0	3.7
Economically Inactive Population (EIP)	26.2	26.2	26.0	25.9	26.1	27.2

Source: National Institute of Statistics and Informatics (INEI) as of 2011, EY 2012

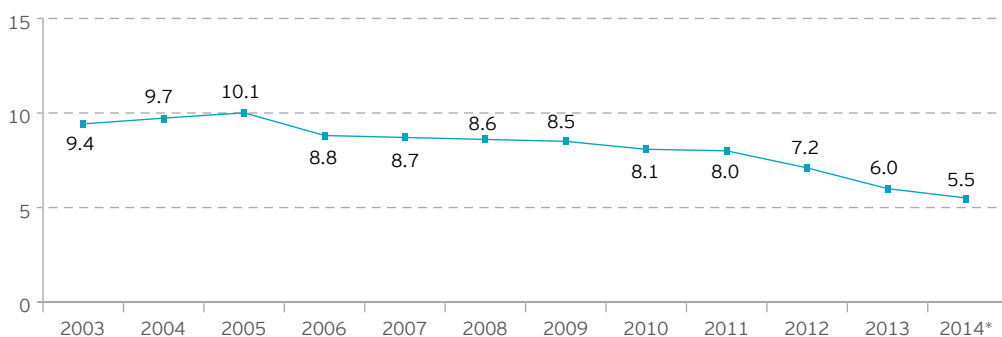
Employment and unemployment rate by departments (2013)

Department	Employment Rate	Unemployment Rate	Department	Employment Rate	Unemployment Rate
Amazonas	98.3	1.7	Lambayeque	96.9	3.1
Ancash	96.2	3.8	Lima	95.3	4.7
Apurimac	97.7	2.3	Loreto	97.0	3.0
Arequipa	95.2	4.8	Madre de Dios	97.4	2.6
Ayacucho	96.2	3.8	Moquegua	94.6	5.4
Cajamarca	98.7	1.3	Pasco	95.8	4.2
Callao	93.5	6.5	Piura	96.6	3.4
Cuzco	98.1	1.9	Puno	97.7	2.3
Huancavelica	98.1	1.9	San Martin	97.8	2.2
Huanuco	96.9	3.1	Tacna	94.6	5.4
Ica	94.1	5.9	Tumbes	95.3	4.7
Junin	97.6	2.4	Ucayali	97.4	2.6
La Libertad	96.1	3.9	Total	96.3	3.7

Source: National Institute of Statistics and Informatics (INEI) expressed in percentages

Among the activities that generate the highest monthly incomes from employment are Mining, Public Administration, Services, Construction, Fisheries, Agriculture and Livestock.

Evolution of unemployment (percent change)



*Estimate

Source: International Labour Organization (ILO) 2014 Global Employment Outlook

According to the International Labour Organization 2013 Global Employment Outlook, Peru is the country in Latin America and the Caribbean that presented the greatest decrease in urban unemployment, dropping from 7.2% in 2012 to 6% by the end of 2013.

Average monthly income earned from work by department in US\$ (December 2013)

Department	Income US\$	Department	Income US\$
Madre de Dios	650.7	Cuzco	347.3
Moquegua	635.9	Loreto	343.8
Lima	531.1	Piura	316.5
Arequipa	464.2	Amazonas	306.5
Tacna	444.3	Lambayeque	301.3
Tumbes	399.2	Pasco	298.1
Ica	365.3	Huanuco	290.2
Ucayali	362.6	Cajamarca	284.9
La Libertad	357.5	Ayacucho	267.9
San Martin	351.0	Puno	257.4
Junin	348.5	Huancavelica	229.3
Ancash	347.7	Apurimac	225.0

S/.2.80 per US\$1 as of December 31, 2013

Source: National Institute of Statistics and Informatics (INEI)

Gini Index

The Gini Index measures the income inequalities. This indicator is a number between zero and one, where zero implies perfect equality in the distribution of the income and one implies perfect inequality (in other words, as if only one person or home that concentrates all the income exists). The referred coefficient is calculated to 2010 for several countries of Latin America as follows:

Latin America / Gini Index 2010					
Country			Country		
1	Venezuela	0.394	10	Panama	0.521
2	Uruguay	0.422	11	Nicaragua (2005)	0.532
3	El Salvador	0.454	12	Paraguay	0.553
4	Peru	0.458	13	Dominican Republic	0.554
5	Mexico	0.481	14	Bolivia (2011)	0.472
6	Costa Rica	0.492	15	Honduras	0.567
7	Ecuador	0.495	16	Brazil (2012)	0.567
8	Argentina	0.509	17	Colombia	0.578
9	Chile (2011)	0.516	18	Guatemala (2006)	0.585



Business Environment

1 | Investment Promotion Conditions

a. Legislation and trends in foreign investment in Peru

Peru seeks to attract both domestic and foreign investment in all sectors of the economy. To achieve this, it has taken the necessary steps to establish a consistent investment policy that eliminates any barriers that foreign investors may face. As a result, Peru is considered a country with one of the most open investment systems in the world.

Peru has adopted a legal framework for investments that requires no previous authorization for foreign investment. In this regard, foreign investments are allowed without restrictions in the large majority of economic activities. The activities with restrictions are very specific, such as air transportation, sea transportation, private safety and surveillance and the manufacture of war weaponry. Additionally, Peru has a legal framework to protect the economic stability of investors and to reduce government interference in economic activities.

The Peruvian government guarantees legal stability to national and foreign investors with regard to the legislation governing income tax and specifically, distribution of dividends. Foreign investors with the right to obtain legal and tax stability are those willing to invest in Peru for a period of no less than two years and for a minimum amount of US\$10 million in the Mining and/or Hydrocarbons sectors, or US\$5 million in any other economic activity.

Peru's legal provisions, regulations, and practices do not discriminate between domestic and foreign corporations. There are no restrictions on repatriation of profits, international transfers of capital, or foreign exchange practices. The remittance of interest and royalties is also not restricted in any way. Foreign currency may be allocated to acquire goods abroad or cover financial obligations, provided the operator complies with Peruvian tax laws.

b. Favorable legal framework for foreign investors

Peru offers a legal framework¹ that protects foreign investors' interests by offering them:

- ▶ An equal and non-discriminatory treatment
- ▶ Unrestricted access to the majority of economic sectors
- ▶ Free capital transfer

Additionally, Peruvian and foreign investors are provided with:

- ▶ Right to free competition
- ▶ Guarantee of private property (no expropriations or nationalizations)
- ▶ Freedom to acquire shares in Peruvian corporations
- ▶ Freedom to access internal and external credit
- ▶ Freedom to transfer royalties and profits from their investment
- ▶ Simplicity for most operations, whether in local currency (Nuevo Sol) or U.S. Dollars, without foreign exchange controls
- ▶ A country with a vast network of investment agreements and membership in the Investment Committee of the Organization for Economic Co-operation and Development (OECD)

Direct foreign investments must be registered with the Agency for the Promotion of Private Investment (ProInversion).

Foreign investors may remit abroad the net profits (without any restriction whatsoever) from their registered investments, as well as transferring their shares, ownership interests, or participatory rights, perform capital reductions, and dissolve or wind-up their companies.

¹Constitutional provisions; "Foreign Investment Act," Congressional Executive Order 662; "Framework Law for the Growth of Private Investment," Congressional Executive Order 757; "Act for the Promotion of Private Investment in Public Infrastructure and Utility Works," as amended, and Regulations thereof. Taken from ProInversion.

Recognition of favorable investment climate

According to this ranking, Peru is among the top countries in Latin America in terms of macroeconomic environment, market size, financial market development, labor market efficiency, and goods market efficiency.

	2013 - 2014		2014- 2015	
	Ranking	Score	Ranking	Score
Peru Total	61/148	4.25	65/148	4.20
SUB-INDEXES:				
Basic Requirements	72	4.53	74	4.59
Institutions	109	3.36	118	3.40
Infrastructure	91	3.50	88	4.19
Macroeconomic environment	20	5.91	21	5.04
Health and primary education	95	5.36	94	5.73
Efficiency enhancers	57	4.20	62	4.20
Higher education	86	4.01	83	3.99
Goods market efficiency	52	4.37	53	4.19
Labor market efficiency	48	4.50	51	3.71
Financial market development	40	4.50	40	4.14
Technological readiness	86	3.39	92	3.55
Market size	43	4.46	43	5.61
Innovation and sophistication factors	97	3.35	99	3.73
Business sophistication	74	3.95	72	4.14
Innovation	122	2.76	117	3.31

Source: World Economic Forum 2014-2015

c. Ease of Doing Business in Peru

According to Doing Business 2015, Peru ranks 35th out of 189 countries in terms of ease of starting a company and doing business, and ranks second in Latin America, as corroborated by Forbes.

Doing Business

Ranking for Latin America	
Position	Country
34	Colombia
35	Peru
39	Mexico
41	Chile
47	Puerto Rico (United States)
52	Panama
73	Guatemala
82	Uruguay
83	Costa Rica
84	Dominican Republic
92	Paraguay

Source: World Bank (WB) - Doing Business 2015

Forbes

Best Countries for Doing Business	
Position	Country
29	Chile
52	Peru
55	Uruguay
57	Costa Rica
61	Mexico
66	Panama
67	Colombia
90	El Salvador
94	Brazil
95	Guatemala
106	Paraguay

Source: Forbes 2014

The following are the principal indicators for the investment climate:

Indicators	Peru	Latin America and the Caribbean
Starting a business		
▸ Number of procedures	6.0	8.3
▸ Time (days)	26.0	30.1
▸ Cost (% of per capita income)	9.2	31.1
▸ Registration of minimum paid up capital (% of per capita income)	0.0	3.2
Construction permits		
▸ Number of procedures	14.0	13.3
▸ Time (days)	174.0	178.3
▸ Cost (% of per capita income)	0.5	2.7
Property registration		
▸ Number of procedures	4.0	7.0
▸ Time (days)	6.5	63.3
▸ Cost (% of property value)	3.3	6.1
Electricity service		
▸ Number of procedures	5.0	5.5
▸ Time (days)	100.0	67.4
▸ Cost (% of per capita income)	325.7	444.5
Access to credit		
▸ Strength of legal rights index (0-10)	8.0	5.0
▸ Depth of credit information index (0-6)	8.0	5.0
▸ Coverage of Public Records Offices (% of adults)	33.5	12.6
▸ Coverage of private entities (% of adults)	100.0	39.3
Protecting investors		
▸ Extent of transparency (0-10)	9.0	3.9
▸ Extent of directors' liability index (0-10)	6.0	5.1
▸ Ease of shareholders legal proceedings index (0-10)	6.0	6.4
▸ Strength of investors protection index (0-10)	6.2	4.6
Paying taxes		
▸ Number of tax payments per year	9.0	29.9
▸ Time (hours per year)	293.0	365.8
▸ Profit tax (%)	22.8	20.7
▸ Labor tax and contributions (%)	11.0	14.7
▸ Other taxes (%)	2.2	12.9
▸ Total tax rate (% of profit)	36.0	48.3
Trading across borders		
▸ Documents to export (number)	5.0	6.0
▸ Time to export (days)	12.0	16.8
▸ Cost to export (US\$ per container)	890.0	1,299.1
▸ Documents to import (number)	7.0	7.0
▸ Time to import (days)	17.0	18.7
▸ Cost to import (US\$ per container)	1,010.0	1,691.1
Enforcing contracts		
▸ Time (days)	426.0	736.9
▸ Cost (% of amounts claimed)	35.7	30.6
▸ Procedures (number)	41.0	39.8
Resolving bankruptcy		
▸ Time (years)	3.1	2.9
▸ Cost (% of assets)	7.0	16.4
▸ Recovery rate (cents per dollar)	28.5	36.0

Source: World Bank (WB) - Doing Business 2015

Financial Climate Index of Latin America

Financial Climate Index is the result of the Latin American Financial Survey, carried out by the IFO Institute of Germany and the Getulio Vargas Foundation of Brazil. This survey is prepared every three months and serves for the monitoring and anticipation of the financial tendencies of the countries and financial blocs.

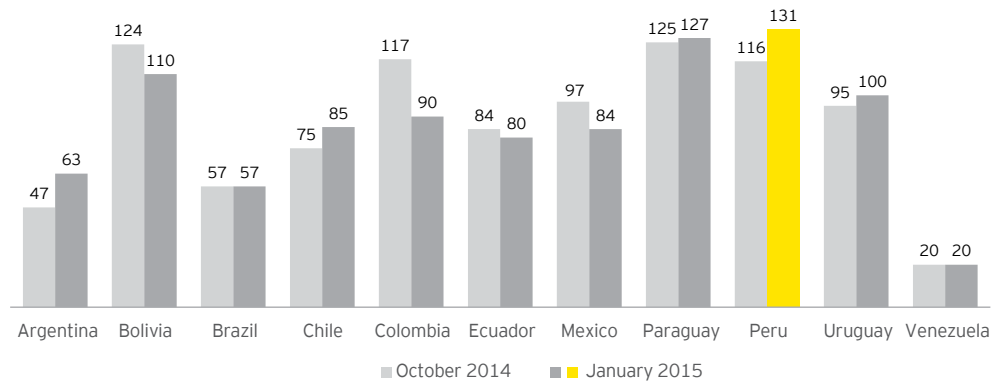
In January 2015, Peru reached 131 points, ranking first in Latin America.

Business Climate Index (BCI) in Latin America (January 2015)

Position	Country	BCI
1	Peru	131
2	Paraguay	127
3	Bolivia	110
4	Uruguay	100
5	Colombia	90
6	Chile	85
7	Mexico	84
8	Ecuador	80
9	Argentina	63
10	Brazil	57
11	Venezuela	20

Source: Latin American Business Survey - IFO Institute , Getulio Vargas Foundation

Business Climate Index in Latin America (October 2014 to January 2015)



Source: Latin American Business Survey - IFO Institute, Getulio Vargas Foundation

Index of Economic Freedom

According to the 2015 Index of Economic Freedom prepared by The Heritage Foundation, which includes an analysis of the environment and economic freedom of each country based on ten indicators covering issues such as compliance with the law, the level of government intervention, market openness, and efficient State regulations, the overall results obtained confirm that promoting economic freedom in terms of the rule of law, government, regulations, and open markets generates a broad economic dynamism. Thus, boosting these levels will prove significant in order to sustain the wealth of nations, as well as being the most effective way to eliminate poverty.

Below is a summary of this ranking:

Country	Worldwide Ranking	South American Ranking	2015 Score
Hong Kong	1	-	89.6
Singapore	2	-	89.4
Australia	4	-	81.4
Canada	6	-	79.1
Chile	7	1	78.5
Colombia	28	2	71.7
Uruguay	43	5	68.6
Peru	47	8	67.7
Mexico	59	10	66.4
Paraguay	83	15	61.1
Brazil	118	21	56.6
Ecuador	156	25	49.2
Bolivia	163	26	46.8
Argentina	169	27	44.1
Venezuela	176	28	34.3

Source: The Heritage Foundation 2015

Emerging and Growth-Leading Economies (EAGLEs)

The emerging and growth-leading economies (EAGLEs) are elected every year by the BBVA Research, based on how their performance contributes to global growth. In order to do this, it is important to analyze their economic relevance and performance compared to the entire set of developed countries. Currently, there are nine countries qualified as EAGLEs such as: China, India, Indonesia, Brazil, Russia, Korea, Turkey, Mexico, and Taiwan. In addition, within the group of key emerging countries complementing the above, there is a group known as "Nest" ("Nest" of EAGLE economies) which consists of 14 countries, and it is expected that - together with the EAGLE countries - they will contribute 73% to global growth between 2013 and 2022. Peru is part of this group of "Nest" countries, with a growth over and above the forecast for this group of countries. Worth noting is the average annual growth projected for Peru up to 2023, which is 5.4%.

Contribution to global growth between 2013 and 2023

	Country	Estimated annual variation of GDP	Estimated world percentage of share in GDP growth
EAGLES	China	6.8	30.3
	India	6.9	11.4
	Indonesia	6.4	2.7
	Brazil	2.8	1.9
	Russia	2.9	2.0
	Turkey	4.6	1.6
	Mexico	2.9	1.5
Nest	Saudi Arabia	4.3	1.2
	Nigeria	6.7	1.1
	Thailand	5.0	1.0
	Colombia	5.4	0.9
	Philippines	5.7	0.8
	Malaysia	5.0	0.8
	Irak	8.8	0.8
	Vietnam	6.6	0.8
	Pakistan	4.4	0.8
	Bangladesh	6.8	0.7
	Poland	3.2	0.7
	Egypt	3.9	0.6
	Iran	2.2	0.6
	Peru	5.4	0.6
	South Africa	3.4	0.6
	Chile	4.6	0.5

Source: BBVA Research Peru 2014

Among the reasons why it is possible to predict such a favorable performance from these emerging economies, is the planning and implementation of prudent policies aimed at maintaining macroeconomic stability in the long term, as well as an awareness that their development is closely linked to a deep connection with the world in commercial and financial terms. However, a key factor in the good performance of emerging economies has been, especially in Peru, the role played by the middle class population, since their increase in purchasing power, has led to the transition of the sector from poverty to an emerging situation. This means that consumption patterns of these countries will cause - if they have not already done so - a change that will work for a wider variety of industries.

Entrepreneurship

The Global Entrepreneurship Monitor (GEM) is the largest study worldwide aimed at investigating the attitudes, activities and characteristics of the individuals who participate in entrepreneurial activities, as well as the impact of entrepreneurship in the economic development of the countries. This study divides the countries into three blocs: resource-based economies, efficiency-based economies and innovation-based economies. Each one of these blocs shows the country's performance in terms of its economic development; in other words, the countries with low income that base their economy on the extraction of natural resources are located in the first bloc. The developed countries are situated between the innovation-based economies and medium income countries, such as Peru, within the efficiency-based economies.

The Global Entrepreneurship Monitor (GEM) defines the Entrepreneurial Activity Rate (EAR) as the number of entrepreneurial ventures among the Economically Active Population (EAP). In addition, it shows other results such as the perception of opportunities, of capacities, the fear of failure and entrepreneurial intentions, obtained from the surveys carried out on entrepreneurs of each country.

Worldwide rate of entrepreneurial activity - 2014

Country	Rate of entrepreneurial activity	Entrepreneurial intentions (%)
1. Cameroon	37.4	55.6
2. Uganda	35.5	60.2
3. Botswana	32.8	63.4
4. Ecuador	32.6	43.1
5. Peru	28.8	50.6
6. Bolivia	27.4	46.9
7. Chile	26.8	50.1
8. Thailand	23.3	21.8
9. Burkina Faso	21.7	42.3
10. Angola	21.5	39.3

Source: Global Entrepreneurship Monitor (GEM)

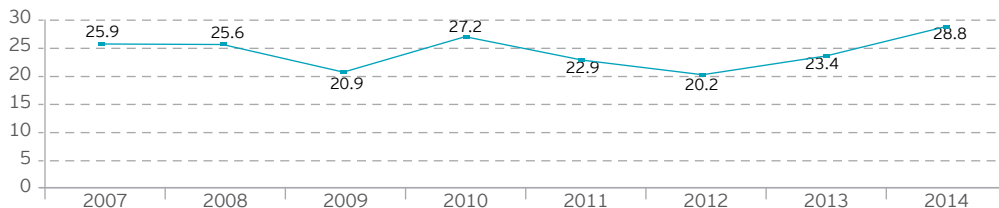
Entrepreneurial attitudes and perceptions according to the Global Entrepreneurship Monitor (GEM) - 2014 (% of the population between 18 and 64 years)

Country	Perception of opportunities (%)	Perception of capacities (%)	Fear of failure (%)	Entrepreneurial intentions
Argentina	31.9	57.8	23.5	27.8
Barbados	38.2	63.5	23.4	11.5
Belize	49.6	69.0	32.6	10.1
Bolivia	57.7	73.1	38.4	46.9
Brazil	55.5	50.0	35.6	24.5
Chile	67.0	64.9	28.4	50.1
Colombia	65.7	57.4	30.7	47.0
Costa Rica	39.0	59.4	36.8	29.0
Ecuador	62.0	72.8	30.7	43.1
El Salvador	44.7	70.8	34.9	23.1
Guatemala	45.4	64.2	33.0	35.8
Jamaica	57.0	81.2	22.0	35.3
Mexico	48.9	53.5	29.6	17.4
Panama	43.3	54.4	14.6	19.7
Peru	62.3	69.4	29.1	50.6
Puerto Rico	25.1	48.8	24.0	12.5
Surinam	41.0	77.4	16.1	4.6
Trinidad and Tobago	58.6	75.2	16.8	33.9
Uruguay	45.6	63.1	26.7	24.8
Average	49.4	64.5	27.7	28.8

Source: Global Entrepreneurship Monitor (GEM)

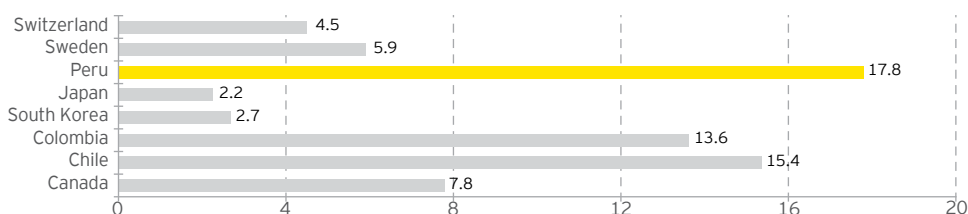
In 2014, Peru obtained an Entrepreneurial Activity Rate (EAR) of 28.8%, thereby situating it among the top five entrepreneurial countries of the world. According to the Index of the Global Entrepreneurship Monitor (GEM) 28 out of every 100 Peruvians carry out an entrepreneurial activity mainly in microenterprises and the perception of opportunities and entrepreneurial intentions (62.3% and 50.6%, respectively) is very much above the regional average (49.4% and 28.8%, respectively).

Evolution of the rate of entrepreneurial activity according to Global Entrepreneurship Monitor (GME) in Peru 2007-2014



Source: Global Entrepreneurship Monitor

New entrepreneurs (2013): percentage of the population aged between 18 and 64 years who are currently the owners of a new enterprise which has not been in operation for more than 42 months or less than 3 months



Source: Global Entrepreneurship Monitor (2013)

2 Trade Agreements

Peru's development strategy is based on an economy opened to the world and competitive in its export offer. It has been a successful strategy that has permitted the country to consolidate its foreign trade in goods and services as an instrument for economic development and the reduction of poverty.

International trade negotiations, which have benefited from rigorous macroeconomic management and its consequent stability, have allowed the Peruvian economy to gradually tackle and reduce its external vulnerability in times of crisis such as in the current international situation. In recent years, Peru has negotiated Free Trade Agreements (FTA) with large and medium-sized markets.

Nearly 94% of Peru's exports are covered by Free Trade Agreements (FTAs) currently in force. This enables Peruvian products to enter, subject to the rules of origin of each trade agreement, under preferential conditions to over 53 countries, including the United States, China, Canada, Japan, South Korea, Thailand, Singapore, and the member countries of the European Union, MERCOSUR, among others.

This market openness and the trade agreements that Peru has signed have permitted an increase in the number of exported products and exporting companies, particularly in non-traditional exports. Despite the fact that exports of traditional products still represent 64.7% of the country's total exports, it is clear that the trade agreements have allowed the country to diversify its offer of non-traditional goods. For example, in 2014, as a result of the FTA with the United States, 486 new tariff headings were registered for non-traditional exports shipped to the United States, while 119 new non-traditional export headings were observed at the end of the second year of the FTA with China.

Additionally, these trade agreements are a valuable instrument for attracting direct foreign investment and boosting increased productivity in companies, as well as the transfer of technology through the lower cost of imports of capital goods and quality inputs. Trade agreements provide an incentive to the processes of convergence of international standards, which has enabled more Peruvian companies to improve their management and logistics practices.

Peru has also negotiated Bilateral Investment Agreements.

The principal rights protected include:

- The right to fair and equal treatment
- The right to receive the same treatment as domestic investors
- The right to receive indemnity in case of expropriation
- The right to the free transfer of profits
- And the Most Favored Nation Clause, under which the best terms and conditions given to foreign partners is made available to any other third country partner
- The possibility of accessing international courts specialized in investment issues, should a dispute arise as a result of the wrongful enforcement of the agreements, or their breach.

In an effort to strengthen and consolidate Peru's image as an attractive destination for investments, there are currently 41 agreements in force:

- 29 Bilateral Investment Agreements: Germany, Argentina, Australia, Bolivia (even though this country is filing a complaint against this agreement), Canada, China, Colombia, South Korea, Cuba, Denmark, Ecuador, El Salvador, Spain, Finland, France, Italy, Japan, Malaysia, Norway, The Netherlands, Paraguay, Portugal, United Kingdom, Czech Republic, Romania, Sweden, Switzerland, Thailand, the Belgium-Luxembourg Economic Union, and Venezuela.
- 12 Free Trade Agreements (FTAs) which include an investment chapter (Costa Rica, Panama, Mexico, United States, European Free Trade Association (EFTA), Canada, Chile, China, South Korea, Singapore, Japan and the European Union).

It should be noted that Peru has a signed agreement with the Overseas Private Investment Corporation (OPIC) and a Constitutive Agreement with the Multilateral Investment Guaranty Agency (MIGA). Peru has also signed the International Convention for Settlement of Investment Disputes (ICSID) of the World Bank (WB) as an alternative for resolving disputes that might arise between investors covered by the International Centre for Settlement of Investment Disputes (ICSID) and the Peruvian State. Additionally, eight agreements have been signed to avoid double taxation with Chile, Canada, the Andean Community of Nations (CAN) Brazil, Mexico, South Korea, Switzerland and Portugal.

List of trade agreements in force:

- **Multilateral agreements:**
 - World Trade Organization (WTO)
- **Regional agreements:**
 - Andean Community of Nations (CAN) - Bolivia, Colombia, Ecuador, and Peru
- **Bilateral agreements:**
 - European Free Trade Association (EFTA) - Switzerland, Iceland, Liechtenstein, and Norway
 - Canada
 - Chile
 - China
 - South Korea
 - Costa Rica
 - Cuba
 - United States
 - Japan
 - Southern Common Market (MERCOSUR) - Argentina, Brazil, Paraguay, Uruguay and Venezuela.
 - Mexico
 - Panama
 - Singapore

- Thailand
- European Union
- Venezuela

► **Pending entry into force:**

- Guatemala
- Pacific Alliance (Colombia, Chile, Mexico and Peru)

► **Ongoing negotiations:**

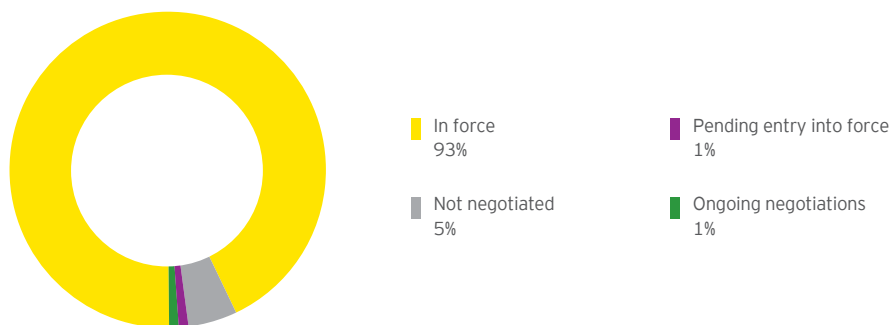
- Honduras
- El Salvador
- Thailand
- Turkey
- Trans-Pacific Partnership (TPP) - Brunei, Chile, New Zealand, Singapore, Australia, United States, Malaysia, Vietnam, Canada, Mexico, Japan, and Peru
- DOHA Development Round
- Trade in Services Agreement (TISA)

It must be pointed out that Peru is an active member of the Asia Pacific Economic Cooperation (APEC) Forum, together with 20 other economies from that Region. It is also a member country of the Latin American Integration Association (ALADI) and a State Member of the Southern Common Market (MERCOSUR). Recently and through the Country Program, the process of incorporating Peru in the Organization for Economic Cooperation and Development (OECD) has begun. This represents a key tool for Peru for the success of the strategy and the process directed at succeeding with the entry of Peru in said organization.

The following map shows the status of Peru's agreements, exports under these agreements, and a brief summary of the main instruments:



Exports from Peru according to markets with trade agreements



Source: Ministry of Foreign Trade and Tourism (MINCETUR)

In force

1. Peru - China Free Trade Agreement (FTA)

In economic terms, China has been the fastest growing economy worldwide over the past two decades (around 10% per year of sustained growth). The entry into force of this Agreement in March 2010 has opened up a market of 1.357 billion inhabitants, of which 350 million are consumers with high purchasing power.

As of December 2014, exports to China had grown at an approximate average rate of 12% per year during the 2006-2014 period. Peru's principal exports to China are copper, fishmeal, and iron ore, lead and zinc. In exchange, China ships machinery, mobile telephones, laptops, and high technology products to Peru. Among the main Peruvian products benefitting from the trade agreement are giant squid, cuttlefish and squid, fresh grapes, avocado, mango, barley, paprika, tara powder, and fine wool yarn, etc.

In line with Peru's strategy to become the hub of Asian operations in South America, the FTA provides Peru with the opportunity to establish clear rules of the game, within a transparent and predictable framework through which it will not only contribute to increasing bilateral trade, but also boost Chinese investment in Peru, principally in the industries of mining, agriculture, electricity, wind power, petroleum and gas, and fisheries.

2. Peru - United States Trade Promotion Act

Peru had access to certain unilateral preferential customs duties with the United States starting in 1991, granted by the U.S. Congress to Andean Countries through the Andean Trade Preference Act (ATPA) which remained in force until 2001. These preferential duties were renewed in 2002 with the enactment of the Andean Trade Promotion and Drug Eradication Act (ATPDEA) under which they remained in force until 2010.

In 2004, Peru initiated negotiations for a Free Trade Agreement (FTA) with the United States, and in 2009 the Peru - United States Free Trade Act entered into force. Just two years after entering into force, 418 new products were exported, of which 96% were non-traditional products, most notably in the areas of Metal-Mechanical (32%), Chemicals (20%), and Textiles (11%).

The main products exported to the United States are: minerals/metals, textiles, fish products, crude oil, coffee, cocoa, handicrafts, paprika, artichokes, grapes, mangoes, tangerines and asparagus. Between January and September of 2013, agricultural exports increased by 21.3%, while the mining exports dropped by 62%. For their part, iron (426.8%) and lead (38.8%), showed opposite results.

3. Peru - European Union (EU) Free Trade Agreement (FTA)

The Trade Agreement with the European Union (EU) is part of a business strategy to expand and develop the export supply of Peru. It became effective on March 1, 2013.

The EU is one of the main destinations for Peruvian exports, with a share of 24% in 2014. Furthermore, during that same year, this Region registered a direct foreign investment in Peru with a share of 50.1%, with over 507.2 million inhabitants and per capita income levels which are among the highest in the world.

With the entry into force of the Peru - European Union (EU) FTA, custom duties were removed in 99.3% of Peru's exports, benefiting 95% of custom duty lines for agricultural products. The main products of export interest to the European bloc are asparagus, avocados, coffee, fruits of the genus capsicum (for example, paprika and chili peppers) artichokes, among others.

4. Peru - Japan Free Trade Agreement (FTA)

Over the past few years, Peru has begun a process of rapprochement with Asia, which includes the start of negotiations with its main trade partners in said continent. The Economic Partnership Agreement between Peru and Japan was entered into on May 31, 2011, and went into full force and effect on March 1, 2012.

The Peru - Japan Economic Partnership Agreement allows for preferential access to an established international market, which has a great capacity for consumption of products with high added value.

Under this Agreement, Peruvian products such as coffee, asparagus, sachu inchi, giant squid, fish oil, copper, lead, zinc, purple corn, giant corn from Cuzco, swordfish, among others, enter the Japanese market with preferential access.

The Agreement also gives Peru access to a market with a greater demand for consumer goods, raw materials, intermediate goods and capital goods.

5. Peru - South Korea Free Trade Agreement (FTA)

The Free Trade Agreement (FTA) between Peru and South Korea was signed on March 21, 2011, in Seoul, Korea, and it became effective on August 1, 2011. In line with the Peruvian strategy to strengthen trade with Asia, South Korea was the third Asian country with which Peru signed an FTA.

Among other characteristics of the Peru - Korea FTA, as is typical of a commercial agreement, a 10-year term was established, to eliminate custom duties on products that both countries share. However, there may be other measures which may be applied in the form of import duties on some agricultural goods which are specified in the Agreement.

Through this Bilateral Agreement, Peru reaches a market of 50.4 million inhabitants with a per capita Gross Domestic Product (GDP) of US\$ 28,739. For Peruvian exports, this represents a larger number of potential consumers and a greater chance of placing its products, thanks to the preferential access that many products enjoy under customs duty headings. Peruvian non-traditional exports reap the most benefit from this Agreement, since, according to the Peruvian Ministry of Foreign Trade and Tourism (MINCETUR) the Korean market has a preference for high quality fresh products, such as agricultural and fisheries products from Peru.

South Korea was the eleventh destination of Peruvian exports during 2014, with a total of US\$ 861.2 billion, the bulk of which is represented by fisheries products and minerals. In turn, it is the seventh country of origin of our imports, with a total of US\$ 1,383 million in 2014. The main products imported from Korea are vehicles and television sets.

6. Peru - Singapore and Peru - Thailand protocol in order to accelerate the liberalization of the commerce of merchandise and the facilitation of commerce and its additional protocols

In the context of the policy of rapprochement with the Asian market, Peru executed the Peru - Singapore Free Trade Agreement (FTA) on May 29, 2008, in Lima, which entered into force on August 1, 2009. Likewise, it signed the Protocol between the Republic of Peru and the Kingdom of Thailand which is in full force and effect as from December 31, 2011.

Unlike Thailand and the case of most Asian countries, which import mainly minerals from Peru, Singapore is a very important non-traditional Peruvian exports destination.

According to the Peruvian Ministry of Foreign Trade and Tourism (MINCETUR) the main products exported to Singapore, which are already benefiting from this Agreement, are cocoa, grapes, t-shirts, shirts, asparagus, shellfish, and other marine products. While the main products exported to Thailand are zinc ore, copper ore, flour, fishmeal and fish pellets, cuttlefish, and fresh grapes.

The tariff liberalization agreed with Thailand covers about 75% of the sub-categories of both countries. Sub-categories corresponding to Basket A had an immediate liberalization and those corresponding to Basket B have a five- year liberalization as from the date the Protocol entered into full force and effect.

Singapore is one of the main ports of entry into East Asia; thus, the Agreement will enable Peruvian products to be admitted under better conditions throughout the Region, boost greater investments and consolidate the Peruvian strategy of becoming the center of Asian operations in South America.

7. Peru - MERCOSUR Economic Complementation Agreement (ACE)

Economic Complementation Agreement 58 (ACE 58) was signed between Peru and the MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) on November 30, 2005 and became effective on January 2006. Subsequently, in 2006 the Protocol for Venezuela's Accession to the MERCOSUR was signed, and there has been a trade agreement with this country since 2012.

The purpose of this Agreement was to establish a legal framework for integration, to facilitate business trade between member countries, through the elimination of tariff and non-tariff measures affecting trade in goods and services.

Therefore, since January 1, 2012, products exported to Argentina and Brazil enter these countries with a rate of 0% in customs duties.

The main products exported to MERCOSUR are minerals and copper products, zinc ores, silver, olives, varnishes, calcium phosphates, cotton shirts, tara and dyes. It must be noted that 83% of Peruvian exports are exported to Brazil, followed by the Argentine market with 13% and the remaining 4% to Paraguay and Uruguay.

8. Peru - Mexico Trade Integration Agreement

The Trade Integration Agreement was entered into by and between Peru and Mexico on April 6, 2011, and became effective on February 1, 2012. This Agreement opened up a 122.3 million people market, allowing our exports preferential access to over 12,000 products, such as canned fish, cookies, paprika, timber, shrimp, and other products. On the other hand, the importation from Mexico of consumer goods and household appliances and technological products will allow Peruvian consumers access to a wider variety and quality of products, at lower prices. Additionally, rules are being consolidated to promote the already strong Mexican investment existing in Peru, as well as the Peruvian investments in said country.

9. Andean Community of Nations (CAN)

Peru, together with other South American countries (Bolivia, Colombia and Ecuador) is a member of the Andean Community of Nations (CAN) since 1997. Within this framework, there are agreements related to lower customs duties for goods, sub-regional liberalization of service markets, community regulations regarding intellectual property, land, air and water transport, telecommunications, etc. An important part of Peruvian trade regulations are governed by the commitments made under this forum. However, in its policy of trade liberalization with other countries and blocs, Peru deepened the liberalization of trade and the opening of its market to much higher levels, and with commitments that are broader in scope than those arising from the CAN.

10. Peru - Canada Free Trade Agreement (FTA)

The Free Trade Agreement between Peru and Canada was signed in Lima on May 29, 2008 and entered into full force and effect on August 1, 2009. This agreement is a major commercial treaty that incorporates chapters on the National Treatment and Access to Markets, the Facilitation of Trade, Investment, Transborder Trading of Services, Telecommunications, Financial Services, Competition Policies, Public Contracting, E-Commerce, Labor and Environmental issues, among others. It must be noted that the main products exported to Canada are gold, silver, copper, lead, fish oil, fishmeal, handcrafts and textiles.

11. Peru - Chile Free Trade Agreement (FTA)

This Agreement is effective as from March 1, 2009. It extends the Economic Complementation Agreement signed by Peru and Chile in 1998, together with its annexes, protocols and other tools.

According to the schedule of lower duties of this Agreement, by 2016 there will be a total exemption in the trading of goods between the two countries.

12. Asia Pacific Economic Cooperation (APEC) Forum

Asia Pacific Economic Cooperation (APEC) is a forum to promote economic cooperation, economic growth, and the expansion of trade among its members. Unlike the World Trade Organization (WTO) and other multilateral forums, APEC does not yet comprise a trade treaty or agreement involving obligations. However, Peru is active in the work of this forum, and it participates in the definition of the work lines and its organization. As it was in 2008, in 2016 Peru will be the host of the APEC forum, the ministerial meetings, and the summit of leaders of the 21 economies making up the forum.

According to the Ministry of Foreign Trade and Tourism (MINCETUR) APEC countries account for approximately 60% of the global Gross Domestic Product (GDP) 50% of world trade, and around 50% of the world population. A trade agreement within this bloc (which, at a later stage, could be the agreement resulting from negotiations of the Transpacific Partnership Agreement or TPP) would further open more doors to the world's largest market for Peru's export offering.

13. World Trade Organization (WTO)

It is the world's largest trading forum, with 160 actors (as of June 2014) where the decision and the rules governing trade in almost all the countries of the world are discussed. Peru has been a member of the WTO since its creation in 1995, and all commercial agreements reached at the WTO have been ratified by its domestic law.

14. Pacific Alliance

The Pacific Alliance is a trade bloc consisting of four Latin American countries: Chile, Colombia, Mexico, and Peru. This proposal was unveiled in Peru, on April 28, 2011, through the Declaration of Lima. The aim of this partnership is to encourage regional integration and further growth, development, and competitiveness of its member countries' economies, and to progressively move closer to the goal of achieving the free movement of goods, services, capital, and people. Among these agreements to form part of the Pacific Alliance, an essential requirement set forth is that all new members of the alliance must have in place the rule of law, democracy, and constitutional order in the country.

The countries members of the Pacific Alliance represent 38% of Latin America's Gross Domestic Product (GDP) and 2.7% of the global GDP. Together, they would be the eighth largest economy in the world. Trade represents 35.8% of Latin America and the Caribbean. Additionally, by 2013, they were able to obtain US\$83 billion in Direct Foreign Investment (DFI).

The four member countries of the Pacific Alliance have agreed to the elimination of visas between them. Under this commitment, Mexico's Department of Foreign Affairs (SRE) announced - on November 9, 2012 - the abolition of visas for Peruvian citizens. Furthermore, the Integrated Latin American Stock Market known as MILA is currently in operation since June of last year. It consists of Colombia, Peru, and Chile, while Mexico. Moreover, according to data from the National Administration of Customs and Tax Administration (SUNAT) trade between Peru and the member countries of the Pacific Alliance grew 25% per year between 2009 and 2013. In addition, in February of 2014, Chile, Colombia, Mexico, and Peru signed an agreement that immediately liberalized 92% of trade from the payment of custom duty tariffs and a uniform customs system has been established. Finally, the standardization of the technical and health provisions, as well as the elimination of health barriers on exports shall be carried out after the entry into effect of the Agreement.

Recently, several countries have requested inclusion as observer members, invited by the Pacific Alliance, including Costa Rica, Panama, Uruguay, Japan, Canada, Guatemala, Spain, Australia, New Zealand and Paraguay.

Also see the following Section II.3 on the Pacific Alliance.

The Ministry of Foreign Affairs and EY (Ernst & Young) have a 2015/2016 Business and Investment Guide of the Pacific Alliance. You may request a copy by writing to eyperu@pe.ey.com or download it from: http://is.gd/rree_comience_a_invertir

Peru's Upcoming Trade Agreements:

As part of efforts deployed to expand and strengthen the market for Peruvian products worldwide, Peru and Turkey begun negotiations for a Free Trade Agreement (FTA) between the two countries on January 20, 2014. An important fact is that it has been decided for the negotiations to include liberalization of trade in services, which is something that Turkey had never negotiated in earlier agreements from the start. The products enjoying a greater interest on the part of Turkey include mining, fisheries, livestock, leather, and fur.

Peru is also taking the initiative to promote the start of trade negotiations with India and the Russian Federation. One of the interests in future negotiations with India is to strengthen openness and trade preferences for Peru in a market that concentrates one sixth (1/6th) of the world's population. In an initial MINCETUR study, 61 Peruvian products have been identified (52 belonging to the Non-traditional Sector) in which Peru has significant comparative advantages and where India would have a relatively high purchasing power.

In addition, an agreement with the Russian Federation would open up, for Peru, a market in an economy which represents 2.8% of world's exports and 1.8% of the world's imports. In this regard, MINCETUR has determined that custom duty tariff liberalization between the two countries could generate an increase in bilateral exports of 36% for Peru and 10% for the Russian Federation, emphasizing, for the Peruvian side, the ability to export fresh grapes, colorants, tangerines, capsicum, zinc oxide, fresh mangoes, and other products.

On October 2, 2012, Peru also signed a Framework Agreement for Economic, Commercial, and Technical Cooperation and Investments, with Member States of the Gulf Cooperation Council, made up of Saudi Arabia, Bahrain, Kuwait, Qatar, Oman, and the United Arab Emirates. The Agreement is the first one signed with a South American country.

For more information on Peru Trade Agreements, please visit: www.acuerdoscomerciales.gob.pe

Trans-Pacific Partnership Agreement (TPP)

The Trans-Pacific Partnership (TPP) is in the process of negotiation. It aims to promote economic growth and job creation, and to establish a platform for potential economic integration among the 12 member countries of this initiative, which belong to three different continents. Thus, it is considered one of the most ambitious projects in the history of multilateral negotiations. The countries negotiating the TPP as of January 2014 are Australia, Brunei, Canada, Chile, United States, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

Peru was accepted as a participant in this process on February 10, 2009. Since then, there have been 19 rounds of negotiations between March 2010 and December 2014, as well as numerous meetings of leaders and ministers, in which they discussed issues relating to regional integration, regulatory coherence, economic development, Small and Medium Sized Enterprise (SME) access to markets, competitiveness, and transparency, in addition to commitments to liberalize trade in goods and services, proper of last generation FTAs.

With the recent entry to the TPP of Japan, this trading bloc became the world's largest. With a population of over 650 million people and more than US\$ 21 billion in combined Gross Domestic Product (GDP) for Peru, this opportunity will represent a trading platform where one can diversify export destinations among its 12 member countries. Proof of this is the 46% increase in the total amount of exports to this bloc in the past five years.

Business agenda

As part of the trade liberalization policy that has been followed by Peru, the trade agenda includes the commencement of negotiations with different economies, including the following partners:

- India
- Russia
- Indonesia

Entry of Peru to the Schengen space

It is expected that Peru will be able to do without the Schengen visa at the end of 2015, thanks to the notable improvements in the economic, social and political fields, which has provided the conditions for the elimination of restrictions at a deeper level of integration, between Peru and its trade partners of the European continent. Thus, in 2014, the European Union (EU) certified the fulfillment, by Peru, of the requirements to access the Schengen system, without prior approval.

This situation is the result of a process whereby Peru has worked, through its foreign policy, to achieve a greater integration within the international community, using instruments such as trade agreements and cooperation agreements, both bilateral and multilateral. Similarly, the progress made by the country in terms of security, irregular immigration and human rights, as well as the economic benefits of having Peru as one of its principal economic partners due to the current conditions of its economic growth, have been crucial for this development.

With regard to the integration between the European continent and Peru, it must be noted that this approach has been operated at three levels: an initial macro level based on the cooperation and integration actions taken between the EU and the Community of American and Caribbean States (CELAC) an intermediate level within the context of the agreement between the EU and the Andean Community (CAN) and a third level that includes the bilateral relations between Peru and Europe.

At present, both Peru and the EU are negotiating the technical aspects of the exemption from the Schengen visa, related to the compilation, registration and transfer of data of travelers between the immigration authorities of both parties.

Thanks to the progressive reduction of the barriers to enter the Schengen area, Peru will have the capacity to consolidate trade and investment alternatives with 26 European countries.

3 | Pacific Alliance

The Pacific Alliance, comprised by Chile, Colombia, Mexico and Peru, is one of the most relevant regional integration efforts of the last few decades. Its objectives are aimed at facilitating the liberalization of the commercial exchange of goods and services, the free circulation of persons and capitals, as well as at boosting cooperation among the member countries.

Considered as an economic unit, the Pacific Alliance is the eighth economy of the world, contributing more than 38% of the Gross Domestic Product (GDP) of Latin America and the Caribbean. It has a collective population of more than 216 million persons and it is expected to become, as a bloc, the fourth contributor to the growth of the world over the next five years. The Pacific Alliance offers relevant competitive advantages and a wide network of trade agreements involving the most developed economies of the world, clearly aimed at the Asia-Pacific region.

The common denominator of the member countries of the Pacific Alliance is their openness to foreign investment, as well as the enforcement of macroeconomic policies that promote private initiative and free trade. They also share a recent history of economic stability and in fact occupy the first four positions in the ranking of the investment level rating by country, in Latin America, besides growing an average of double per year than the average Latin American country. The average Gross Domestic Product (GDP) per capita of the Pacific Alliance is close to US\$16,500, measured in "Purchasing Power Parity" or "PPP" and its population is largely young, thereby comprising a market with a constantly growing purchasing power and that has a majority "demographic bonus" in its joint population structure that provides power in terms of production and productivity, consumption, savings and investment capacity.

The Pacific Alliance is an initiative for regional integration, adopted by the Presidents of Chile, Colombia, Mexico and Peru on April 28, 2011. It constitutes the commitment to achieve in-depth integration, by the member countries with the aim of moving towards the free circulation of goods, services, capitals and persons, by facilitating trade and customs cooperation, with a view to promoting further growth, creating jobs, development and competitiveness of the economies of the parties, designed to boost greater wellbeing, overcome socioeconomic inequality and promote the social inclusion of their inhabitants.

With a real accumulated Gross Domestic Product (GDP) of US\$2.16 billion and US\$3.57 billion measured in "Purchasing Power Parity" or "PPP" (and which is equivalent to more than 38% of the GDP of Latin America and the Caribbean) and with an expected average growth in its GDP of 3.8% for the year 2015, higher than the average of 1.3% forecast for Latin America, the Pacific Alliance is a body of major importance, given its economic relevance and commercial openness, in addition to being the commercial complement of the large world economies, particularly of the Asia-Pacific hug, thereby making it even more attractive.

At present, the Pacific Alliance is ranked the eighth economy in the world, receiving in 2013, more than 44% of the direct foreign investment destined to Latin America, equivalent to almost US\$83 billion. Additionally, in the Pacific Alliance the estimated average inflation and unemployment rates for 2014 of 2.8% and 6.6%, respectively, lower than the regional average and the sustained reduction of its poverty rates over the past decade, are the most important highlights.

Individually, the four member countries have obtained better investment level ratings in the entire region, at the close of 2014, which does not only attract investors and benefit their interest rates, but also constitutes a backup for improvements to their macroeconomic and social indicators.

The economic bloc is reinforced by the Integrated Latin American Market (MILA) which is the result of the integration of the stock markets of the member countries. This Market intends to diversify, expand and make more attractive the negotiation of this type of assets in the four countries, with more than 780 different issuers and provides the issuers with larger financing sources, both for local and foreign investors. At the close of 2014, the MILA is the first market by number of listed companies in Latin America and the second in the size of market capitalization with a consolidated value of over US\$1.1 billion.

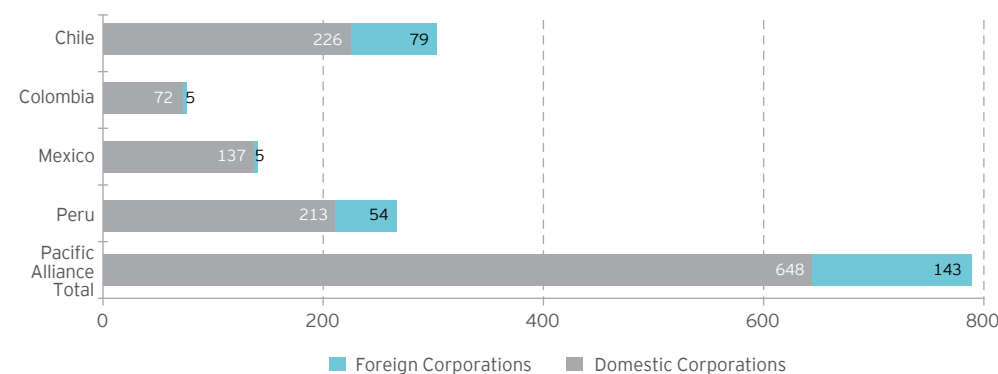
Integrated Latin American Market - MILA

The Lima Stock Exchange - BVL (Peru), the Santiago Stock Exchange - BCS (Chile), the Colombia Stock Exchange - BVC (Colombia) and the Mexican Stock Exchange (Mexico), along with the security depositories of each country, Cavali, DC, Deceval and INDOVAL, respectively, have built their equities (stock) market, with which they seek to diversify, expand, and improve the attractiveness of trading in such assets in the three countries for both local as well as foreign investors.

This integration aims at the development of the capital market of the member countries in order to provide investors with a wider range of securities, and issuers with greater sources of funding. It is expected that these countries' joint market will become the first one in the Region as far as number of issuers is concerned.

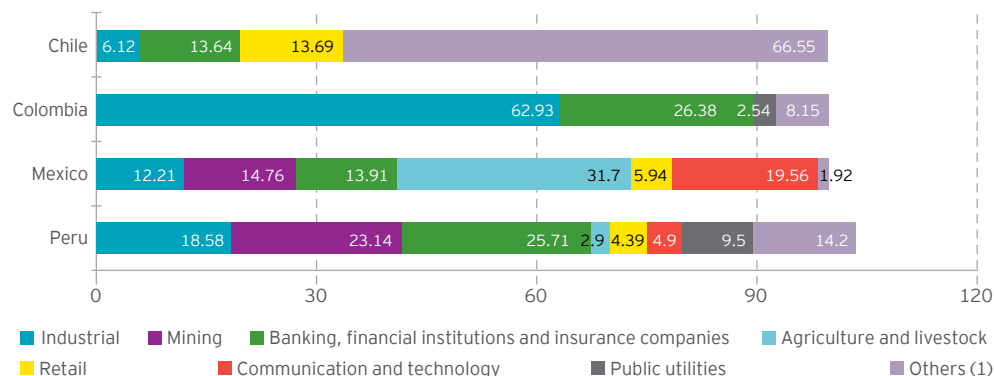
As at November 2014, the total volume traded in the MILA amounted to US\$57.51 billion. Likewise, as at said date, it had more than 780 issuers including the incorporated Mexican issuers. Also at said date, the MILA had 36 brokers with 47 brokerage agreements signed by the stock brokers of Chile, Colombia and Peru.

Number of listed companies (April 2014)



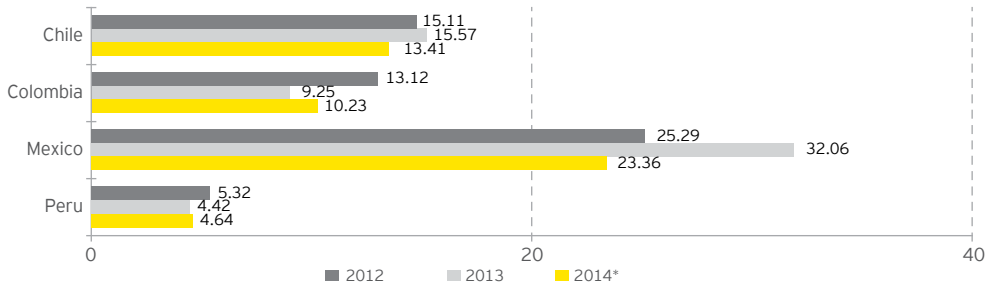
Source: Ibero-American Federation of Stock Exchanges (FIAB)

Comparison of the market capitalization by sector for local companies (in percentages, 2013)



Source: Ibero-American Federation of Stock Exchanges (FIAB)

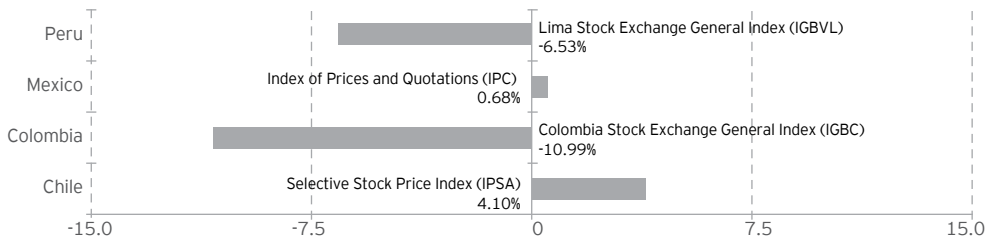
Speed of domestic stock rotation



*As of August, 2014

Source: Ibero-American Federation of Stock Exchanges (FIAB)

Variation of the general stock index 2014/2013



Source: Bloomberg

Movement of persons

The free circulation of persons is one of the key points of the Pacific Alliance. This work group is aimed at the development of topics such as facilitating the migratory traffic, the free circulation of persons, consular cooperation, student and labor cooperation and the exchange of information on migratory flows.

Main initiatives

Among the main efforts developed it is important to mention the elimination of visas by Mexico for Colombians and Peruvians in 2012 (Chile did not require a visa), as well as the elimination of visas by Peru for businessmen coming from Chile, Colombia and Mexico, for a maximum period of 183 days a year and provided non-remunerated activities are carried out in the country. Likewise, the execution of the Holidays and Work Agreement will allow young citizens of the countries members of the Pacific Alliance, to visit any of the member countries of the Alliance, for recreational and tourism purposes, for a maximum of 360 days, allowing them to engage in partially remunerated activities during said period, to cover their accommodation costs.

Furthermore, a Guidebook for the national travelers of the member countries has been prepared and mechanisms for consular cooperation have been defined. On the other hand, the Alliance is in the process of evaluating the conditions to establish a safety platform to promptly obtain the list of persons visiting the countries as tourists.

The member countries have signed a Tourism Cooperation Agreement with the aim of strengthening and developing their relations, through the design of actions that seek to increase the flow of tourists among the parties.

For further information visit: www.mercadomila.com and see the Guidebook of the Pacific Alliance http://is_gd/rree_comience_a_invertir

4 | Promotion Mechanisms for Investment in Infrastructure and Utilities²

The Peruvian government facilitates access to private investment for a wide range of activities and projects. Mindful of the dynamic role of business activities, Peruvian law recognizes the following types of private involvement: (a) Private Initiative, which may be : i) Self-Sustainable or ii) Co-Financed (b) Public-Private Partnership (PPP) and (c) Transfer of Public Works for the Payment of Taxes.

a. Private Initiative

a.i) Self-Sustainable:

Allows a company to identify new opportunities for investment in government assets, institutions and projects, as well as Public-Private Partnerships (PPPs) whose bid must be presented before the pertinent Private Investment Promotion Body (OPIP).

One of the main characteristics of Self-Sustainable Private Initiatives is that they shall have a minimum demand (not to exceed 5% of the total investment cost) or no demand for financial guarantees by the government. Furthermore, with regard to the non-financial guarantees, they shall have a minimum or no probability of requiring the allocation of public funds (this probability must not exceed 10% for each one of the first five years of effectiveness of the guarantee established in the contract).

Self-Sustainable Private Initiatives supplement the government's work in the identification of private investment projects.

The main characteristics of Self-Sustainable Private Initiatives are:

- They can be promoted by national or foreign corporations.
- They are a Petition of Grace by nature. Therefore, the right of the bidder ends with the presentation of the Private Initiative before the pertinent Private Investment Promotion Body (OPIP) without the possibility of challenging a decision before an administrative or judicial venue.
- They are presented before the competent Private Investment Promotion Body (OPIP) according to the level of government in charge of the project (National, Regional or Local).
- They must not have an approved Promotion Plan.
- They require the approval of all the entities related to the project.
- Amendments and/or extensions may be requested and the bidders must express their agreement or disagreement with the amendments and/or extensions.
- Reasonable evaluation terms.
- Interested third parties will be allowed to present similar or alternative projects.
- The right to match the best bid.
- Direct award.
- Negotiation of non-essential aspects of the contract.
- Reimbursement of costs.

Documents that must accompany the Self-Sustainable Private Initiatives as a minimum

- a) Name or trade name of the applicant attaching the power of attorney of the legal representative
- b) Type of participation in the private investment
- c) Project description:
 - i) Title and type of project.
 - ii) Objectives.
 - iii) Specific benefits.

²Source: ProInversion

- iv) Preliminary engineering of the project.
- v) Reasons as to why the project has been chosen among other alternatives.
- d) Scope of influence.
- e) Economic and financial assessment of the project.
- f) Preliminary environmental impact assessment and, if relevant, the social and environmental mitigation plan.
- g) Proposed estimated effectiveness of the contract.
- h) Financial and technical capacity of the person proposing the Private Initiative.
- i) Affidavit expressing that the Private Initiative shall not request public co-financing, or financial or non-financial guarantees.
- j) Affidavit of costs incurred in the preparation of the Private Initiative submitted.

a.ii) Co-Financed:

Co-Financed Private Initiatives enable a national or foreign corporation to identify new opportunities for investment, aimed at covering the deficit of infrastructure and of utilities, in addition to the provision of "related services that the government must offer, as well as the development of applied research and/or technological innovation projects".

When are they submitted:

Co-Financed Private Initiatives must be submitted before Proinversion by the bidder solely within the first 45 days of the calendar year.

Presentation requirements:

Co-Financed Private Initiatives must, at least, contain contractual terms of more than ten years and a Total Investment Cost of more than 10,000 Tax Units (UIT) (S/.38.5 million or approximately US\$12.9 million).

In terms of initiatives that solely imply the operation, which includes management and maintenance costs, they must have a Total Project Cost of more than 10,000 Tax Units, and must include:

- i. Name or trade name and financial and technical capacity attaching the power of attorney of the legal representative.
- ii. Description of the project.
 - ii.1. Name and type of the project
 - ii.2. Area of influence of the project
 - ii.3. Objectives
 - ii.4. Social benefits
 - ii.5. Reasons for which this project should be chosen among other alternatives
 - ii.6. Total Investment Cost and co-financing of the State
 - ii.7. Schedule of investments and schedule of public funds requirements
- iii. Analysis and proposed project risk distribution and affidavit indicating if the project will resort to public investment projects of the National Public Investment System (SNIP) Bank of Projects.

Principal characteristics of Co-Financed Private Initiatives:

- Due to its nature of Petition of Grace, the bidder's right ends with the presentation of the Co-Financed Private Initiative before Proinversion, without the right to challenge its decision before an administrative or judicial venue.
- They remain confidential and secret as from their date of presentation until they are declared of interest
- Projects of the National Public Investment System (SNIP) Bank of Projects declared feasible can be used

b. Public-Private Partnership (PPP)

Public Private Partnerships (PPPs) are arrangements for participation in private investment, whereby experience, knowledge, equipment, and technology are incorporated, while risks and resources are distributed, preferably of a private nature, in order to create, develop, improve, operate or maintain public infrastructure or to provide public services and/or related services thereof, that the State may need to offer, as well as to develop applied research and/or technological innovation projects, according to the conditions established in the Regulations of this norm.

Types of PPPs

Self-Sustainable:

Are those that meet the following conditions:

- i) They require a minimum or non-existing demand for financial guarantees by the government, as established in the Regulations of the corresponding Congressional Executive Order.
 - Financial guarantees shall be considered minimal if they do not exceed 5% of the Total Investment Cost
 - Guarantees shall not have a minimal or non-existing probability when the probability of allocating public funds does not exceed 10% for each one of the first five years of effectiveness of the guarantee established in the contract.
- ii) Non-financial guarantees must have no or low probabilities of demanding the allocation of public funds, as established in the Regulations of the corresponding Congressional Executive Order.

Co-Financed:

Are those that require co-financing, or the provision or granting of financial guarantees or non-financial guarantees with a significant probability of demanding the allocation of public funds.

Co-financing shall be construed as any total or partial payment made by the entity to cover the investments and/or operation and maintenance costs, to be delivered in a periodic lump sum and/or any other manner agreed by the parties, within the context of the Public Private Partnership (PPP) contract. Payment can stem from any source with no specific destination established by law.

The assignment in use, beneficial use, usufruct or under any similar figure, of pre-existing infrastructure or properties shall not be construed as co-financing, provided there is no transfer of ownership and they are directly related to the purpose of the project. Furthermore, payments for the concept of tolls, prices, tariffs, among others collected directly from the end-users or indirectly through companies, including those owned by the government or institutions thereof for ongoing delivery to the holder of the project, within the context of the Public-Private Partnership (PPP) contract shall not be construed as co-financing.

Applicable Principles

- **Value for money.** A public service should be provided by a private entity which can offer a better quality for a given cost or the same quality results at a lower cost. The idea is to maximize user satisfaction and enhance the value of money originating from public funds.
- **Transparency.** All quantitative and qualitative information used in decision-making at the evaluation, development, implementation and accountability stages of the project must be known by all citizens under the principle of disclosure established in Section 3 of the Consolidated Text of the Law for Transparency and Access to Public Information, approved by Supreme Executive Order 043-2003-PCM.
- **Competition.** Competition is promoted to ensure efficiency and lower costs in the provision of infrastructure and public services, and to prevent any anti-competitive and/or collusive acts.

- ▶ **Adequate allocation of risks.** A suitable distribution of risks must exist between the public and private sectors. In other words, the risks must be assigned to the party with the best capacity to manage them, at a lower cost, considering the public interest and the project's profile.
- ▶ **Budget responsibility.** Issues to be considered include the government's payment capacity to acquire the financial, firm and contingent commitments arising from the performance of the contracts executed within the context of this law, without compromising the sustainability of public finances, and the regular provision of the services.
- ▶ **General Framework.**
 - The investment projects, through the Public-Private Partnership (PPP) and Self-Sustainable Private Initiatives shall immediately move onto the project design stage.
 - The investment projects, through the Public-Private Partnership (PPP) and Co-Financed Public-Private Partnership (PPP) and Co-Financed Private Initiatives must meet all the requirements and procedures established in the Law of the National Private Investment System and the Law of the National Debt System, as amended.
 - The final design of the Public-Private Partnership (PPP) contract will require the favorable opinion of the competent public entity, as well as, without exception, the favorable opinion of the Ministry of Economy and Finance (MEF). Similarly, the opinion of the pertinent regulatory body will also be required, which must issue said opinion within the same term and exclusively in relation to its legal competencies.

Guarantees in the PPP Scheme

- a) **Financial Guarantees:** are those unconditional collaterals of immediate execution, granted and provided by the government to support private obligations, arising from loans or bonds issued to finance the PPP projects or to back the government's payment obligations.
- b) **Non-Financial Guarantees:** are the collaterals provided for in the contract, arising from the risks of a PPP project.

Project Assignment:

The following projects shall be assigned to Proinversion, in its capacity as the Agency for the Promotion of Private Investment of the National government:

- a) The projects of national competence originated by the State's initiative, that are multi-sectorial or that have a Total Investment Cost of more than 15,000 Tax Units (UIT) and those with a Total Project Cost of more than 15,000 Tax Units (UIT) in the case of projects that only imply management, operating and maintenance activities.
- b) The projects of national competence originated by Self-Sustainable Private Initiatives.
- c) The projects originated by Co-Financed Private Initiatives.
- d) The projects for which the entity has requested the conduction of the private investment promotion process, according to the provisions set forth in Section 11 of the Regulations hereof.

The projects that fall within the competency of the Agency for the Promotion of Private Investment (Proinversion) of the Regional government, as well as those projects that cover more than one province shall be assigned to the Private Investment Promotion Body (OPIP).

The projects of the competency of Proinversion shall be assigned to the Private Investment Promotion Body (OPIP) of the Local government.

Types of Public-Private Partnerships (PPP)

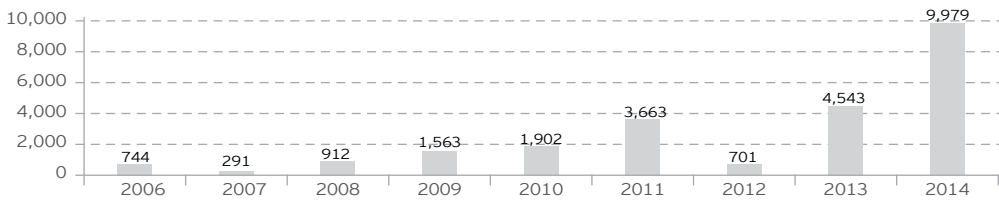
Include all those contracts that foster the active participation of the private sector, such as:

- Concessions
- Joint Ventures
- Management Agreements
- Shared Risk Contracts
- Specialization Contracts
- Any other type of contract permitted by law

Scope that can include Public-Private Partnerships (PPPs)

- Public infrastructure in general, including
 - Road networks
 - Airports
 - Ports
 - Logistics platforms
 - Urban infrastructure and recreation
 - Penitentiary, irrigation, health and education infrastructure
- Public services
 - Telecommunications
 - Energy and lighting
 - Water and sanitation
 - Others of social interest related to health and the environment
- Waste treatment and processing
- Education
- Applied research and/or technological and/or innovation projects, among others.
- Services related to infrastructure
 - Toll and tariff collection systems and other public services that the government may need to provide.

Projects under the PPP³ regime awarded by ProInversion (investment amounts in US\$ million)



Source: Agency for the Promotion of Private Investment (Proinversion)

C. Transfer of Public Works for the Payment of Taxes - Law 29230

Law 29230, the Act on the Transfer of Public Works for the Payment of Taxes, was established as a mechanism to allow private corporations to carry out rapidly and efficiently public investment projects of the National⁴, Regional and Local Governments and Public Universities, to then deduct the total amount of investment from their Income Tax. The Peruvian State issues a Certificate of Public Investment of the National Government - Public Treasury (CIPGN) in the case of the National Government, and Certificates of Regional or Local Public Investment (CIPRL) in the case of Regional, Local Governments and Public Universities, for the amount of the investment made, to be applied by the private companies as a payment of their taxes. In this way, the efficient public-private synergy is materialized and impacts positively on the population.

³Includes concessions, private initiatives awarded directly, FITEL projects and other mechanisms.

⁴Entities of the national government in terms of health, education, tourism, agriculture and irrigation, public order and safety.

Likewise, a recent amendment, through Law 30264 and Regulations thereof, approved by Supreme Executive Order 006-2015-EF, incorporates the entities of the National Government within the scope of Law 29230, authorizing said entities, within the scope of their competencies, to execute investment projects within the framework of the National Public Investment System (SNIP) in health, education, tourism, agriculture and irrigation, public order and safety, including their maintenance.

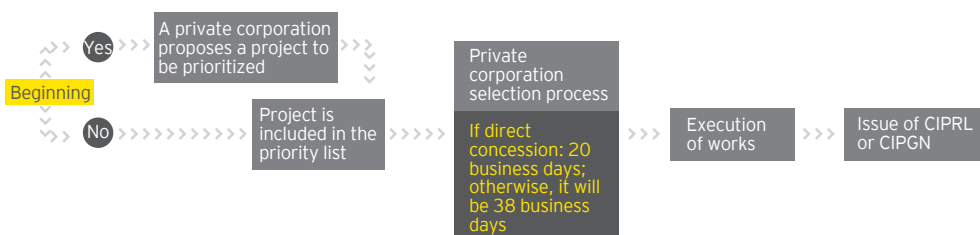
The main objective of the Law is to promote the execution of public investment projects and help narrow the existing gap in infrastructure in the country. To do this, it is necessary, through a process conducted by a special committee, to select the private corporation that will privately finance and implement the project. This process is described in the Regulations of the Law, approved by Supreme Executive Order 055-2014-EF.⁵

Limit for the issue of CIPRL⁶ and CIPGN⁷

In March each year, the Ministry of Economy and Finance (MEF) establishes the limit for the issue of the CIPRL authorized for the Regional, Local Governments and public university. Thus, at present, the Regional Governments can execute projects for an amount of up to S/. 4.84 billion (approximately US\$1.61 billion) while Local Governments in the country have a total of S/. 16.73 billion⁸ (approximately US\$5.57 billion) while the Public Universities can execute projects for a maximum amount of S/. 1.13 billion (approximately US\$379 million).

For the National Government, the limit for the issue of CIPGN to finance and/or maintain projects, is the institutional budget of the financing source of ordinary funds held in each fiscal year, to acquire non-financial assets and/or goods and services.

Description of the mechanism transfer of public works for the payment of taxes



Source: Public AC

Range of projects

One of the main incentives established by this mechanism, is the possibility that the private sector may propose to the Public Entity the formulation of technical studies and/or execution of public investment projects meeting the requirements of the National Public Investment System (SNIP) to be incorporated in the list of priority projects. This must be approved by the Highest Authority of the Public Entity.

The website Transfer of Public Works for the Payment of Taxes (www.obrasporimpuestos.pe) provides a list of projects prioritized by all public entities that can execute the transfer of Public Works for the Payment of Taxes.

⁵Supreme Executive Order 005-2014-EF, approves the new Regulations of Law 29230 and renders null and void Supreme Executive Order 133-2012-EF, published in the Official Gazette "El Peruano" on January 14, 2014.

⁶CIPRL: Certificates of Regional or Local Public Investment.

⁷CIPGN: Certificate of Public Investment of the National Government - Public Treasury.

⁸Source: Ministry of Economy and Finance (MEF). In its web page, the maximum amounts that each one of the Regional, Local Governments and Public Universities can use through this procedure, are published. The amount is set according to the specific resources, obtained from the canon, overriding fees, royalties, customs revenues and shares.

Benefits of the Law

Below are the main financial and social benefits provided by the Transfer of Public Works for the Payment of Taxes scheme:

Financial and social benefits		
For public entities	For private corporations	For society
Accelerates the execution of quality works thereby reducing the gap in infrastructure	Improves the relations with the community	Provides wider coverage of public services
Frees up human resources for the execution of other works required by the population	Actively contributes to the development of the country	Creates direct and indirect employment operation and maintenance
Executes works within their management and finances them during a number of year with no interest ⁹ .		Improves the quality of life and the wellbeing of the population

Source: Agency for the Promotion of Private Investment (ProInversion)

Characteristics and use of the CIPRLs by private corporations

Private corporations choosing the execution of projects through this mechanism must take the following into account:

- ▶ The amount invested by companies in the execution of public projects is recognized through the CIPGN and/or the CIPRL, which will be issued by the Debt and Treasury Bureau (DGETP) at the request of the National Government¹⁰, Regional Government or Local Government or Public University, once conformity has been granted as to the quality of works and reception thereof.
- ▶ The CIPGN and CIPRL may be issued by stage of completion¹¹.
- ▶ The CIPGN and CIPRL are negotiable, except when the private corporation is the executor of the project.
- ▶ The CIPGN and CIPRL are valid for ten years as from their date of issue.
- ▶ The CIPGN and CIPRL are used by private corporations solely for their payments on account and payments for the regularization of Third Category Income Tax, including late payment fees.
- ▶ Private corporations may use the CIPGN or CIPRL in the current period to a maximum of 50% of Income Tax calculated in the Annual Tax Return for the previous fiscal year, being able to use the balance in the following fiscal years, adjusting a 2% revaluation on the unused balance.
- ▶ If the CIPGN or CIPRL were not used by their expiry date, the Tax Administration (SUNAT)* will return to the company any amount due, via negotiable credit notes.

New incentives for Transfer of Public Works for the Payment of Taxes

In January of 2014, by Supreme Executive Order 005-2014-EF, the following incentives were introduced:

- ▶ Direct awarding upon the simple expression of interest by the company.
- ▶ Expansion of any type of public investment projects, not only infrastructure related.
- ▶ Grouping of projects into a single process.
- ▶ Maintenance of the works funded by payment of taxes.
- ▶ Use of new funds other than canon and overriding fees.
- ▶ Application by Public Universities with a canon of Transfer of Public Works for the Payment of Taxes.

⁹In the case of Regional Governments, Local Governments and Public Universities.

¹⁰National Government entities, in the matter of health, education, tourism, agriculture and irrigation, public order and safety.

¹¹Partial CIPGN and CIPRL (quarterly) can be issued for those projects whose execution requires more than six-months.

Furthermore, in January of 2015, by Supreme Executive Order 006-2015-EF, the entities of the National Government are incorporated within the scope of Act 29230, authorizing them to execute investment projects within the framework of the SNIP, in health, education, tourism, agriculture and irrigation, public order and safety, including their maintenance.

5 | Peru and the Organization for Economic Co-operation and Development (OECD)

Peru aspires to become a member country of the Organization for Economic Co-operation and Development (OECD). To date, it has made great strides towards the achievement of this goal, since the incorporation of Peru in July 2008 as a signatory of the Declaration on International Investment and Multinational Enterprises of the OECD. As a member, Peru, through ProInversion implemented the National Contact Point in order to diffuse the directives of the OECD for multinational enterprises, taking part in activities and meeting of the OECD Investment Committee. Its participation in the OECD Competence Committee and its entry to the Development Center in 2014 must also be mentioned.

The purpose of the OECD is to analyze, share and disseminate better practices of public policies among its more than 200 committees and work groups, located in countries that represent 70% of the global economy. Similarly, the countries of the OECD and a growing number of emerging and developing economies, share and discuss their governance experiences to improve the services provided to their citizens.

At present, the OECD is comprised by 34 countries: Germany, Australia, Austria, Belgium, Canada, Chile, South Korea, Denmark, Spain, United States, Slovenia, Estonia, Finland, France, Greece, Hungary, Ireland, Island, Israel, Italy, Japan, Luxembourg, Mexico, Norway, New Zealand, The Netherlands, Poland, Portugal, United Kingdom, Czech Republic, Sweden, Switzerland and Turkey.

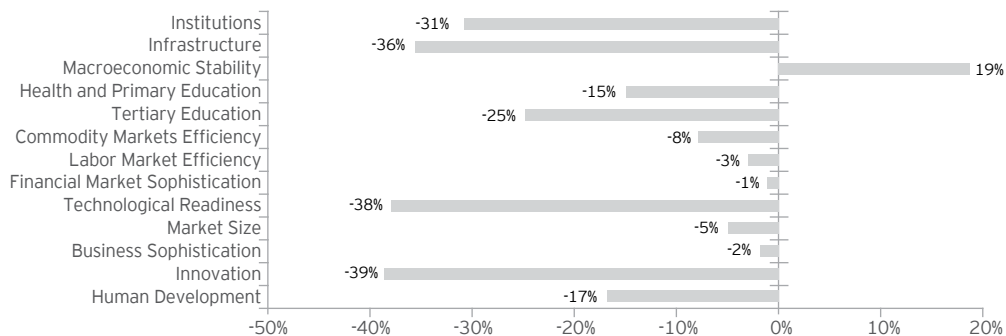
In view of Peru's great potential for economic consolidation, in December of 2014, Peru signed the "Country Program" agreement, aimed at working on strengthening the five required axes that would pave the way to form part of the OECD towards 2021:

1. Identification of barriers to national growth and development
2. Public governance and improvement of institutional issues
3. Anti-corruption and transparency of the State
4. Improvements in human capital and productivity
5. Progress made in environmental matters

Being a member of the OECD is "one of the best certificates of good economic conduct" that exists, since it has a direct impact on the level of attraction of investment, by reinforcing institutional matters. This Organization is a strategic partner in the promotion of structural reforms and it is also a forum where the governments can compare and share their public policy experiences, identify better practices and promote recommendations.

The importance of the Country Program lies in the execution of several studies on educational, health and governance policies, as well as workshops and the participation of international experts on the subject of taxes and regulations, among others. Likewise, it will in all likelihood approach Peru to the different Committees of the OECD, where it may learn of the experiences of other countries, in terms of environmental policy, investments, financial markets, public governance, agriculture, trade and territorial development, and in the same way, contribute with its experience in these issues.

Gaps for Peru as a percentage of the average of the OECD



Sources: Central Reserve Bank of Peru (BCRP) / Inter-American Development Bank (IDB)

6 Conference of the Parties on Climate Change - COP 20

In December of 2014, Peru received the visit of approximately 14,000 persons who participated in the COP 20 "Voices for Climate", an event that was attended by a total of around 80,000 people over a period of 12 days, such as representatives of governments, civil society and private corporations of 195 countries. Within the framework of the COP 20, the foundations of a new global agreement to fight climate change were defined.

Among the main results product of the meetings held, the following were obtained:

- ▶ The document entitled "Lima Call for Climate Action" was approved.
- ▶ A single form was established in which the countries shall present their national commitment to reduce gas emissions that cause global warming, before October 2015.
- ▶ The industrialized countries were called upon to provide and mobilize financial support for ambitious mitigation and adaptation actions for the nations affected by climate change.
- ▶ The countries were urged to establish this financial support with the commitments for the reduction of gas emissions.
- ▶ The principle of common but differentiated responsibilities was established to pave the way for Lima towards the future COP to be held in Paris in 2015.
- ▶ Special mentions on the role of women in the fight against climate change, on health were incorporated and the REDD+ (Reducing Emissions from Deforestation and Forest Degradation) program was strengthened.
- ▶ The "Green Climate Fund" increased its capitalization and exceeded the amount of US\$10.20 billion.
- ▶ The concept of "adaptation" was incorporated in the consequences of climate change for the most vulnerable countries.
- ▶ The "Loss and Damages" method was recognized for the countries most vulnerable to the greenhouse effect.
- ▶ The mechanism to increase measures in the mitigation objectives before 2020 was defined, date on which the agreements to be approved in the COP 21, to be held in Paris, shall enter into effect.

The Declaration of Lima was issued with all of the foregoing points, thereby reflecting the capacity of Peru to organize a meeting in which governmental and non-governmental actors established how to address this climate process.



Sectorial analysis

Thanks to the sound economic development and macroeconomic policies aimed at encouraging greater competitiveness, which have translated into increased employment and, therefore, increased domestic consumption, Peruvian industries and services are experiencing important growth, as highlighted below:

1 | Mining

The Mining Sector has been and is of great importance to the Peruvian economy. The country's mining tradition has been around since pre-Inca times, ranking to this day as one of the main activities related to the development of Peru. Thus, over the years, mining has contributed approximately one half of the country's revenues, as a result of its exports.

From 2002 to 2014, mining exports have grown five-fold, accounting for 53% of the country's total exports as at 2014. As at December 2014, mining exports were US\$ 20.41 billion. Estimate for the year 2015 is US\$27 billion.

Ore production (fine content - in thousands)

Ore	2006	2007	2008	2009	2010	2011	2012	2013	2014
Copper (FMT)	1,048	1,190	1,268	1,276	1,247	1,235	1,299	1,376	1,380
Gold (Fine Gr)	202,826	170,236	179,870	183,995	164,084	166,187	161,545	151,486	139,960
Zinc (FMT)	1,203	1,444	1,603	1,513	1,470	1,256	1,281	1,351	1,319
Silver (Fine Kg)	3,471	3,501	3,686	3,923	3,640	3,419	3,481	3,674	3,778
Lead (FMT)	313	329	345	302	262	230	249	266	278
Iron (FMT)	4,861	5,185	5,243	4,489	6,043	7,011	6,685	6,687	7,193
Tin (FMT)	38	39	39	38	34	29	26	24	23
Molybdenum (FMT)	17	17	17	12	17	19	17	18	18

Bulletin of Mining Statistics January-December 2014

Source: Ministry of Energy and Mines (MINEM)

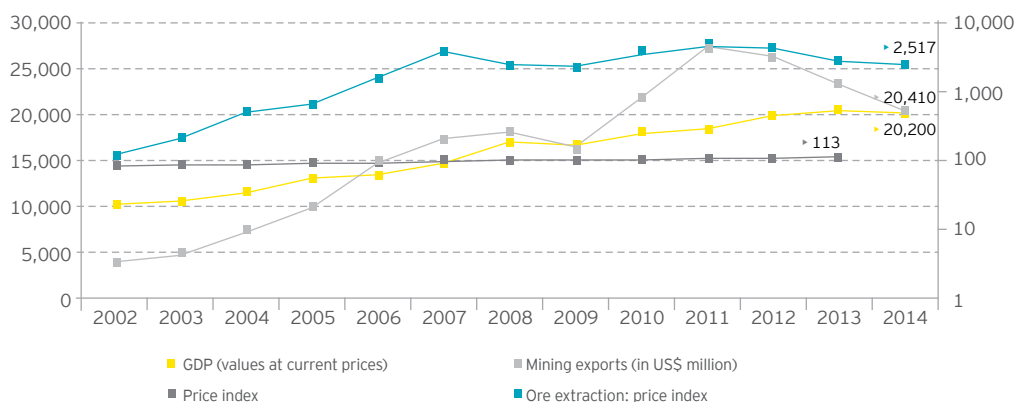
Peru's ranking in world metals production - 2014

Product	Global Ranking	Latin American Ranking	Product	Global Ranking	Latin American Ranking
Silver	3	2	Molybdenum	4	2
Tin	3	1	Lead	4	1
Zinc	3	1	Gold	6	1
Copper	3	2	Selenium	9	2
Mercury	5	2	Cadmium	8	2

Source: Mineral Commodity Summaries 2015

Peru is one of the countries with the greatest variety of minerals in the world. It currently has some of the world's largest precious metal and base metal mines. Many of the most important mining companies around the world, such as Xstrata, Newmont, Glencore, Gold Fields, Freeport McMoRan, Rio Tinto, Anglo American, Chinalco, Barrick and MMG have operations in the country.

Evolution of mining sector's macroeconomic indices (in US\$ million)



Sources: National Institute of Statistics and informatics (INEI)/ Lima Stock Exchange (BVL) / Central Reserve Bank of Peru (BCRP)

Mining investments by production type (in US\$ million)

Production	2007	2008	2009	2010	2011	2012	2013	2014
Smelting plant equipment	63.8	141.0	319.8	416.0	1,124.7	1,139.6	1,404.3	873.6
Mining equipment	125.6	176.7	499.7	518.1	776.1	525.5	778.8	558.3
Exploration	136.6	167.8	393.5	615.8	865.4	905.4	774.0	622.3
Exploitation	338.0	440.2	531.4	737.9	869.7	1,005.4	1,071.9	941.7
Infrastructure	336.8	321.5	376.4	827.6	1,406.9	1,797.1	1,709.6	1,361.7
Other	197.9	328.8	504.7	443.8	1,412.3	2,491.9	3,629.2	3,988.7
Preparation	50.2	132.0	196.1	510.3	788.2	638.7	351.1	297.0
Total	1,248.8	1,708.1	2,821.6	4,069.4	7,243.4	8,503.6	9,719.0	8,643.2

Bulletin of Mining Statistics January - December 2014

Source: Ministry of Energy and Mines (MINEM)

This is how Peru finds itself among the six countries with the highest mineral wealth in the world. In 2014, Peru maintained its position as the second largest producer of silver in Latin America and third worldwide. It was also the third largest producer of copper, zinc and tin. In turn, it was the fourth largest producer of molybdenum and lead, fifth world producer of mercury and sixth world producer of gold.

During 2014, revenues from mineral exports totaled US\$ 20.4 billion, representing approximately 51.9% of total exports.

The mining industry is one of the main sources of tax revenue in Peru. It is expected that, in the next ten years, the accumulated taxes from the mining industry will represent more than 30% of the annual tax collection of the Peruvian government. Furthermore, the Mining Sector is important for its contribution to job creation. During 2014, it is estimated that about 195,000 people worked directly in mining activities, and several million people in indirect activities.

Although Peru has large deposits of various mineral resources, it is estimated that only a small percentage of Peru's mineral reserves are being exploited, since 13.6% of the territory is subject to mining concessions and only 1.34% of the territory is developed for mining exploration and exploitation. According to recent statistics, Peruvian production ranges are minimal considering the country's mineral potential. However, using modern techniques and equipment, it is developing the commercial potential of various minerals from regions previously considered inaccessible.

Peru has many regions engaged in mining, a variety of world-class mineral deposits, and a very dynamic mining community. It also boasts of an excellent geographical location in the center of South America, with easy access to the Asian and North American markets. Even within Latin America Peru enjoys one of the largest potentials for mining exploration and production. Moreover, its clear and simple mining laws, and excellent geological potential, have contributed to Peru attracting one of the largest projects for mineral exploration and development in the world. Therefore, it is believed that Peru has the ability to double or triple production, especially in the area of basic metals.

The following table shows a list of estimated reserves of major minerals in the country. These mineral reserves include the "proven" and "probable" categories, excluding those classified as "possible".

Reserves in millions (2014)

Metals	Unit of measurement: millions
Copper (MFT)	68,000
Gold (Fine Ounces)	19,000
Zinc (MFT)	29,000
Silver (Fine Ounces)	87,000
Iron (MFT)	7,500
Molybdenum (MFT)	450
Tin (MFT)	91,000

Source: US Geological Survey

Register of mining claims and concessions

Mining Claims and Concessions	2007	2008	2009	2010	2011	2012	2013	2014
Quantity of petitions for mining claims	8,159	9,793	5,235	9,638	9,942	7,247	5,797	6,090
Quantity of certificates issued by INGEMMET	4,644	5,463	3,862	3,991	4,255	4,376	3,722	2,616
Hectares granted INGEMMET (in thousands)	2,335	3,141	2,208	2,496	3,012	2,739	1,861	1,314

Bulletin of Mining Statistics

Source: Ministry of Energy and Mines (MINEM)

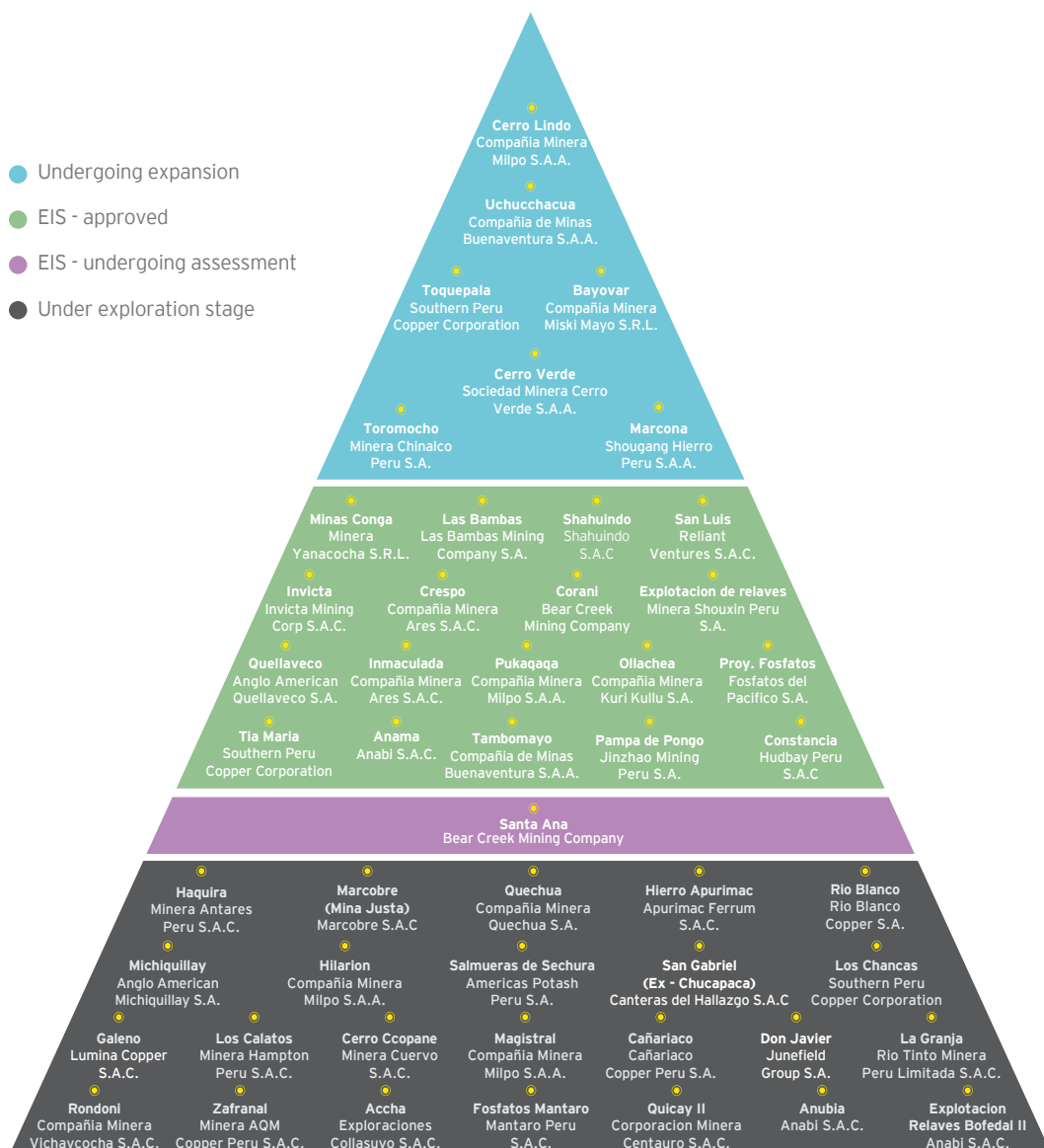
Currently, there is a growing number of exploration projects in Peru, which come mainly from junior Canadian companies. However, medium and large companies in the United States, Australia, China and Brazil are also becoming important investors in exploration. Although there is a great variety in the scale of exploration programs of large, medium and junior companies, it is believed that most large and medium-sized companies are concentrating on advanced projects that will lead to production; or in some cases, that will make them more attractive for acquisition, while the emphasis of junior companies remains at the early exploration stage. Simultaneously, total expenditure on mineral exploration has increased in recent years, since producers see it as a more economical and less risky means to replace and add mineral reserves. The level and the success of exploration, today, has a direct influence on the future competitiveness of mineral production in Peru.

During 2014, the Ministry of Energy and Mines (MINEM) approved mining exploration studies for a set of 24 mining projects estimated to represent US\$25.08 billion worth of investment commitments. Furthermore, one Semi-Detailed Environmental Impact Assessment (EIASD) was elaborated as well as 16 Environmental Impact Statements (DIA) focused on exploratory and drilling projects. This set of projects guarantees additional vigorous intensity to mining activities in Peru for the coming years.

The portfolio of projects in expansion is shown below with the approved Environmental Impact Study (EIS) and the Environmental Impact Assessment (EIA) in evaluation and exploration.

Portfolio of mining projects

According to the Ministry of Energy and Mines (MINEM) investment in mining during 2015-2020 is estimated to be equivalent to US\$63.92 billion. Sixty percent (60%) shall be invested in copper projects and the majority of the remaining percentage shall be used in gold and iron projects. The following graph and table show the projects in question, distinguishing between the “expansions” in existing operations, projects under construction for which “Investment has been confirmed”; projects “for which feasibility studies are being prepared” and projects in “exploration”.



*Projects are shown in random positions.
EIS: Environmental Impact Study

Peru has mining projects with Environmental Impact Studies (EIS) approved and expansions of mining units which are estimated to require an investment of US\$35.27 billion over the next five years and which will allow us to increase our exports by US\$15 billion per year. According to the estimates, the portfolio of mining investment projects from 2012 to 2018 is worth approximately US\$63.92 billion. Some of the best projects of the portfolio are:

Portfolio of estimated mining projects - Peru

Corporations	Project	Region	Province	District	Metal	Investment in US\$ million
Expansions						
Southern Peru Copper Corporation	Toquepala	Tacna	Jorge Basadre	Ilabaya	Cu	1,200
Compañía Minera Miski Mayo S.R.L.	Bayovar	Piura	Sechura	Sechura	Phosphates	520
Shougang Hierro Peru S.A.A.	Marcona	Ica	Nazca	Marcona	Fe	1,500
Sociedad Minera Cerro Verde S.A.A.	Cerro Verde	Arequipa	Arequipa	Yarabamba	Cu	4,600
Minera Chinalco Peru S.A.	Toromocho	Junin	Yauli	Morococha	Cu	1,320
Compañía Minera Milpo S.A.A.	Cerro Lindo	Ica	Chincha	Chavin	Polymetal	40
Compañía de Minas Buenaventura S.A.A.	Uchucchacua	Lima	Oyon	Oyon	Polymetal	100
Environmental Impact Study (EIS) approved / In the process of being built						
Anglo American Quellaveco S.A.	Quellaveco	Moquegua	Mariscal Nieto	Torata	Cu	3,300
Invicta Mining Corp S.A.C.	Invicta	Lima	Huaura	Leoncio Prado	Polymetal	93
Minera Yanacocha S.R.L.	Minas Conga	Cajamarca	Cajamarca	Baños del Inca	Cu, Au	4,800
Hudbay Peru S.A.C.	Constancia*	Cuzco	Chumbivilcas	Chamaca y Livitaca	Cu	1,800
Las Bambas Mining Company S.A.	Las Bambas	Apurimac	Cotabambas	Chalhuanhuacho	Cu	10,000
Compañía Minera Ares S.A.C.	Inmaculada	Ayacucho	Parinacochas	Pacapausa/Oyolo	Au, Ag	427
Reliant Ventures S.A.C.	San Luis	Ancash	Yungay	Shupluy	Au, Ag	In the process of being assessed
Compañía Minera Ares S.A.C.	Crespo	Cuzco	Chumbivilcas	Santo Tomas	Au, Ag	110
Minera Shouxin Peru S.A.	Explotacion de relaves	Ica	Nazca	Marcona	Cu, Fe, Zn	239
Shahuindo S.A.C.	Shahuindo	Cajamarca	Cajamarca	Cachachi	Au	132
Bear Creek Mining Company	Corani	Puno	Carabaya	Corani	Ag	600
Compañía Minera Kuri Kullu S.A.	Ollachea	Puno	Carabaya	Ollachea	Au	170
Fosfatos del Pacifico S.A.	Proyecto Fosfatos	Piura	Sechura	Sechura	Phosphates	500
Anabi S.A.C.	Anama	Apurimac	Antabamba	Huaquirca	Au	40
Southern Peru Copper Corporation	Tia Maria	Arequipa	Islay	Cocachacra	Cu	1,400
Compañía de Minas Buenaventura S.A.A.	Tambomayo	Arequipa	Caylloma	Tapay	Au, Ag	256
Jinzhao Mining Peru S.A.	Pampa de Pongo	Arequipa	Caraveli	Bella Union	Fe	1,500
Compañía Minera Milpo S.A.A.	Pukaqaqa	Huancavelica	Huancavelica	Huando	Cu, Mo	630

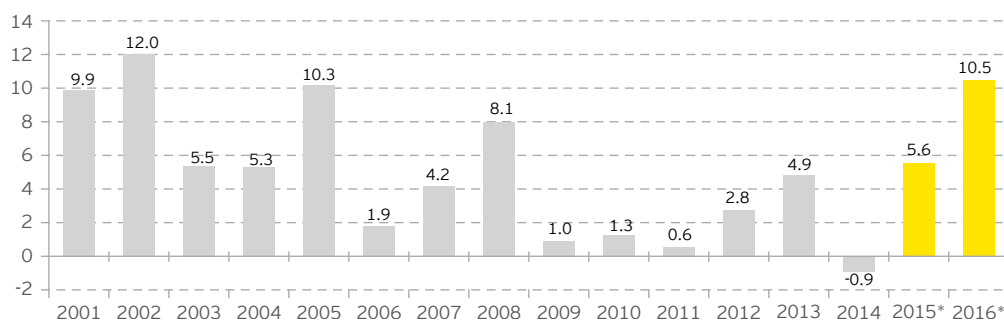
Corporations	Project	Region	Province	District	Metal	Investment in US\$ million
EIS presented / In the process of being assessed						
Bear Creek Mining Company	Santa Ana	Puno	Chucuito	Huacullani	Ag	71
Exploration						
Marcobre S.A.C	Marcobre (Mina Justa)	Ica	Nazca	San Juan de Marcona	Cu	744
Anglo American Michiquillay S.A.	Michiquillay	Cajamarca	Cajamarca	La Encañada	Cu	700
Apurimac Ferrum S.A.C	Hierro Apurimac	Apurimac	Andahuaylas	Andahuaylas	Fe	2,300
Cañariaco Copper Peru S.A.	Cañariaco	Lambayeque	Ferreñafe	Cañaris	Cu	1,599
Canteras del Hallazgo S.A.C.	San Gabriel (Ex - Chucapaca)	Moquegua	General Sanchez Cerro	Ichuña	Au	700
Compañía Minera Milpo S.A.A.	Hilarion	Ancash	Bolognesi	Huallanca	Zn	470
Compañía Minera Quechua S.A.	Quechua	Cuzco	Espinar	Espinar	Cu	490
Junefield Group S.A.	Don Javier	Arequipa	Arequipa	Yarabamba	Cu	600
Lumina Copper S.A.C.	Galeno	Cajamarca	Celendin	Celendin	Cu, Mo, Au, Ag	2,500
Minera Antares Peru S.A.C.	Haqira	Apurimac	Cotabambas	Chalhuahuacho	Cu, Mo	2,800
Minera Hampton Peru S.A.C.	Los Calatos	Moquegua	Mariscal Nieto	Moquegua	Cu, Mo	1,320
Minera Cuervo S.A.C.	Cerro Ccopane	Cuzco	Paruro	Omachá	Fe	In the process of being assessed
Compañía Minera Milpo S.A.A.	Magistral	Ancash	Pallasca	Conchucos	Cu	750
Rio Blanco Copper S.A.	Rio Blanco	Piura	Huancabamba	Carmen de la Frontera	Cu	1,500
Rio Tinto Minera Peru Limitada S.A.C.	La Granja	Cajamarca	Chota	Querocoto	Cu	1,000
Southern Peru Copper Corporation	Los Chancas	Apurimac	Aymaraes	Pocohuanca	Cu	1,560
Americas Potash Peru S.A.	Salmueras de Sechura	Piura	Sechura	Sechura	Potassium	125
Compañía Minera Vichaycocha S.A.C.	Rondoni	Huanuco	Ambo	Cayma	Cu	350
Minera AQM Copper Peru S.A.C.	Zafranal	Arequipa	Castilla	Huancarqui	Cu, Au	1,122
Exploraciones Collasuyo S.A.C.	Accha	Cuzco	Paruro	Accha	Zn, Pb	346
Mantaro Peru S.A.C.	Fosfatos Mantaro	Junin	Concepcion	Aco	Phosphate	850
Corporacion Minera Centauro S.A.C.	Quicay II	Pasco	Pasco	Simon Bolivar	Au, Cu	In the process of being assessed
Anabi S.A.C.	Anubia	Apurimac	Abancay	Curahuasi	Cu	90
Anabi S.A.C.	Explotacion de relaves Bofedal II	Puno	Melgar	Antauta	Sn	165
Total US\$ million						63,928

*Stays in portfolio until the commercial production starts

Statistic Bulletin- February 2015

Source: Ministry of Energy and Mines (MINEM)

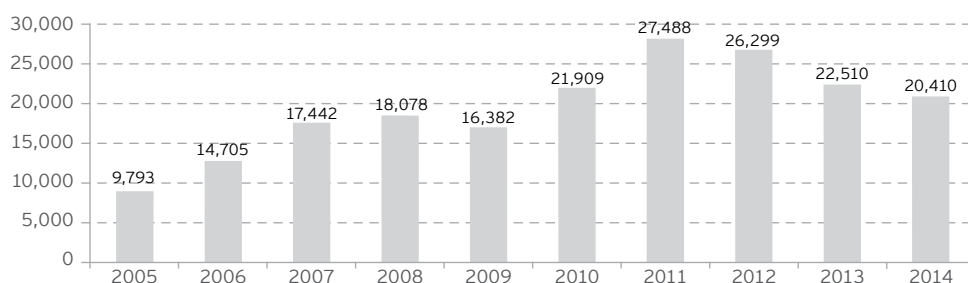
Evolution of mining and hydrocarbons production - in percentages



*Estimate

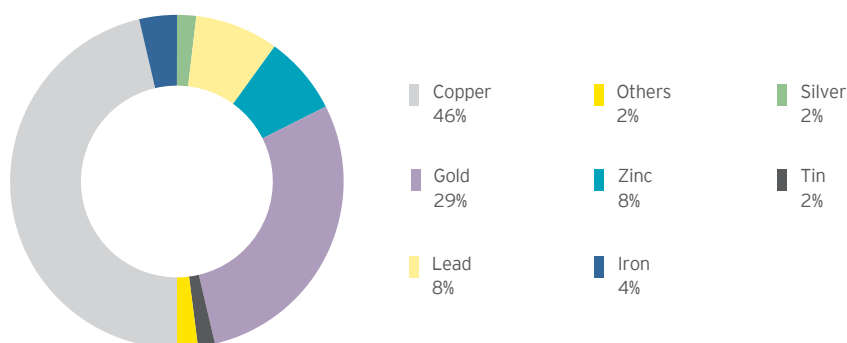
Source: Central Reserve Bank of Peru (BCRP)

Mining exports (in US\$ million)



Source: Central Reserve Bank of Peru (BCRP)

Mining exports by mining product type



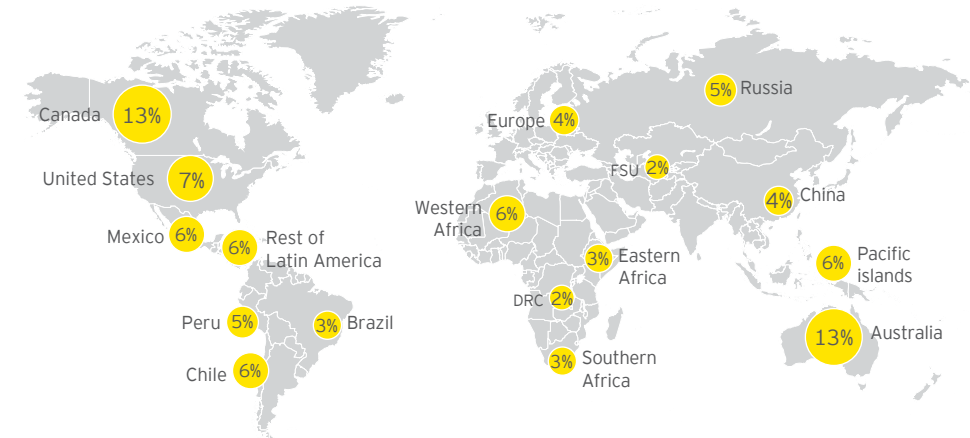
As of October 2014

Source: National Superintendency of Tax Administration (SUNAT)

The role of government with respect to mining is that of a regulator, promoter and observer. Currently, government has privatized much of its property and assets in the Mining Sector; thus, large mining operations are in the hands of private domestic and foreign mining companies. Mining companies are not obliged to satisfy the domestic market before exporting their products, and they are not conditioned to sell on official terms or prices. In addition, Peru offers significant business advantages to the mining investors and abundant freedom to import the machinery and equipment needed to carry out their activities at a lower cost and with less bureaucratic requirements.

The measures introduced by Peru regarding the development of the Mining Sector are yielding favorable results. The major international mining companies perceive the country as an attractive area for investment. Thus, in 2011, Peru attracted a record level of investment in the Mining Sector and became the fifth favorite destination for global investment in mining exploration.

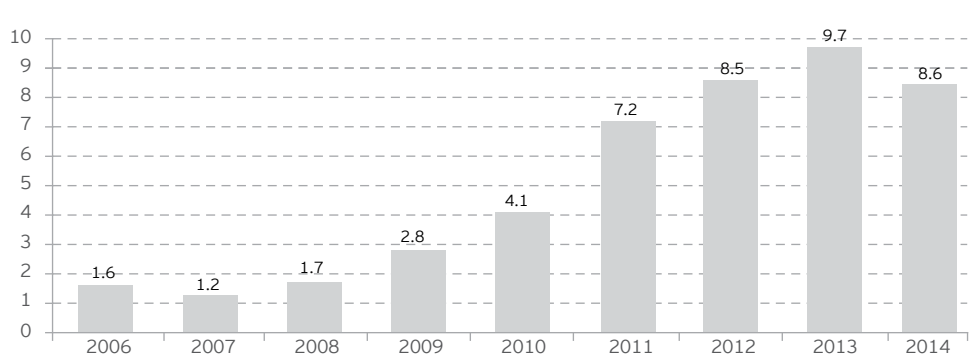
Main destinations for mining investments in the world (2013)



Source: Metals Economic Group

Investment in mining activities increased by 14.3% during 2013, and it is expected that it will have reached a figure of US\$ 8.6 billion in 2014. In addition, mining investment in Peru registered a significant rise over the past few years, the investment in 2013 being six times the investment achieved in 2007, with a significant growth in the areas of ore and treatment plant equipment, mining equipment, exploration, exploitation, infrastructure and operations expansion preparation. The growth of exports and global positioning are explained by a larger volume of production of the principal minerals, which increase has remained steady from 2000 to date.

Mining sector investment (in US\$ billions)



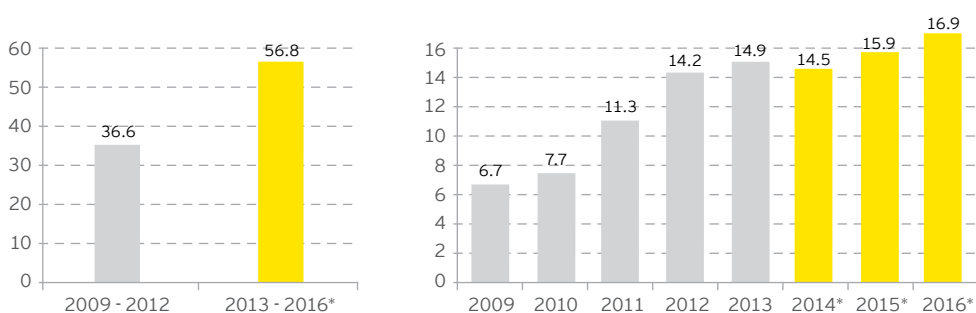
Source: Ministry of Energy and Mines (MINEM)

Origin of estimated mining projects portfolio, by country (in US\$ million)

Country	US\$ million	%
China	18,890	29.2%
United States	10,071	15.6%
Canada	8,867	13.7%
Peru	6,616	10.2%
United Kingdom	5,000	7.7%
Mexico	4,060	6.3%
Australia	3,790	5.9%
Brazil	2,410	3.7%
Japan	490	0.8%
Others	3,734	6.8%
Total US\$ million	63,928	100%

Sources: Ministry of Energy and Mines (MINEM) / EY

Investment in mining, hydrocarbons, electricity and infrastructure (in US\$ billions)



*Estimate

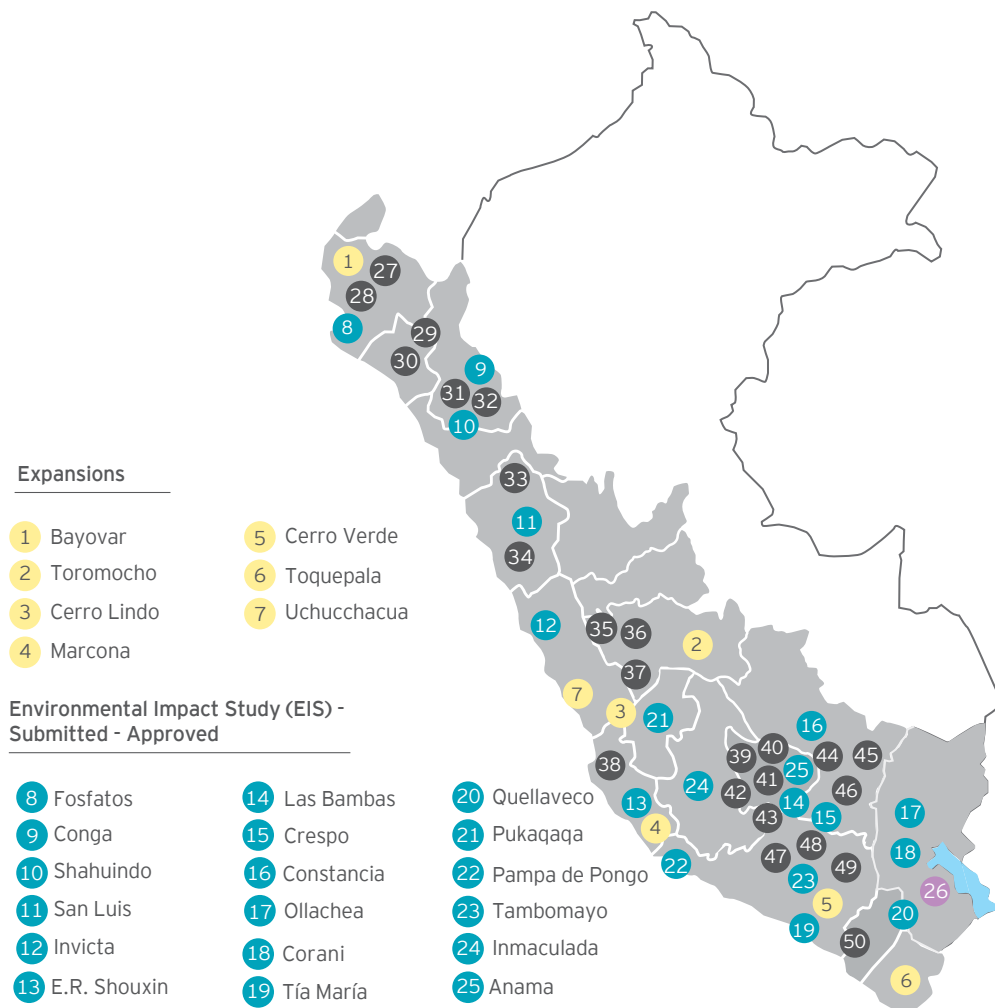
Sources: Ministry of Energy and Mines (MINEM) / Supervisory Agency of Investments in Transport Infrastructure (OSITRAN) / Apoyo

Estimated portfolio of mining projects - Participation by predominant mineral

Metal	US\$ million	%
Copper	38,356	60.0%
Gold	10,031	15.7%
Iron	5,500	8.6%
Polymetal	3,404	5.3%
Phosphates	1,870	2.9%
Zinc	816	1.3%
Silver	671	1.0%
Tin	165	0.3%
Potassium	125	0.2%
Combined Metals	2,990	4.7%
Total US\$ million	63,928	100%

Sources: Ministry of Energy and Mines (MINEM) / EY

Geographical location of the main mining projects

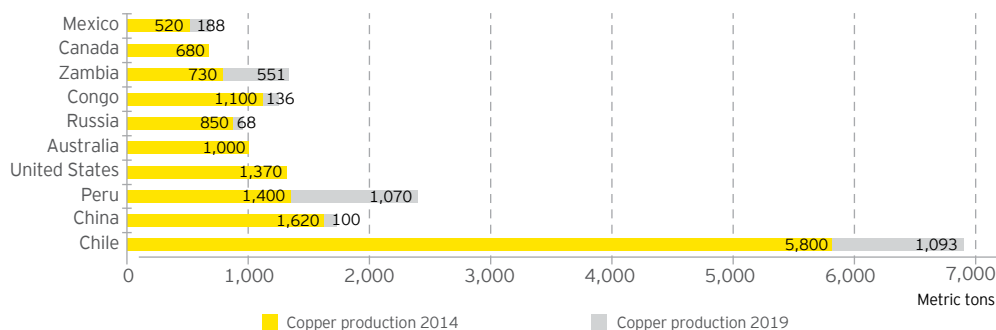


EIS: Environmental Impact Study

The Project "Toromocho" will continue in portfolio until the beginning of operations and production

Source: Communications of Mining Companies / Prepared by Ministry of Energy and Mines (MINEM)

Main copper producers (2014 vs. 2019)



Source: Mineral Information - Cooper (2014), US Geological Survey

Prepared by EY

Peru: Country for Extractive Industries Transparency Initiative (EITI)

The Extractive Industries Transparency Initiative (EITI) is a recognized alliance comprising government agencies, extractive companies, international organizations and civil society sectors to promote the use of standards of transparency in payments performed by the mining, petroleum and gas companies to each state, and how they channel such income to guarantee the sustainable development of their people.

Peru was the first country in the Americas to join this initiative, due to the great importance and impact of extractive industries on their national income. In February 2012, Peru received the rank of being a country in compliance with the EITI initiative, after satisfying the corresponding audit.

For further information, please visit: www.eitiperu.minem.gob.pe

The Ministry of Foreign Affairs and EY feature a specialized Investment Guide to Mining. To request it, please write to: eyperu@pe.ey.com or download it from http://is.gd/rree_comience_a_invertir

2 Financial System, Securities Market and Pension System

a) Financial system

As of December 31, 2014, the Peruvian Financial System consisted of a total of 66 companies, divided into six groups: Banks (17), Financial Institutions (12) Non-Banking Micro-Finance Institutions (33) Leasing Companies (2), Banco de la Nación (1) and Banco Agropecuario (1). In this structure, Banks had the highest share in terms of assets, with 81.4% of the total, followed by Non-Banking Micro-Finance Institutions, with 5.9%, and Financial Institutions, with 4.3%. The Financial Sector is characterized by the presence of 12 foreign banks, notable for their importance and support of their head offices. New foreign banks have announced their new presence in the Peruvian market.

In the past five years, the increased dynamism of the Peruvian economy has caused the Financial Sector to increase by 148% (December 2013/December 2007) in outstanding loans. It is worth pointing out that the default rate of the Peruvian Financial Sector has remained at low levels in the past six years, at an average rate of 2.0% (2.8% as of December 2014). Furthermore, the Level of Access to Banking Services (Bancarization) (measured as gross loans on Gross Domestic Product - GDP) increased from 22% in 2007 to 32% in December 2014. This is largely explained by the greater number of branches across the country, which has tripled in the last five years. However, the level of banking penetration is still below the average for the Region, representing an opportunity at the local level, especially in the Retail Sector as consumer, micro and small enterprises loans.

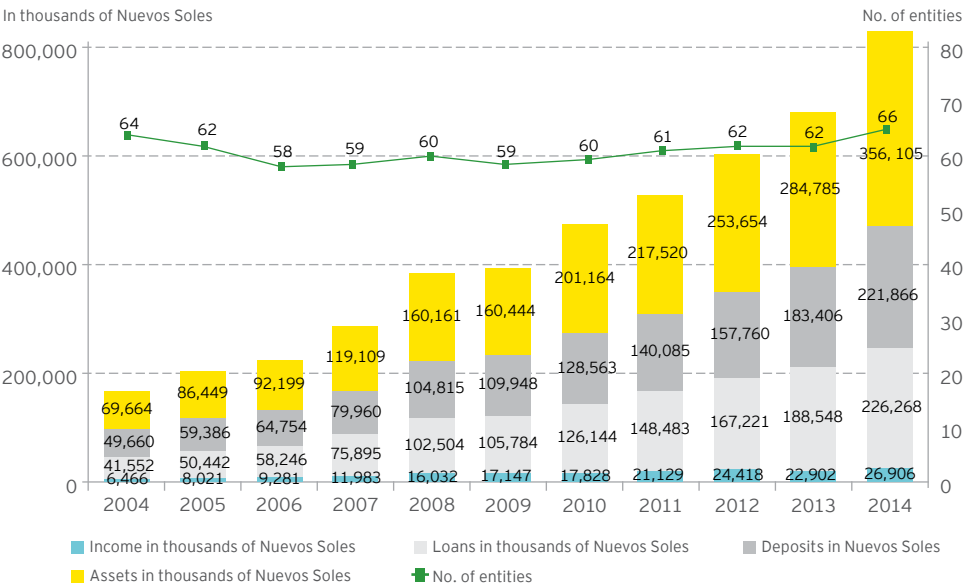
There is a Deposit Insurance Fund (FSD) which aims to protect depositors in the case that a financial institution member of FSD, where they keep deposits, should become bankrupt. The Deposit Insurance Fund (FSD) for the period December 2014 to February 2015, amounted to S/.95,625 (equivalent to US\$33,080). It covers all registered and insured deposits that depositors hold in the financial institution.

Financial system structure

Structure of the Peruvian financial system	
Banking institutions	17
Financial institutions	12
Non-banking micro-finance institutions	33
▸ Municipal thrifts (CM)	12
▸ Rural savings and loans institutions (CRAC)	10
▸ Development institution for small and microenterprises (EDPYME)	11
Leasing companies	2
Banco de la Nacion	1
Banco Agropecuario	1
Total	66

Source: Superintendency of Banking and Insurance (SBS)

Evolution of the financial system



Source: Superintendency of Banking and Insurance (SBS)

Evolution of total loans portfolio (in US\$ millions)	
2014	75,776.45
2013	70,506.42
2012	66,868.04
2011	56,236.09
2010	45,953.20
2009	37,371.26
2008	33,291.52

Sources: Superintendency of Banking and Insurance (SBS) / Peruvian Banking Association (ASBANC)

Level of access to banking services	
2014	32.0%
2013	28.6%
2012	26.9%
2011	26.4%
2010	27.2%
2009	25.5%
2008	25.6%

Sources: Superintendency of Banking and Insurance (SBS) / Peruvian Banking Association (ASBANC)

Level of morosity	
2014	2.5%
2013	2.6%
2012	2.2%
2011	1.8%
2010	1.9%
2009	1.9%
2008	1.5%

Sources: Superintendency of Banking and Insurance (SBS) / Peruvian Banking Association (ASBANC)

Evolution of deposits (in US\$ millions)	
2014	74,451.58
2013	74,270.95
2012	69,373.11
2011	58,556.04
2010	51,629.88
2009	43,394.06
2008	37,913.85

Sources: Superintendency of Banking and Insurance (SBS) / Peruvian Banking Association (ASBANC)

Corporate loans (in US\$ millions)				
	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
Multi-purpose banks	9,826.55	10,233.12	12,174.91	12,614.39
Financial institutions	7.84	8.30	2.15	3.93
Non-banking micro-finance institutions	16.18	17.39	28.58	46.06
► Municipal thrifts	14.41	11.72	24.59	36.57
► Rural savings and loans institutions	1.77	5.67	3.99	9.49
► Development Institution for small and microenterprises (EDPYME)	0.00	0.00	0.00	0.00
Leasing companies	4.32	6.62	10.40	11.59
Banco de la Nacion	0.00	0.00	0.00	0.00
Banco Agropecuario	0.00	0.00	0.00	6.42
Total financial system	9,854.89	10,265.43	12,216.04	12,682.39

Source: Superintendency of Banking and Insurance (SBS)

Corporate loans (in US\$ millions)				
	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
Multi-purpose banks	8,319.07	9,876.96	10,708.08	12,446.39
Financial institutions	51.62	43.86	1.68	7.42
Non-banking micro-finance institutions	12.11	13.25	33.77	12.62
► Municipal thrifts	6.83	8.64	6.19	5.85
► Rural savings and loans institutions	5.28	4.61	27.57	6.77
► Development institution for small and microenterprises (EDPYME)	0.00	0.00	0.00	0.00
Leasing companies	33.88	49.84	61.92	73.91
Banco de la Nacion	0.00	0.00	0.00	0.00
Banco Agropecuario	3.26	5.04	9.38	1.77
Total financial system	8,419.94	9,988.95	10,814.82	12,542.11

Source: Superintendency of Banking and Insurance (SBS)

Medium business loans (in US\$ millions)				
	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
Multi-purpose banks	8,866.77	10,731.91	11,539.89	12,790.08
Financial institutions	162.22	156.46	87.1	108.76
Non-banking micro-finance institutions	367.35	462.10	527.93	588.48
▸ Municipal thrifts	305.87	385.19	458.12	532.29
▸ Rural savings and loans institutions	53.09	69.68	67.88	49.28
▸ Development institution for small and microenterprises (EDPYME)	8.40	7.23	1.92	6.92
Leasing companies	56.89	91.78	83.69	67.41
Banco de la Nacion	0.00	0.00	0.00	0.00
Banco Agropecuario	5.17	12.14	81.89	189.20
Total financial system	9,458.41	11,454.39	12,320.50	13,743.93

Source: Superintendency of Banking and Insurance (SBS)

Small business loans (in US\$ millions)				
	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
Multi-purpose banks	4,102.20	5,097.74	4,757.66	4,209.23
Financial institutions	586.17	955.49	1,089.60	1,250.39
Non-banking micro-finance institutions	1,871.95	2,203.45	2,107.80	2,108.44
▸ Municipal thrifts	1,457.36	1,771.55	1,796.88	1,799.01
▸ Rural savings and loans institutions	283.47	301.35	212.60	191.45
▸ Development institution for small and microenterprises (EDPYME)	131.12	130.56	98.33	117.98
Leasing companies	11.20	11.16	9.78	10.63
Banco de la Nacion	0.00	0.00	0.00	0.00
Banco Agropecuario	29.87	51.96	105.86	129.73
Total financial system	6,601.39	8,319.80	8,070.71	7,708.42

Source: Superintendency of Banking and Insurance (SBS)

Microenterprise loans (in US\$ millions)				
	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
Multi-purpose banks	944.94	1,003.73	670.26	499.11
Financial institutions	793.19	978.50	1,093.73	1,120.28
Non-banking micro-finance institutions	1,452.43	1,566.34	1,318.11	1,271.85
▸ Municipal thrifts	984.33	1,115.15	1,043.07	997.11
▸ Rural savings and loans institutions	280.33	297.25	146.79	149.62
▸ Development institution for small and microenterprises (EDPYME)	187.77	153.94	128.26	125.13
Leasing companies	9.54	2.88	1.26	0.95
Banco de la Nacion	0.00	0.00	0.00	0.00
Banco Agropecuario	53.18	74.57	97.78	112.03
Total financial system	3,253.28	3,626.02	3,181.14	3,004.23

Source: Superintendency of Banking and Insurance (SBS)

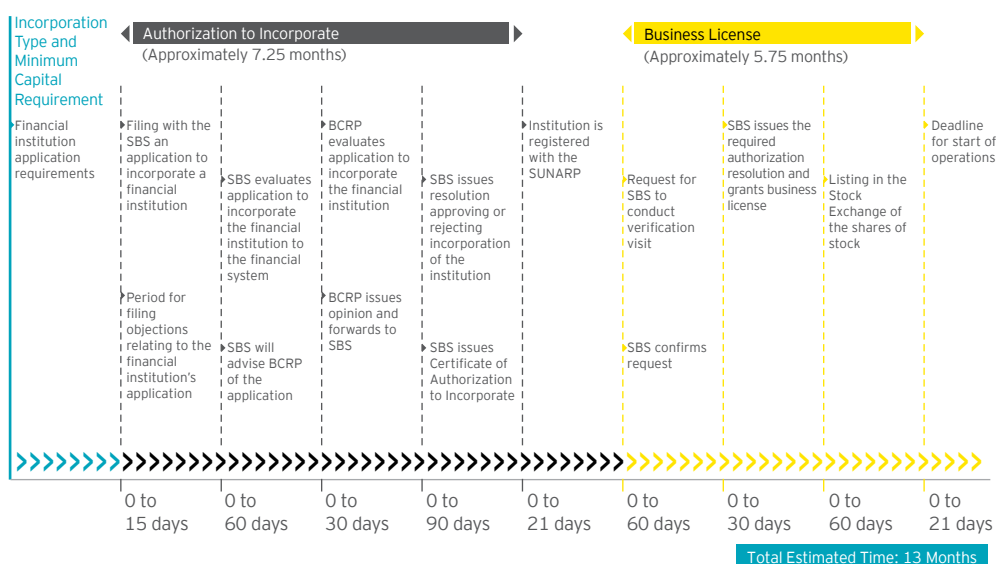
Consumer loans (in US\$ millions)				
	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
Multi-purpose banks	8,418.19	10,335.21	10,584.43	11,111.58
Financial institutions	871.10	1,066.79	1,177.49	1,269.92
Non-banking micro-finance institutions	889.04	1,071.14	1,031.17	1,027.01
► Municipal thrifts	735.63	894.22	871.19	835.03
► Rural savings and loans institutions	98.60	89.88	67.22	56.75
► Development institution for small and microenterprises (EDPYME)	54.82	87.04	92.76	135.23
Leasing companies	0.00	0.00	0.00	0.00
Banco de la Nacion	1,051.28	1,119.17	1,140.81	1,185.37
Banco Agropecuario	0.00	0.00	0.02	0.00
Total financial system	11,229.61	13,592.31	13,933.92	14,593.88

Source: Superintendency of Banking and Insurance (SBS)

Mortgage loans (in US\$ millions)				
	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
Multi-purpose banks	7,140.18	9,256.75	10,228.62	11,007.20
Financial institutions	29.78	29.30	29.74	27.29
Non-banking micro-finance institutions	230.74	306.62	355.15	420.76
► Municipal thrifts	180.97	232.52	248.46	294.50
► Rural savings and loans institutions	21.11	40.23	64.55	70.23
► Development institution for small and microenterprises (EDPYME)	28.66	33.87	42.13	56.04
Leasing companies	0.00	0.00	0.00	0.00
Banco de la Nacion	17.77	28.43	37.20	46.24
Banco Agropecuario	0.00	0.00	0.00	0.00
Total financial system	7,418.47	9,621.10	10,650.70	11,501.49

Source: Superintendency of Banking and Insurance (SBS)

Average time estimated for the incorporation of a financial institution



Sources: Central Reserve Bank of Peru (BCRP) / Superintendency of Banking and Insurance (SBS) / National Superintendency of Public Records Offices (SUNARP) / Lima Stock Exchange (BVL) / Stock Exchange Superintendency (SMV) / EY

Microfinance sector

During 2014, the Multilateral Investment Fund (IDB) and MIX determined the annual ranking of the Top 100 Microfinance Institutions in Latin America and the Caribbean, and the performance of the institutions was evaluated in three areas: scope, efficiency, and transparency. The first category measures the success attained in the expansion of financial services; the second category measures the extent to which microfinance reduces costs for its customers; the third category measures the public dissemination of performance results in a comparable and standard manner. As a result, Peru was ranked the top country in microfinances in the world for the seventh year.

Usually, countries with a favorable microfinance environment also have optimal conditions for financial inclusion.

Favorable environment for microfinance in Latin America (2014)

Rank	Country	Points out of 100
1	Peru	87
2	Colombia	85
3	Chile	66
4	Mexico	61
5	Bolivia	58
6	Brazil	53
7	Paraguay	53
8	Uruguay	53
9	Nicaragua	51
10	Dominican Republic	48
11	Ecuador	48
12	El Salvador	48
13	Panama	44
14	Jamaica	43
15	Guatemala	39
16	Costa Rica	37
17	Argentina	36
18	Honduras	35
19	Trinidad and Tobago	33
20	Venezuela	28
21	Haiti	16

Source: The Economist-Intelligence Unit

b) Securities Market

The Peruvian Securities Market consists of the primary market, in which public and private institutions issue debt and equity instruments, and the secondary market, where financial intermediaries place such instruments in the securities market through trading mechanisms and platforms, such as the Lima Stock Exchange. The Lima Stock Exchange General Index (IGBVL) consists of the 32 most traded stocks in the market. Between January and December 2014, the average daily trading volume of the Lima Stock Exchange (BVL) was US\$ 22.97 million.

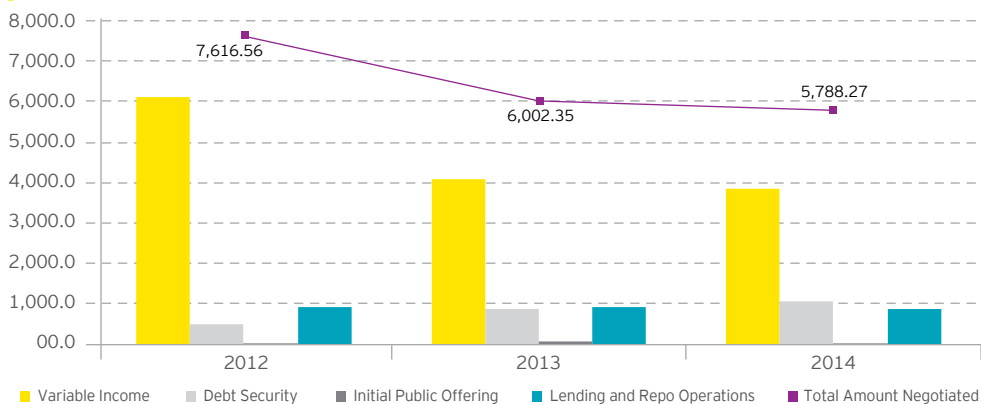
Average daily trading volume in BVL (in US\$ million)

2014	US\$22.97
2013	US\$23.82
2012	US\$30.34
2011	US\$31.02
2010	US\$26.89
2009	US\$22.93
2008	US\$31.81
2007	US\$49.61

Source: Lima Stock Exchange (BVL) December 2014

The Lima Stock Exchange (BVL) is a member of the Latin American Integrated Market (MILA), an entity responsible for integrating the multi-national stock exchange through the use of technological tools and standardization of regulations on the capital market trading. Regarding authorized stock market brokers, there are 25 brokerage firms (SAB) in the country, responsible for marketing, custody, management, and advice with respect to securities trading (also see Section II.3).

Main stock indexes 2012-2014 (in US\$ million)



Source: Lima Stock Exchange (BVL)

The Exchange Traded Fund (ETF) is an iShares stock that measures the stock exchange performance of a set of underlying securities of this fund. The ETF that measures the performance of securities of the economic performance of Peru (known as EPU) has shown the following evolution as from January 2011:



Source: Bloomberg

c) Private Pension System

The Private Pension System consists of four financial institutions responsible for the management of pension funds in the form of Individual Capitalization Accounts (CIC). The role of the Private Pension Fund Management Companies (AFPs) is to receive input from their participants, investing in a manner permitted by law, to provide benefits relating to retirement, disability, survivorship, and funeral expenses.

In mid-2012, the Superintendency of Banking and Insurance (SBS) and Private Pension Fund Management Companies (AFPs) passed Law 29903 - Reform of the Private Pension System (SPP) whereby it seeks to increase the coverage of pension security, encourage competition between Private Pension Fund Managers (AFPs) and increase net returns of pension funds commissions to improve participants' pensions.

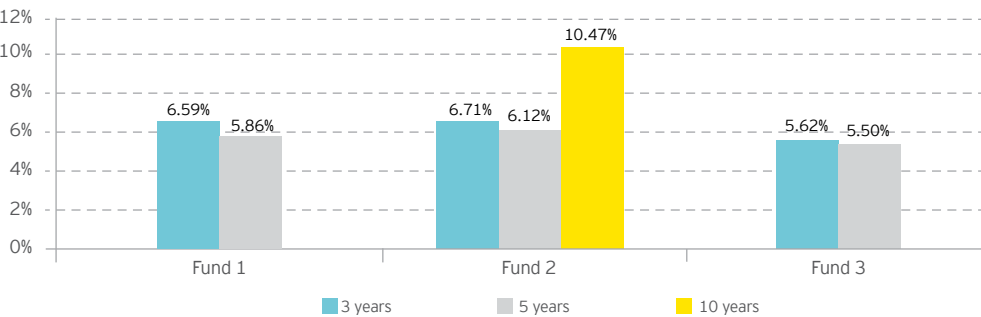
Pension system statistics

Registration	
No. of Active AFP Participants	5,714,936
Pension Fund and Contributions	
Total Pension Fund	US\$39,484 millions

Source: Superintendency of Banking and Insurance (SBS) December 2014

Peru has three types of funds to invest in: Fund 1 represents investments of low volatility and thereby lower risk, basically fixed income investment. Fund 2 consists of investments of average volatility with a moderate risk, a mix between fixed and variable income. Fund 3 consists of highly volatile investments that imply greater risks.

Annual nominal profitability as of December 2014

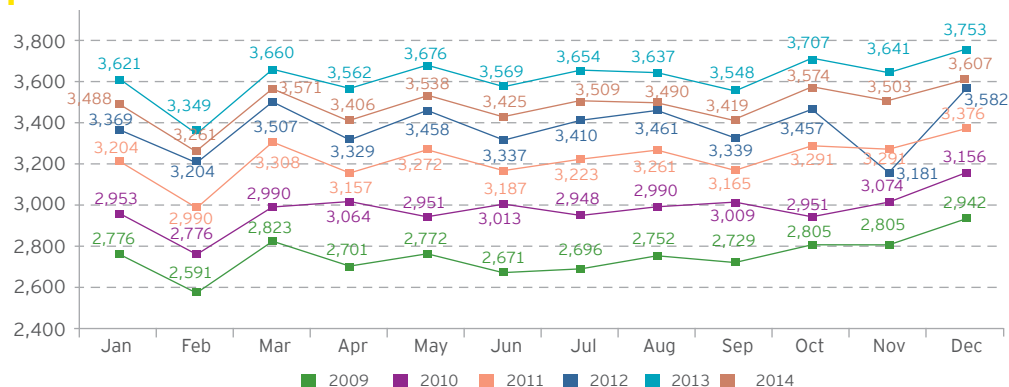


Source: Superintendency of Banking and Insurance (SBS)

3 Electricity

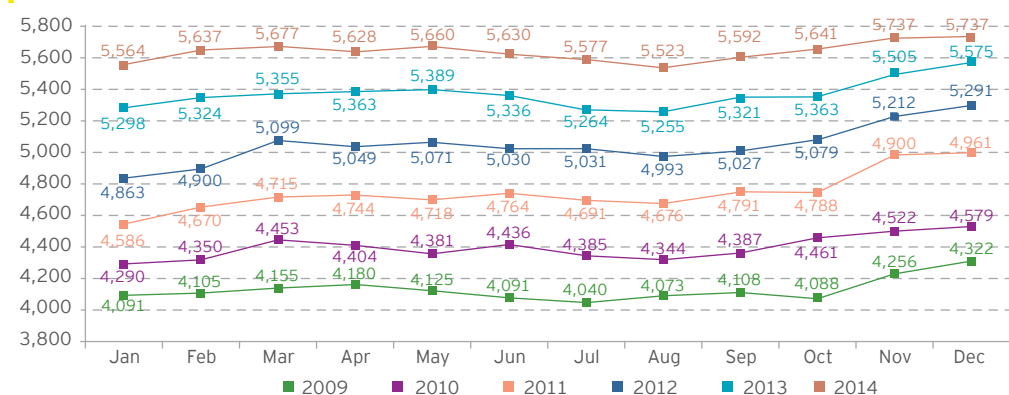
It is estimated that the Electricity and Water Sectors have grown 5% in 2014, and they are estimated to increase 5.3% in 2015 and 6.1% in 2016.

Evolution of electricity production (in thousands of GW/h)



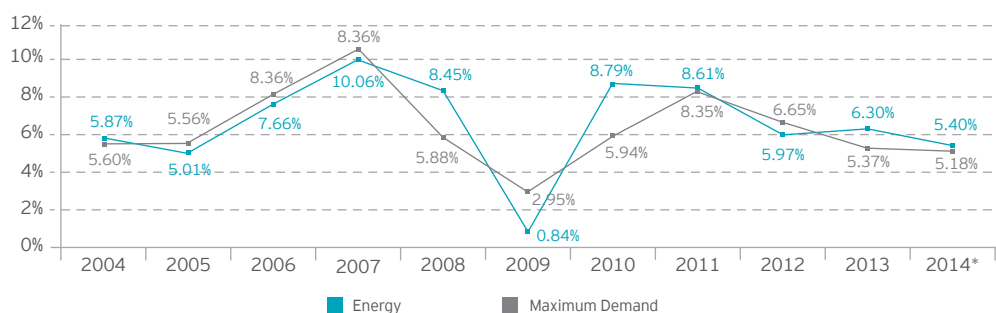
Sources National Institute of Statistics and Informatics (INEI) / Maximixe

Maximum domestic electricity demand (in MWh)



Source: Economic Operation Committee for the National Interconnected System (COES - SINAC)

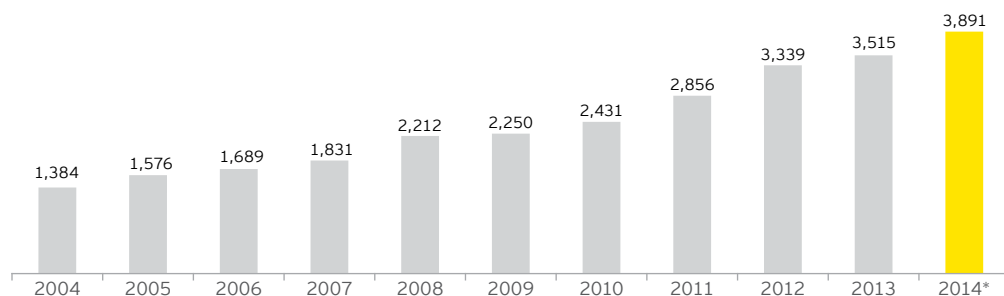
Annual growth of electricity demand



*As of October

Source: Economic Operation Committee for the National Interconnected System (COES - SINAC) - Operational Statistics

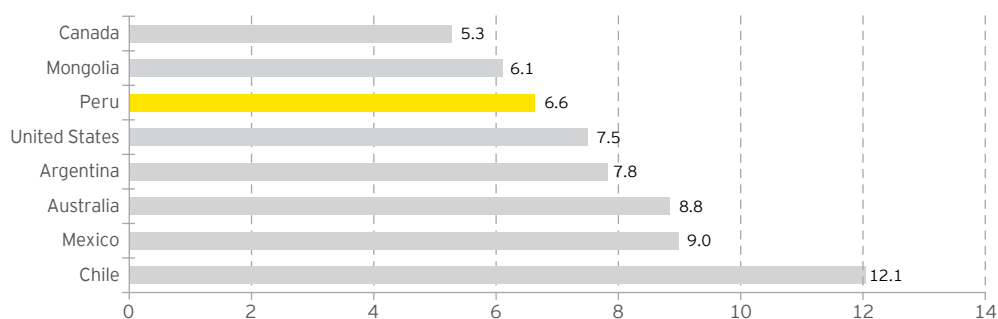
Sales of electricity to final users (in US\$ millions)



*Estimate

Source: Supervisory Board for Investment in Energy and Mining (OSINERGMIN)

Cost of electricity by 2020 (in US\$ Cents/KWh)



Source: Ministry of Economy and Finance (MEF)

Electricity and water sector indicators

Item	2007	2008	2009	2010	2011	2012
Electricity Gross Value Added (GVA) and Water						
► Current (million of S/.)	5,505	6,460	6,964	7,241	7,986	8,703
► Constant (million of 1994 S/.)	5505	5950	6013	6501	6994	7401
Annual % Change	9.2	8.1	1.1	8.1	7.6	5.8
Electricity Production (GWh)						
Total	29,943.0	32,463.1	32,944.7	35,908.0	38,796.5	41,036.3
► Hydraulic	19,548.8	19,059.6	19,903.8	20,052.1	21,557.3	22,038.7
► Thermal	10,393.0	13,402.3	13,039.7	15,854.7	17,238.0	18,940.8
► Solar Power	-	-	-	-	-	55.6
► Wind Power	1.2	1.2	1.2	1.2	1.2	1.2
National Electrification Ratio (%)	81.8	84.3	86.3	87.9	89.5	91.2
No. of Power Supply Customers (Thousands)						
	4,367	4,628	4,888	5,166	5,497	5,828
Production of Drinking Water (Thousands of m³)						
► National Level	1,263,753	1,285,370	1,304,255	1,321,358	1,320,838	1,323,695
► Metropolitan Lima	650,762	658,749	671,604	680,819	683,246	682,449
Drinking Water Coverage (%)						
► National Level	83.0	85.8	82.8	85.2	87.2	88.1
► Metropolitan Lima	84.6	87.0	80.6	84.3	89.4	91.0

Source: National Institute of Statistics and informatics (INEI)

Investment means and return alternatives in the electricity market

Description	Electrical Companies					
	Generation		Transmission		Distribution	
	Renewable energy projects	Non-renewable energy projects	Projects for the secured transmission system	Projects for the additional transmission system	Non-rural electrification projects	Rural electrification projects
Investment Means						
▸ Own Initiative	0	0		0	0	0
▸ International Public Bidding According to Plan *	0		0	0		
▸ Direct Subsidy Approved by Government						0
Alternatives for the Sale of Electricity						
▸ Spot Market	0	0			0	0
▸ Free Market	0	0			0	0
▸ Regulated Market	0	0			0	0
▸ Auctions Market	0	0			0	0
Other Alternatives for Return on Investment						
▸ Regulated Road Tolls			0	0		
▸ Premiums and Benefits of Subsidies	0		0			0

Source: Ministry of Energy and Mines (MINEM)

National Plan for Rural Electrification 2015 - 2024

Period	Total Investment US\$	Beneficiary Population	Period	Total Investment US\$	Beneficiary Population
2015	308,449,838	620,858	2020	66,144,337	252,594
2016	314,862,136	806,318	2021	76,286,084	273,286
2017	285,315,534	658,273	2022	53,202,265	159,900
2018	149,254,369	469,117	2023	54,674,434	164,232
2019	93,744,013	274,160	2024	56,199,353	168,720
Total 2015 - 2024			1,458,132,362		3,847,458

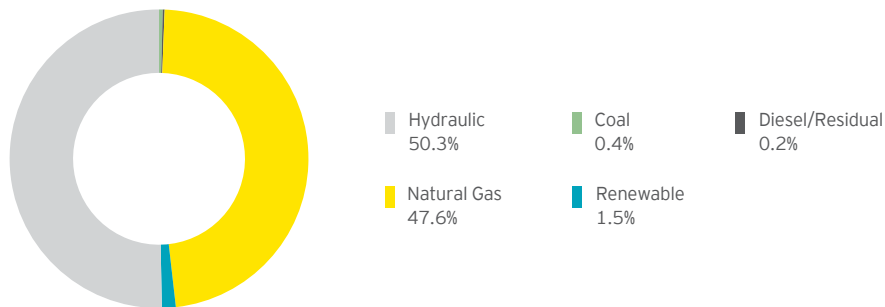
Source: Ministry of Energy and Mines (MINEM)

Main projects in the electrical sector 2014

Call for Bids and/or Project	Investment estimate in US\$ millions
Hydroelectric Power Stations	
Molloco	1,397
Chaglla	1,247
Cerro del Aguila	910
Cheves	506
Belo Horizonte	389
Thermoelectric Power Stations	
Ilo Thermoelectric Power Station	500
Planta Eten	145
Nueva Esperanza	128
Biomass Thermoelectric Power Stations and Solar Power Stations	
Moquegua FV	43
Transmission Lines	
220 Kv Transmission Line Mollobamba Substation - Iquitos Substation	499
550 Kv Transmission Line Mantaro-Marcona-Socabaya-Montalvo	278
220 Kv Transmission Line Carhuaquero-Cajamarca Norte-Caclic-Moyobamba	107
Total Investment Estimate	6,149

Sources: Supervisory Board for Investment in Energy and Mining (OSINERGMIN) / Ministry of Energy and Mines (MINEM) / Economic Operation Committee for the National Interconnected System (COES-SINAC) / Maximixe

Electricity generation by energy source (accumulated as of December 2014)



Source: Ministry of Economy and Finance (MEF)

4 Energy

According to the Ministry of Energy and Mines (MINEM) by 2018, mining investments will total US\$63.92 billion, while hydrocarbon investments (including gas) will add up to US\$ 28 billion. Meanwhile, it is estimated that investments in the Energy Sector will amount to US\$4.63 billion by 2015. Until 2018, one of the most important energy investments is intended for the Gasoducto del Sur project, which would amount to US\$10 billion.

Capacity for power generation with renewable energy to be exploited

As shown below, Peru is one of the countries in Latin America with one of the highest ratios of energy reserves measured as total power / capacity. This ensures relatively cheaper costs of power generation and sustainable reserves within the region.

Energy Type	Total Power (MW)	Country's Installed Capacity (MW)	Total Power / Capacity (Times)
Hydraulic	69,000	2,954	23
Wind	22,000	142	155
Solar	Indefinite	80	-
Biomass	Indefinite	27.4	-
Geothermal	3,000	0	to be exploited

Source: Ministry of Energy and Mines (MINEM) / Prepared by EY

Generation dispatch

The table below shows the estimated annual Generation Works Program which plans to cover the system demand, separating the power station generation by source: hydraulic, natural gas, wind energy, solar, biomass, coal, residual and diesel.

Source Type	2015		2016	
	GWh	%	GWh	%
Hydraulic	26,717	50.2%	31,210	52.3%
Natural Gas	23,632	44.4%	25,709	43.1%
Coal	628	1.2%	829	1.4%
Biomass	42	0.1%	42	0.1%
Wind	986	1.9%	988	1.7%
Solar	256	0.5%	257	0.4%
Residual	270	0.5%	231	0.4%
Diesel	692	1.3%	447	0.7%
Total	53,223	100%	59,713	100%

Source: Report Economic Operation Committee for the National Interconnected System (COES-SINAC) (COES) / DP- 01-2013 "Diagnostic Report of Operating Conditions of the SEIN 2015-2016" - COES

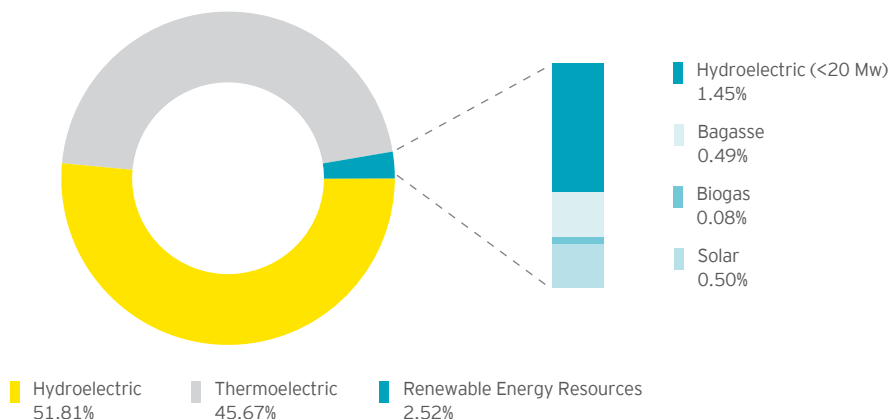
Generation works program

The 2015-2017 Generation Works Program is shown below. It consists of the generation projects most likely to begin operating:

Date	Generation Projects	Type	MW
Jan-15	Manta Hydroelectric Power Station	Hydraulic	20
Jan-15	Runatullo III Hydroelectric Power Station	Hydraulic	20
Jan-15	Runatullo II Hydroelectric Power Station	Hydraulic	19
Jan-15	Moquegua FV Solar Power Plant	Solar Power	16
Jan-15	Canchayllo Hydroelectric Power Station	Hydraulic	5
Jan-15	Huatziroki I Hydroelectric Power Station	Hydraulic	11
Jan-15	Rucuy Hydroelectric Power Station	Hydraulic	20
Mar-15	Cold Standby Reserve - Puerto Maldonado Plant	Thermal	18
Mar-15	Cold Standby Reserve - Pucallpa Plant	Thermal	40
May-15	Quitaraca Hydroelectric Power Station	Hydraulic	112
Jun-15	Cold Standby Reserve - Eten Plant	Thermal	219
Jul-15	Cola 1 Hydroelectric Power Station	Hydraulic	10
Jul-15	Tulumayo IV Hydroelectric Power Station	Hydraulic	40
Jul-15	Tulumayo V Hydroelectric Power Station	Hydraulic	65
Jul-15	Macon Hydroelectric Power Station	Hydraulic	10
Aug-15	Tingo Hydroelectric Power Station	Hydraulic	9
Oct-15	Zaña Hydroelectric Power Station	Hydraulic	13
Jan-16	Tres Hermanas Wind Farm	Wind power	97
Jan-16	8 de Agosto Hydroelectric Power Station	Hydraulic	19
Jan-16	El Carmen Hydroelectric Power Station	Hydraulic	8
Jan-16	Cheves I Hydroelectric Power Station	Hydraulic	168
Jan-16	Chancay Hydroelectric Power Station	Hydraulic	19
Jan-16	Huasicancha Hydroelectric Power Station	Hydraulic	6
Jan-16	Colca Hydroelectric Power Station	Hydraulic	12
Jan-16	Chilcay Hydroelectric Power Station	Hydraulic	12
Jan-16	Yanucaya Hydroelectric Power Station	Hydraulic	17
Mar-16	Chancay 2 Hydroelectric Power Station	Hydraulic	40
Apr-16	La Virgen Hydroelectric Power Station	Hydraulic	64
May-16	Vilcanota 2 Hydroelectric Power Station	Hydraulic	20
May-16	Plant No. 1 (Arequipa Region)	Thermal	500
Jun-16	Malabrigo Wind Farm	Wind power	43
Jun-16	Santa Lorenza I	Hydraulic	19
Jul-16	Cerro del Aguila Hydroelectric Power Station	Hydraulic	525
Jul-16	Las Orquideas Hydroelectric Power Station	Hydraulic	16
Aug-16	RenovAndes H1 Hydroelectric Power Station	Hydraulic	20
Aug-16	Chagila Hydroelectric Power Station	Hydraulic	456
Nov-16	Carpapata III Hydroelectric Power Station	Hydraulic	13
Dec-16	Pallca Hydroelectric Power Station	Hydraulic	10
Dec-16	Carhuac Hydroelectric Power Station	Hydraulic	16
Jan-17	Yacila Wind Power Plant	Wind power	48
Jan-17	Potrero Hydroelectric Power Station	Hydraulic	20
Jan-17	Marañon Hydroelectric Power Station	Hydraulic	88
Jan-17	Hydrika Hydroelectric Power Station	Hydraulic	39
Jan-17	Karpa Hydroelectric Power Station	Hydraulic	19
Jan-17	Laguna Azul Hydroelectric Power Station	Hydraulic	20
Mar-17	Plant No. 2 (Moquegua Region)	Thermal	500
Apr-17	Santo Domingo Los Olleros Thermal Plant - TV - Termochilca	Thermal	86
Dec-17	Pucara Hydroelectric Power Station - Empresa Generacion Macusani	Hydraulic	150
Total MW			3,717

Source: Report Economic Operation Committee for the National Interconnected System / (COES) /DP- 03-2014 "Diagnostic Report of Operating Conditions of the SEIN 2015-2024" - COES

Energy production by generation type -2013



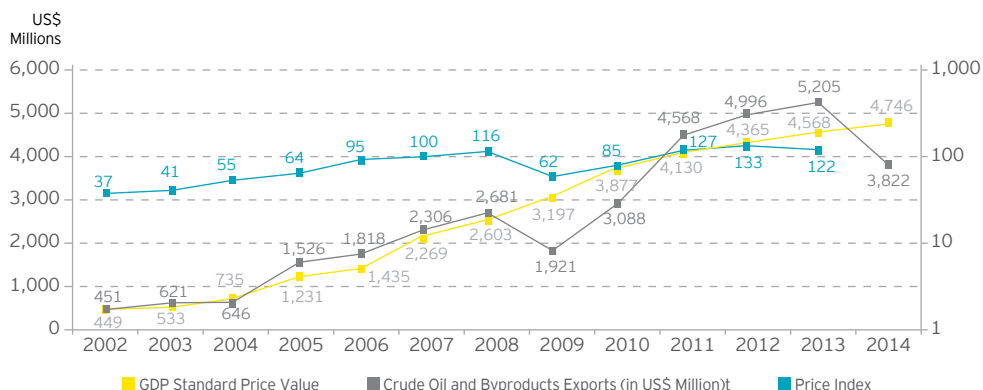
Source: Ministry of Energy and Mines (MEM) / Economic Operation Committee for the National Interconnected System (COES - SINAC) - Operational Statistics 2013

5 Hydrocarbons

The Hydrocarbons Sector has become one of the industries with the largest amount of private investment initiatives in the country. Gas reserves have recently been discovered in Blocks 57 and 58. They are awaiting certification. Taking the official figures published by the Ministry of Energy and Mines (MINEM) in the Annual Book of Hydrocarbon Reserves of December 2013, the proven reserves are estimated in 741.2 million barrels of crude oil, 875.7 million barrels of natural gas liquids and 15 billion cubic feet of natural gas, that combined are equivalent to 4.12 billion barrels of petroleum. The Annual Book reports that the hydrocarbon resources of the country are estimated in 4,459.4 million barrels of crude oil, 4,104.5 million barrels of natural gas liquids and 78.3 billion cubic feet of natural gas, which combined are equivalent to 21,611.6 million barrels of petroleum. If we compare the estimated hydrocarbon resources with the estimated hydrocarbon reserves, there are major opportunities for exploration in Peru, to discover new proven hydrocarbon resources.

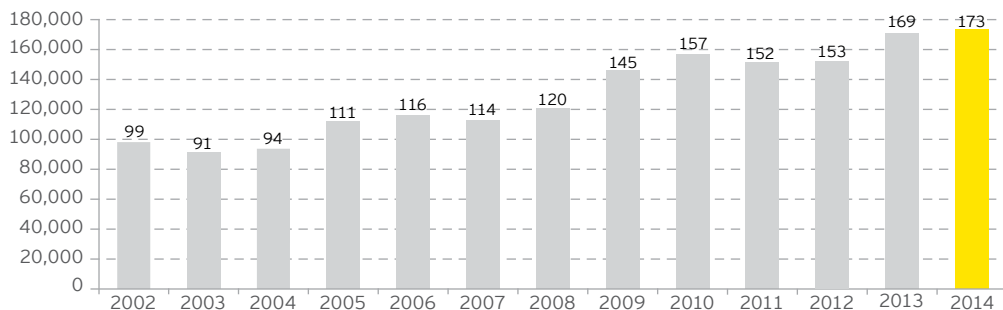
The Hydrocarbons Sector developed 3.9% in 2014 and it is estimated to grow 3.2% in 2015 and 5% by 2016.

Evolution of macroeconomic indices of the hydrocarbons industry



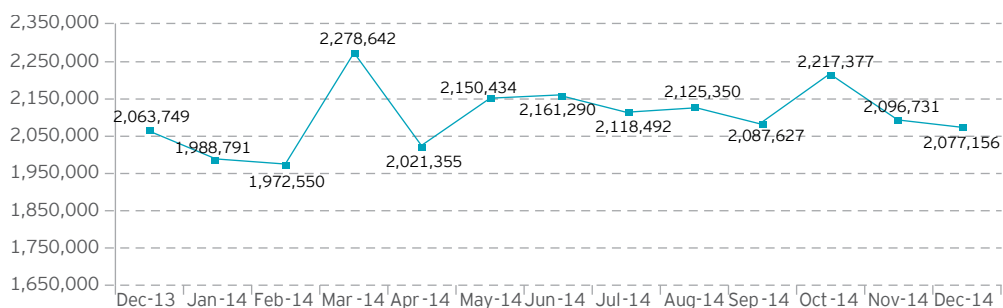
Sources: National Institute of Statistics and Informatics (INEI) / Central Reserve Bank of Peru (BCRP)

Average production of hydrocarbons (barrels per day)



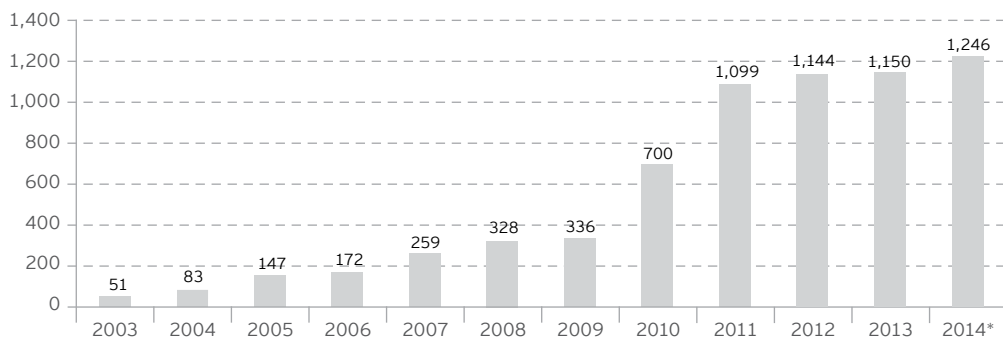
Source: Ministry of Energy and Mines (MINEM) / Petroleos del Peru S.A.

Petroleum production (BLS)



Source: Ministry of Energy and Mines (MINEM)

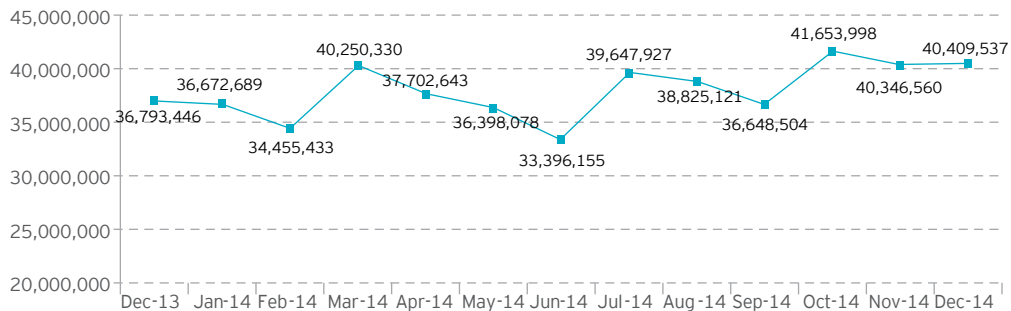
Natural gas production (MMSCFD)



*As of November 2014

Source: Petroleos del Peru S.A.

Natural gas production (MPC)



Source: Ministry of Energy and Mines (MINEM)

Petroleum Contracts Period 2003 - 2014

Contract	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Exploration	12	14	28	42	65	61	68	66	62	60	50	44
Mining	15	17	17	19	19	19	19	19	20	20	24	24
Total	27	31	45	61	84	80	87	85	82	80	74	68

Sources: Ministry of Energy and Mines (MINEM) / Annual Book of Hydrocarbon Reserves

Perforated Wells Period 2003 - 2014

Well	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Development	26	34	69	78	177	185	147	214	222	197	85	101
Confirmatory	0	0	0	0	2	2	6	3	5	2	2	0
Exploratory	3	5	5	8	7	5	6	6	15	9	7	12
Total	29	39	74	86	186	192	159	223	242	208	94	113

Sources: Ministry of Energy and Mines (MINEM) / Annual Book of Hydrocarbon Reserves

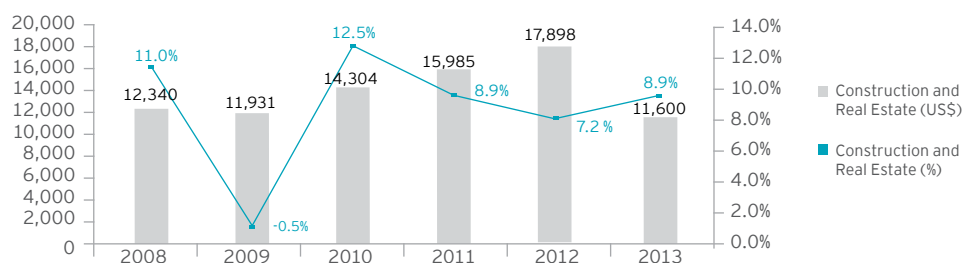
The Ministry of Foreign Affairs and EY feature a specialized Investment Guide to Hydrocarbons. To request it, please write to: eyperu@pe.ey.com or download it from http://is.gd/rree_comience_a_invertir

6 Construction

The Construction Sector has accumulated a steady expansion in the past five years, even though growth rates slowed down in 2009, 2011 and 2012. However, development has been a boost due to higher income being earned in households, heftier public and private investments, and improvement in financing terms for housing acquisition.

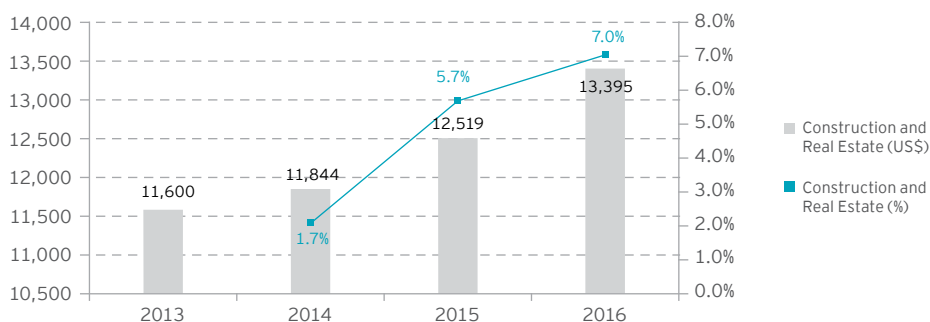
The Construction Sector showed an upward trend of 2.1% in 2014 and a trend of 5.7% is estimated for 2015.

Evolution of construction sector in US\$ million and annual percentage change in the GDP



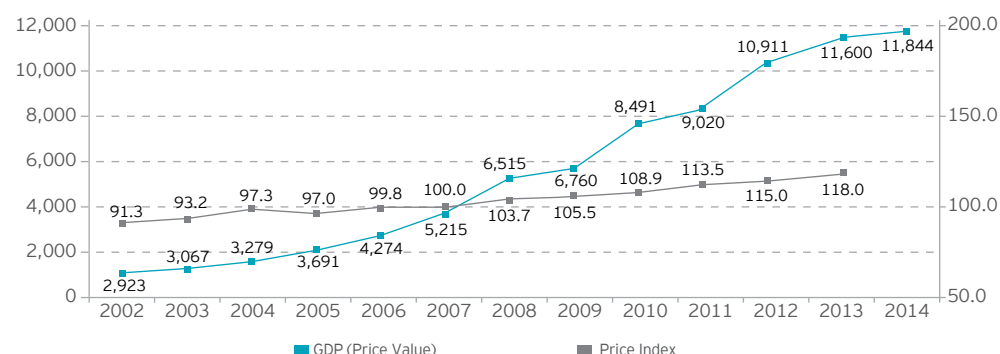
Source: Central Reserve Bank of Peru (BCRP)

Projection of the construction sector in US\$ million and percentage change in the GDP



Source: Central Reserve Bank of Peru (BCRP)

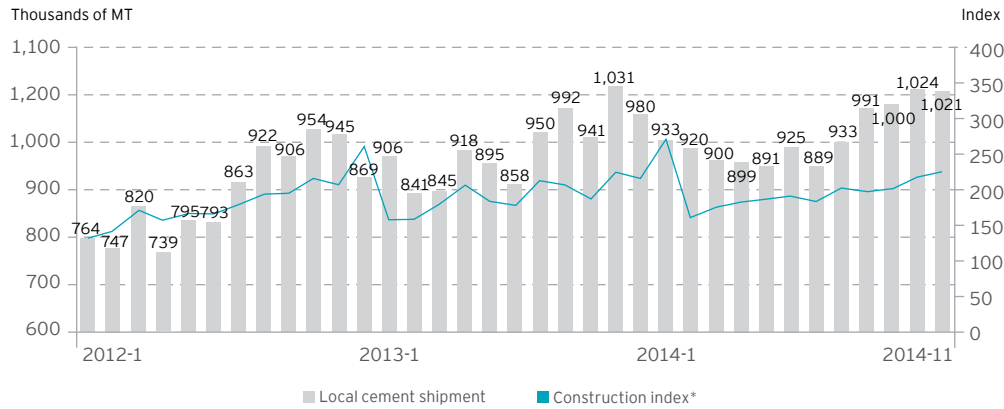
Evolution of macroeconomic indicators for the construction sector (in US\$ million)



Sources: National Institute of Statistics and Informatics (INEI) / Central Reserve Bank of Peru (BCRP)

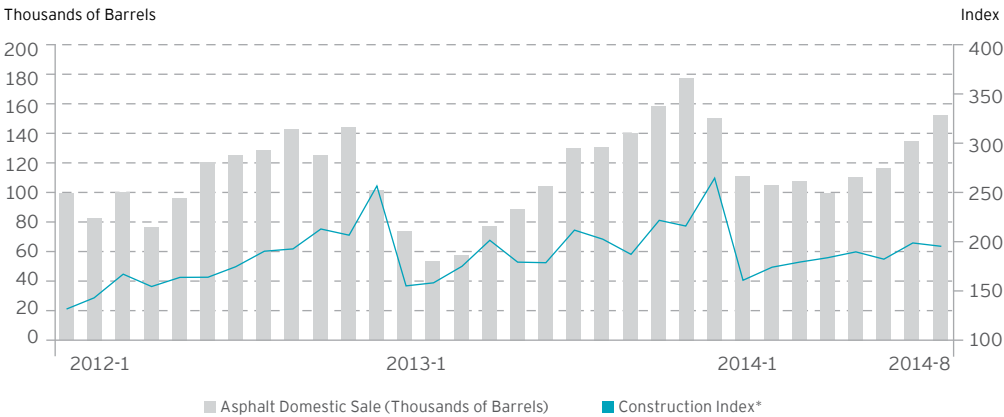
The Construction Sector will rise by approximately 5.7% in 2015 and 7.0% in 2016, due to higher public and private investment, which will boost the execution of works, most notably road infrastructure works, and execution of real estate projects.

Total cement dispatch (thousands of MT) vs. construction index*



*2007 Base Index = 100.0
 Source: National Institute of Statistics and informatics (INEI)

Domestic sale of asphalt (thousands of barrels) vs. construction index



*2007 Base Index = 100.0
 Source: National Institute of Statistics and informatics (INEI)

Main projects in the construction sector

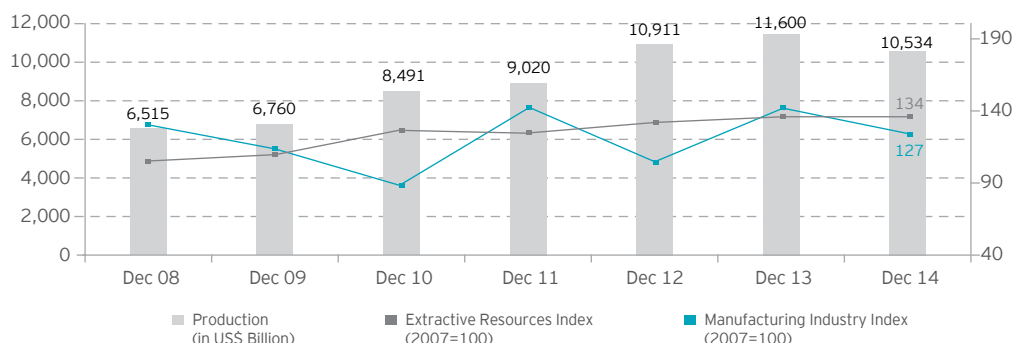
Call for bids and/or projects	Investment estimate in US\$ million
Public projects	
Line and Connecting Extension of the Basic Network of the Lima Metro Av Faucett- Av Gambetta	5,989
Multipurpose Chancay Port Terminal	2,800
Extension of the Jorge Chavez Airport	850
Multipurpose North Terminal of the Pier of Callao	750
Rimac Park Road	703
International Airport of Chinchero-Cuzco	634
Real Estate Projects	
World Trade Center Lima	250
Villa In El Polo	180
Lima Central Tower	170
Entrepreneurial Center of the Pacific- NODO	120
Retail Projects	
Remodeling of the Camino Real Shopping Center	300
Puruchuco Real Plaza	140
Second Extension Plaza San Miguel	100
Cement Projects	
New Piura Plant	386
Construction of the Clinker Cement Production Plant	237
Construction of Cement Production Plant	90
Total	13,707

Sources: Maximixe - Investment Projects 2014 - 2018 / ProInversion

7 | Manufacture

Between 2008 and 2013, there has been an average annual growth of 13% in the Manufacturing Sector, in response to improved revenues from higher levels of employment, and to the execution of real estate and road infrastructure projects. In 2013, manufacturing increased by 5.1%, but dropped by 3.3% in 2014. It is expected to rise 3.7% in 2015 and 4.7% in 2016.

Evolution of the manufacturing sector indicators



Sources: National Institute of Statistics and Informatics (INEI) / Central Reserve Bank of Peru (BCRP) / Ministry of Economy and Finance (MEF) (Multiannual Macroeconomic Framework)

Sector summary (2012 - 2015)

	Annual			
	2012	2013	2014 ²	2015 ²
Manufacturing Gross Value Added (GVA) (US\$ million)*	26,192	27,640	27,760	28,527
Manufacturing Gross Value Added (GVA) (% Change)*	1.5	5.5	1.4	3.4
Extractive Industry*	-9.0	8.7	1.4	3.9
Manufacturing Industry*	4.5	4.4	1.7	3.3
Use of Installed Capacity (%)	56.3	55.3	56.2	56.8
Foreign trade (US\$ million FOB) ³				
Manufacturing Exports	7,097	6,523	6,284	6,494
% Change	12.8	-8.1	-3.7	3.3
Textile and Clothing	2,177	1,926	1,911	1,956
Wood, Paper and their Manufacturing Industry	438	426	430	445
Chemicals	1,636	1,503	1,501	1,541
Nonmetallic Minerals	722	70	689	710
Steelmaking, Metallurgy and Jewelry	1,301	1,258	1,106	1,160
Metalworking	545	534	489	522
Others	277	156	158	160
Imports for the Industry	18,834	20,135	20,516	21,144
% Change	28.7	6.9	1.9	3.1
Inputs	11,488	11,815	11,937	12,199
Capital Assets	7,345	8,319	8,579	8,945

*In nominal terms. Contribution of the Manufacturing Sector to the GDP: 16.52%. Base year = 2007

¹ Estimate ² Projected ³ Nontraditional exports, excluding agriculture and fisheries

Source: Sector Risks October 2014 Maximixe

	Quarterly				
	III.13	IV.13	I.14	II.14	III.14 ¹
Manufacturing Gross Value Added (GVA) (US\$ million)*	6,744	7,284	6,509	6,648	6,634
Manufacturing Gross Value Added (GVA) (% Change)*	3.0	12.8	2.8	-3.7	-3.5
Extractive Industry*	-3.1	36.0	8.7	-4.7	-4.6
Manufacturing Industry*	4.7	5.7	1.1	-3.0	-3.3
Use of Installed Capacity (%)	55.7	56.1	43.9	45.9	43.0
Foreign trade (US\$ million FOB) ³					
Manufacturing Exports	1,652	1,677	1,527	1,540	1,568
% Change	-11.5	-7.5	-0.8	-6.9	-5.1
Textile and Clothing	514	529	447	462	456
Wood, Paper and their Manufacturing Industry	113	108	108	99	104
Chemicals	378	384	372	372	373
Nonmetallic Minerals	178	196	156	163	163
Steelmaking, Metallurgy and Jewelry	300	292	281	281	294
Metalworking	124	127	129	123	136
Others	44	40	35	40	41
Imports for the Industry	5,290	4,733	4,929	5,317	5,276
% Change	3.4	9.7	1.9	0.8	-0.2
Inputs	3,140	2,748	2,799	3,009	3,121
Capital Assets	2,150	1,985	2,131	2,308	2,158

*In nominal terms. Contribution of the Manufacturing Sector to the GDP: 16.52%. Base year = 2007

¹ Estimate ² Projected ³ Nontraditional exports, excluding agriculture and fisheries

Source: Sector Risks October 2014 Maximixe

Sector summary (2012 - 2015)

	Monthly				
	Jun.14	Jul.14	Ago.14	Sep.14 ¹	Oct.14 ²
Manufacturing Gross Value Added (GVA) (US\$ million)*	2,190	2,134	2,202	2,298	2,386
Manufacturing Gross Value Added (GVA) (% Change)*	-8.3	-5.5	-3.3	-1.8	-1.5
Extractive Industry*	-22.6	-1.5	-5.4	-6.8	-4.2
Manufacturing Industry*	-1.4	-7.2	-2.5	-0.3	-0.7
Use of Installed Capacity (%)	45.6	42.9	42.2	43.6	43.0
Foreign trade (US\$ million FOB) ³					
Manufacturing Exports	522	514	543	511	574
% Change	-6.0	-3.5	-5.2	-6.6	-1.6
Textile and Clothing	157	153	154	149	181
Wood, Paper and their Manufacturing Industry	31	29	35	40	40
Chemicals	133	121	130	121	137
Nonmetallic Minerals	57	54	62	47	53
Steelmaking, Metallurgy and Jewelry	95	103	92	99	100
Metalworking	36	40	56	40	48
Others	14	13	13	15	15
Imports for the Industry	1,697	1,773	1,785	1,721	1,716
% Change	6.0	-4.9	0.9	3.8	1.2
Inputs	955	1,011	1,052	1,058	1,008
Capital Assets	742	762	733	663	708

*In nominal terms. Contribution of the Manufacturing Sector to the GDP: 16.52%. Base year = 2007

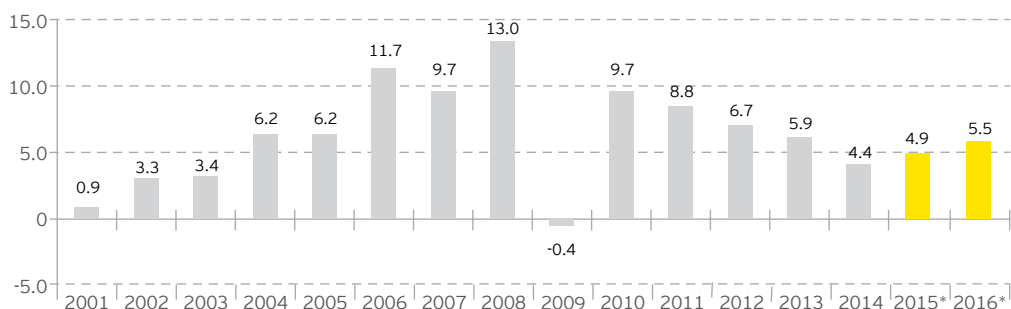
¹ Estimate ² Projected ³ Nontraditional exports, excluding agriculture and fisheries

Source: Sector Risks October 2014 Maximix

8 Trade and Domestic Consumption

According to the Ministry of the Economy and Finance (MEF) in recent years, the country's economic growth has developed largely due to private spending, which is in turn broken down into private consumption and private investment. In 2014 the trade sector grew 4.4% and this growth is estimated to continue, increasing by 4.9% in 2015.

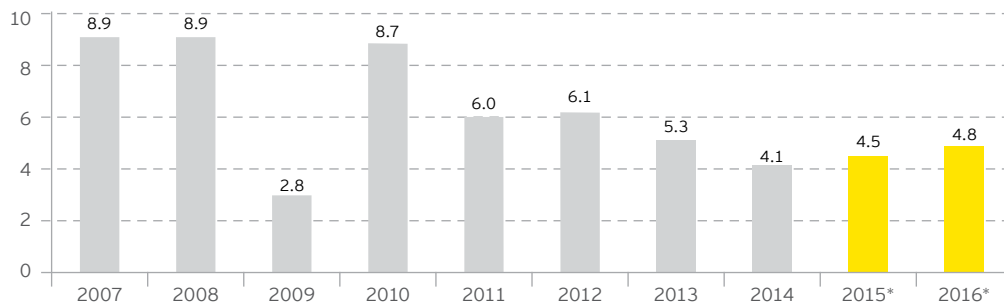
Evolution of trade production (annual percent change)



*Estimate

Sources: Ministry of Economy and Finance (MEF) (Multiannual Macroeconomic Framework) / Central Reserve Bank of Peru (BCRP)

Evolution of private consumption (in percent)

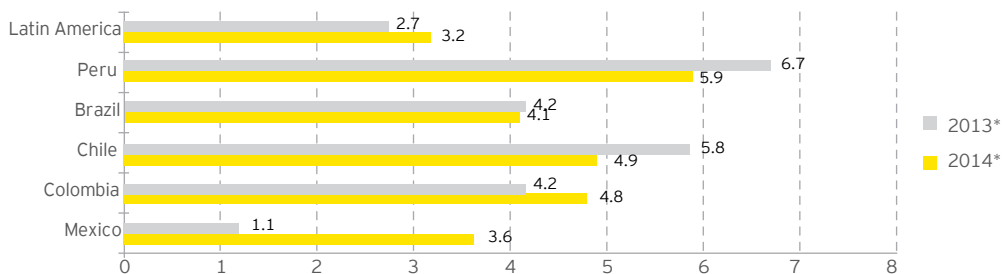


* Estimate

Sources: Ministry of Economy and Finance (MEF) / Central Reserve Bank of Peru (BCRP)

Regarding the modern retail channel, a sector which has experienced significant development is shopping centers, which has tripled sales in the 2000 - 2012 period. According to the ranking of America Economía for 2014, 41 companies out of a total of 500 top Peruvian companies are in the Trade Sector. Growth is expected to continue creating significant opportunities for different companies in the Textile, Food, and Service Sectors. According to the Association of Shopping and Entertainment Centers of Peru (ACCEP) in 2013, invoicing of shopping centers amounted to US\$6.25 billion and sales are expected to reach a figure of US\$7 billion in 2014.

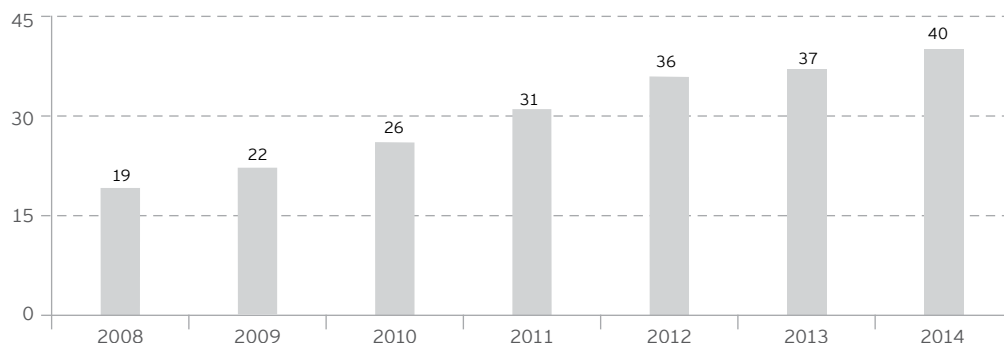
Retail sales (annual change)



*Estimate

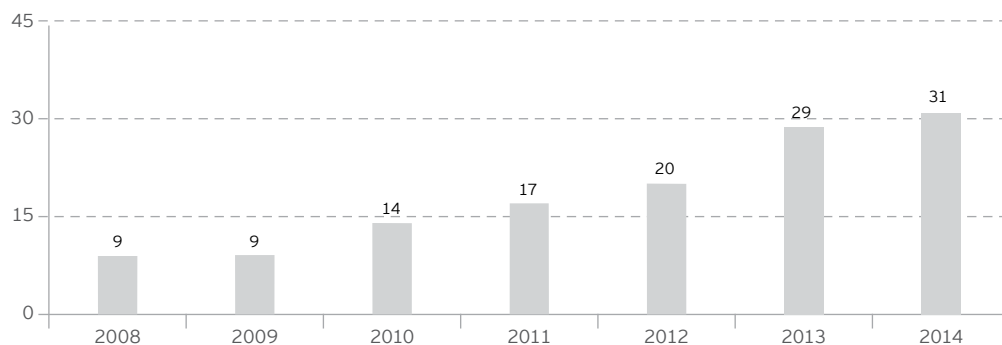
Source: LatinFocus Consensus Forecast

Expansion of the number of shopping centers in Metropolitan Lima



Source: Colliers International Peru

Expansion of the number of shopping centers in the provinces



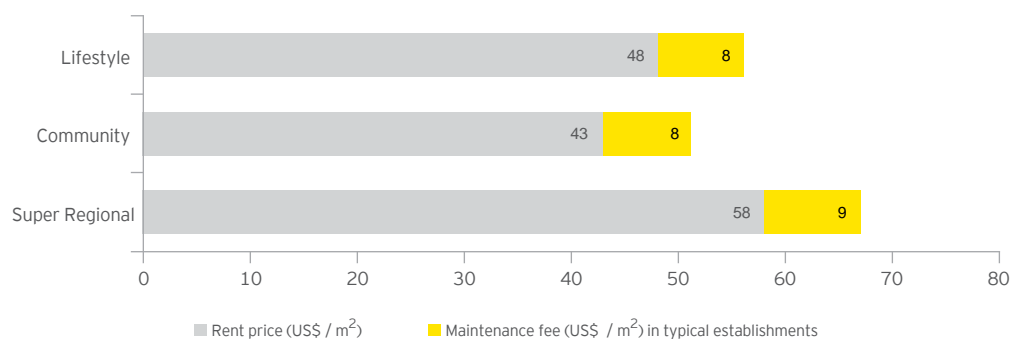
Source: Colliers International Peru

Availability of premises

Tipo	Total Shops		Vacancies (Shops)		Rate of Vacancy	
	2T - 2014	3T - 2014	2T - 2014	3T - 2014	2T - 2014	3T - 2014
Super Regional	1,155	1,183	75	39	6.5%	3.3%
Regional	n.d.	414	n.d.	9	n.d.	2.2%
Community	494	484	26	26	5.3%	5.4%
Lifestyle	262	266	12	12	4.6%	4.5%
Total	1,911	2,347	113	86	5.9%	3.7%

Sources: Colliers International / Research and Prognosis Report 3T 2014

Average price of rent



Sources: Colliers International / Investigation & Forecast Report Q3 2014

9 | Agriculture and Livestock

According to the Ministry of Agriculture and Irrigation, agricultural and livestock production increased by 1% in 2013 and 1.4% in 2014. This trend is expected to continue over the next few years with 2.6% in 2015 and 3.5% in 2016.

Gross value of agricultural and livestock production January - December period (in S/. million)

Activity	2013	2014	Var. %
Agriculture	18,634	18,666	0.2%
Livestock	11,200	11,574	3.3%
Agriculture & livestock	29,834	30,240	1.4%

Source: Ministry of Agriculture and Irrigation

Agricultural and livestock products in US\$ million: growth 2000 - 2013

	2000	2013	Nº de veces
Agricultural and livestock*	394	3434	9
Fruit	53	1185	22
Vegetables	198	1078	5
Tea, coffee, cocoa and essences	24	249	10
Varied vegetable products	65	383	6
Cereals and their preparation	14	252	17

*This does not include traditional products

Source: Central Reserve Bank of Peru (BCRP) - Financial Perspectives (November 2014)

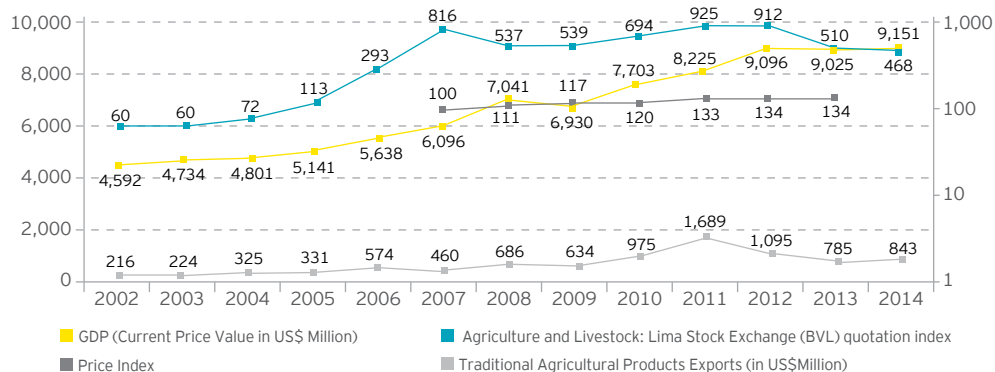
Agricultural and livestock production by sub-sector and major products in thousands of tons (January-December 2014 / January-December 2013)

Major products	2013	2014	Change (in thousands of tons)	% Change
Agricultural sub-sector				
Olives	57.8	151.9	94.2	163.0%
Quinoa	52.1	114.3	62.2	119.3%
Large peppers (capsicum pubescens)	14.3	16.5	2.2	15.6%
Oregano (origanum vulgare)	14.1	15.8	1.7	12.1%
Sweet red peppers (capsicum annum)	32.8	43.4	10.6	32.4%
Avocadoes	288.9	335.5	46.7	16.2%
Passion fruits	45.2	47.5	2.2	4.8%
Lemon	228.5	265.9	37.4	16.4%
Palm oil	566.6	613.1	46.6	8.2%
Grapes	439.2	515.9	76.7	17.5%
Branch cotton	82.6	92.5	9.9	12.0%
Oat grains	13.3	14.7	1.4	10.4%
Dry grain lentils	4.0	3.3	-0.7	-18.6%
Coffee	255.9	209.2	-46.7	-18.2%
Artichoke	112.9	99.6	-13.3	-11.8%
Chirimoya (annona cherimola)	22.2	17.4	-4.7	-21.4%
Piquillo pepper	36.0	24.7	-11.3	-31.5%
Dry grain chick pea	3.3	1.6	-1.7	-51.1%

Major products	2013	2014	Change (in thousands of tons)	% Change
Livestock sub-sector				
Poultry	1,466.6	1,537.9	71.3	4.9%
Pork meat	170.2	178.0	7.8	4.6%
Alpaca	27.0	28.2	1.2	4.3%
Fresh milk	1,807.8	1,842.7	34.9	1.9%
Eggs	349.8	358.6	8.8	2.5%
Llama wool	0.7	0.7	0.0	2.8%

Source: Ministry of Agriculture and Irrigation

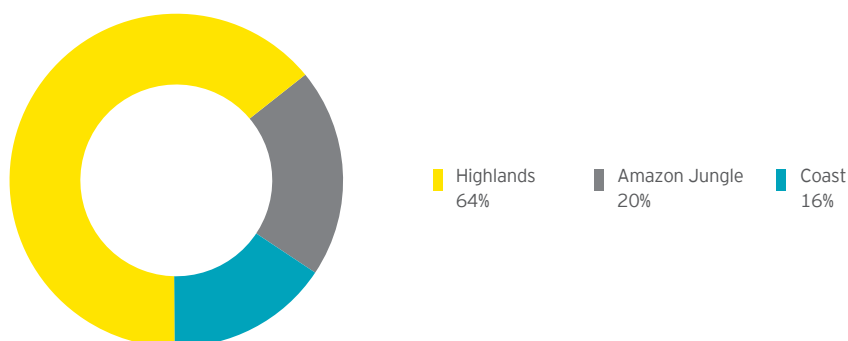
Evolution of macroeconomic indicators of the agricultural sector



Sources: National Institute of Statistics and informatics (INEI) / Lima Stock Exchange (BVL) / Central Reserve Bank of Peru (BCRP)

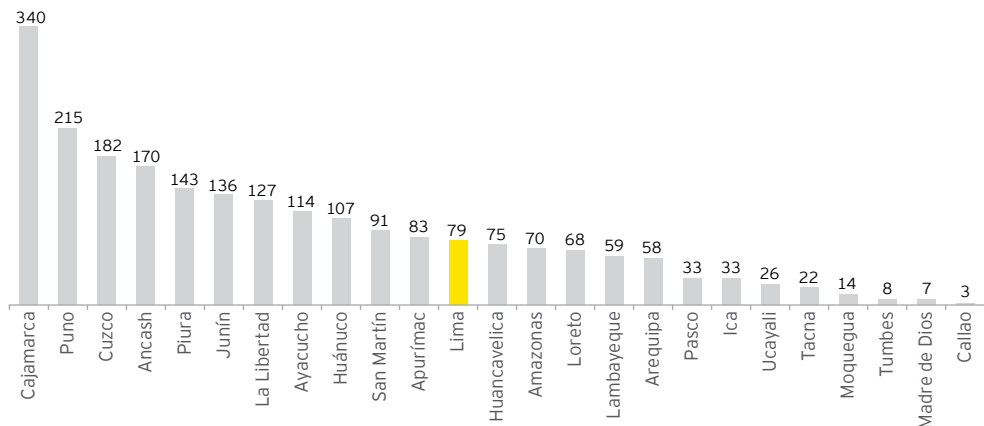
The Agricultural and Livestock Unit is defined as the land or group of lands used for agriculture and livestock production. Throughout the territory of the country there are agriculture and livestock units that take advantage of each one of the climate characteristics and ecological areas.

Agricultural and livestock units by natural region 2012



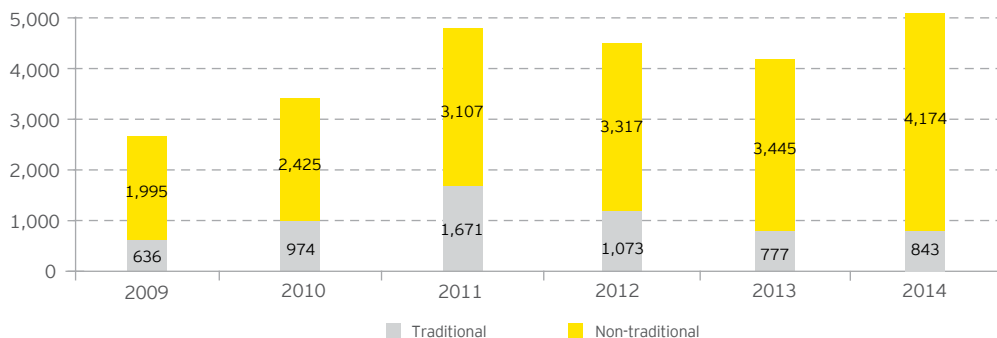
Source: IV Agriculture and Livestock Census 2012 - Ministry of Agriculture and Irrigation (MINAGRI)

Agricultural and livestock units per region, 2012 (thousands)



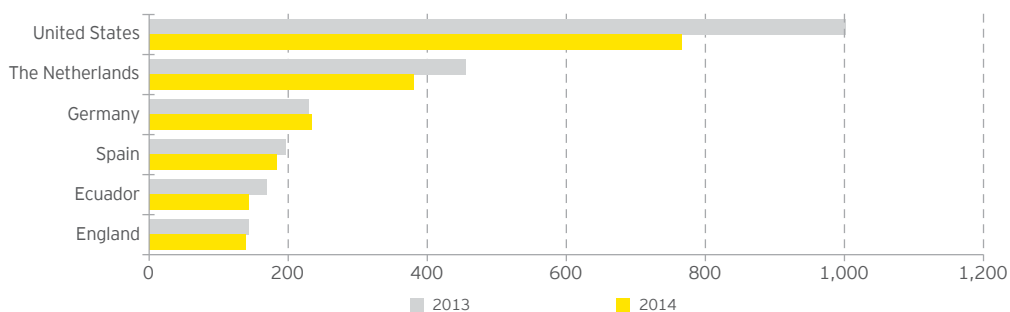
Source: IV Agriculture and Livestock Census 2012 - Ministry of Agriculture and Irrigation (MINAGRI)

Traditional and non-traditional agricultural exports in US\$ million (January - December)



Sources: Ministry of Agriculture and Irrigation (MINAGRI) / Central Reserve Bank of Peru (BCRP)

Main destinations of agricultural exports 2014/2013



Period: January - September (US\$ million FOB)

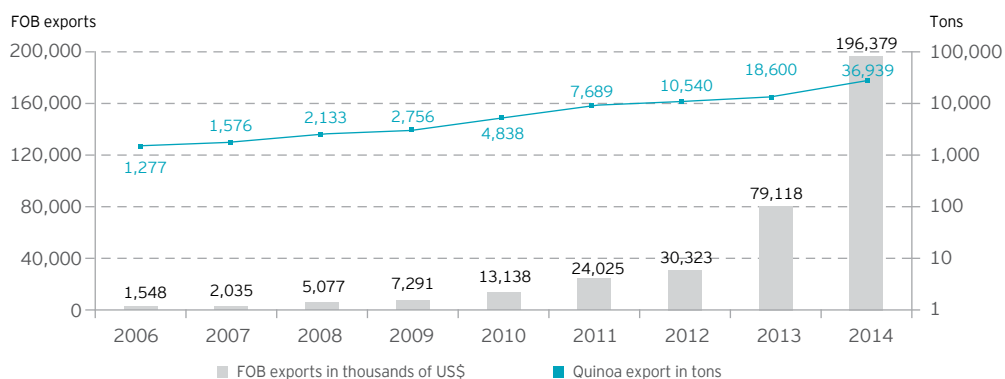
Source: Ministry of Agriculture and Irrigation (MINAGRI)

Top agricultural exports 2014/2013 (January - December)

Product	FOB Value (US\$ million)		
	2013	2014	% Change
Unroasted and non decaffeinated coffee	698	722	3.4%
Fresh grapes	444	641	44.4%
Fresh asparagus	413	384	-6.9%
Fresh avocados	184	306	66.2%
Quinoa	80	196	147.1%
Cocoa in grains, whole or split, raw	83	152	82.5%
Canned asparagus	150	149	-0.17%
Preparations used in animal feed	109	141	30.1%
Fresh mangoes	133	138	3.6%
Evaporated milk	104	121	16.8%
Others	1,825	2,073	13.6%

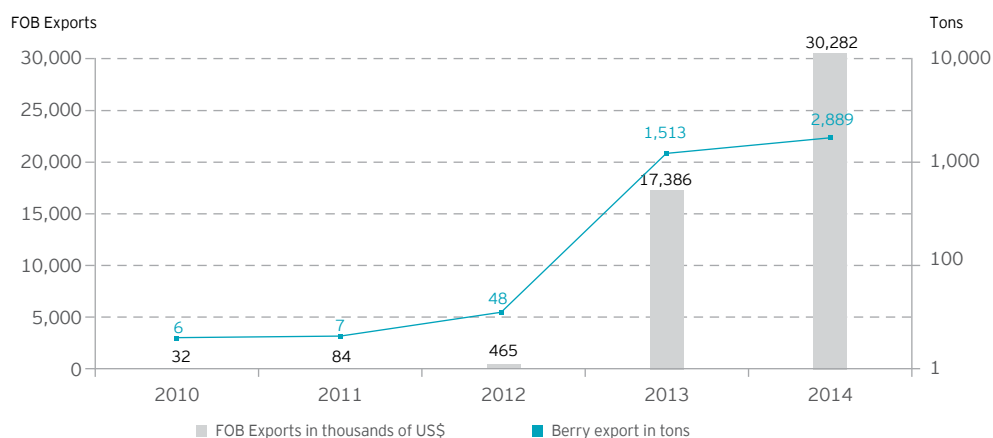
Source: ComexPeru

Evolution in quinoa exports



Sources: Ministry of Agriculture and Irrigation MINAGRI (Preliminary Data) / ComexPeru (2015)

Evolution in berry exports

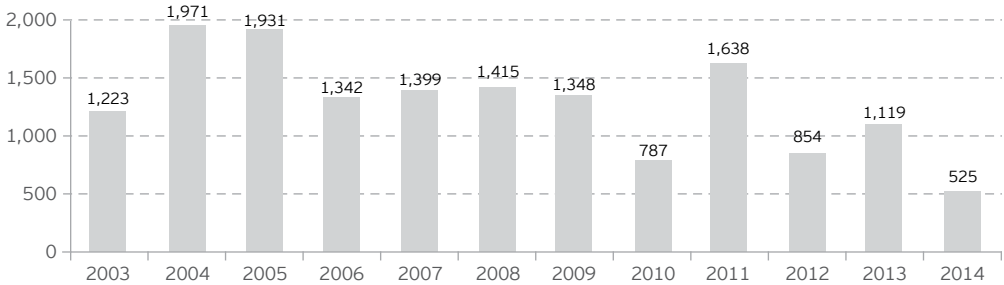


Source: Ministry of Agriculture and Irrigation (MINAGRI)

10 Fisheries

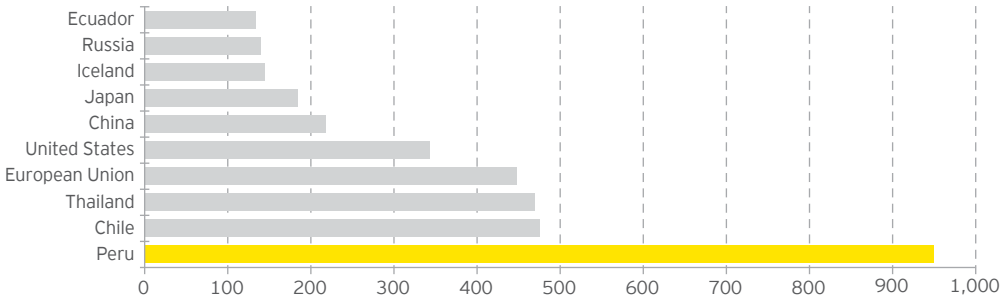
The Fisheries Sector grew 18.1% in 2013. In 2014 there were clashes associated with supply factors, mainly in the production of anchovy, fish oil and fishmeal, thereby reducing production by 27.94%. However, production increases in the sector of 17.2% and 18.1% are expected for 2015 and 2016, respectively. The top products exported from the Fisheries Sector include cuttlefish, bobtail, squid, giant squid, scallops: frozen, dried, salted or in brine.

Fishmeal production (in thousands of metric tons)



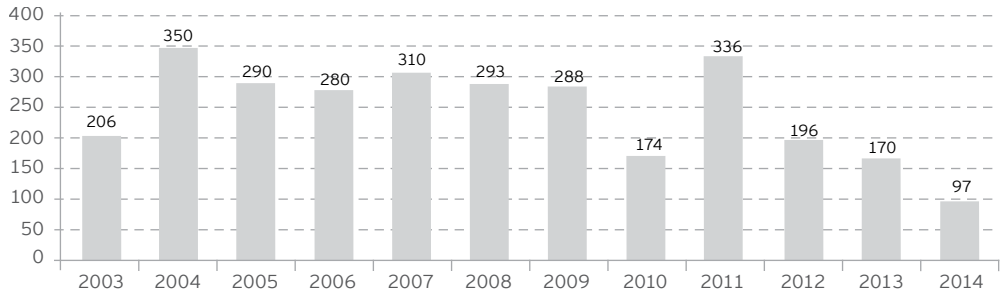
Source: Ministry of Fisheries and Industry (PRODUCE)

Ranking of world production of fishmeal in metric tons (2014)



Sources: Indexmundi / Department of Agriculture USA / Prepared by EY

Fish oil production (in thousands of metric tons)



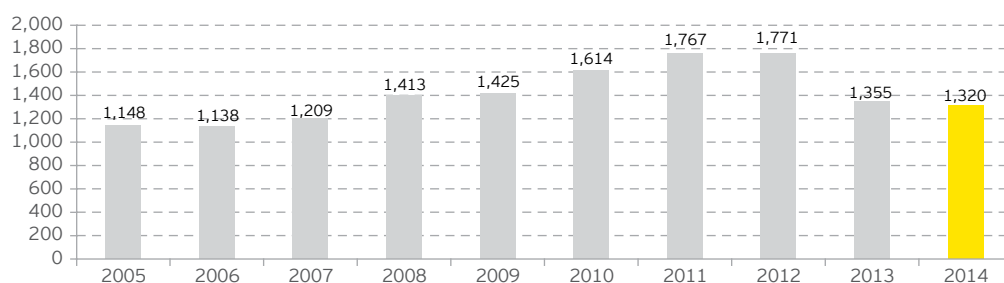
Source: Ministry of Fisheries and Industry (PRODUCE)

Processing of hydro-biological and maritime products by type of use (in thousands of metric tons)

Type of use	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Direct human consumption	223	357	373	438	362	318	523	471	420	457
▸ Canned	56	107	84	105	89	78	127	71	67	51
▸ Frozen	146	228	270	313	256	224	379	384	329	389
▸ Cured	22	21	19	20	17	16	17	17	25	18
Indirect human consumption	2,221	1,622	1,709	1,708	1,636	962	1,973	1,050	1,289	621
▸ Flour	1,931	1,342	1,399	1,415	1,348	787	1,638	854	1,119	525
▸ Crude oil	290	280	310	293	288	174	336	196	170	97
Total	2,444	1,979	2,082	2,146	1,998	1,279	2,496	1,521	1,708	1,079

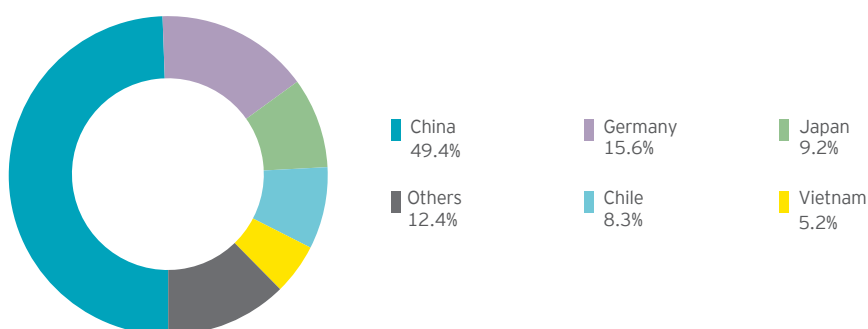
Source: Ministry of Fisheries and Industry (PRODUCE)

Export value of fishmeal (in US\$ million)



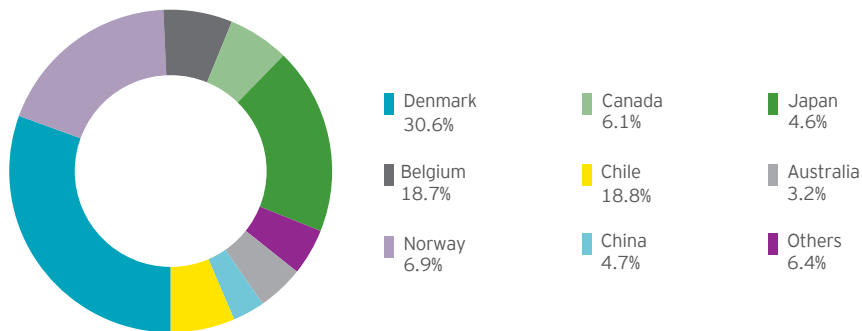
Source: Peruvian Foreign Trade Association (ComexPeru)

Fishmeal exports by country of destination (January - December 2014)



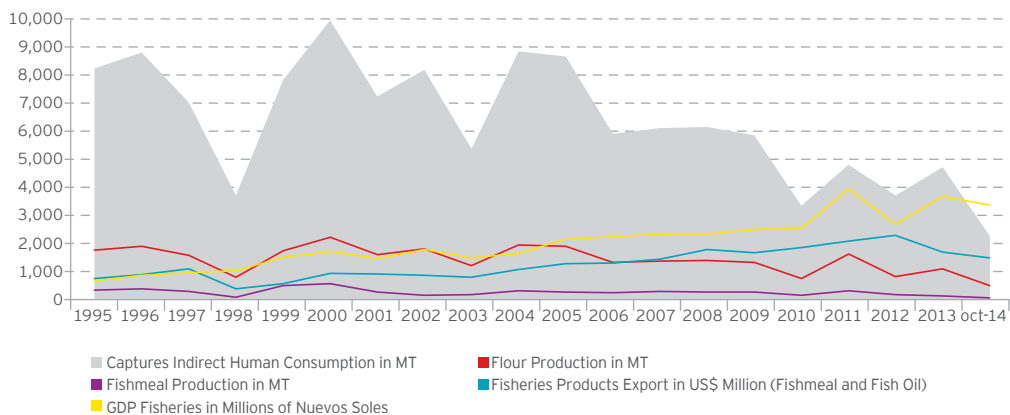
Source: Ministry of Fisheries and Industry (PRODUCE)

Fish oil exports by country of destination (January - December 2014)



Source: Ministry of Fisheries and Industry (PRODUCE)

Recent history of the evolution of industry (1995-2014)



El Niño Weather Phenomenon: Years of Occurrence: Mild, Moderate and Serious

1997-1998 / 2001-2003 / 2005 / 2010 / 2014

Mergers and acquisitions

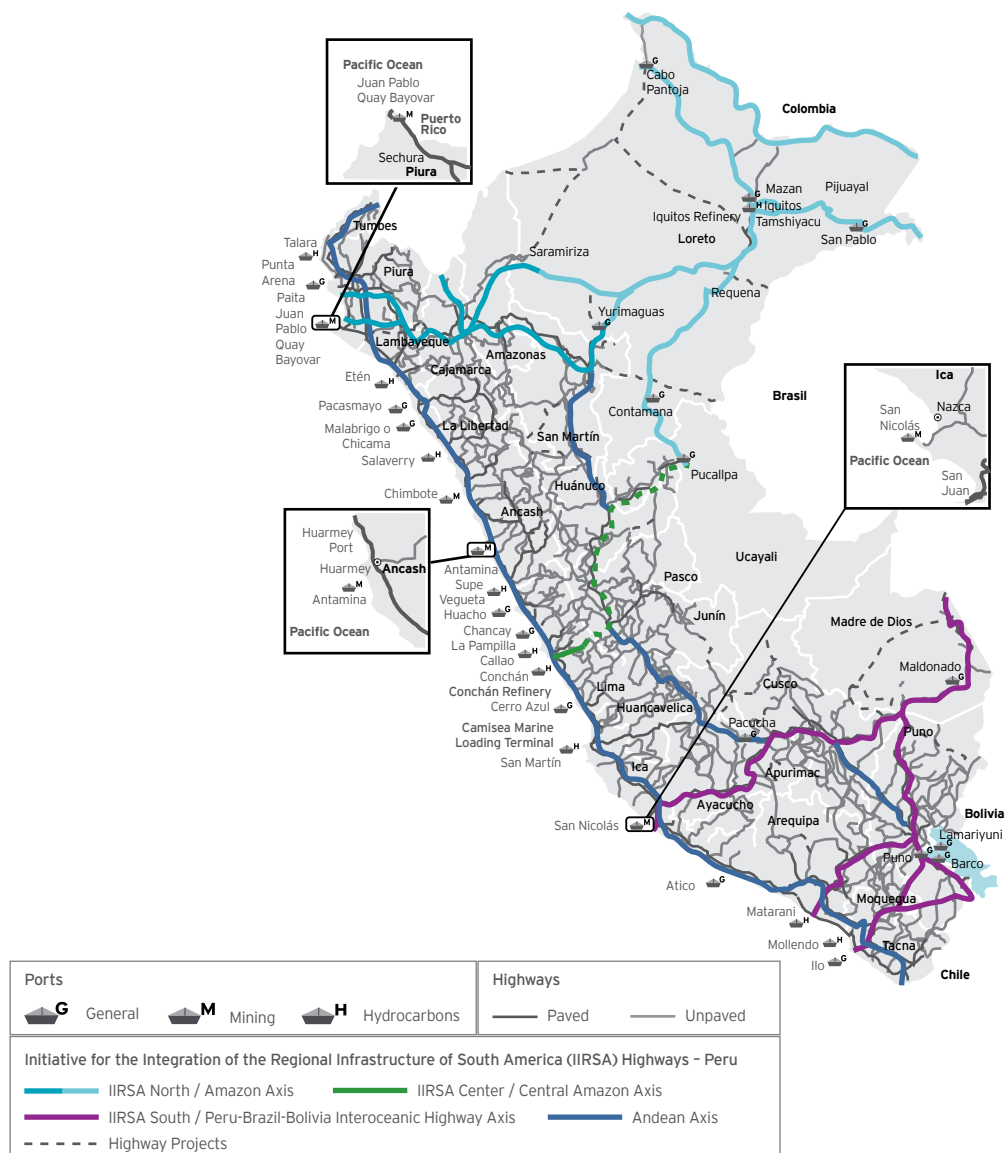
1999	2002	2003	2006	2007	2008	2009	2010	2011	2013	2014
Austral purchases fishing company Pesquera Arco Iris	TASA purchases fishing company Pesquera San Antonio	TASA purchases packing plant Envasadora Chimbote	CFG purchases processing plant Procesadora Del Carmen, Alexandra S.A.C., fishing company Pesquera Isla Blanca	CFG purchases Grenadine Vay; P.Pocoma; La Candelaria; Planta Chimbote; fishing company Pesquera Bari	CFG purchases Epesca Pisco; P.Mistral; P.Islay; P.Ofelia	Grupo Romero (Centinela) comes into the fisheries sector with fishing company Pesquera Giuliana	CFG purchases Deep Sea Fishing Centinela purchases fishing company Inversiones Alamare	CFG purchases Consorcio Vollomatch, Negocios Rafmar	CFG purchases Copeinca	Austral sells Conservera de las Americas SA to Tri Marine International
			TASA purchases Grupo Sindicato Pesquero S.A.A. (SIPESA)		Maximum Catch Limit per Vessel Law comes into force					

Sources: Ministry of Fisheries and Industry (PRODUCE) / National Institute of Statistics and Informatics (INEI) / Central Reserve Bank of Peru (BCRP) / Prepared by EY

11 | Transportation and Communications

It is estimated that Peru's economic growth is closely linked to the progressive reduction of its shortcomings in terms of infrastructure. Peru has recently begun to take the necessary steps to improve this sector, focusing mainly on transport, electricity, water, and communications infrastructure, with the intention of promoting new investments. Thereby, the development of transportation and communications will impact positively and directly on the development of other sectors such as mining. In addition, investment in infrastructure reduces the effect of the distance between regions, resulting in the full integration of the domestic market, connecting at a lower cost with markets in other countries and regions.

Details of the projects to be undertaken in the coming years, both through public works as well as via Public - Private Partnerships (PPPs) can be found at: www.proinversion.gob.pe



Source: Ministry of Transportation and Communications (MTC)

a. Transportation sector

Item	U.M	2010	2011	2012	2013	% Change (2013/2012)
Infrastructure						
- Road network	Km	125,044	129,162	140,672	156,792	11%
- Railway network	Km	1,943	1,965	1,953	1,953	0%
- Airports	Unit	111	116	323	316	-2%
- Ports	Unit	30	30	30	47	57%
Vehicle fleet						
- Automotive	Unit	2,183,278	2,616,637	2,999,223	3,279,552	9.3%
- Locomotives	Unit	92	91	92	95	3.3%
- Aircraft	Unit	281	283	323	316	-2.2%
- Ships	Unit	899	1,222	899	1,222	35.9%

Source: National Institute of Statistics and informatics (INEI)

Peru has given priority to the development of transport infrastructure (road, railway, port, and airport) to increase competitiveness and set a logistics hub that will integrate Latin America with the Asia-Pacific Economic Region. These investments aim to modernize the country's infrastructure, reducing logistics costs and enhancing the use of Free Trade Agreements (FTAs) signed by the country to increase Peru's integration with world markets. By 2016, it is estimated that US\$ 20.93 billion worth of projects will be carried out, representing significant investment opportunities for contractors and logistics operators.

New investments in transport infrastructure scheduled for 2016 (in US\$ million)

Infrastructure	US\$ million
Road	12,791
Railway	7,308
Port	708
Airport	128
Total	20,935

Sources: Agency for the Promotion of Private Investment (ProInversion) / Ministry of Transportation and Communications (MTC)

The current administration is promoting the use of the Transfer of Public Works for the Payment of Taxes mechanism as a means to leverage private investment. Its appeal lies as much in the tax advantages as in direct social license or reputational capital. In that sense, this is a form of investment that is of particular interest to industry stakeholders. In December 2014, 43.5% of investments executed and/or committed through the Transfer of Public Works for the Payment of Taxes program was accounted for projects of the Transportation Sector. Details of projects registered through this mechanism can be found at: www.obrasporimpuestos.pe.

b. Communications sector

In recent years, through the investments performed, the density of landlines and mobile telephone lines have increased significantly:

Year	Landline		Mobile telephone	
	Lines in operations	Density (lines x 100 inhabitants)	Lines in operations	Density (lines x 100 inhabitants)
2006	2,400,603	8.7	8,772,479	31.9
2007	2,677,847	9.7	15,417,368	55.6
2008	2,875,385	10.3	20,951,834	74.9
2009	2,965,283	10.5	24,702,060	87.5
2010	2,949,990	10.3	29,002,791	101.7
2011	2,951,144	10.2	32,305,455	112.1
2012	3,083,986	10.6	29,370,402	116.1
2013	3,084,040	10.5	29,953,848	112.8
2014*	3,072,974	10.4	30,817,028	112.8

Source: Supervisory Agency of Private Investment in Telecommunications (OSIPTEL) as of September 2014

Through the Telecommunications Investment Fund (FITEL) actions are being developed aimed at bridging the digital gap in essential public telecommunications services in rural communities and preferential places of social interest. Thus, in the last two years, nearly US\$120 million has been invested in this effort; and as of June 2014, there was already a mobile coverage in 1,830 districts with a total of 1,842 districts and provinces throughout Peru.

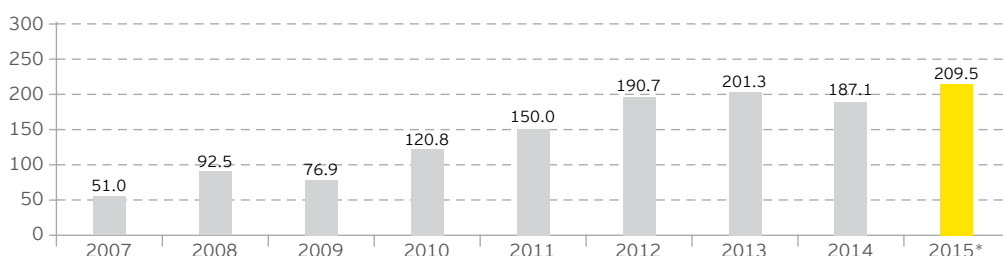
July 2012 saw the enactment of Law 29904 - Act for the Promoting of Broadband and Construction of High-Speed Optical Fiber Backbone. The National High-Speed Optical Fiber Backbone includes the installation, operation and maintenance of approximately 13,400 km of optical fiber, to connect 180 provincial capitals in the country, at an estimated investment of US\$273.7 million.

It is expected that the implementation of the optical fiber backbone and 4G technology (which will begin deploying in 2014) can gradually increase the annual investment to equal US\$1.6 billion by 2016.

12 | Automotive

In the past four years, annual sales of new vehicles exceeded the 150,000 units. In 2014, a figure of 187,100 new units were registered in the Peruvian automotive fleet. According to the Automotive Association of Peru (AAP) sales in 2015 will rise between 12% and 13% if the recovery programs proposed by the government and the investments in infrastructure, mining and energy projects are implemented.

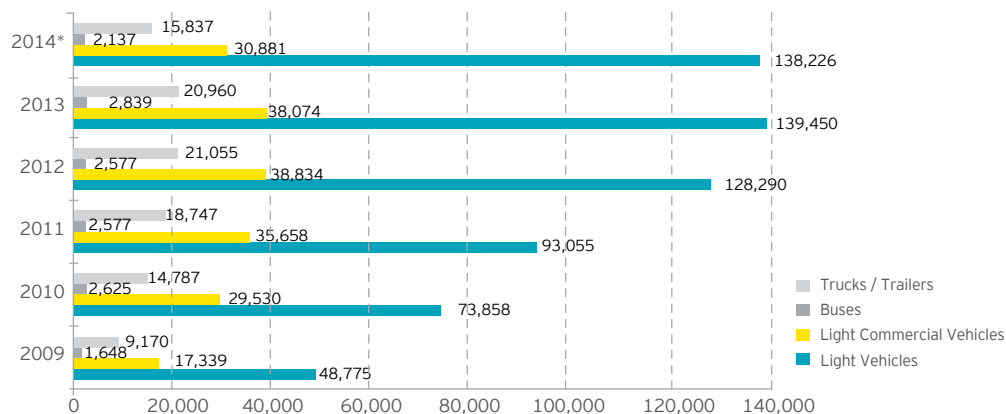
Total vehicle sales (thousands of units)



*Estimate

Sources: Apoyo / Peruvian Association of Automotive Representatives (ARAPER)

Projection of vehicle sales by category (thousands of units)



*Estimate

Source: Peruvian Association of Automotive Representatives (ARAPER)

In early 2011, customs duties fell from 9% to 6% for light vehicles, as a result of the tariff reduction package enacted by the Ministry of Economy and Finance (MEF). At the end of the tariff reduction period (five years) this would imply a decline in the import price of cars of approximately 8%. Heavy vehicles, linked to investment, already enjoy duty-free entry from any origin. BBVA Research forecasts that in 2020 there will be 4.5 million automobiles in Peru. At the close of 2013, the Peruvian automotive fleet had just over 2 million units.

13 Food and Beverage

Percent change in the consumer price index on a national level (basis December 2011)

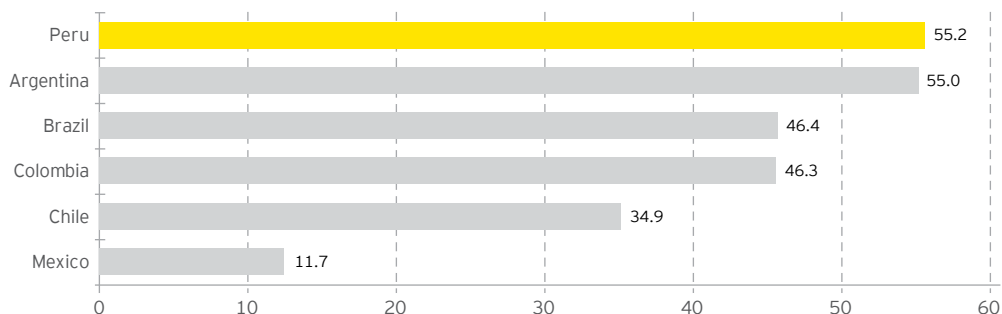
Classification of expenses by function	Description	% Change	
		2013	2014
1.1.1	Bread and Cereals	2.28	2.49
1.1.2	Meat	1.56	6.51
1.1.3	Fish	12.4	0.98
1.1.4	Milk, Cheese, and Eggs	2.54	4.17
1.1.5	Petroleum and Fat	-0.38	-0.09
1.1.6	Fruit	1.1	11.08
1.1.7	Pulses - Green Vegetables	-3.2	4.46
1.1.8	Sugar and Cakes and Confectionery	-15.1	2.1
1.1.9	Unspecified (N.E.P.) Food Products	3.39	4.24
1.2.1	Coffee, Tea, and Cocoa	0.64	1.85
1.2.2 / 2.1.0	Beverages	3.96	2.11
11.1.1	Prepared Foods Consumed at Home	5.94	4.78

Source: National Institute of Statistics and Informatics (INEI)

The food industry in Peru has been primarily driven by the increased purchasing power of the population, influenced by job growth and consumer credit provided by the financial system. Household consumption increased by 3.6% in the third quarter of 2014, mainly due to the rise in family income. The highest nominal expense was reflected in food and beverages such as fish (18%), prepared foods consumed in the home (15.3%), fruit (13.5%) and bread and cereals (7.7%).

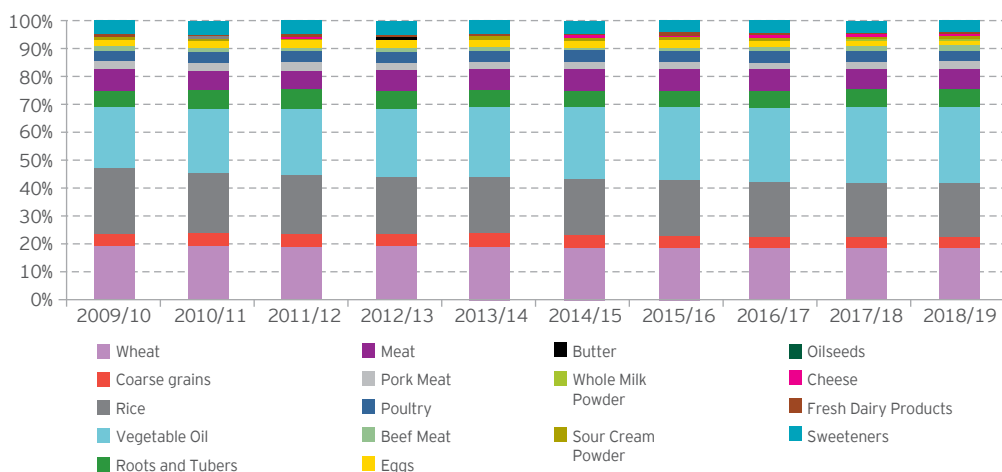
It is expected that for the 2012 - 2016 period, per capita food consumption in Peru will increase by 55.2%, one of the highest rates in Latin America. On the other hand, it is expected that during the years 2013 and 2014, the most consumed food will consist of vegetable oil, rice and wheat.

Per capita food consumption 2012 - 2016 (% change)



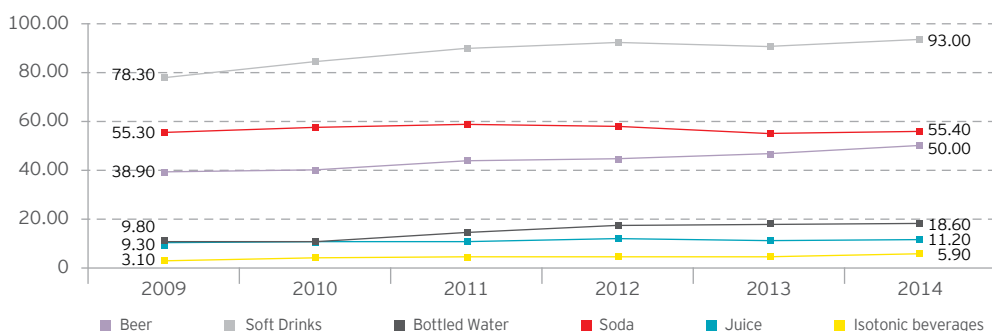
Source: Business Monitor International

Food consumption profile



Source: Bioenergy and Food Security (BEFS) - Technical Compendium, Volume 1

Evolution of per capita consumption of bottled drinks in liters (2009-2014)



Source: Ministry of Fisheries and Industry (PRODUCE) / Prepared by ITG Research

14 | Tourism, Cuisine and Hospitality

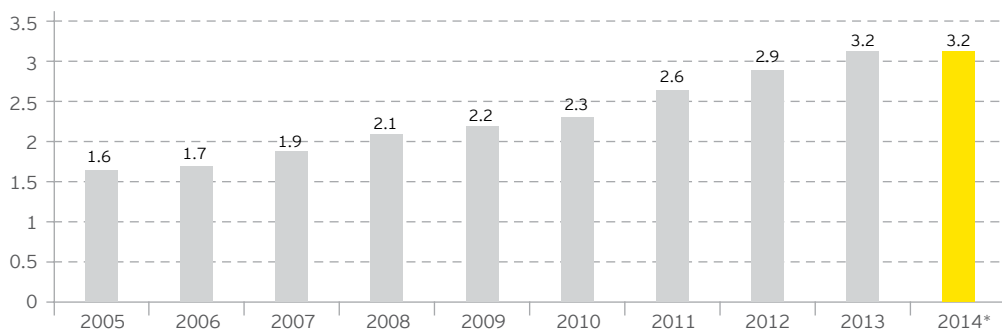
Tourism

Peru is a privileged tourist destination worldwide, ranked among the top ten preferred places in the world for its authenticity, art and culture, history and natural beauty, in addition to the famous tourist attractions of Machu Picchu and the Amazon Jungle, declared World Heritage Sites.

According to the Peruvian Immigration and Naturalization Service (DIGEMIN), tourist arrivals to Peru in 2014 totaled 3.2 million persons, representing a 2% increase, compared to the same period the previous year. As at the third quarter of 2014, there was a 15% growth in the number of tourists from Oceania, 10% from Central America, 6% from North America and 5% from Europe, with respect to the same period of the previous year. As at October 2014, the foreign currency produced by incoming tourism amounted to US\$2.89 billion.

On the other hand, according to the Peruvian Aviation Administration (DGCA) the flow of passengers on domestic flights at the close of 2013 increased by 14.8 % compared to the same period in 2012, totaling approximately 8,290,068 passengers in relation to the more than 7,221,404 of the year before. In addition, the traffic of international flights rose by 10.53% at the end of 2013, in relation to 2012. The goal for 2015 is for tourism to grow by 1.5% in relation to 2014.

The annual increase of tourist flow was as follows (in millions):



*Estimate

Sources: Ministry of Foreign Trade and Tourism / National Superintendency of Immigration

For the seventh year running, the Jorge Chavez International Airport has been considered the best air terminal of South America by the World Airport Awards. One of the main reasons for receiving this distinction is the high level of satisfaction of the passengers and users, who according to the evaluations achieved a level of satisfaction of 95%. Another decisive factor was that this qualification allowed it to be ranked 35th in the world, compared to the 37th position it obtained last year.

Each year, since 1987, the Peruvian government represented by the Commission for the Promotion of Peru for Exports and Tourism (PromPeru) and the private sector, represented by the National Chamber of Tourism (CANATUR) organize the Peru Travel Mart (PTM) an event which is the meeting point for tourism promoters of the country with the tourism businessmen of the world. The purpose of this event is to gather the wholesalers of the main tourist markets in the world, to take part in a meeting with the most important producers of tourist services of the country.

The first travel culture campaign "And what are your plans?" was launched in 2012 with the aim of promoting travel in the country. It is estimated that the campaign produced a growth of 15% in the sales of the participating regional companies that add up to a total of around 450. In 2014 this travel culture campaign was recognized by the World Tourism Organization (WTO) awarding Peru the Ulises Prize for Excellence and Innovation in Tourism.

The most visited tourist destinations in Peru are shown below:

- ▶ **Arequipa and the Colca Valley:** The city of Arequipa is also known as the “White City”. Its historical center has been recognized as a Cultural Heritage of Humanity due the architecture of its Colonial buildings in white stone ashlar. The Colca Valley is one of the protected natural areas with beautiful landscapes. Arequipa has one of the best cuisines of Peru.
- ▶ **Chiclayo:** The “City of Friendship” is fortunate for being the gateway for the most recent and spectacular archaeological discoveries such as the Lord of Sipan in the Huaca Rajada, the Lord of Sican in Batan Grande - the Historical Sanctuary of Bosque de Pomac, the Valley of the Pyramids of Tucume, besides owning the Museum of Royal Tombs of Sipan. Thanks to all of the foregoing features, Chiclayo has become the second destination after Cuzco, due to its archaeological and historical interest.
- ▶ **Cuzco-Machu Picchu-Inca Trail:** “The archaeological capital of America”, it is the top tourist attraction of Peru. Cuzco was the largest city and capital of the Inca Empire. Today, it has an architecture that blends the Inca and the Spanish styles. Its people proudly preserve their customs and traditions. A must see place is the mystical and enigmatic Machu Picchu (one of the Seven Wonders of the Modern World): the sacred city of the Incas that was officially unveiled to western culture in 1911. Due to their historical value and their beauty, both Cuzco and Machu Picchu have been considered a Cultural Heritage of Humanity.
- ▶ **Iquitos and the Amazon River:** The Amazon Jungle is an ideal place for nature and biodiversity tourism lovers, who wish to come into direct contact with nature. From Iquitos, tourists can take a cruise along the Amazon river, exploring the protected natural areas such as the Pacaya Samiria and Alpahuayo Mishana, with exuberant flora and fauna, ideal for bird watching.
- ▶ **Lake Titicaca and Puno:** Puno is located high up in the Andes, on the banks of Lake Titicaca, the highest navigable lake in the world, inhabited by the Uros and with wonderful landscapes. In the Amantani and Taquile Islands, the tourist can share life with its natives and experience first hand their habits and customs. Puno is the folkloric capital of Peru.
- ▶ **Lima:** Capital of Peru, is the gastronomic capital and gateway to Peru. It possesses a historical center with beautiful colonial buildings which have been declared the Cultural Heritage of Humanity by the UNESCO and has the best museums of Peru. Lima offers a large variety of cultural, folkloric shows, nighttime recreational centers, luxurious casinos and different restaurants famous for their Peruvian cuisine.
- ▶ **Nazca-Nazca Lines:** The only place in the world in the desert sands full of mysticism and mystery with marvelous shapes of immense figures and spectacularly perfect lines produced by an ancient civilization and that has been declared the Cultural Heritage of Humanity by the UNESCO.
- ▶ **Paracas:** On the coast of the Pacific Ocean, the National Reserve of Paracas and the Ballestas Islands are ecological destinations for nature and bird lovers. It also has historical-cultural attractions with the archaeological ruins of the Paracas culture.
- ▶ **Trujillo:** The “Spring City” is close to Chan-Chan (capital of the Chimu nation - 13th Century) one of the largest cities of the world built with mud and declared the Cultural Heritage of Humanity. Equally important are the archaeological ruins of the Huaca del Sol y de la Luna (Sun and Moon), the El Brujo complex and the Lady of Cao. An excellent destination for historical archaeological tourism.

More information at: www.ytuqueplanes.com

Cuisine

Peruvian cuisine is considered one of the most important worldwide. Over the years, it has become a flagship product due to its quality and increasing international competitiveness, in addition to being a cuisine which is rich in tradition and history. Peru is currently experiencing a gastronomic boom, and 42% of tourists visiting Peru say that the food is one of the aspects that influence their decision for choosing Peru as a tourist destination. The expansion of Peruvian cuisine reflects on the possibility of doing business, whether exporting the supplies, know-how, and skills in its preparation, or representing Peruvian food franchises in a growing number of countries.

In 2014, Peru was recognized for the third time running as the Best Culinary Destination of the World, according to the World Travel Awards (WTA). Gastronomic tourist spend an average of US\$130 per day in 4 and 5 star restaurants. It is estimated that Peru will earn US\$1.2 billion through gastronomic tourism in 2015.

Several international fairs are being developed in Peru which promote our food resources to the world. In 2015, four important international fairs shall be developed: Mistura, Expoalimentaria, Gastromaq and Seafood Lima.

Mistura 2015 is the most important international culinary fair of Latin America besides being a cultural festivity that shows the Peruvian culinary tradition and the wide biodiversity of the country. It is held every year in September for a period of ten days.

Expoalimentaria 2015 is the largest international fair for food, beverages, machinery, equipment, inputs, containers and packaging, services, restaurant and gastronomy of the region, thereby constituting an international meeting point of exporting companies and prime buyers of the five continents. The 7th edition of this fair is due to be held, gathering more than 38,000 professional visitors, such as food producers, manufacturers, importers, exporters, service suppliers and machinery for the food industry, among others.

Gastromaq 2015 shall be the second edition of the international fair that gathers information and contacts of the supplier companies for the gastronomic and hotel industry, which includes restaurants, hotels, bakeries, confectionery and ice cream parlors, as well as food processing industries.

Seafood Lima 2015 is the only event in Latin America that exhibits the supply of a large variety of frozen, salted/dried, canned fish, shellfish and byproducts thereof. The exhibitors are local and foreign processing plants and exporters and the visitors are international distributors, supermarkets, importers and agents.

Hotels

Collective accommodations establishments by category (2014)

Category	No. of establishments	No. of rooms	No. of bed places
Classified and categorized establishments	2,317	60,225	109,267
▸ Classified and categorized			
- 1-star Hotel	354	6,004	10,216
- 2-star Hotel	1,192	25,271	44,131
- 3-star Hotel	623	18,366	34,921
- 4-star Hotel	63	4,846	8,994
- 5-star Hotel	40	4,935	9,046
▸ Classified			
- Youth Hostel	37	595	1,494
- Ecolodge	8	208	465
Non-Categorized Establishments	14,806	141,784	245,632
Total	17,123	202,009	354,899

Source: Ministry of Foreign Trade and Tourism (MINCETUR)



IV

Incorporating a company in Peru

There are different types of legal entities which investors can use in order to incorporate businesses in Peru. The following are those most commonly used by foreign investors:

1 | Joint Stock Companies

A minimum of two shareholders is required. Non-domiciled shareholders must appoint an attorney-in-fact to sign off on the by-laws on their behalf. Funds in local or foreign currency for the initial capital contribution must be deposited in a local bank. There is no minimum amount required by law, but financial institutions generally require a minimum initial capital of S/. 1,000 (approximately US\$330).

► Features:

- **Denomination:** Trade Name must include “Sociedad Anonima” or the abbreviation “S.A.”
- **Limited liability:** Shareholders' liability is limited to the par value of the shares they hold.
- **Centralized management:** Shareholders' Meetings, Board of Directors, and Chief Executive Officer (General Manager).
- **Stock transfer:** The transfer of shares is free.
- **Existence:** Death, illness, bankruptcy, and/or retirement or resignation of any shareholder does not cause the dissolution of the corporation.

2 | Closely Held Corporations

Closely held corporations resemble limited liability companies and must have a minimum of 2 and a maximum of 20 shareholders. Shares cannot be registered in the Public Registry listed on the Stock Exchange.

► Features:

- **Denomination:** Must include the indication “Sociedad Anonima Cerrada” or the abbreviation S.A.C.
- **Limited liability:** Shareholders' liability is limited to the par value of the shares they hold.
- **Management:** Shareholders' Meeting (which may be held without the physical presence of the shareholders) and the General Manager. A Board of Directors is optional.
- **Stock transfer:** Existing shareholders have the right of first refusal in the event that shares are proposed for transfer to a third party. This right may be eliminated in the by-laws.

3 | Publicly Held Corporations

Publicly held corporations are intended basically for companies with a large number of shareholders (more than 750) or for which an Initial Public Offering has been made, or which have debts that can be converted into shares, or in which more than 35% of the capital stock belong to 175 or more shareholders. They must be registered in the Public Registry listed on the Stock Exchange.

► **Features:**

- **Denomination:** Must include the indication “Sociedad Anonima Abierta” or the abbreviation S.A.A.
- **Limited liability:** Shareholders' liability is limited to the par value of the shares they hold.
- **Centralized management:** Shareholders' Meetings, Board of Directors, and General Manager.
- **Supervision:** Publicly held corporations are subject to the supervision of the Stock Exchange Superintendency (SMV).
- **Stock transfer:** Transfer of shares is completely free. No restrictions or limitations are permitted.

4 | Limited Liability Companies

Limited liability companies may be established with a minimum of 2 and a maximum of 20 partners. This type of company does not issue shares. The incorporation procedures are the same as those for all other corporations. Its capital is divided into ownership interests, which are accumulative and indivisible.

► **Features:**

- **Limited liability:** Partners are not personally liable for corporate obligations.
- **Centralized management:** Partners' Meeting and General Manager.
- **Stock transfer:** Transfer of ownership interests to third parties is subject to approval by the existing partners (right of first refusal is mandatory) and must be registered in the Public Records Office.
- **Existence:** Death, illness, bankruptcy, and/or retirement or resignation of any partner does not cause the dissolution of the legal entity.

5 | Branches

A parent company agreement is required to incorporate a branch in Peru, and must be certified by the Peruvian Consulate in the country of the home office and authenticated by the Peruvian Ministry of Foreign Affairs (MRE) where applicable, or otherwise have it stamped with the Apostille (Convention of The Hague) in the country of origin before it is put into the form of a notarially recorded instrument and registered in the Public Records Office of this country. A Certificate of Good Standing from the parent company is also required. In accordance with the Business Corporation Act (LGS) branches of foreign companies may be legally incorporated in Peru as any type of legal business entity provided for in said law.



V

Taxes

The Tax System in Peru is governed by the principles of legal confidentiality and those of equality and respect for the basic rights of the person. The Constitution establishes the principle of the non-confiscatory nature of taxes, as well as guaranteeing the right to tax confidentiality.

In Peru, the main taxes are levied on income, production and consumption, the circulation of money and equity. There are also other contributions to the Public Healthcare Service and the National Pension System. The management and collection of taxes is the responsibility of the National Superintendency of Tax Administration (SUNAT) and, in some cases, the Municipalities or regulatory institutions.

The Tax Administration has the power to use all the methods of interpretation permitted by law, as well as to object to the economic purpose of taxpayers' acts, prioritizing content over the form of the acts. Analogy in tax matters is prohibited.

Starting on July 19, 2012, anti-evasion rules were introduced into the Tax Code regarding the faculties of the Tax Administration in situations considered to be tax evasion or simulated transactions.

In effect, in case of situations of tax evasion, the Tax Administration shall have the faculty to request the enforced payment of the tax debt, reduction of tax credits, tax losses, or the elimination of tax benefits (including the restitution of taxes unduly refunded). In order to implement this power, the Tax Administration shall prove that the taxpayer meets the following conditions:

- a) The taxpayer—whether individually or jointly and severally with other taxpayers—has engaged in illegal or deceptive acts to obtain a specific tax result; and
- b) The use of said deceptive or illegal act causes legal or economic effects other than tax savings or advantages equal or similar to those that would have been obtained through usual or legal acts.

However, as of July 12, 2014, the application of the anti-evasion rules incorporated in 2012 has been suspended until the Executive Branch, by a Supreme Executive Order, endorsed by the Minister of Economy and Finance, establishes the parameters of form and substance for application thereon.

The following table shows the list of taxes according to their nature (direct, indirect, and municipal). Each one of these taxes is summarized below.

Direct Taxes	Indirect Taxes	Municipal Taxes
Income Tax (IR)	Value Added Tax (VAT)	Property Tax
Temporary Net Assets Tax (ITAN)	Selective Consumption Tax (ISC)	Property Transfer Tax
Tax on Financial Transactions (ITF)		Vehicle Property Tax

1 | Direct Taxes

a. Income Tax (IT)

Income tax is levied on income and is determined annually. The tax year begins on January 1 of each year and ends on December 31, with no exceptions. Tax returns for corporations, branches, and individuals must generally be filed by March 31 of the following year.

Legal entities

Corporations incorporated in Peru are subject to third category income tax on a worldwide income basis. Non-domiciled corporations, branches, and permanent establishments of foreign corporations that are located in Peru are only taxed on Peruvian-source income.

The corporate income tax rate for domiciled companies is provided in the table below and is applied over the net income, which is determined after the deduction of expenses incurred in the generation of income or maintenance of the source.

Taxable operations	Rate
2014	30%
2015-2016	28%
2017-2018	27%
2019 and beyond	26%

Dividends received from other domiciled legal entities are not taxed. Dividends received from non-domiciled legal entities are subject to a tax rate of 30% (2014 period), 28% (periods 2015 and 2016), 27% (periods 2017 and 2018) and 26% /2019 onwards).

In general, subject to certain requisites and conditions, the deduction of interest, insurance, non-recurring losses, collection, depreciation, and pre-operating expenses, authorized reserves, write-offs and loan loss provision, provision for social benefits, retirement pensions, and employee bonuses, etc., is permitted.

Expenses incurred abroad are deductible provided they are necessary and have been accredited with the respective payment vouchers issued abroad.

Expenses that are not accepted as deductions include, among others, personal expenses, assumed income tax (except in the case of interest), tax and administrative fines, donations and reserves, or allowances not permitted by law, etc.

Taxpayers can select between the following two systems to carry forward their losses:

- Losses can be carried forward for four consecutive years, beginning with the first subsequent year in which the losses arise; or
- Losses can be carried forward indefinitely, but with an annual limit equivalent to 50% of the taxpayer's taxable income for each subsequent year.

Neither loss carrybacks nor the deduction of net losses abroad is permitted.

It should be noted that domiciled companies are obligated to make prepayments on income tax, for an amount determined by comparing the monthly installments resulting from the application of one of the following methods, whichever is highest:

- Percentage method: Apply 1.5% to the total net income for the month.
- Coefficient method: Divide the tax calculated for the previous fiscal year by the total net income for the same fiscal year and multiply the result by the 0.9333 factor (the factor is solely applicable for the period

of 2015). Apply the resulting coefficient to the net income for the month. For the months of January and February, use the coefficient determined based on the calculated tax and net income of the fiscal year prior to the previous one.

Notwithstanding the foregoing, it is possible to request the suspension of the obligation to make the aforementioned prepayments, under certain circumstances.

Should the prepayments exceed the annual tax determined on said occasion, the excess may be carried forward as credit against subsequent advance and regularization tax payments, or may be refunded to the taxpayer.

Domiciled individuals

Under the Peruvian tax system, Peruvian citizens domiciled in Peru are subject to taxation on their worldwide income, regardless of the country from which it derives, from which payments are made, or the currency in which income is received. By contrast, non-domiciled individuals are only taxed in Peru on their Peruvian-source income.

In the case of domiciled individuals, fourth- and fifth-category income tax, i.e., the tax on income received for personal work (independent and dependent, respectively), as well as foreign-source income, is determined by applying a cumulative progressive rate, as follows:

Up to the 2014 Fiscal Year		From the 2015 Fiscal Year	
Sum of Net Peruvian Source Income and Foreign-Source Income	Rate	Sum of Net Peruvian Source Income and Foreign-Source Income	Rate
Up to 27 Tax Units ¹¹	15%	Up to 5 Tax Units	8%
More than 27 Tax Units	21%	More than 5 up to 20 Tax Units	14%
More than 54 Tax Units	30%	More than 20 up to 35 Tax Units	17%
		More than 35 up to 45 Tax Units	20%
		More than 45 Tax Units	30%

For salaries, wages, and any other type of remuneration received for dependent or independent work (fourth- and fifth-bracket income) a non-taxable minimum of 7 UITs (S/. 26,950 or US\$8,900) applies. Additionally, there is a deduction of 20% on income received for independent work, as well as the deduction of donations and Tax on Financial Transactions (ITF). The deduction of further expenses is not permitted.

Income obtained by domiciled individuals from the lease, sublease, or assignment of assets (first-bracket income) as well as all other capital incomes (second-category income) are subject to an effective rate of 5% of gross income.

Dividends distributed by companies incorporated or established in Peru and received by individuals are taxed with the following rate according to the tax period:

Taxable operations	Rate
2014	4.1%
2015 - 2016	6.8%
2017 - 2018	8.0%
2019 and beyond	9.3%

The rate of 4.1% shall be applied to the accumulated results obtained until December 31, 2014 and that form part of the distribution of dividends or any other form of profit distribution.

¹¹For the year 2015, the UIT is equivalent to S/.3,850 or US\$1,291.

Non-domiciled individuals

Individuals not domiciled in Peru must pay taxes only on Peruvian-source income.

In general, Peruvian-source income is considered to include:

- Income received for properties and the rights related thereto, including that coming from their disposal, when the properties are located within Peruvian territory
- Income received for assets or rights, including that coming from their disposal, when such assets are physically located or the rights are economically used in the country
- Royalties when the assets or rights are economically used in the country, or when they are paid by a taxpayer domiciled in the country
- Interest, when the capital is placed or economically used in the country; or when the payer is a taxpayer domiciled in the country
- Dividends distributed by entities domiciled in the country
- Civil, commercial, business, and personal work activities conducted in the country
- The disposal or surrender of marketable/negotiable securities (shares, ownership interests, bonds, etc.), when they have been issued by entities incorporated or established in Peru
- Technical assistance and digital services economically used in Peru
- The results obtained by non-domiciled taxpayers from derivative financial instruments entered into with domiciled taxpayers whose underlying asset involves the exchange rate of Peruvian currency compared to a foreign currency, provided that the effective term thereof is less than sixty (60) calendar days.
- Income obtained from the indirect disposal of shares or ownership interests in the capital stock of legal entities domiciled in the country, provided that it meets certain requisites.

For non-domiciled individuals, the income tax on the dependent labor income is 30%, with no deductions.

Income received for independent work is subject to an effective tax rate of 24%.

Without prejudice to the foregoing, income earned in their country of origin by non-domiciled individuals entering Peru on a temporary basis in order to perform any of the activities listed below are not considered to be Peruvian-source income. Such activities include:

- Acts executed before making any kind of foreign investments or doing business of any kind
- Acts intended to supervise or control the investment or business (data or information collection, interviews with people from the public or private sectors, among others)
- Acts related to the hiring of local personnel
- Acts related to the execution of similar contracts or documents .

For foreigners coming from countries with which Peru currently maintains agreements to avoid double taxation, such as Chile, Canada, Brazil, Portugal, South Korea, Mexico and Switzerland; or from countries that are part of the Andean Community of Nations (Ecuador, Colombia, Bolivia, and Peru), other tax provisions may apply.

Non-domiciled entities

Income obtained by non-domiciled entities is subject to income tax withholding, depending on the type of income, as follows:

Withholding tax rate on income of non-domiciled companies

Income	Rate
Dividends and other forms of profit distribution, as well as the remittance of profits from the branch	<ul style="list-style-type: none"> ▶ Regarding results obtained until December 31, 2014 considered part of the distribution of dividends or any other type of profit distribution, a rate of 4.10% will be applied. ▶ 2015-2016: 6.8% ▶ 2017-2018: 8% ▶ 2019 and beyond: 9.3%
Interest paid to non-domiciled companies, provided certain requirements are met	▶ 4.99%
Interest paid to related companies abroad	▶ 30%
Technical assistance services economically used in Peru	▶ 15%
Digital services economically used in Peru	▶ 30%
Royalties	▶ 30%
Capital gains deriving from the disposal of marketable/negotiable securities through the Lima Stock Exchange (BVL) including: <ul style="list-style-type: none"> ▶ Disposal, redemption, or surrender of shares, bonds, or other securities issued by corporations incorporated in Peru ▶ Indirect disposal of shares in Peruvian corporations 	▶ 5%
Capital gains deriving from the disposal of marketable/negotiable securities outside the Lima Stock Exchange (BVL), including: <ul style="list-style-type: none"> ▶ Disposal, redemption, or surrender of shares, bonds, or other securities issued by corporations incorporated in Peru ▶ Indirect disposal of shares in Peruvian corporations 	▶ 30%
Other income deriving from business activities conducted in Peruvian territory	▶ 30%

Income from activities performed partially in Peru and partially abroad by non-domiciled companies, including that obtained by their es or permanent establishments are subject to the following effective tax rates:

Activities	Effective Income Tax Rate (%)
Air Transport	0.3
Maritime Transport	0.6
Vessel Lease	8.0 ¹²
Aircraft Lease	6.0 ¹²
Supply of Transport Containers	4.5
Demurrage of Containers	24.0
Insurance	2.1
International News Agencies	3.0
Motion Picture Distribution	6.0
Television broadcasting Rights assignment	6.0
Telecommunication Services	1.5

¹²The withholding rate for these activities is 10%.

Thin capitalization rules

Interest paid by domiciled taxpayers to related or associated companies is not income tax deductible in the portion that exceeds the result of applying a coefficient (debt/equity ratio) of "3/1" at the close of the immediately preceding fiscal year.

Double-taxation treaties

Peru has currently signed and ratified treaties to avoid double taxation with the following countries: Brazil, Chile, Canada, Portugal, South Korea, Switzerland and Mexico. Peru is also part of the Andean Community, along with Colombia, Ecuador, and Bolivia. As such, Decision 578 for the avoidance of double taxation between the countries referred to above applies. Unlike the OECD Model, Decision 578 prioritizes taxation at the source, using the exemption method.

It should be noted that Peru has adopted a treaty to avoid double taxation with Spain, which is pending ratification. Likewise, negotiations are underway with Japan, Qatar, the United Arab Emirates, The Netherlands, Italy, France, Sweden, and the United Kingdom.

Transfer pricing

Transfer pricing rules are based on the arm's length principle as interpreted by the Organization for Economic Co-operation and Development (OECD) and should be considered solely for income tax purposes.

In Peru, these rules not only apply to transactions between related parties, but also to transactions with companies domiciled in tax havens. Note, however, that the value agreed to by the parties must only be adjusted when they are detrimental to the tax results.

The prices of the transactions subject to transfer pricing rules shall be determined in accordance with any of the internationally accepted methods, for which purpose the one found to best reflect the economic reality of the operation shall be taken into account.

Taxpayers involved in international transactions involving two or more jurisdictions may enter into Advance Transfer Pricing Agreements (APAs) with the Tax Administration, which may be unilateral or bilateral.

Bilateral agreements may only be entered into with regard to operations with residents in countries with which Peru has entered into double taxation agreements. APAs may also be entered into with regard to transactions carried out between related companies domiciled in Peru.

Starting on January 1, 2013, certain specific parameters were incorporated, to be taken into account for the determination of the fair value in the specific case of import and export operations for given goods involving an international intermediary who is not the effective recipient of the goods in question, or in those performed from, to, or through tax havens.

International Tax Transparency System

Starting on January 1, 2013, the "International Tax Transparency System" was incorporated, applicable to taxpayers domiciled in Peru who are owners of controlled non-domiciled entities (CNDEs) with regard to the passive income of the CNDEs, provided that they are subject to income tax in Peru for foreign-source income.

According to this system, the passive income obtained through subsidiaries incorporated in other jurisdictions must be included in the taxable income of individuals and companies domiciled in Peru, even when the effective distribution of the dividends associated with such passive income has not occurred.

The Law provides the requisites that foreign corporations must meet in order to be considered a CNDE. For such purpose, it shall be understood that the CNDE is the property of a domiciled taxpayer when:

- ▶ It has a legal status apart from that of its partners, associates, shareholders, or, in general, the people who integrate it
- ▶ It is incorporated, established, domiciled in or is a resident of (i) a tax haven; or (ii) a country or territory where its passive income is not subject to income tax or such tax is at least 75% less than the income tax that would have been levied in Peru
- ▶ It is the property of a taxpayer domiciled in Peru. For such purpose, this shall be understood to be the case when, at the close of the fiscal year, the domiciled taxpayer has—on its own or jointly with its related parties domiciled in the country—a direct or indirect share in over 50% of the capital stock, or the results, or voting rights of said entity. Likewise, the presumption of a share in a CNDE is established when there is a direct or indirect purchase option in said entity.

For the application of the system, an exhaustive list of concepts that qualify as passive income (e.g., dividends, interest, royalties, capital gains deriving from the disposal of real property and marketable/negotiable securities, etc.) and a list of excluded concepts have been drawn up.

It has also been established that if the income qualifying as passive is equal to or greater than 80% of the total income of the CDNE, the total income thereof shall be considered passive income.

The passive income shall be attributed to its owners domiciled in Peru who, as of the close of the fiscal year, have a direct or indirect share in over 50% of the results of the controlled entity.

Reduction in capital stock

Starting on June 30, 2012, the reduction of capital stock for up to the amount of profits, surplus from revaluation, adjustments due to restatement, freely-available premiums and/or reserves shall be considered a distribution of dividends subject to a tax rate of 4.1% for dividend tax if:

- ▶ The amount of the profits, revaluation surplus, adjustments due to restatement, or freely-available premiums and/or reserves (i) exist at the time the resolution is adopted for the reduction of the capital stock;(ii) have been previously capitalized, unless the reduction in capital stock is allocated to cover losses, in accordance with the Business Corporations Act (LGS).

If, after the resolution adopted for the reduction, the profits, revaluation surplus, adjustments due to restatement, or freely-available premiums and/or reserves are:

- a) **Distributed:** Such distribution shall not be considered as dividends or any other form of distribution of profits.
- b) **Capitalized:** The subsequent reduction corresponding to the amount of the capitalization in question shall not be considered dividends or any other kind of distribution of profits.

Corporate reorganization system

With regard to income tax, there are three systems from which the taxpayer may choose:

- ▶ **Voluntary revaluation with tax effects:** The difference between the revaluated value and the historical cost is subject to income tax. The tax basis of the assets transferred shall be the revaluated value.

Starting on January 1, 2013, the difference subject to income tax may not be offset with the tax loss of the taxpayer performing the revaluation.

- ▶ **Voluntary revaluation without tax effects:** The difference between the revaluated value and the historical cost shall not be subject to income tax provided that the earnings are not distributed. In this case, the revaluated value of the assets transferred is not a tax basis.

Starting on January 1, 2013, it is presumed, without permitting evidence to the contrary, that earnings have been distributed:

i) In the case of a spin-off, if the newly-issued shares are transferred or cancelled by a subsequent reorganization, provided that the shares represent over 50% of the capital stock or voting rights and the transfer or cancellation occurs before the close of the fiscal year following that in which the spin-off entered into force.

ii) When the distribution of dividends is agreed to within the four (4) fiscal years following the fiscal year in which the reorganization is performed.

- ▶ **Transfer at cost value:** The assets transferred shall have the same tax basis for the acquirer as they would have had for the transferor.

Starting on January 1, 2013, under certain circumstances, it shall be assumed, without allowing evidence to the contrary, that capital gains exist (difference between the market value and the tax basis of the assets transferred). In the case of spin-off or corporate reorganization, this will occur when the newly-issued shares or assets are transferred or cancelled due to a subsequent reorganization, provided that the shares represent over 50% of the capital stock or voting rights and the transfer or cancellation occurs before the close of the fiscal year following that in which the spin-off or reorganization entered into force.

Indirect Stock Transfer

Starting on February 16, 2011, the Income Tax Act considers capital gains obtained from the indirect transfer of shares or ownership interests of capital stock in legal entities domiciled in Peru to be Peruvian-source income subject to tax.

In this regard, the indirect transfer of shares shall be considered to have taken place when shares or ownership interests in the capital stock of a company not domiciled in the country which is in turn the owner—whether directly or through another company or companies—of shares or ownership interests in the capital stock of legal entities domiciled in the country are disposed of, provided that:

i) In any of the twelve (12) months preceding the disposal, the market value of said shares or ownership interests is equivalent to 50% or more of the market value of the non-domiciled corporation.

ii) In any twelve (12) month period, shares or ownership interests are disposed of that represent 10% or more of the capital stock of the non-domiciled legal entity.

Likewise, specific cases of tax evasion have been regulated with regard to the indirect disposal of shares, such as the presumed indirect disposal through the dilution of shareholders of non-domiciled companies and distribution of dividends by non-domiciled companies.

Capital gains deriving from the indirect transfer of shares shall be subject to a tax rate of 5% or 30%, depending on whether the transfer is made through the Lima Stock Exchange (BVL).

Under certain circumstances, the Peruvian issuer shall be jointly and severally liable.

Tax havens

Companies domiciled in the country cannot deduct, for effects of determining their income tax, the expenses derived from operations performed with individuals or entities residing in countries or territories with low or no taxes, nor shall they have the right to offset losses generated by these operations with foreign-source income, except in the case of operations involving (i) loans; (ii) insurance and reinsurance; (iii) assignment for use of vessels or aircraft; (iv) transport performed from Peru abroad and from abroad to Peru; (v) fee for transit through the Panama Canal.

Likewise, those operations performed from, to, or through tax havens shall comply with transfer pricing rules.

Finally, derivative financial instruments entered into with taxpayers domiciled in tax havens shall be considered speculative, in which case losses may only be offset with profits of the same kind.

Tax credit

Taxes effectively paid abroad may be offset against Peruvian income tax, even if there is no double taxation treaty, provided that the amount resulting from the application of the average taxpayer rate for income obtained abroad is not exceeded.

The credit not applied in a given fiscal year cannot be offset during subsequent or prior fiscal years, nor may it be refunded.

Other specific anti-evasion rules

► Non-deductible capital losses for the disposal of securities:

Capital losses originated from the disposal of securities shall not be deductible when:

- a) At the time of the disposal or thereafter, within a term of no more than thirty (30) calendar days, the acquisition of marketable/negotiable securities of the same type as those disposed of or purchase options thereon occurs.
- b) Prior to the disposal, within a term of no more than thirty (30) calendar days, the acquisition of marketable/negotiable securities of the same type as those disposed of or purchase options thereon occurs.
- c) The tax basis of the marketable/negotiable securities whose acquisition would have given rise to the non-deductibility of the capital losses in question shall be increased by the amount of the non-deductible capital loss.

► Non-deductible expenses for assignment of credits:

Expenses incurred for the difference between the nominal value of a credit originated between related parties and its transfer value to third parties that assume the debtor's credit risk shall not be deductible. In case said credit transfers generate accounts receivable in favor of the transferor, the allowances and/or write-offs for bad debt with regard to said accounts receivable do not constitute a deductible expense for said transferor. The foregoing is not applicable to the companies of the financial system.

b. Temporary Net Assets Tax (ITAN)

The Temporary Net Assets Tax (ITAN) is equivalent to 0.4% of the total value of net assets in excess of S/.1 million determined as at December 31 of the previous year. Companies in the pre-operational stage are excluded. The ITAN payments can be used as a tax credit. A refund may be requested for any balance not used in the current year.

To avoid double taxation issues, subsidiaries and branches of foreign corporations may elect to reverse the order of the tax credit so the Peruvian income tax is creditable against the ITAN and not vice versa. As such, taxpayers might be able to claim the income tax paid in Peru as foreign tax credit in their country of origin, and not the ITAN.

c. Tax on Financial Transactions (ITF) and means of payment

A 0.005% tax is generally imposed on deposits and withdrawals in Peruvian bank accounts.

Any payment in excess of S/. 3,500 or US\$1,000 must be made through the Peruvian banking system using the so-called "Means of Payment," which include bank deposits, wire transfers, payment orders, credit and debit cards issued in Peru, and "non-negotiable checks."

Not using these methods of payment would mean that the corresponding cost or expense of the payment cannot be recognized for income tax purposes. In addition, any Value Added Tax (VAT) related to the acquisition of goods and services cannot be used as tax credit.

2 | Indirect Taxes

a. Value Added Tax (VAT)

Taxable base and application

Value Added Tax (VAT) is levied on the consumption of goods and services in Peru with an 18% tax rate (includes 2% for Municipal Promotion Tax).

The Value Added Tax (VAT) Act uses the debit/credit system, under which the VAT paid on sales is offset against the VAT paid on purchases. Any VAT that is not used as credit in a particular month may be applied in the following months until it is used up. This credit is not subject to expiration or the running of statutes.

Corporate reorganizations are not subject to this tax.

Early VAT recovery system

Individuals or legal entities developing projects currently in the pre-operational stage (which shall be longer than or equal to two (2) years) may request the early recovery of the VAT before starting operations and obtaining a Ministerial Ruling from the sector corresponding to the project to be carried out. For such purpose, the company must sign an investment agreement with the Peruvian government, requesting the recovery through ProInversion. The investment must be made during the pre-operational stage and may not be less than US\$5 million, except for investments to be made in the agricultural sector, which is exempt from this requirement.

Furthermore, a special system has been recently approved authorizing micro-enterprises in the operating stage to enjoy the refund of the tax credit paid on imports and/or local purchases of new capital goods, not exhausted within the three (3) months following the date of registration of the respective voucher in the Purchase of Journal.

Final VAT refund

Final VAT refunds apply to: (i) individuals and legal entities who are the holders of mining concessions; and (ii) investors who have entered into license agreements or service contracts according to the Organic Law of Hydrocarbons. In both cases, the beneficiary must be in the exploration stage. In the case of holders of mining concessions, an exploration investment agreement involving a minimum investment of US\$500,000, must also be adopted.

Export of goods

The exportation of goods is not subject to the payment of VAT.

The Value Added Tax Act defines the export of goods as the sale of real property performed by a taxpayer domiciled in the country to a non-domiciled party, regardless of whether the transfer occurs abroad or in Peru, provided that said goods are subject to a customs process for definitive export.

If the transfer of ownership occurs in the country prior to loading, the classification as export of goods is conditional upon the goods being shipped within a term of no more than sixty (60) calendar days after the date of issue of the respective payment voucher.

When the sale involves documents issued by a bonded warehouse referred to in the General Customs Act or a normal deposit warehouse regulated by the Superintendency of Banking, and Insurance (SBS) and Private Pension Fund Management Companies (AFP) (SBS) that guarantee the purchaser's right to dispose of said goods, the classification shall be conditional upon the shipment being performed within a term of no more than two hundred and forty (240) calendar days after the date on which the warehouse issues the document.

If the established terms expire without the goods having been shipped, it shall be understood that the operation has been performed in national territory, and shall be levied with or exempted from VAT, as applicable.

Export of services

The exportation of services is not subject to the payment of VAT.

Operations considered to be export of services include those contained in Appendix V of the Value Added Tax Act, to the extent they are provided for valuable consideration, the exporter is domiciled, the user is non-domiciled, and the use or exploitation of the services by the non-domiciled party occurs abroad.

These services include, among others, consulting and technical assistance, lease of real property, advertising services, data processing services, application of computer programs and the like, staff outsourcing and supply services, credit placement commission services, financing operations, insurance and reinsurance, certain telecommunications services, tourism services, and business support services. Also included are accounting, treasury, technological, IT, or logistical support services, call centers, laboratories, and the like.

b. Selective Consumption or Luxury Tax (ISC)

This tax applies to the consumption of specific goods, such as fuels, cigarettes, beers, liquors, soft drinks, etc. It is applied under three systems: (i) specific, which involves a fixed amount in Nuevos Soles per unit of measurement; (ii) at value, based on a percentage of the sale price; and (iii) sale price, a percentage of the suggested retail price.

3 | Municipal Taxes

a. Property Tax

Property Tax is an annual municipal tax that is levied over the value of urban or rustic premises. For such purpose, premises are considered to include land, buildings, and fixed and permanent facilities.

The tax rate is a progressive cumulative scale varying between 0.2%, 0.6% and 1.0%, depending on the value of the property.

b. Property Transfer Tax

Property Transfer Tax is levied on the transfer of urban or rural property, with or without valuable consideration, in any form or manner, including sales in which the ownership rights are not transferred to the buyer until the total price is paid.

The taxable base is the sale price of the property. The tax rate is 3%, to be paid by the buyer. The first 10 Tax Units (UITs) (S/. 38,500 or US\$12,800) are tax-free.

c. Vehicle Property Tax

The Vehicle Property Tax is an annual tax levied on the ownership of automobiles, pickup trucks, and station wagons manufactured in the country or imported that are no more than three (3) years old. The three (3) years are calculated from the first filing of the automobile in the Vehicle Property Registry.

The taxable base is determined by the original value of acquisition, importation, or entry into ownership. The applicable tax rate is 1%.

4 Customs System

a. Customs taxes

Imported goods are subject to import tariffs with currently ad valorem rates of 0%, 6% and 11%¹⁴.

Likewise, the Value Added Tax (VAT) of 18% is applied to imported goods.

Additionally, and depending on the type of goods, imports may be taxed with the Selective Consumption or Luxury Tax (ISC) Antidumping Duties, Compensation Duties, or others.

There are also specific duties to be applied as additional variable duties on imported agricultural products such as yellow corn, rice, milk and sugar.

Some imported goods can also be charged with anti-dumping or compensation duties. The former is applied to some imported goods when the price discrimination could harm or threaten to harm a branch of national production. Compensation duties are applied to imported goods that are subsidized in their country of origin and can harm or threaten to harm national production via the importation thereof.

The customs taxes and duties applied are summarized as follows:

Tax	Rate	Taxable Base
Customs Tariffs ^(a)	0%, 6% y 11% ¹⁵	CIF Value
Value Added Tax (VAT) ^{(b) (c)}	18%	CIF + Customs Duties

- ^(a) The customs tariff rates depend on the type of goods being imported
- ^(b) The Value Added Tax (VAT) can be used as tax credit by the importer
- ^(c) Certain goods are additionally subject to the Selective Consumption or Luxury Tax (ISC)

The importation of goods is subject to the Prepaid VAT System, wherein the tax is determined by applying a percentage to the CIF customs value plus all taxes levied on the import and other surcharges, where applicable. The applicable tax rate is 3.5%, 5%, or 10%, depending on the situation of the importer and/or the goods to be cleared through customs. Like VAT, the amount paid may be used by the importer as a tax credit. However, there are certain cases in which the prepaid VAT does not need to be paid; for example, when the import is performed by VAT withholding agents, or in the case of certain goods excluded from this system.

When importing consumer goods worth more than US\$ 2,000, the services of a customs agent authorized by Peruvian Customs will be necessary, to undertake the documentary procedures for the imports. It is worth noting that the importer will be required to have the necessary documents that support the entry of goods, such as the commercial invoice, shipping documents, etc.

In addition to the formalities of customs clearance procedures, there are local regulations that establish additional requirements for the entry of goods that are considered restricted or prohibited. Further details are provided herein below.

¹⁴An ad valorem rate of 4% is charged In the case of Express Shipment (goods with an FOB value of US\$200 or more, up to a maximum amount of US\$2,000 per shipment).

¹⁵For Express Shipments, an ad valorem rate of 4% is charged.

b. Restricted or prohibited goods

Some goods that are imported into the country may be considered by legal mandate to be restricted or prohibited, for reasons of national security or public health, among other reasons.

Restricted goods are those that require special authorizations, licenses, permits, etc., from the pertinent institutions, depending on the goods to be imported. These goods must have the required documentation at the time of importation, prior compliance with the requirements established by the control units of the competent sector.

Some of the entities and types of restricted goods are as follows:

- **National Superintendency of Tax Administration (Sunat)** through the National Intendancy of Chemical Supplies and Supervised Goods for controlled chemical inputs.
- **Ministry of Health**, through the Medicines, Supplies and Drug Administration (Digemid) , with respect to medicines; and through the General Bureau of Environmental Health (Digesa) with regard to food and beverages, etc.
- **Ministry of Energy and Mines (Minem)** in the case of goods (products, machinery and equipment) that use radioactive sources.
- **Ministry of Internal Affairs**, through the National Superintendency for the Control of Security Services, Arms, Ammunition, and Explosives for Civil Use (Sucamec) for goods such as fire arms, explosives, etc.
- **Ministry of Agriculture**, through the National Agricultural Sanitation Service (Senasa) as the institution in charge of protecting agricultural health, etc.
- **Ministry of Transportation and Communications** for radio-electric transmitters in general and/or communications equipment.
- **Ministry of Foreign Affairs** for texts and/or publications that include geographical-cartographical and historical material.

Furthermore, the prohibited goods are not allowed to enter or leave the country.

c. Anti-dumping measures and compensation duties

When an importation is performed, anti-dumping and/or compensation duties may be applied for the customs clearance of certain goods in order to prevent or to correct distortions due to dumping or subsidies, as set forth by the Commission for Control of Dumping and Subsidies of the National Institute for the Defense of Free Competition and the Protection of Intellectual Property (Indecopi).

Likewise, it is possible that during or after customs clearance, Indecopi may bring proceedings to establish anti-dumping or compensation duties, in those cases in which the declared prices may cause a threat or harm to a branch of national production.

It should be noted that the measures established by Indecopi Commission for Control of Dumping and Subsidies may be temporary or permanent.

Currently, anti-dumping duties are charged on biodiesel originating from the United States, and shoes and denim fabrics from China, among other products.

d. Trademarks and patents

For purposes of protecting copyrights and the like, as well as trademarks, country border measures have been established so that a request may be initiated ex parte by the State or the interested party, or ex officio, through the Customs Administration.

This mechanism permits companies that own a protected right to register with the Customs Authority in order to request that an importation process be suspended (authorization for removal from bonded

warehouses) in the case of goods that are presumed to bear fake or confusingly similar trademarks, or pirated goods that violate copyrights. Such requests are filed so that Indecopi may conduct an inspection of the goods to be imported into the country.

e. Customs systems

The following are some of the customs systems established in the General Customs Act:

Drawback

The simplified system of returning customs duties, or drawback, allows producer-exporters to recover all or part of the customs duties paid on importing raw materials, inputs, intermediate goods, and parts and pieces incorporated or used in the production of goods to be exported, provided the CIF import value is not more than 50% of the FOB value of the exported product, and all the requisites established in order to be eligible for this benefit are met. The drawback rate applicable is equivalent to 5% of the FOB value of the exported product. Notwithstanding, as of January 1, 2015, the refund rate is 4% while the rate shall be 3% as of January 1, 2016.

Duty-Free Replacement of Goods

This customs system allows for importation with automatic exemption from customs duties and other taxes levied on imports, goods equivalent to those which—after having been cleared through customs—have been processed, elaborated, or materially incorporated into products that are permanently exported. The beneficiaries of this system are those individuals or legal entities that have exported—directly or through third parties—products which use imported goods.

Temporary Admission for Re-Exportation in the Same State

This customs system allows for the reception of certain goods in national territory, with the suspension of customs duties and other taxes levied on the importation thereof (for a maximum period of 18 months) duly guaranteed, destined for a specific purpose in a specific place and which will be re-exported within the established term without having undergone any modification whatsoever, with the exception of the depreciation as a consequence of normal wear and tear.

Bonded Warehouses

This system allows for goods entering national territory to be stored in a bonded warehouse for such purpose, for a given period (maximum term of 12 months) under the control of a customs agency, without paying customs duties and other taxes applicable to importation for consumption, provided that no specific customs system has been requested for them and they are not in a situation of abandonment.

f. Free Trade Zones

► Tacna Free Trade Zone

The Tacna Free Trade Zone was created in 2002 in order to promote investment in the south of the country through the incorporation of companies engaged in a series of industrial activities, agribusiness, in-bond processing and assembly, and storage, distribution, unpacking, and packaging services, etc. A tax exemption system was granted, which includes Income Tax, Value Added Tax (VAT), Selective Consumption or Luxury Tax (ISC) Municipal Promotion Tax, as well as any other tax, whether existing or to be created, provided the activities are developed within that Zone.

Products shipped from abroad that enter the Zone are not subject to import duties, since the Tacna Free Trade Zone has been granted the status of a special customs treatment area. In the case of goods transferred to the Tacna Commercial Area, only a special tariff is paid. However, if those goods are destined for the rest of the country, then they are subject to payment of the duties charged on imported goods.

The benefits system of tax exemptions is in effect until 2032.

► Puno Special Economic Zone

Like the Tacna Free Trade Zone, the Puno Special Economic Zone is an area which enjoys the status of falling outside customs territory, where a special tax system is applied that not only exempts goods entering the area from import duties, but also provides an exemption to Income Tax, the Value Added Tax (VAT), Selective Consumption or Luxury Tax (ISC), Municipal Promotion Tax, as well as any other federal, regional or municipal tax currently in force or to be created, including those that require express exemption, provided that users carry out authorized activities such as industry, agribusiness, in-bond processing and assembly, and storage, distribution, unpacking, packaging services, etc., within the Zone.

The exemptions are valid through 2027, with the exception of Income Tax, which concludes December 31, 2028.

g. Other Special Treatment Zones

Ceticos

In addition to the special customs areas mentioned above, there are also Centers for Export, Processing, Industry, Commercialization, and Services (Ceticos) in Ilo, Matarani, Paita, Tumbes, and Loreto.

Ceticos are limited geographical areas that are considered primary customs zones subject to special treatment, where repair, reconditioning of goods, modifications, mixtures, packaging, in-bond processing, processing, passive finalization, distribution and storage services may be provided, among others. Under this system, goods that enter these zones are exempt from import duties. However, goods from Ceticos that are then shipped to other parts of the country are subject to the payment of customs duties and other taxes applicable to imported goods.

With regard to all other duties and taxes, the development of activities in the country's Ceticos is exempt until December 31, 2022 from Income Tax, Value Added Tax (VAT), Selective Consumption or Luxury Tax (ISC), Municipal Promotion Tax, as well as all taxes in force or created in the future—including those that require express exemption by law—with the exception of contributions to EsSalud and rates, except for the Tumbes Ceticos, where, through Law 29902, the exemption was extended to December 2042. Likewise, transfers of goods and provisions of services between users established in Ceticos are exempt from Income Tax, Value Added Tax (VAT), Selective Consumption or Luxury Tax (ISC) and any other tax in force or to be created, including those that require express exemption.

Finally, in the case of the Loreto Ceticos, it is important to note that the term for incorporating companies in that Zone, as well as their exemptions, is 50 years, as from May 22, 1998.

Amending Protocol to the Peruvian - Colombian Customs Cooperation Agreement of 1938

This Protocol grants preferential duties for the importation of certain goods detailed in the Common External Duty Schedule that forms part of the Protocol.

This preferential treatment applies solely to those goods imported to Loreto, San Martin, and Ucayali..

Act for the Promotion of Investment in the Peruvian Amazon - Law 27037

This Law enables importers to bring certain goods to Peru without paying Value Added Tax (VAT), provided that such goods are listed in the Common External Duty Schedule of 1938 and/or the list contained in the Appendix of Executive Order 21503.

The preferential treatment applies only for those goods imported to Loreto, Madre de Dios, and Ucayali, as well as certain provinces of the Departments of Ayacucho, Cajamarca, Cuzco, Huanuco, Junin, Pasco, Puno, Huancavelica, La Libertad, and Piura.

5 | Legal Stability Agreements

The Agency for the Promotion of Private Investment (ProInversion) as representative of the government of Peru, can enter into legal stability agreements guaranteeing foreign investors that they will enjoy the stability of the legal and tax system applicable to the investors and companies receiving these investments. For such purpose, it is necessary to make capital contributions to a company currently established or to be incorporated in Peru for an amount of no less than US\$10 million in the mining and hydrocarbons sector, and US\$5 million in any other economic sector. This investment may be made within a period of no more than two (2) years. The term of the agreement is ten (10) years, except for those investors who have entered into a concession agreement as established in Supreme Executive Order 059-96-PCM.

6 | Mining Law

► Law 29789 - Special Mining Tax (IEM) / Supreme Executive Order 181-2011-EF- IEM Regulations

The Special Mining Tax (IEM) in force since October 1, 2011, is levied on the operating profits of holders of mining concessions and assignees that undertake the exploitation of mineral resources, applicable to the sale of metallic mineral resources as well as resources for personal use or unjustified withdrawals of such assets.

The IEM is determined and paid quarterly based on a progressive cumulative scale of operating margins, with marginal rates ranging from 2% to 8.40%. Technically the IEM is based on the sum of each increase in the operating margin, multiplied by the rate of the progressive tax as per the following table and definitions:

Special Mining Tax (IEM)			
Scale No.	Scale of Operating Margin		Marginal Rate
	Lower Limit	Upper Limit	
1	0%	10%	2.00%
2	10%	15%	2.40%
3	15%	20%	2.80%
4	20%	25%	3.20%
5	25%	30%	3.60%
6	30%	35%	4.00%
7	35%	40%	4.40%
8	40%	45%	4.80%
9	45%	50%	5.20%
10	50%	55%	5.60%
11	55%	60%	6.00%
12	60%	65%	6.40%
13	65%	70%	6.80%
14	70%	75%	7.20%
15	75%	80%	7.60%
16	80%	85%	8.00%
17	Over 85%		8.40%

$$\text{Operating Margin} = \frac{\text{Operating Profit}}{\text{Sales Income}} \times 100$$

Where:

► **Operating Profit:** Income generated through the sale of mineral resources for each quarter, less: (i) the cost of goods sold; and (ii) operating expenses, including cost of sales and administrative expenses. Exploration expenses shall be distributed proportionally over the useful life of the mine. Costs and expenses incurred in on-site consumption or unjustified withdrawals of mineral resources are not deductible, nor are interest charges, regardless of whether they have been capitalized as part of the cost of sales or treated as operating expenses.

- **Sales Revenue:** Income generated by sales of metallic mineral resources, with certain adjustments such as adjustments due to final determination of amounts due, discounts, return of goods, and other concepts of a similar nature that are common practice.

The amount effectively paid for IEM is considered a deductible expense for effects of determining income tax for the fiscal year in which it was paid.

Furthermore, those in the mining industry must file a statement and pay the IEM every quarter, within twelve (12) business days of the second month after it was generated, under the terms and conditions established by the Tax Administration (SUNAT).

► **Law 29790 - Special Mining Encumbrance (GEM) / Supreme Executive Order 173-2011-EF - Regulations on the GEM**

The Special Mining Encumbrance (GEM), in force as of October 1, 2011, is a "voluntary" payment, applicable to holders of mining concessions and concessionaires engaged in the exploitation of metallic mineral resources with investment projects subject to Contracts for Guarantees and Promotional Measures for Investment established in the General Mining Act, which cannot be affected by changes in the legislation regarding the IEM and mining royalties. For such purpose, an agreement is entered into for the payment of the GEM.

In accordance with the foregoing, the GEM does not qualify as a tax insofar as it cannot be forcefully collected according to law and have originating status.

As in the case of the IEM, the GEM is determined and paid every quarter for each contract, according to a progressive cumulative scale of operating margins, with marginal rates ranging from 4.00% to 13.12%, as follows:

Special Mining Encumbrance (GEM)			
Scale No.	Scale of Operating Margin		Marginal Rate
	Lower Limit	Upper Limit	
1	0%	10%	4.00%
2	10%	15%	4.57%
3	15%	20%	5.14%
4	20%	25%	5.71%
5	25%	30%	6.28%
6	30%	35%	6.85%
7	35%	40%	7.42%
8	40%	45%	7.99%
9	45%	50%	8.56%
10	50%	55%	9.13%
11	55%	60%	9.70%
12	60%	65%	10.27%
13	65%	70%	10.84%
14	70%	75%	11.41%
15	75%	80%	11.98%
16	80%	85%	12.55%
17	Over 85%		13.12%

Supreme Executive Order 173-2011-EF has specified that the operating costs to be considered in determining the GEM shall not include royalties, the IEM, the GEM, or the profit sharing of employees. It further establishes that the adjustments made in the final determination of amounts due, discounts, returns, and other similar concepts shall affect the calculation base in the calendar quarter in which they are granted or made, such that those that are not completely absorbed in any particular quarter shall not affect the calculation base for subsequent quarters.

Unlike the IEM, the mining royalties established by Law 28258 and the contractual royalties that expire after the signing of the respective agreement may be discounted when determining the GEM. If these concepts exceed the amount of the encumbrance, they may be carried forward to subsequent quarters until they are used up. Additionally, the effective amount paid on the GEM shall be considered a deductible expense when determining income tax for the fiscal year in which it is paid.

It has been established that the return filed and the payment of this tax must be made in local currency, and those in the mining industry who are authorized to keep their books in foreign currency shall convert each of the components to be considered in the statement into local currency at the rate of exchange published by the Superintendency of Banking and Insurance (SBS) and Private Pension Fund Management Companies (AFP) on the date the tax is due or paid, whichever occurs first.

Finally, this Supreme Executive Order approves the model agreement to be applied for the GEM to be entered into by and between those in the mining industry and the Peruvian State, in order to bring the tax into effect. Article Eleven of said model establishes that the signing of the agreement does not constitute any amendment or waiver, in whole or in part, of the guarantee and investment promotion measures agreement signed by the holders of mining concessions and concessionaires.

Supreme Executive Order 173-2011-EF was published on September 29, 2011.

► Law 29788 - Amendment to the Mining Royalties Act (Law 28258)

Law 29788, which entered into force as of October 1, 2011, amended Sections 2, 3, 4, 6, and 11 of Law 28258, according to which the mining royalty to be paid by mining concessionaires was calculated based on the application of a cumulative progressive rate of between 1% and 3% on the value of sales.

The mining royalty is applicable to holders of mining concessions and concessionaires that undertake the exploitation of metallic and non-metallic mineral resources.

Pursuant to the amendment introduced, the mining royalty must be calculated on a quarterly basis according to the cumulative progressive scale on operating margins, with marginal rates between 1.00% and 12.00%. Thus, the amount to be paid on the mining royalty shall be the established by comparing the result of the application of the marginal rate to the operating profits, and 1% of sales revenues for that quarter, whichever is higher.

The base of the mining royalty and the form in which it is calculated are the same as those established for the determination of the IEM and the GEM:

Mining Royalties			
Scale No.	Scale of Operating Margin		Marginal Rate
	Lower Limit	Upper Limit	
1	0%	10%	1.00%
2	10%	15%	1.75%
3	15%	20%	2.50%
4	20%	25%	3.25%
5	25%	30%	4.00%
6	30%	35%	4.75%
7	35%	40%	5.50%
8	40%	45%	6.25%
9	45%	50%	7.00%
10	50%	55%	7.75%
11	55%	60%	8.50%
12	60%	65%	9.25%
13	65%	70%	10.00%
14	70%	75%	10.75%
15	75%	80%	11.50%
16	Over 80%		12.00%

VI

Labor and Employment law

1 | Hiring System

a. Peruvian workers

Indefinite-term contracts are the general rule for hiring in Peru, although fixed-term and part-time contracts may also be signed as an exception. The principal features of each one of these contracts is detailed below:

- ▶ **Indefinite term contracts:** Have no expressly defined duration. This form of employment contract grants workers all labor rights and benefits in force under Peruvian law, as detailed in Section 2..
- ▶ **Fixed term contracts:** Provide all the rights and benefits granted to workers hired for an indefinite term. For this form of contract, the legislation requires proof of an objective cause or motive that guarantees temporary hiring (for example, the start-up of a new business, specific projects or services, substitution, etc.) and the term thereof is subject to compliance with the requirements provided by law.
- ▶ **Part-time contracts:** These contracts govern labor relations that cover work schedules with a weekly average of less than four (4) hours per day. Part-time workers are eligible for all benefits under the law, except for: i) arbitrary dismissal indemnity; ii) severance pay (CTS); and iii) vacation time of thirty (30) days (they only have the right to six (6) business days' vacation per year).

All of these contracts allow for a trial period, during which the workers have no right to indemnity in the event of arbitrary dismissal. The trial period is counted from the start of the labor relationship and may have a maximum term of: i) three (3) months for all workers in general; ii) six (6) months for qualified workers or those in positions of trust; and iii) twelve (12) months for management staff. For its effectiveness, the extension of the trial period must be recorded in writing.

b. For expatriates

The labor relations governing foreign citizens entering Peru to render services for a domiciled company are governed by employment contracts for foreign personnel. These workers have the right to the same benefits provided to all workers in the private business workforce, and are subject to the same taxes and contributions. The difference is that the approval of the employment contract by the Ministry of Labor and Employment Promotion (MTPE) is required to begin providing the services, as well as obtaining the pertinent migratory status. In the case of the income tax, the withholding rate shall depend on whether they are domiciled or non-domiciled.

As a general rule, expatriates must not exceed 20% of all personnel. Additionally, the total remuneration received by foreign workers must not exceed 30% of the total payroll. Exceptions to these limits may be made in the case of professionals and specialized technical staff, or for management staff for a new business activity or corporate restructuring or reorganization, etc.

None of the limits on number of personnel and salary amounts are applicable to foreign workers who render services in Peru on an immigrant visa, who are married to Peruvian citizens, or who have children of Peruvian nationality, parents or siblings, and foreign investors with a permanent investment in Peru of at least five (5) UITs, or foreign workers who render services in the country by virtue of bilateral or multilateral conventions, among other exceptions.

Companies must follow the procedure to obtain the approval of the MTPE, submitting a file containing an affidavit of compliance with or exemption from the percentage limits and supporting documents thereof (i.e. the professional title or employment certificate accrediting the qualifications of the expatriate) as well as the employment contract.

It must be noted that membership of the Pacific Alliance grants no facilities in the procedure for the approval of the contract of an expatriate. However, nationals of Colombia can adopt other agreements that grant them benefits on the subject.

2 | Current Fringe Benefits

Workers have the right to the following fringe benefits, the cost of which is borne by the employer:

Benefit	Amount / Applicable rate
Vacation Time	Equivalent to thirty (30) calendar days of rest, with one (1) month of paid remuneration
Legal Bonuses	Two (2) months' remuneration per year
Severance Pay (CTS)	1.1666 monthly remunerations per year
Profit Sharing	Between 5% and 10% of income before taxes
Family Allowance	S/.75 per month (10% of the Minimum Wage)

- **Vacation leave:** The right to thirty (30) calendar days of paid vacation per complete year of service, provided workers meet the vacation record, which is a minimum of days effectively worked as required by law. The vacation period must be taken within the calendar year following the year of services rendered and the related record. In the event that the worker does not take vacation time when due, the employer shall pay one additional month of remuneration as vacation indemnity.
- **Legal Bonuses:** Two bonuses per year, the first in July (Independence Day holidays) and the second in December (Christmas). Workers who leave their job before the months of July or December are entitled to receive the proportional payment of this benefit for the full months completed on the job, provided they have worked at least one full month (incomplete bonus).
- **Severance Pay (CTS):** This is a fringe benefit to cover contingencies arising from termination of employment and promotion of the workers and their families. The payment is deposited in the workers' bank account in the months of May and November.
- **Profit Sharing:** Companies with more than twenty (20) workers that engage in activities that generate business income are required to distribute a percentage of their annual income before taxes among their workers. The percentage of the share is fixed by law, and depends on the company's principal activity, as follows:

Type of company	Percentage
Fisheries, telecommunications, and industrial companies	10%
Mining companies, wholesale and retail businesses, and restaurants	8%
Companies engaged in other activities	5%

- **Family Allowance:** Workers who have one or more dependent children under the age of 18, or children over 18 enrolled in vocational or university education, have the right to this benefit. The amount is equivalent to 10% of the Minimum Wage.
- **Comprehensive Annual Remuneration:** With workers who receive a monthly salary of at least two (2) Tax Units (1 UIT for 2015 is equivalent to S/.3,850 Nuevos Soles) the employer can negotiate a comprehensive annual remuneration (RIA) to which all the benefits detailed above are added, with the exception of profit sharing, to be paid as provided by law, and which may be paid directly to the worker in monthly installments.

3 Taxes and Contributions Levied on Remunerations

The employer shall assume the payment of the following taxes and contributions:

Taxes / Contributions	Applicable Rate
Public Health Insurance (EsSalud)	9%
Mandatory Life Insurance	Depends on the type of policy
Occupational Life and Disability Insurance	Depends on the type of policy
Pension System	13% for the Public System or 13.22% for the Private System (approximately)

- **Income Tax:** The employer is responsible for withholding and paying income tax on earnings. A projection of the worker's annual earnings is made, to which the rates established as follows are applied on individual taxes. The approximate monthly retention shall be one-twelfth (1/12th) of the determined annual tax amount, which may be established by following the procedures provided by law. For non-domiciled workers, an initial deduction of seven (7) Tax Units (UITs) is applied and further to this, the following rates are applied:

Sum of the net work income and of the Foreign source income	Tasa
Up to 5 Tax Units (UITs)	8%
More than 5 Up to 20 Tax Units (UITs)	14%
More than 20 Up to 35 Tax Units (UITs)	17%
More than 35 Up to 45 Tax Units (UITs)	20%
More than 45 Tax Units (UITs)	30%

For non-domiciled workers the rate is 30% without deductions.

- **Public Health Insurance (EsSalud):** This contribution is paid by the employer and is designed to finance the public health system (EsSalud) so that the system may provide healthcare services to workers and financial assistance in case of disability, through the payment of subsidies. The collection of this amount is undertaken by the Tax Administration (SUNAT) to which employers make this payment. The amount contributed is equivalent to 9% of the worker's monthly remuneration. If the company provides health coverage to its workers using its own resources or through a Healthcare Service Provider Company (EPS) it may request a credit of up to 25% of the EsSalud contribution, provided it complies with the limits established by law.
- **Mandatory Life Insurance:** This is a collective insurance provided to workers with more than four (4) years of service for the same employer. However, the employer may optionally grant it after the third month of service. The premium depends on the number of insured workers, the work they carry out and, in general, the terms agreed to with the insurance company.
- **Pension System:** The workers may join the National Pension System (SNP) or the Private Pension System (SPP) which are mutually exclusive. This contribution is to be assumed fully by the worker, with the employer being responsible solely for its collection.
- **Other contributions:** Other contributions depend on the activity performed by the companies, for example:
 - a) **Occupational Life and Disability Insurance:** A mandatory insurance to be paid by companies whose activities involve a high level of risk, and which grants additional coverage for health and pensions. The contract for health services may be made with EsSalud or with a Healthcare Service Provider Company (EPS); while pension-related services may be contracted with the Government Agency for Pension Fund Management (ONP) or with a private insurance company. The rates depend on the type of activity and/or the terms agreed on with the specific entity.

- b) Supplementary Retirement Fund for Miners:** Mining, metallurgical, and iron and steel companies must contribute 0.5% of their annual net earnings before taxes to this fund, as well as withholding 0.5% of the gross monthly remuneration of each mining, metallurgical, and iron and steel worker.
- c) Contribution to the National Industrial Vocational Training Service (SENATI):** Companies engaged in industrial activities included in Category D of the Uniform International Industrial Classification (UIC) are under the obligation to make a contribution to the National Service for Training in Industrial Work (SENATI). The contribution amounts to 0.75% of the worker's remuneration, according to the conditions provided by law.
- d) Contribution to the Administrative Committee of the Fund for the Construction of Housing and Recreational Centers (CONAFOVICER):** This is a contribution to be assumed in full by those workers who perform civil construction activities for a company engaged in construction. The amount of the contribution is equivalent to 2% of the worker's basic daily remuneration.
- e) Contribution to the National Training Service for the Construction Industry (SENCICO):** This is a contribution to be paid by companies engaged in construction activities. The contribution amounts to 0.2% of the total company income for labor, general expenses, technical direction, profits, and any other concept billed to the client, regardless of the employment contract executed.

4 | Termination of the Employment Contract

The employment contract is terminated under the following circumstances:

- Compliance with the condition subsequent or the termination of the period of fixed term contracts
- By agreement between the worker and the employer, which should be put into writing
- Resignation of the workers, who must provide thirty (30) days' prior notice
- Due to permanent absolute disability or death of the worker
- Retirement of the worker
- Justified dismissal, in which the cause must be related to the skill or conduct of the worker, according to conditions established under national legislation
- In cases established for collective dismissal, pursuant to Peruvian law

The dismissal shall be subject to the verification of an objective cause that justifies the action, pursuant to law. If the cause is found not to exist, the employer shall be penalized via the payment of indemnity. However, the Constitutional Court has established certain cases in which the workers may also request their reincorporation into their job position, as per the following chart:

Type of dismissal	Description	Consequences
Unfounded dismissal	When the employer does not give a legal cause or motive	Reincorporation / indemnity at the discretion of the worker
Fraudulent dismissal	When the employer falsely charges the worker of committing gross negligence	Reincorporation / indemnity at the discretion of the worker
Void dismissal	When the measure violates the fundamental rights of the worker	Reincorporation
Dismissal with reasonable charge of gross negligence	When the gross negligence is not proven during the process, although due process was followed as required by law	Indemnity
Indirect dismissal	When the worker is subject to acts of hostility comparable to dismissal	Indemnity

Indemnity shall only proceed once the trial period has been completed (first three -3- months of a contract) and is limited to twelve (12) monthly remunerations.

In the case of workers who are hired for an indefinite term, the amount to be paid is one and a half months' remuneration for each year of completed service. On the other hand, in the case of workers hired on a fixed-term contract, indemnity is one and a half months' remuneration for each month not worked up until the termination of the contract. In both cases, indemnity is paid in fractions of twelfths (12ths) and thirteenths (13ths) per year.

Management staff or workers in positions of trust who are hired as such may not request reincorporation, and are only entitled to receive an indemnity for dismissal, unless they have previously held an ordinary position, in which case they may also be entitled to reincorporation into such ordinary position.

5 | Immigration

Foreigners may apply for one of the visas listed below, depending on the activity they wish to undertake in Peru:

Visa	Type of Visa	Activities permitted
Tourist Visa	Temporary	Limited to tourist visits, recreation, or similar activities. Paid or lucrative activities are not permitted.
Business Visa	Temporary	The individuals may take part in business, legal, or similar negotiations. They may sign contracts or perform transactions. The individuals cannot perform activities that are paid or lucrative or generate income from a Peruvian source, except in the case of director's fees for companies domiciled in Peru or as a speaker or international consultancy fees as part of a service contract that does not exceed thirty (30) calendar days, whether consecutive or cumulative, within any period of twelve (12) months.
Work Visa	Temporary / Resident	This visa allows them to work in Peru on a contract previously approved by the Ministry of Labor
Investor Visa	Temporary / Resident	Foreigners must make investments in a company incorporated or to be incorporated totaling no less than the equivalent in Nuevos Soles to US\$30,000 and submit a feasibility project or business plan, as applicable, which include the creation of five (5) job positions within a term of no more than one (1) year.
Designated Work Visa	Temporary	Foreigners may perform labor activities when they are sent by their foreign employer for a limited and defined term to engage in a specific task or duty or a work that requires professional, commercial, technical, or highly-skilled knowledge of another kind. They may also sign contracts and perform transactions.
Freelance Work Visa	Temporary / Resident	They may exercise their profession independently
Immigrant	Resident	Provided they enter the country to take up residence, they can develop their activities on a permanent basis
Student Visa	Temporary / Resident	Those entering the country for the purpose of studying at educational centers accredited by the State cannot receive Peruvian-source income, with the exception of that received for professional internships or work during vacations, prior authorization from the competent authority.

Foreigners coming from Mercosur countries (Brazil, Argentina, Chile, Uruguay, Paraguay, and Bolivia); from CAN countries (Bolivia, Colombia, and Ecuador, besides Peru); or from countries with specific migration agreements (Argentina and Ecuador, among others) may be subject to other immigration provisions and/or facilities.

6 | Supervisory Body

The National Superintendency for Labor Audits (Sunafil) is a specialized technical entity attached to the Ministry of Labor and Job Promotion. The Sunafil is responsible for promoting, supervising, and auditing the compliance with labor laws and laws on occupational health and safety. It designs and conducts nationwide all duties and competencies established in Law 28806—the General Labor Inspection Act, and acts as the central authority and guiding entity of the Labor Inspection System, in accordance with national and sector plans, as well as the institutional policies and technical guidelines of the Ministry of Labor and Job Promotion.

VII

Accounting standards

The Peruvian Business Corporation Act (LGS) establishes that the financial statements of companies incorporated in Peru must follow the general accounting principles accepted in Peru and other applicable legal provisions. The Peruvian Accounting Standards Board (CNC) has established that the general accounting principles are basically the standards issued by the International Financial Reporting Standards Board (IFRSB) including the IFRS, IFRIC, and IAS, and the specific provisions approved for particular businesses (banks, insurance companies, etc.). Likewise, on a supplementary basis, the U.S. Generally Accepted Accounting Principles (GAAPs) shall apply.

The Peruvian Accounting Standards Board (CNC) is responsible for issuing the General Chart of Accounts for companies and methodologies that apply to both private business and government entities.

The CNC adheres to the standards approved by the IFRS, which are explicitly approved by the CNC and published in the Official Gazette El Peruano, indicating their date of approval, which may differ from the internationally approved date.

Companies that issue debt or shares in the capital market are subject to regulation by the Stock Exchange Superintendency (SMV). Companies supervised by this institution must issue their financial statements in accordance with the IFRS, as issued by the International Accounting Standards Board (IASB) and are as effective in Peru as they are worldwide.

The annual financial information given by companies supervised by the SMV must be audited and include the previous year for comparative purposes. Quarterly reports do not need to be audited. The audit must be conducted according to regulations of the International Auditing and Assurance Board issued by the International Federation of Accountants (IFAC).

In 2011, the Peruvian Congress approved a law whereby all companies included in the Business Corporations Act and whose assets or revenues exceed the 3,000 Tax Units (UITs) (approximately US\$4 million) are obliged to submit their audited financial statements to the SMV. This entity has published a schedule for the implementation of this law, based on the size of the companies. At present, companies whose assets or annual revenues exceed 15,000 UIT (approximately US\$19.25 million) must submit their audited financial statements of 2014, prepared with the IFRS approved by the International Accounting Standards Board (IASB). Companies with assets or annual revenues that exceed 10,000 UIT (approximately US\$12.8 million) shall submit their audited financial statements for 2014, under IFRS approved by the Peruvian Accounting Standards Board (CNC) and for 2015, in IFRS approved by the IASB. Companies with assets or revenues in excess of 5,000 UIT (approximately US\$6 million) must submit their financial statements for 2015, under IFRS approved by the CNC and for 2016, according to the IFRS approved by the IASB. Finally, those companies with assets or revenues in excess of 3,000 UITs (approximately US\$3.85 million) shall submit their audited financial statements, starting with those corresponding to 2016, under the IFRS approved by the CNC; and under IFRS approved by the IASB for the year after that. Branches of foreign corporations are not included in this law.

Resolution SMV 028-2014-SMV/01

Resolution SMV 028-2014-SMV/01 dated December 17, 2014, establishes the amendments to the Regulations for the Presentation of Audited Financial Statements by the Companies or Institutions referred to in Section 5 of Law 29720, approved by Resolution SMV 011-2012-SMV/01.

Changes brought in by new Resolution SMV 028-2014-SMV/01

Tax Unit UIT (*)	Nuevos Soles (**)	Presentation required	Period
10,000 - 15,000	38,500,000 - 57,750,000	Audited Financial Statements under PCGA	2014
		Audited Financial Statements under IFRS	2015
5,000 - 10,000	19,250,000 - 38,500,000 (Referential)	Audited Financial Statements under PCGA	2015
		Audited Financial Statements under IFRS	2016
3,000 - 5,000	11,550,000 - 19,250,000 (Referential)	Audited Financial Statements under PCGA	2016
		Audited Financial Statements under IFRS	2017

(*) The ranges mentioned refer to income through sales or rendering of services or total assets of the Entity.

(**) The Tax unit applicable will be the one which is in force as of January 1 of the following year of the close of the respective financial period. Thus, for the first range (10,000-15,000) the Tax Unit is considered at a value of S./ 3,850. For the second range (5,000 to 10,000) the Tax Unit in force as of January 1, 2016 will be considered and for the third range (3,000 to 5,000) the Tax Unit in force as of January 1, 2017 will be considered.

What is pointed out above does not preclude that the entities included in said ranges can remit their audited financial information voluntarily to the SMV in the periods for which they are not required.

Exhibits



Principal Regulatory and Promotion Entities in Peru

Principal Entities	Description
Central Reserve Bank of Peru - BCRP (Banco Central de Reserva del Peru - BCRP) Phone: +51 1 613 2000 www.bcrp.gob.pe	The Central Reserve Bank of Peru (BCRP) is an autonomous constitutional institution of the Peruvian State. According to the Constitution, the faculties of the BCRP are to regulate the currency and the credit in the financial system, manage international reserves under its care, and other functions indicated in the law that created the institution. Likewise, the Constitution orders the BCRP to issue coins and paper money and to accurately inform the country from time to time on the state of national finances. It also has the responsibility of maintaining monetary stability, avoiding the pressures of inflation and depreciation on the economy.
Prime Minister's Office - PCM (Presidencia del Consejo de Ministros - PCM) Phone: +51 1 219 7000 www.pcm.gob.pe	The Prime Minister's Office is the technical-administrative institution of the Executive Branch, whose maximum authority is the President of the Republic of Peru. It coordinates and follows up on multi-sector policies and programs of the Executive Branch. It also carries out coordinated actions with the Congress and different constitutional entities.
Ministry of the Economy and Finance - MEF (Ministerio de Economía y Finanzas - MEF) Phone: +51 1 311 5930 www.mef.gob.pe	The Ministry of the Economy and Finance is an entity of the Executive Branch responsible for planning, directing, and controlling matters related to the budget, treasury, debt, accounting, fiscal policy, public spending, and economic and social policies. It also designs, establishes, performs, and supervises national and sector policies under its competence, assuming a guiding role therein.
Ministry of Labor and Job Promotion - MTPE (Ministerio de Trabajo y Promoción del Empleo - MTPE) Phone: +51 1 630 6000 www.mintra.gob.pe	The Ministry of Labor and Job Promotion is the State institution responsible for designing, coordinating, and performing the policies and programs aimed at creating and improving dignified and productive work through the promotion of job market insertion opportunities and skills, as well as fostering a democratic system of labor relations through labor coordination, surveillance of compliance with laws, conflict prevention and resolution, and the improvement of working conditions.
National Institute for the Defense of Free Competition and the Protection of Intellectual Property - Indecopi (Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual - Indecopi) Phone: +51 1 224 7777 www.indecopi.gob.pe	Indecopi promotes a culture of fair competition and protects all forms of intellectual property (trademarks, copyrights, patents, and biotechnology).
Supervisory Board for Investment in Energy and Mining - Osinergmin (Organismo Supervisor de la Inversión en Energía y Minería - Osinergmin) Phone: +51 1 219 3400 / +51 1 219 3410 +51 1 427 4935 www.osinerg.gob.pe	Osinergmin is responsible for supervising and controlling compliance with legal and technical provisions of activities developed by companies in the electricity and hydrocarbons subsectors, as well as compliance with legal and technical regulations related to the conservation and environmental protection. It is also in charge of quality and quantity control of fuels and higher prerogatives as part of its power to impose sanctions.
Supervisory Board for Private Investment in Telecommunications - Osiptel (Organismo Supervisor de Inversión Privada en Telecomunicaciones - Osiptel) Phone: +51 1 225 1313 www.osiptel.gob.pe	Osiptel is in charge of regulating and supervising the public telecommunication services market, independently of the operating companies.
Supervisory Board for Investment in Public Transportation Infrastructure - Ositran (Organismo Supervisor de la Inversión en Infraestructura de Transporte de Uso Público - Ositran) Phone: +51 1 440 5115 www.ositran.gob.pe	The general purpose of Ositran is to regulate, govern, supervise, and audit the behavior of the markets under its competence, with regard to the actions of service providers, as well as the compliance with concession agreements, impartially and objectively holding harmless the interests of the State, investors, and users.

Principal Entities	Description
<p>Agency for the Promotion of Private Investment in Peru - ProInversion (Agencia de Promocion de la Inversion Privada - Peru - ProInversion)</p> <p>Phone: +51 1 200 1200 www.proinversion.gob.pe</p>	<p>ProInversion promotes private investment that does not depend on the Peruvian State, in charge of agents under the private system in order to improve the country's competitiveness and sustainable development and thus improve the population's welfare.</p>
<p>National Superintendency of Labor Auditing - Sunafil (Superintendencia Nacional de Fiscalizacion Laboral - Sunafil)</p> <p>For more information, visit: www.mintra.gob.pe</p>	<p>Sunafil is a specialized technical entity that forms part of the Ministry of Labor and Job Promotion, and is responsible for promoting, supervising, and auditing the compliance with labor laws and those related to occupational health and safety.</p>
<p>Superintendency of Banking and Insurance (SBS) and Private Pension Fund Management Companies (AFP) - (Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones - AFP - SBS)</p> <p>Phone: +51 1 630 9000 www.sbs.gob.pe</p>	<p>SBS - AFP is in charge of regulating and supervising the financial, insurance, and private pension fund systems. Its main objective is to protect the interests of depositors, the insured, and pension fund affiliates.</p>
<p>National Superintendency of Public Records Offices - Sunarp (Superintendencia Nacional de los Registros Publicos - Sunarp)</p> <p>Phone: +51 1 208 3100 www.sunarp.gob.pe</p>	<p>The mission of the Sunarp is to provide legal security and certainty on ownership of different rights registered with it, backed by modernization, simplification, integration and the specialization of registration nationwide.</p>
<p>National Superintendency of Sanitation Services - Sunass (Superintendencia Nacional de Servicios de Saneamiento - Sunass)</p> <p>Phone: +51 1 614 3180 www.sunass.gob.pe</p>	<p>The Sunass is a decentralized public institution that rules, regulates, supervises and controls water and sewage services provided, impartially and objectively protecting the interests of the State, investors, and users.</p>
<p>Stock Exchange Superintendency - SMV (Superintendencia del Mercado de Valores - SMV)</p> <p>Phone: +51 1 610 6300 www.smv.gob.pe</p>	<p>The SMV is a specialized technical institution attached to the Ministry of Economy and Finance (MEF) designed to oversee the protection of investors, the efficiency and transparency of the markets under its supervision, the correct setting of prices, and the dissemination of all information necessary to achieve these goals. It has legal status to act in national administrative or constitutional law and has complete functional, administrative, economic, technical, and budgetary autonomy.</p>
<p>National Superintendency of Customs and Tax Administration - Sunat (Superintendencia Nacional de Administracion Tributaria - Sunat)</p> <p>Phone: +51 1 315 0730 / +51 1 0 801 12 100 www.sunat.gob.pe</p>	<p>The Sunat also includes the National Customs Superintendency. It is in charge of managing, supervising, and collecting domestic taxes, with the exception of municipal taxes. It also manages and controls the international trafficking of goods within customs territory and collects the duties applicable by law, as well as facilitating foreign trade, inspecting the international traffic of persons and the means of transportation, and conducting the actions necessary to prevent and punish customs crimes.</p>
<p>General Bureau of Environmental Health Digesa (Direccion General de Salud Ambiental - Digesa)</p> <p>Phone: +51 1 442 8353 / +51 1 631 4430 www.digesa.minsa.gob.pe</p>	<p>Digesa is the technical regulator on issues related to basic health, occupational health, food hygiene, zoonosis, and protection of the environment.</p>
<p>Environmental Assessment and Supervisory Board - OEFA (Organismo de Evaluacion y Fiscalizacion Ambiental - OEFA)</p> <p>Phone: +51 1 717 6079 www.oefa.gob.pe</p>	<p>The OEFA is the guiding entity of the National Environmental Assessment and Supervisory System (Sinefa) and is responsible as such for the evaluation, supervision, and auditing of the compliance with environmental laws nationwide, integrating the efforts of the State and society in a coordinated and transparent manner to ensure the effective management and protection of the environment.</p>



Economic promotion institutions

1 Ministry of Foreign Affairs - MRE: Executive Office for Economic Promotion (DPE)

The Executive Office for Economic Promotion (DPE) is the institution of the Ministry of Foreign Affairs (MRE) responsible for coordinating with Peruvian missions abroad in an effort to promote Peru as a country capable of providing goods and services in international markets, as well as positioning it as a world-renowned tourist destination, and a country with interesting business and investment opportunities in different economic sectors.

It should be noted that the DPE has a Quality Management System certified with ISO 9001:2008 International Standards, governed under the values of equality, social commitment, honesty, transparency, and teamwork, thus ensuring that the needs of its national and international users are met.

The DPE reaffirms its commitment to provide services with high standards of quality, excellence, and continuous improvement in the development of the certified processes, such as:

- Support for exporters, investments, and travel agents
- Support for trade, investment, and tourism missions
- Attention to requests
- Training
- Dissemination of opportunities
- Organization of events
- Resolution of trade problems and impasses
- Support for exporters, investors and travel agents

Services offered by the DPE

Trade Promotion Services - PCO (Servicios de Promocion del Comercio - PCO)

- Dissemination of business opportunities
- Dissemination of the export offer
- Support in the solution of trade problems between companies
- Identification of business opportunities
- Support to trade missions and their participation in fairs abroad
- Support to exporters in the resolution of trade impasses
- Organization of trade events

Investment Promotion Services - PIN (Servicios de Promocion de las Inversiones - PIN)

- Participation in the negotiation of Foreign Investment Promotion Agreements
- Dissemination of investment opportunities (federal, regional, and municipal governments)
- Coordination of international events for investment promotion (road shows, videoconferences, fairs, and seminars)
- Preparation and coordination of an agenda for foreign business missions
- Dissemination of specialized information on foreign investment
- Support in the identification of investment possibilities and strategic alliances
- Dissemination of tenders and international bidding processes called by public and private Peruvian entities

Tourism Promotion Services - PTU (Servicios de Promocion del Turismo - PTU)

- Dissemination of tourism offer
- Support for culinary events
- Dissemination of tourism materials
- Support for tourism promotion fairs abroad
- Support for agendas involved in the promotion of tourism
- Promotion and negotiation of tourism agreements
- Dissemination of tourism information obtained by our missions

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- Website: www.rree.gob.pe
(This website contains the list of Decentralized Offices in Tumbes, Piura, Iquitos, Arequipa, Cuzco, Puno, and Tacna)

2 | Ministry of Foreign Trade and Tourism - MINCETUR and PromPeru

The Ministry of Foreign Trade and Tourism (MINCETUR) defines, directs, carries out, coordinates, and supervises foreign trade and tourism policies. In coordination with the Ministry of Foreign Affairs (MRE) and the Ministry of Economy and Finance (MEF) and the other Government sectors in their related areas, it is responsible for the promotion of exports and international trade negotiations. The Minister leads international trade negotiations on behalf of the State and may sign related agreements. With regard to tourism, the Ministry promotes, orients, and regulates tourism activities in order to encourage the sustainable development thereof, including the promotion, orientation, and regulations of handicrafts.

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PromPeru

PromPeru is the agency of the Ministry of Foreign Trade and Tourism (MINCETUR) that is in charge of developing strategies to produce an integrated and attractive image of Peru. This image will help develop domestic tourism and promote the country to the world as a privileged destination for inbound tourism and investment. It is also in charge of promoting Peruvian exports..

► Objectives and Guidelines:

- Design, coordinate, arrange, and execute policies and actions with the objective of promoting Peru's image internationally, as well as promoting its exports.
- Manage and channel international technical and financial cooperation to meet its objectives.
- Participate in the strategic planning for the promotion of exports, as set forth in Congressional Executive Order 805.
- Participate in the design, coordination and execution of a strategic plan to promote investment, in coordination with the competent entities.
- Design, coordinate, and execute actions to promote inbound tourism to Peru and domestic tourism within Peru.
- Manage and channel international financial and technical cooperation for the promotion of tourism in Peru.

► Contacts:

- Address:
 - Office for Exports and General Secretariat: Av. Republica de Panama 3647, San Isidro - Lima, Peru
 - Tourism Office: Calle Uno Oeste 50, Edificio Mincetur, Pisos 13 y 14, San Isidro - Lima, Peru
- Phone: +51 1 616 7400 (Office for Exports and General Secretariat)
 +51 1 616 7300 (Tourism Office)
 +51 1 616 7300 / +51 1 616 7400
- Email: webmaster@promperu.gob.pe
- Website: www.promperu.gob.pe

Peru Brand

This project is led by the Commission for the Promotion of Peru for Exports and Tourism (PromPeru) with the support of the Ministry of Foreign Affairs (MRE) and ProInversion. The primary objective of the Peru brand is to endorse the country's image, building and protecting its international reputation. It thus seeks to become the seal that accompanies everything originating in Peru and which represents the country beyond its borders. It focuses on three main areas of promotion:

► Tourism:

Centered on promoting Peru as a unique and comprehensive tourist destination that includes cuisine, archaeology, culture, etc.

► Exports:

Backs Peruvian products to the world, based on the premise that Peruvian exports are singular, unique, and not mass-produced, but above all, they are of very high-quality.

► Investment:

Promotes the country's positive business climate and encourages investment with the presentation of Peru as a land full of opportunities, with an enviable growth rate.

3 | Agency for the Promotion of Private Investment (ProInversion)

ProInversion is a public entity attached to the Ministry of Economy and Finance (MEF) and is in charge of executing the national policy for promoting private investment.

Its mission is to promote investment via agents in the private sector, in order to boost Peru's competitiveness and sustainable development and thus improve the wellbeing of the population.

ProInversion provides information to potential investors regarding the incorporation of a business in Peru, identifying investment opportunities by sectors, learning about the processes of public-private partnerships, among others.

ProInversion offers its services for investments in Peru free of charge, in three stages:

Pre-Incorporation	Incorporation	Post-Incorporation
<ul style="list-style-type: none">► General information service: macroeconomic data, legal framework, tax system, etc.► Specific information service, at the request of the potential investor► Preparation of agendas with: potential partners, suppliers, clients, authorities, associations, unions, etc.	<ul style="list-style-type: none">► Guidance on obtaining municipal permits and licenses for the establishment of an industrial or commercial business► Contact and accompaniment to the regions and potential production zones► Advisory on migratory processes for entry and residence of business people	<ul style="list-style-type: none">► Establishment of a network of contacts with public and private companies► Guidance for the expansion of the business► Identification of administrative barriers

► **Contacts:**

► Carlos Herrera Perret
Executive Director
Address: Main Office (Lima): Av. Enrique Canaval Moreyra N° 150, piso 9, San Isidro - Lima 27
Phone: +51 1 200 1200
Fax: +51 1 221 2941
Email: contact@proinversion.gob.pe
Website: www.proinversion.gob.pe

► **Decentralized offices:**

- Arequipa: Pasaje Belen N° 113 - Vallecito, Arequipa
Phone: +51 54 608 114
Fax: +51 54 608 115
- Piura: Los Palmitos Mz. Q - Lote 13, Los Cocos de Chipe, Piura
Phone / Fax: +51 73 309 148 / +51 73 310 081

4 | Peruvian Foreign Trade Association - ComexPeru

ComexPeru is the private association that groups the leading companies involved in foreign trade in Peru. Its main purpose is to contribute to the improvement of competitive conditions within a free market environment that will make Peru an attractive destination for private investment.

► **Objectives and Guidelines:**

- Promote the development of foreign trade
- Defend free market policies
- Encourage private investment

► **Contact:**

► Jessica Luna Cardenas
General Manager
Phone: +51 1 625 7700
Fax: +51 1 625 7701
Website: www.comexperu.org.pe

5 | National Confederation of Private Business Institutions - CONFIEP

The National Confederation of Private Business Institutions (CONFIEP) brings together and represents private business activities within Peru and abroad. Its principal objective is to contribute to the process of sustained economic growth, based on investment and job creation through individual effort and initiative, the promotion of entrepreneurship and private property.

► **Objectives and Guidelines:**

- Business unity: Strengthen the union between Peruvian business entrepreneurs to build an order in which free enterprise and a market economy are the distinguishing features.
- Representation: Act as the principal spokesperson for entrepreneurs nationwide before the State, and in public and private forums.
- Services: Promote greater communication and coordination between business sectors, and support, back, and provide advice to the business community.

► **Contact:**

► Martin Perez Monteverde
President
Address: Av. Victor Andres Belaunde 147, Edificio Real Tres, Of. 401 San Isidro, Lima - Peru
Phone: +51 1 415 2555
Fax: +51 1 415 2566
Website: www.confiep.org.pe

6 | Association of Capital Markets Business Promoters - Procapitales

The Association of Capital Markets Business Promoters (Procapitales) brings together the principal actors in the market, channeling their concerns and proposals. It acts as a business guild to focus fundamentally on promoting investment and capital markets. It speaks on behalf of its associates to the public sectors with proposals to reduce legal costs and bureaucratic barriers that hinder easy market access. The institution's principal objective is to encourage an efficient legal framework and appropriate corporate governance practices.

► Objectives and Guidelines:

- Promote the development of new investment instruments
- Encourage access by new issuers of fixed-income and equity securities
- Promote the mobilization of institutional investor resources through new intermediary vehicles
- Actively promote improvements in legislation and the regulation of the capital market
- Publicize and encourage the implementation of good corporate governance practices
- Create a permanent, proactive, and organized space for dialogue and interaction between agents in the market, including the regulatory and supervisory institutions
- Contribute to the institutional strengthening of agents participating in the capital market

► Contact:

Rafael Alcazar
President
Address: Las Camelias 820 Of. 601 San Isidro, Lima 27
Phone: +51 1 440 1080
Fax: +51 1 440 1080 Ext. 110
Website: www.procapitales.org

7 | inPERU

inPERU was established on January 11, 2012 as a non-profit corporation to promote investment towards Peru in the principal international financial markets, seeking an exchange of better practices and, in general, providing information on Peru as a destination of multiple investment opportunities. The incorporations of inPERU consist of the following private institutions: Lima Stock Exchange (BVL), Cavali, Private Pension Fund Management Association (AAFP), Banking Association of Peru (ASBANC), Procapitales, Peruvian Finance Association (APEF), National Confederation of Private Business Institutions (CONFIEP) and the Peruvian Association of Insurance Companies (APESEG).

It also has the support of the Peruvian State through the Ministry of Economy and Finance (MEF), the Ministry of Foreign Trade and Tourism (MINCETUR), the Ministry of Foreign Relations (MRE), the Central Reserve Bank of Peru (BCRP), the Superintendency of Banking, Insurance and Pension Fund Management Companies (SBS), the Superintendency of the Stock Market (SMV), ProInversion and PromPeru.

During 2015, inPERU plans to organize roadshows to promote Peru in:

- inPeru Brazil: from March 17th to 19th
- inPeru Asia: from July 6th to 10th
- inPeru New York / London: from September 28th to October 2nd

8 | Lima Chamber of Commerce - CCL

For the last 125 years, the Lima Chamber of Commerce (CCL) has represented and defended the interests of the business class before the country's authorities, as well as national and foreign entities. As part of its activities, it promotes free market policies and free competition with a sense of social responsibility, as well as fair and honest competition within a framework of values and ethical principles, fostering domestic and foreign trade and promoting good commercial practices.

The Lima Chamber of Commerce (CCL) is a strategic partner of the State, cooperating to ensure that the laws and other provisions foster national social and economic prosperity, taking the initiative in offering proposals and assuming responsibility in the activities entrusted to it by the State. It attempts to maintain close relations among all organizations representing business activities and cooperation for development, both Peruvian and international, especially supporting the decentralization of production. As a complementary activity, it conciliates interests and manages arbitration proceedings in an affordable and democratic manner between companies or business people, trying to ensure quick and friendly agreements.

The Lima Chamber of Commerce (CCL) shares the community's and the world's concern for the environment. As such, it leads by example, through the implementation of sustainable eco-efficient practices in its offices and activities. It also supports the pathway to making Peru a first-world country, promoting research, advisory and, in general, any other entity that contributes to development, acting as a source of knowledge and education for business activities. In this regard, it provides quality services certified under the international ISO 9001 standards demanded by its associates and the business community.

The mission of the Lima Chamber of Commerce (CCL) is to promote the development of free enterprise, ensuring respect for the business community's legitimate rights and facilitating business opportunities, providing assistance and services, and incentivizing competitiveness.

The vision of the Lima Chamber of Commerce (CCL) is to be the country's leading business association, respected by society and a reference point for the opinion of the business class.

The Lima Chamber of Commerce (CCL) groups together over 13,000 member companies, including the Chamber of Commerce, Production, and Services (Perucamaras) which, in turn, groups together the country's 63 chambers and associations.

► Contacts:

► Jorge von Wedemeyer Knigge
President

► Jose Rosas Bernedo
General Manager

Address: Av. Giuseppe Garibaldi 396 Jesus Maria, Lima

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Fax: +51 1 463 3434 Ext.. 674

Website: www.camaralima.org.pe

9 | National Association of Industries – SNI

The National Association of Industries (SNI) is the institution that groups together Peru's private industrial companies. It is a private-law, non-profit legal entity.

The members of the SNI currently include over 1,000 of the most representative companies of the country's industrial sector, accounting for 90% of the gross value of national production. It should be noted that 16% of Peru's Gross Domestic Product (GDP) is contributed by the industrial sector.

► Contact:

► Rosa Asca Cordano
General Manager
Address: Los Laureles 365 San Isidro, Lima
Phone: +51 1 616 4444
Website: www.sni.org.pe

10 | Peruvian Association of Exporters – ADEX

The Peruvian Association of Exporters (ADEX) is a business institution founded in 1973 to represent and provide services to its members: exporters, importers, and trade service providers. It is an association made up of large, medium, and small enterprises whose common denominator is their vision of achieving ambitious business objectives.

► Contact:

► Eduardo Amorrortu Velayos
President
Address: Av. Javier Prado Este 2875 San Borja, Lima
Phone: +51 1 618 3333
Website: www.adexperu.org.pe

11 | National Institute of Statistics and Informatics - INEI

The INEI is the entity responsible for producing and disseminating the official statistical information that the country needs with the quality, timeliness, and coverage required, in order to contribute to the design, monitoring, and evaluation of public policies and the decision-making process of socioeconomic agents, the public sector, and the community in general.

Its main duties include:

- Formulating and evaluating the National Statistics Policy and Plan, as well as coordinating and orienting the formulation and evaluation of sectoral, regional, local, and institutional plans
- Coordinating and/or carrying out the production of basic statistics through censuses, sample-based surveys, and administrative records on the public sector, as well as keeping census maps up-to-date
- Entering into agreements on technical assistance, specialized training, and the provision of statistic-related services
- Regulating, orienting, and evaluating the organization of the Statistic Offices of the National Statistics System, as well as promoting the creation of Statistic Offices.
- Coordinating, providing opinions, and supporting national and international projects for the provision of financial technical assistance required in matters of statistics by the entities of the National Statistics System at all levels.
- Safeguarding the confidentiality of the information produced by the entities of the system.

► Contact:

► Hermogenes Vilchez de los Rios

INEI, Head

Address: Av. Gral. Garzon 654 - 658, Jesus Maria, Lima - Peru

Phone: +51 1 652 0000

Website: www.inei.gob.pe

Services of EY for Businesses and Investment in Peru

is the leading business consulting firm in Peru, assisting companies through its auditing, consulting, tax and transaction advisory services.

At EY, we focus on helping our clients achieve their full business potential, aiding them in improving their management. Our global network of professionals will help investors find financial, strategic, and operational alternatives to improve their liquidity, financial standing and performance, thus helping them to develop sustainable business in both the short and long terms.

For more information, visit:
<http://www.ey.com/pe>

Main Services

Advisory



Jorge Acosta
 Advisory Leader
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Our Advisory services are subdivided into: a) Performance Improvement; and b) Risk Management.

a. Performance Improvement

Our Performance Improvement services help companies to identify opportunities for improvement in order to increase and ensure their income and reduce their costs, to design business solutions based on the redesign of processes, and to implement technological solutions and improvements to their organizational model. These services also assist in implementing the solutions proposed, efficiently achieving the expected benefits, as well as optimizing the operation and management of improvement projects, preparing your company for continuous improvement processes.

Our advisory services include rapid assessments, transformation, and improvement in the following areas:

► Business transformation strategy optimization:

- Redesign of processes
- Shared services center
- Customer Relationship Management - (CRM) strategy model
- Strategic framework for sustainability management
- Customer experience improvement
- SCM improvement
- IT optimization
- Strategic planning
- Organizational design

► **Financial performance improvement services:**

EY assists companies improve their financial and operational performance through the identification, assessment, and design of the strategies and support required and applicable to the business, and offers the following services:

- Revenue assurance
- Cost reduction
- Analysis of goods, services, and profit by business unit
- Balanced scorecard
- ABC costing
- Cost model design
- Financial and operational reports
- Call center management review

► **Information performance improvement services:**

Our objective is to build trust in the company's information, the systems that contain it, and the organization that manages it, through the following services:

- Data analytics appraisal
- Support in the planning and management of applications implementation (ERP, CRM, SCM, BI)
- Segregation of duties (SOD) appraisal
- ERP Security
- Cloud computing
- Systems area design
- IT effectiveness
- IT cost optimization
- Project portfolio optimization
- Strategic IT plan
- Data migration quality review
- Selection of outsourcing services

► **Project management support services:**

EY provides advice on how to improve the results of your organization's transformation and integration, technological innovation and strategy rollout projects, and offers the following services:

- Project risk management
- PMO
- Social investment management advisory
- Definition of the project portfolio
- Project situation appraisal
- Change management and assistance on merger or integration projects

b. Risk Management

At EY, we help ensure that your investments in improving risk management yield high returns. We assist you in the design and implementation of effective controls and the application of our highly-specialized knowledge on the universe of risks in the different industries in which our clients are engaged. Thus, we help organizations answer certain basic questions, such as: What are the key risks in your business, and how are you managing them? Does your internal control model have risk management duties that overlap or leave gaps uncovered? Are you taking full advantage of the facilities offered by technology for risk prevention?

Effective risk management not only provides greater protection to your company, but also fosters the sustainable improvement of its performance and increases effective decision-making.

► Risk Management Services

EY develops control policies and mechanisms so that the company can protect its assets and preserve its equity, through the following services:

- Internal auditing
- Internal controls based on COSO
- Advisory on Basel III and Solvency II
- Advisory on compliance with the Asset Laundering Prevention Act
- Advisory on compliance with the Sarbanes-Oxley (SOX) Act
- Advisory on regulatory compliance
- Advisory on adaptation to FATCA regulations
- Advisory and evaluation on compliance with anti-corruption practices regulations (FCPA and UK Bribery Act)
- Training and application of IFRS
- Enterprise Risk Management (ERM)
- IT forensics - Forensic analysis of electronic data
- Fraud investigation
- Ethics line (call center)
- Corporate governance improvement
- Fraud prevention program
- Corporate social responsibility
- Internal control practices review

► Information Security Services for Risk Management

- Systems auditing (COBIT - ISO 27000 - ITIL) and regulatory compliance with SBS and Sarbanes-Oxley standards
- Definition of IT governance model
- ERP effectiveness evaluation
- Business continuity plan
- Disaster recovery plan (DRP)
- Information security plan
- SSAE16, ISAE 3402 - Outsources services report (formerly SAS70)



Juan Paredes
Assurance Leader
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EY's auditing services help companies to guarantee the quality and sufficiency of their financial and non-financial information so that their shareholders, investors, lenders, and other stakeholders may make adequate business decisions, avoiding distortions that affect these decisions and which make eventually affect the business and its shareholders. Our firm has proven experience in the market with regard to the quality of its auditing services, enabling investors, financial entities, and regulators to reduce their transaction costs with those companies able to provide an auditing report or certification, as required.

Below is a summary of the main auditing services we offer, provided by specialized, internationally-certified professionals:

a. Auditing of Financial Statements and Special Reviews

Our financial statement audits are focused on risks, processes, and controls, to guarantee that there are no errors or irregularities in your financial statements, as well as considering the aspects of your business and sector that influence the financial information. This approach makes it possible to identify opportunities for improvement in internal controls and risks that are not controlled by the companies, providing recommendations for the improvement of processes, controls, and the general quality of the information used by the Management, the Board of Directors, and the shareholders. We also perform special reviews when companies need to prepare to be audited for the first time; when they are planning to issue shares or bonds in the market; or when they need to improve the entity's processes and controls, in order to obtain an appraisal of the processes and controls to be implemented or improved, as well as the gaps and adjustments to be applied in order to guarantee the quality of their financial information..

b. Advisory on International Financial Reporting Standards (IFRS)

The implementation of and conversion to IFRS is an opportunity to obtain high-quality financial information in a language that allows companies to access both the local and international markets, even if they are only seeking to obtain credit lines from international banks, for which reason this process is considered "companies' passport to the financial world." Due to the complexity of the standards, companies that have already adopted the IFRS also need to review accounting treatments for new or complicated transactions, as well as eventual changes that may be necessary after implementation, considering that these standards are also used for tax purposes in Peru when no specific provisions exist, in terms of both implementation and continuous application, thus making their adequate application and documentation critical to avoid subsequent costs, which may be significant.

The advisory provided for the implementation and application of the IFRS includes a range of aspects, including:

- ▶ Diagnostic for the implementation of IFRS, including an analysis of accounting, operational, and tax gaps.
- ▶ IFRS conversion process, including the aspects identified in the diagnostic and others established by the company- Review of the criteria and results of the application of the IFRS (including a review of accounting estimates, valuations, application in business combinations, etc.) used to identify errors, alternatives, or improvements in the application thereof, based on international experience.

- ▶ Technical documentation on the primary criteria adopted under the IFRS that affect the accounting positions with tax effects. Advice is also provided to the company on the analysis of its positions prior to tax audit reviews, when accounting law is that which prevails.
- ▶ Training and refresher courses on IFRS.

c. Financial Due Diligence (Review of Financial Information in Merger and Acquisition Processes)

For companies that are performing a purchase, EY helps check whether or not the assets and liabilities of the company to be acquired truly exist and are adequately supported using acceptable accounting principles, informing the buyer of any adjustments that should be made to the accounting balances, as well as providing information on deficiencies in processes and controls, as well as other elements in the company subject matter of the review. As part of this process, information is provided on which results included in the financial statements are not recurrent, or should be modified to provide an adequate valuation of the company. This information helps the buyer decide on the offer to be made, considering the financial aspects that affect the value and avoiding surprises that may end up being costly.

For companies evaluating their sale as a business strategy, a similar service is offered, helping them to identify those areas that reduce their value and take the necessary actions to avoid losing value in the sale transaction they plan to conduct.

d. Sustainability Report Audits and Reviews

Considering the great interest in Peru and around the world in companies' sustainability management, as well as their impact on the environment, among other aspects, EY provides auditing and review services for the sustainability reports prepared by companies to guarantee the quality thereof, in accordance with international standards on such sustainability reports. These reviews are performed based on the company's specific economic sector, and include related financial and non-financial aspects, providing confidence to those who require this information on companies' commitment to guaranteeing the sustainability of their operations.

We also provide advisory services to companies in order to help them implement or optimize the identification of risks, controls, and monitoring activities necessary for the preparation of sustainability reports.



David De la Torre
Tax Leader
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EY's Tax Advisory services help companies adequately comply with the tax, customs, and labor obligations inherent to their activities, thus minimizing the tax risks to which they are exposed due to constantly changing statutes that require a complex implementation process. As such, they aid in companies' understanding and planning with regard to tax, customs, and labor matters. They also allow for the due control of companies' compliance with such obligations, accompanying them during any audit that may be performed by the respective Administrative Authority and providing support in administrative or legal proceedings that may arise.

a. Tax advisory

We help companies in the correct implementation of tax regulations applicable to their business activities, through the following services: :

- Tax consultancy
- Tax planning

b. Tax compliance

We advise companies on due compliance with their tax obligations, as well as auditing processes conducted by the Tax Administration, identifying areas where risks may be reduced and control may be improved. We support companies in the following:

- Review of income tax returns and declarations regarding VAT, ITAN, and other applicable taxes
- Advice on the evaluation, improvement, and monitoring of tax-related processes
- Tax information report
- Analysis of tax implications related to the implementation of the IFRS
- Support in audit processes initiated by the Tax Administration

c. Transfer Pricing

Our professionals help companies review, document, manage, and defend their transfer pricing processes and policies between related companies and align them with their business strategy. Our approach involves three angles:

- Consultancy and strategic planning
- Compliance
- Disputes

d. Customs, Foreign Trade, and Special Procedures

We accompany businesses in the development and implementation of effective foreign trade procedures. Our main services are as follows:

- Customs advisory
- Compliance in customs matters, including support in audits initiated by the Administrative Authority

- ▶ Advisory on foreign trade matters such as classification for the OAS, frequent importer status, etc.
- ▶ Procedures related to indirect taxes (VAT) such as balances in favor of the exporter, early VAT recovery, final VAT recovery, etc.

e. Individual Labor and Tax Advisory

EY assist companies in complying with labor and tax obligations, as well as aligning themselves with regulatory changes, in order to effectively manage their human resources. Our services focus on four main areas:

- ▶ Labor, tax-labor, and social security law, including matters such as hiring and contracts, occupational health and safety, union relations, the design of special compensation systems, etc.
- ▶ Compliance with individual labor and tax matters, including support during audits initiated by the respective authority
- ▶ Migratory procedures to and from foreign countries
- ▶ Individual taxes

f. Litigation

Our firm has extensive experience in advising companies during the following types of proceedings:

- ▶ Together with our Tax Compliance Area, we provide advice on audits initiated by the Tax Administration
- ▶ Administrative claims and appeals proceedings
- ▶ Legal proceedings before the Judiciary and the Constitutional Court.
- ▶ Non-contentious proceedings

g. Taxes on Transactions

Our integrated approach will help companies mitigate risks associated with the transactions they conduct, understanding and planning the tax implications thereof. We offer the following services:

- ▶ Tax structuring in acquisition, sale, and/or corporate reorganization processes
- ▶ Tax, customs, and labor due diligence processes
- ▶ Evaluation of the tax aspects of economic models

h. International Taxes

We provide companies with tax advice related to foreign investment in Peru, as well as Peruvian investments abroad:

- ▶ Advisory on the incorporation of the most efficient legal vehicle, the capitalization of financing of operations, the repatriation of funds, and an efficient final management of supply chains
- ▶ Advisory on the efficient structuring of international businesses by economic groups
- ▶ Identification of the most advisable jurisdictions for establishing holding companies or financial companies belonging to the same group
- ▶ Application of double taxation treaties

i. Accounts Outsourcing

- ▶ Outsourcing of accounts and taxes
- ▶ Outsourcing of payrolls

j. Contracts' Review



Enrique Oliveros
TAS Leader
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We can provide advice in your search for the right strategy for your company in merger and acquisition processes, the identification of synergies, financial modeling support and the estimation of implications derived from the transactions, so that your business can be more competitive, profitable, and grow faster.

a. Commercial, Accounting, Tax, Labor, and IT Due Diligence

We help our clients achieve their strategic objectives, whether in acquisition or divestment processes. The review may also include the evaluation of procedures, information technology (IT) systems, and organization involved in the preparation of the financial information, in order to gain a broader understanding, including possible impacts on the integration of operations with the company participating in the transaction.

Our Services:

- ▶ Buyer services:
 - Buyer's-side accounting due diligence
 - Advisory on price adjustment mechanisms, SPA financial clauses, etc.
 - Commercial due diligence
 - Analysis of price adjustment calculations
- ▶ Seller services:
 - Seller's-side accounting due diligence
 - Pre-sale appraisal
 - Assistance during the sale process
- ▶ Other services:
 - Key supplier/distributor analysis
 - Assistance during the transfer of ownership

b. Appraisal & Business Modeling

We have the most experience appraisal team in the market, helping our clients to estimate the market value of companies, businesses, and assets for transaction, management, accounting, and tax purposes.

Our Services:

- ▶ Appraisal of companies and deals
- ▶ Appraisal of tangible and intangible assets
- ▶ Appraisal of derivatives and compound assets
- ▶ Fairness opinion: independent opinion on the fair value of companies and assets, particularly those arising from standards established by regulatory bodies in the framework of transactions between related parties and tender market offers

- Business modeling: design, structuring, and review of appraisal models
- Purchase price allocation: appraisal of individual net assets and allocation of purchase prices as part of business combination transactions, pursuant to the U.S. GAAP and IFRS
- Appraisal of fixed and real assets

c. Mergers & Acquisitions

Mergers, acquisitions, and/or divestments may occur several times during the life of a company. When these transactions occur, there is a significant value at stake. At Ernst & Young, we advise our clients on matters of mergers and acquisitions when making a purchase as well as performing as a sale. For this purpose, we offer an in-depth analysis of our clients' needs and assist in the development of strategies and possible alternatives. Once the appropriate route has been decided on, we use our resources to ensure that the transaction achieves the desired results. Having an independent consultant by your side helps to protect your interests and preserve the value of the company and its shareholders. It also makes it possible to take advantage of management time to explore multiples options and alternatives.

Our Services:

- Advisory in purchase and sale processes
- Advisory in the search for strategic partners and/or alliances
- Advisory in MBO (management buyout) processes
- Advisory in LBO (leveraged buyout) processes

d. Project Finance

Our multidisciplinary team offers professional independent advisory to clients in both the private and public sectors on infrastructure matters. We evaluate the feasibility of projects, analyze the risks, provide advisory on mitigation alternatives, develop the financing strategy, and collaborate with the client in the search for and negotiation of financing.

Our Services:

- Advisory to promoters (sponsors)
- Feasibility studies
- Risk analyses
- Definition of risk mitigation strategies
- Advisory on the legal and tax structure
- Search for strategic partners
- Advisory on the definition of the optimal financial structure
- Coordination between different participants
- Negotiation with possible financiers
- Management reports
- Auditing and taxes
- Review of financial covenants

e. Working Capital Advisory Services

We provide advice solutions for the working capital management that assist clients to develop a strategy focused on achieving and holding through time efficiency levels in the main components of trade working capital (accounts payable, inventories, accounts receivable), with the purpose of increasing the business profits avoiding any impact on the commercial relations with clients and suppliers. Our solutions aim to optimize key processes, policies and procedures, management tools and commercial terms related to working capital components, positioning them next to the best practices in the market.

Our Services:

- Diagnosis and prioritization: through the statical analysis of transactional data and the review of processes, policies and procedures we help to identify, confirm, and prioritize profit improvement opportunities related to the operations
- Design of the action plan: we provide advice on the design of action plans that aloud to materialize opportunities
- Attendance on the implementation: we provide assistance through the implementation stage of the proposed improvement opportunities, ensuring an adequate and fast execution of changes and opportunity capture
- Risk analyses
- Definition of risk mitigation strategies
- Advisory on the legal and tax structure
- Search for strategic partners
- Advisory on the definition of the optimal financial structure
- Coordination between different participants
- Negotiation with possible financiers
- Management reports
- Auditing and taxes
- Review of financial covenants

Directory of Peruvian Embassies and Consulates

Germany	
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