

Peru's Business & Investment Guide

2014 / 2015



Ministry of Foreign Affairs
Peru



Building a better
working world



ProInversión

Private Investment Promotion Agency - Peru

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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 large territorial area, significant natural resources, people with great skills and high academic standards, and a solid economic and industrial background. Today, Peru is considered to be 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 14 years of 5.6% 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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From the President of the Republic of Peru



Ollanta Humala Tasso
President of the Republic of Peru

Dear friends,

Over the past several years, thanks to its growth and strengthened economy, Peru has drawn the world's attention to the efficient management of its economy, particularly during times of crisis, leading to its recognition by both governmental and private international organizations, and above all, to the increasing presence of foreign investors.

With hard work and sacrifice, the Peruvian people have reached this important achievement. It is because of this that my government, in seeking justice and equity for the large majority of Peruvians, considers it indispensable to maintain the current environment which is so beneficial to investment, based on the rule of law as the best guarantee for consolidating growth and promoting social inclusion. We have said it from the start: we are a government in a serious country that stands by its commitments.

The Peru to which we aspire -one of growth with social inclusion, a modern, developed country- will be built principally on the foundations of a national effort, but this requires an appropriate international incorporation in terms of investment, access to markets, integration and cooperation, with a view to strengthening the country's competitiveness, and creating greater job opportunities. We are sure that the close relationship between the public and private sectors will contribute to the achievement of these goals.

Welcome to Peru.

A handwritten signature in black ink, consisting of a series of loops and strokes, representing the signature of Ollanta Humala Tasso.



Guido Loayza Devéscovi
General Director of Economic
Promotion
Ministry of Foreign Affairs



**Ministry of Foreign Affairs
Peru**

You can download the
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Business & Investment
Guide by scanning the
following QR code:



Peru currently finds itself at a time of stable democracy, with full independence among the branches of government, and unconditional respect for the principle of legality. Its national institutions guarantee the rights and obligations of all citizens, without exception. With this, all economic activities, investments, commerce, and tourism taking place within its borders are fully guaranteed.

It is predicted that by 2014, Peru will be the country with the highest growth rate in the Region, with the lowest inflation rate in Latin America. This is due to the implementation of a series of economic policies that benefit national and foreign investment alike, under the principle of national treatment.

Owing to its policy of openness to the world, Peru has successfully consolidated investment as a fundamental component of its growth, setting the stage for a burgeoning middle class, and the sustained reduction of poverty and extreme poverty. At the same time, the policies adopted by the Peruvian State have allowed all sectors to take advantage of this growth, taking into account not only large investment projects, but also the needs of Regional and Municipal Governments.

The Executive Office for Economic Promotion at the Peruvian Ministry of Foreign Affairs seeks to promote the supply of exports, foreign investment, and inbound tourism, identifying new markets while expanding in existing ones. For these purposes, the Office plans and coordinates with its 127 diplomatic missions regarding the economic promotion of the country, in a joint effort by all the actors involved. These include the institutions which promote foreign trade and investments, the associations of large, medium, and small companies, and even civil society as a whole, as well as all those interested in promoting the sustainable development and economic growth of the country.



Javier Illescas Mucha
Executive Director
ProInversión



Peru has implemented a responsible and solid economic policy that has enabled it to become a rapidly-expanding economy, and one of the few in the world that has managed to grow at an average rate of over 6% over the last decade.

This economic growth has allowed for the sustained reduction of poverty, which dropped from 57.8% in 2004 to 24% in 2013; job creation and the growth of the middle class. Income per capita rose by over 50% in the last decade, currently surpassing US\$10,700 (according to the International Monetary Fund - IMF). In addition to the foregoing, we have the reduction of the debt, which was equivalent to 17% of the Gross Domestic Product (GDP) in 2013; the growth of the value of exports five times over from 2003 to 2013; and the accumulation of international reserves equal to 33% of the GDP. For these reasons, the main risk rating agencies (Standard & Poor's, Fitch, and Moody's) have granted an investment grade to Peruvian sovereign debt, and have continued to periodically upgrade its score.

The country has reduced its vulnerability to external crises and demonstrated that it is capable of maintaining stable growth despite the international drop in the prices of commodities, the sector which accounts for the majority of its exports. Forecasts indicate that in the coming years, the GDP will continue to grow at around 6%, exceeding the average rhythm of expansion in Latin America.

As such, Peru is securing its position as an attractive investment destination, with a view to becoming an efficient business hub thanks to its central location on the west coast of South America, its open economy, and the growth of investment in infrastructure—both underway and that pending development in the near future—which will consolidate the country as an effective bridge between the markets of South America (particularly Brazil), Asia, and the United States.

We are a country with a wide range of investment opportunities rooted in multiple comparative advantages, including those related to natural resources, agribusiness, textiles, tourism, and others, offering preferential access to a market of over 4 billion people through our network of trade agreements. We welcome foreign investment with our friendly, stable, and predictable legal framework that does not discriminate between domestic and foreign investors.

We at ProInversión, the Peruvian Agency for the Promotion of Private Investment, will be happy to provide you with all the information and guidance you may need to carry out your investment plans in Peru.

Opportunity in Peru



Jorge Medina Méndez
Country Managing Partner
EY Peru



Globalization is one of the distinguishing features of our times, where world markets merge -thus becoming larger and more attractive- where technology reduces distances and time, where information flows freely and abundantly through cyberspace, and significant investment opportunities arise for those emerging countries which, like Peru, are experiencing great success. Success in their efforts to consolidate their sustainable development, not only economically, but in social and human aspects as well.

In this context, small, medium, and large companies play an important role in diversifying and decentralizing sources for the generation of wealth, investing and creating high-quality jobs in order to create wellbeing in society.

This Peru's Business & Investment Guide is EY's contribution to the promotion, undertaking, and development of investments in Peru, by presenting information about the environment, economic situation, tax and regulatory framework, the specific characteristics of our country, and its advantages to potential investors, all contained in one easy-to-read document.

EY's multidisciplinary teams help evaluate opportunities, drive competitiveness, ensure revenues, mitigate risks, control costs, and maximize the results of transactions, contributing to the success of those ventures undertaken in Peru.

We would like to thank the Ministry of Foreign Affairs and ProInversión for their important technical contributions, and their valuable collaboration in gathering the information for the preparation of this Guide.

We invite you to read our Peru's Business & Investment Guide, a country of entrepreneurs that is friendly and welcoming, and full of great opportunities waiting to be discovered.

Peru: A time of growth and challenges



**Paulo Pantigoso
Velloso da Silveira**
Deputy Managing Partner
EY Peru



From the beginning of the new millennium through 2013, Peru has achieved an impressive cumulative growth of 113% of its Gross Domestic Product (GDP) accompanied by a cumulative inflation during the same period of just 48%, 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 fifth-largest economy in South America—measured in purchasing power parity—after Brazil, 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, and the implementation of much-needed reforms. Indeed, with a GDP per capita measured in Purchasing Power Parity (PPP) estimated at approximately US\$11,150 for 2013, 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,

(continues)



(continued)

consumption, savings, and investment. This is why it cannot fail to take advantage of this historic moment for its 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 needs to prioritize in order to maintain the economic stability it has worked so hard to achieve are as follows: to vanquish poverty and extreme poverty, to prioritize investment in technological innovation, and improve the quality of education, to foster private investment and infrastructure investment, and to position 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 to sustain a powerful domestic demand, to consolidate itself as an international reference point in cuisine and tourism, to improve the management of public health, domestic security, and the environment, to implement a revamped, efficient, and committed public administration, to resolve social conflicts in a timely manner, to fight corruption, to foster social inclusion, to fight against drug trafficking and, to eliminate the remnants of terrorism.

Peru has been growing fast, with it creating bigger and better opportunities for doing business. With this Peru's Business & Investment Guide, EY demonstrates its commitment to contributing to Peru's progress, through our support for business ventures, growth, and success. We provide 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.

An aerial photograph of the Moray archaeological site in Peru. The image shows a series of concentric circular terraces carved into a hillside. Each terrace is filled with different types of crops, likely for agricultural experimentation. The terraces are separated by low stone walls. In the center of the innermost circle, two people are standing, providing a sense of scale. A yellow diagonal line runs across the upper right portion of the image.

I. 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 of Ministers. 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 Tasso 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	► Head of State and Government: President Ollanta Humala Tasso (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	► 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	► 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	► 25 Regional Governments (including the Constitutional Province of Callao). ► Metropolitan Municipality of Lima.
Local Governments	► 203 Provincial Municipalities (February 2014). ► 1,841 District Municipalities.
International Relations	► Peru has numerous economic cooperation and Free Trade Agreements (FTAs) with multiple countries (see Section II.2: Trade Agreements). ► The Peruvian Diplomatic Academy is recognized as one of the best in Latin America. ► 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. ► 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 will be the site of the COP 20 (Climate Summit organized by the UN) in 2014; the World Bank (WB) and International Monetary Fund (IMF) Annual Assembly in 2015; and the APEC Summit 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 17.0 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 9.9 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, gas and forestry resources. There are approximately 4.0 million inhabitants in this area.

Peru



Population

30.9 million

Urban: 75.7%

Rural: 24.3%



Area

1,285,215.60 km²



Currency*

Nuevo Sol (S/.)

S/.1 = US\$ 0.357

US\$1 = S/. 2.80



Principal Languages

Spanish / Quechua / Aymara



Religion

Freedom of religion

Principally Roman Catholic



Climate

Ranges from tropical in the Amazon Region to dry along the Coast. Temperate to very cold in the Highlands



Time Zone

GMT -5 (five hours behind Greenwich Mean Time).

There is no daylight savings time, and there is only one time zone throughout the entire country.



Natural Resources

Gold, copper, silver, zinc, lead, hydrocarbons, fishing, phosphates, and agricultural products



* Interbank exchange rate as of december 31, 2013

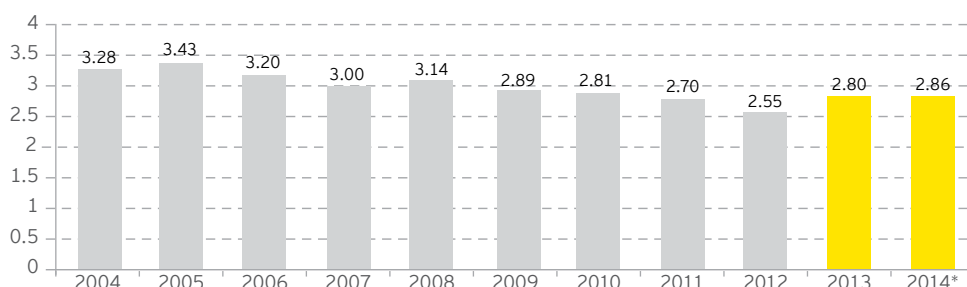
Sources: Central Reserve Bank of Peru (BCRP) / International Monetary Fund (IMF)

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 of December 31, 2013, banks were buying U.S. Dollars at S/./2.798 and selling them at S/./2.800. The gray market has very similar exchange rates.

According to estimates as of the end of 2013, 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)



* Estimated / Projected as of January 2014

Source: Central Reserve Bank of Peru (BCRP)

4 Economy

Gross Domestic Product (GDP)	► US\$210 billion (estimate for 2013)
GDP per Capita	► US\$6,797 (estimate for 2013)
GDP per Capita (Purchasing Power Parity / PPP)	► US\$11,149 (estimate for 2013)
Net International Reserves	► US\$65,663 billion (as of December 31, 2013)
Foreign Debt	► US\$18.8 billion (as of November 30, 2013)
Total Public Debt	► US\$38.0 billion or 18.1% of the GDP (2013)
Fixed Gross Investment	► 27.5% of the GDP (estimate for 2013)
Unemployment Rate	► 6.0% (estimate for 2013)
Population Living Below the Poverty Line	► 25.8% (2012); 24.2% (estimate for 2013); and 22.7% (estimate for 2014)
Minimum Wage	► S/./750 (as of December 31, 2013, approximately US\$268)
Principal Destinations of Peruvian Exports	► Germany, Brazil, Canada, 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, 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) / Apoyo / Ministry of Economy and Finance (MEF) / International Labor Organization (ILO) / National Institute of Statistics and Information (INEI) / International Monetary Fund (IMF) / EY

With a population of 30.9 million (the estimate for 2013) 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, 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 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 2.9%, below that of Chile (3.2%), Colombia (4.9%), and Brazil (6.4%). There is also its impressive annual growth rate of approximately 5.0% of its GDP achieved in 2013, 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 5.6% over the past 14 years. This dynamism has been driven by 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 by almost 18% in the last seven years, to around 24.2% of its total population for 2013.

According to the International Monetary Fund (IMF), Peru is considered a rising star that is part of the new wave of leading emerging markets, 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.

The country's recent boost in economic growth 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 18.1% in 2013 and an estimated 17.2% in 2014) 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 5.2% in 2013 over the previous year (estimated at 5.2% and 5.4% for 2014 and 2015, respectively). Likewise, as of December 31, 2013, net international reserves stood at approximately 31% of the estimated GDP as of the same date.

The Peruvian economy for 2014 is expected to be the second fastest growing in Latin America, after Panama, and the first in South America. This is driven principally by private consumption (5.2% for 2014) domestic demand (6.0% for 2014) improved employment indicators, and the recovery of total exports. At the same time, the growth of fixed private investment in 2014 is expected to be situated at 6.3% (6.6% for 2015) while growth in public investment is estimated at 15.5% for 2014 and 14.6% for 2015.

As of December 31, 2012, the size of Peru's economy exceeded that of Chile in terms of purchasing power parity (PPP). The International Monetary Fund (IMF) has projected that the size of the Peruvian economy will surpass Chile's by 10.8% by 2018, due to its higher growth trend, rooted mainly in the greater size of energy sources which Peru possesses. Since 1991 -the last year in which the size of the Peruvian economy exceeded Chile's- the IMF has recorded that, thanks to the significant cumulative growth of the Peruvian economy, Peru has once again positioned itself as the fifth-largest economy in South America, as follows:

GDP and GDP per Capita (Purchasing Power Parity-PPP) of the Principal Economies of Latin America (2013)

Country	2013 (1)		2018 (1)
	GDP in US\$ Billions (PPP)	GDP per Capita in US\$ (PPP)	GDP per Capita in US\$ (PPP)
Brazil	2,422	12,118	15,105
Argentina	771	18,582	22,188
Colombia	523	11,088	14,312
Venezuela	407	13,586	15,526
Peru	345	11,149	15,085
Chile	335	19,105	25,220
Mexico	1,845	15,608	19,495

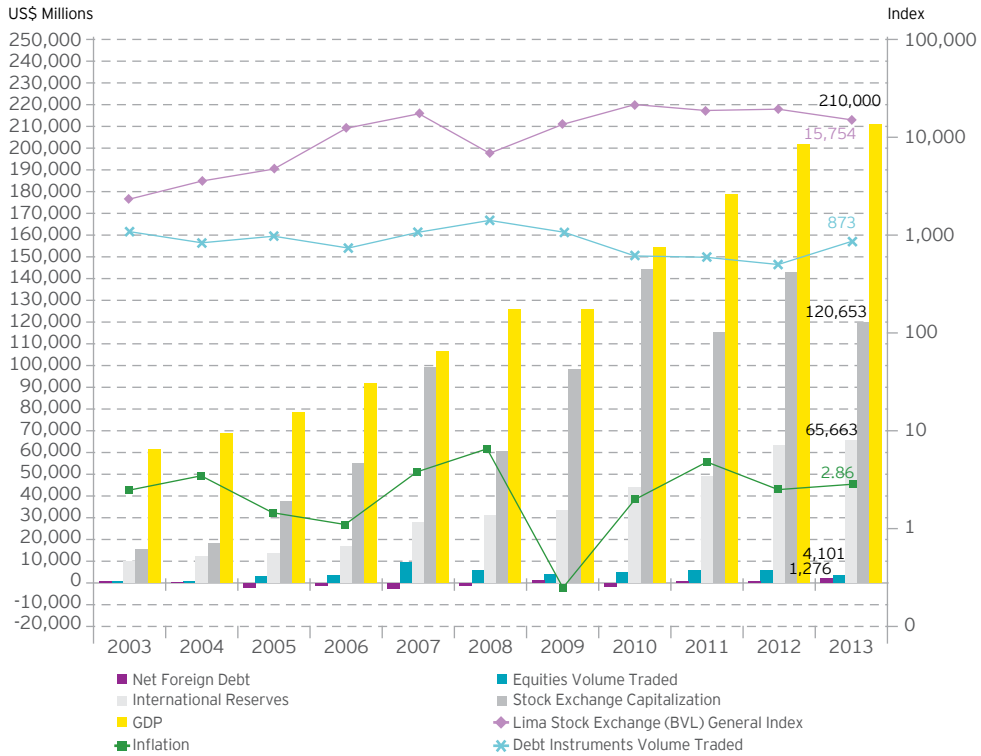
Source: (1) International Monetary Fund (IMF), october 2013

Peru has signed a number of Free Trade Agreements (FTAs) covering approximately 95% of its exports as of December 31, 2013. Free Trade Agreements (FTAs) have been entered into with the United States, China, Thailand, the European Union, South Korea, Canada, Costa Rica, Chile, Mexico, Venezuela, Panama, Singapore, and Cuba. It also has 29 Bilateral Reciprocal Investment Promotion and Protection Agreements (BRIPPAs). 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 (for more information, go to section II.2 Trade Agreements).

The Free Trade Agreement (FTA) with the United States entered into force on February 1, 2009, opening 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, a trading bloc that it forms part of together with Chile, Colombia, and Mexico, 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.

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

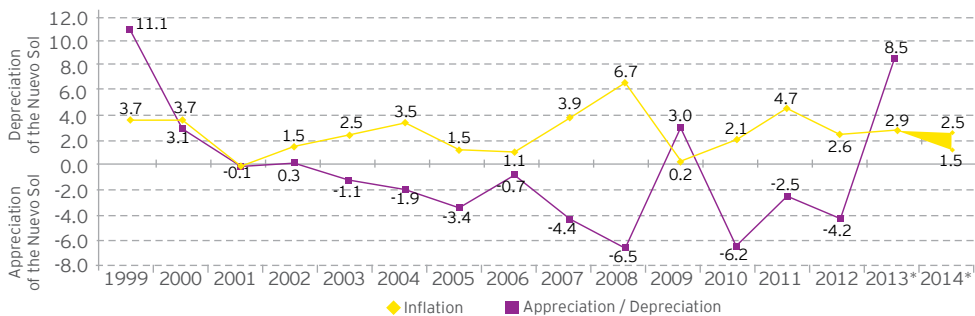
Evolution of Financial Indicators



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

Appreciation / Depreciation and Inflation

As of the end of 2013, the inflation rate in Peru was 2.86% (real rate of 2.6% in 2012). The annual depreciation rate of the Nuevo Sol against the U.S. Dollar for 2013 is 8.5% (real appreciation rate of 4.2% in 2012).

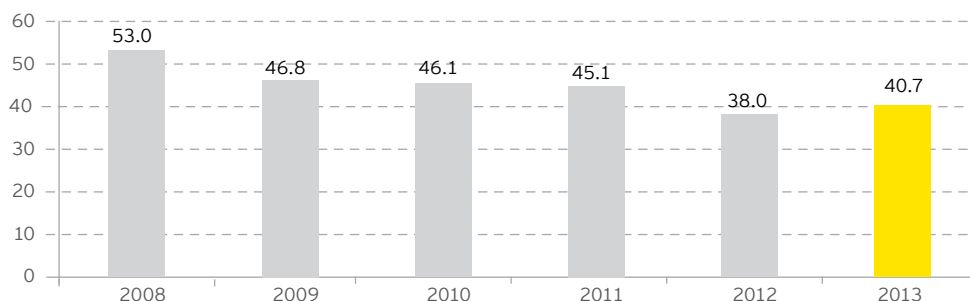


* Estimated

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

By the end of 2014, inflation is expected to be within the target range set by the Central Reserve Bank of Peru (BCRP) at 1.5% to 2.5%. Meanwhile, as of January 31, 2014, the average interbank interest rate in local currency set by the BCRP was 4.00%, while the preferential corporate rate was 4.40%.

Dollarization Rate of Bank Deposits



Source: Central Reserve Bank of Peru (BCRP)

Peru's Principal Economic Activities

Peru's main economic activities include agriculture, fisheries, mining, the exploitation of petroleum and gas, and the manufacturing of goods, most notably textiles.

The sharply contrasting geographical areas of Peru make it a particularly diverse country, with a wide variety of ecosystems, and thus, flora and fauna.

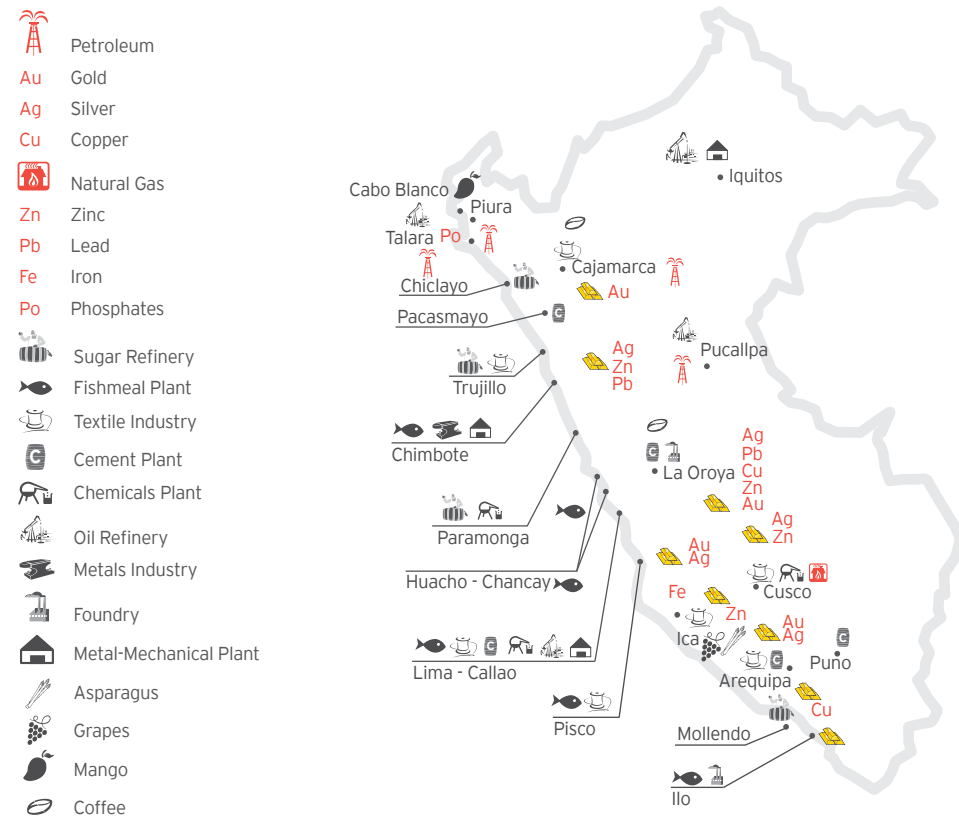
In 2012, Peru ranked as the world's top producer of fishmeal (US\$1.341 billion exported as of December 2013); fresh asparagus (US\$408 million exported as of December 2013); paprika and organic bananas; the world's second-largest producer of artichokes (US\$85 million exported as of December 2013); it is the second-largest producer of fresh grapes (US\$428 million as of December 2013); the sixth-largest producer in the world of coffee (US\$1.013 billion exported in 2012); and the seventh-largest producer of avocado (US\$137 million exported in 2012). On the other hand, mango exports in 2013 grew by 8.0% over the previous year, totaling US\$127 million. In the case of avocado, exports totaled US\$158 million in 2013. During 2013, exports of quinoa and its byproducts totaled US\$72.2 million, representing a 132% increase over 2012.

Natural calcium phosphates have reached the second most exported non-traditional product, with exports totaling US\$413 million in 2013.

In mining, according to the Mineral Commodity Summaries Publication authored by the U.S. State Department, Peru ranked third in the world in 2012 in the production of silver, copper, tin and zinc, fourth in mercury and molybdenum, fifth in lead, and sixth in gold, besides having large deposits of iron ore, phosphates, manganese, petroleum, and gas. The principal destinations for Peruvian copper are China and Japan, gold to Switzerland and Canada, and zinc and silver to China and South Korea.

One of the economic activities that is only recently being exploited and which shows great potential is that of forestry resources (cedar, oak, and mahogany, mainly).

Principal industries in the different regions of Peru

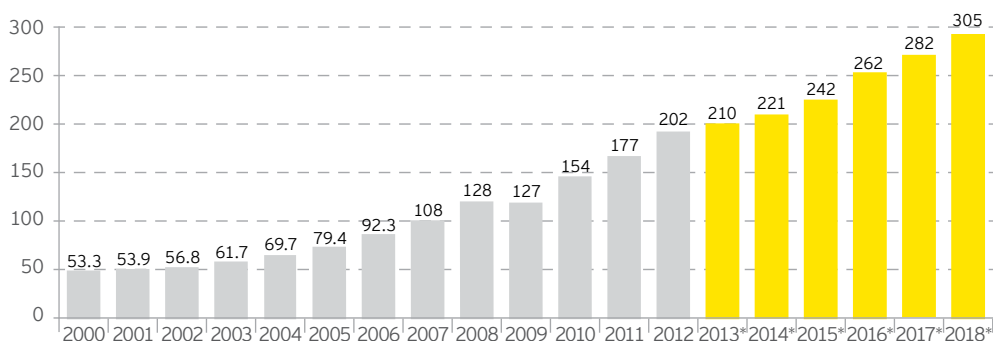


Source: EY

Gross Domestic Product (GDP) / Trade Balance

The Gross Domestic Product (GDP) estimate for 2013 is US\$210 billion. It is estimated that at the end of 2013, total FOB exports came to US\$41.221 billion, while imports totaled US\$43.442 billion. The principal exports came from the mining, hydrocarbons, and agricultural and livestock industries.

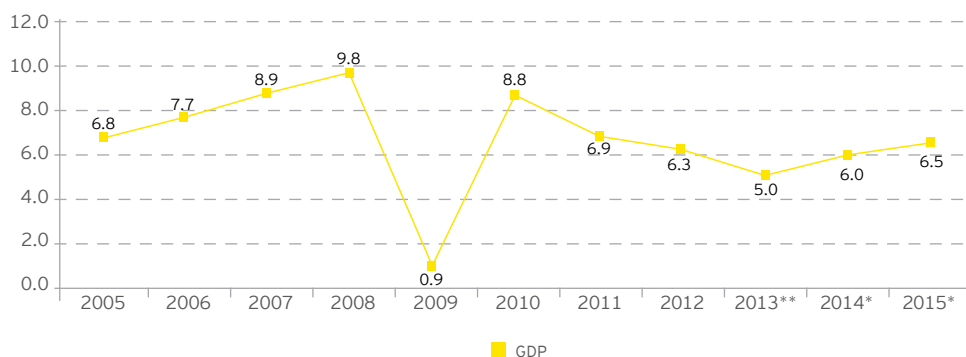
Real Gross Domestic Product (GDP) of Peru (in US\$ Billion)



* Estimated

Sources: Central Reserve Bank of Peru (BCRP) / Ministry of Economy and Finance (MEF) / International Monetary Fund (IMF) / EY

Gross Domestic Product (GDP) (Annual Percentage Change)



Source: * Central Reserve Bank of Peru (BCRP), published in december 2013 / ** EY

Gross Domestic Product (GDP) by Industry - Annual % Change

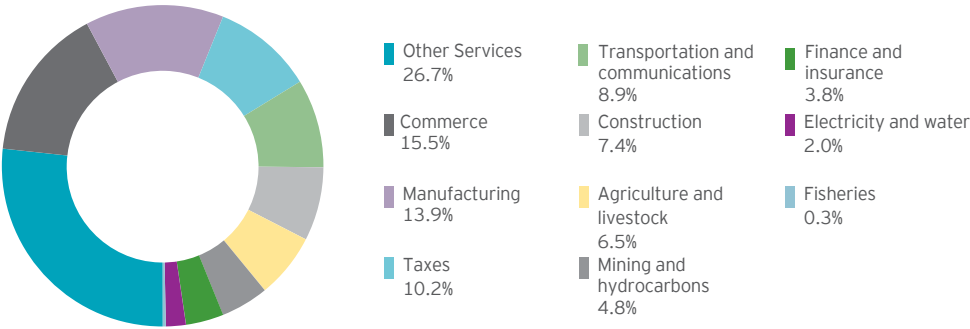
	2008	2009	2010	2011	2012	2013*	2014*	2015*
Agriculture and Livestock	7.2	2.3	2.7	3.8	5.7	1.9	3.0	4.2
Agriculture	7.4	0.9	1.4	3.5	5.6	1.7	2.6	4.0
Livestock	6.0	4.4	4.2	4.2	5.9	2.2	3.7	4.7
Fisheries	6.3	-7.9	0.3	29.7	-11.7	8.3	6.6	3.3
Mining and Hydrocarbons	7.6	0.6	2.8	-0.2	2.2	2.4	9.4	13.3
Mining	7.3	-1.4	-0.7	-1.1	2.2	2.0	9.1	13.0
Hydrocarbons	10.3	16.1	28.4	19.7	2.3	5.8	10.8	14.8
Manufacturing	9.1	-7.2	6.5	7.7	1.5	2.5	4.1	5.1
Processed Raw Materials	7.6	0.0	2.7	12.3	-6.2	5.5	3.5	3.4
Non-Primary Manufacturing	8.9	-8.5	7.3	4.4	2.9	1.7	4.3	5.5
Electricity and Water	7.7	1.2	4.9	7.4	5.2	5.6	6.1	6.1
Construction	16.5	6.1	12.5	3.4	15.1	8.7	7.3	8.0
Commerce	13.0	-0.4	5.1	8.8	6.7	5.4	5.9	6.3
Other Services	9.1	3.1	5.4	7.3	7.1	6.1	6.2	6.5
GDP	9.8	0.9	8.8	6.9	6.3	5.0	6.0	6.5

* Estimated

Source: Central Reserve Bank of Peru (BCRP) / EY (2013)

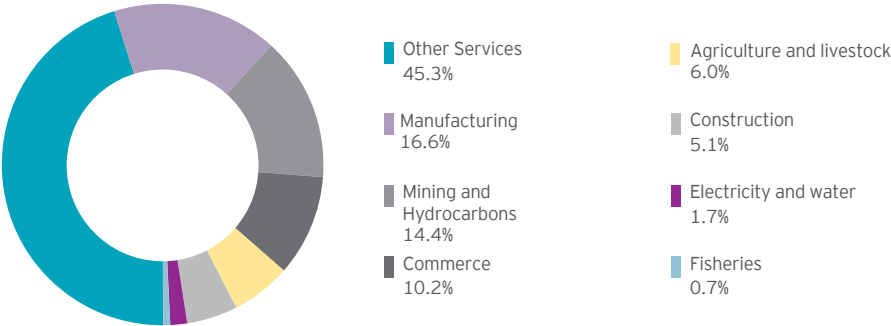
In Peru, the GDP is officially measured using a measurement structure by economic sector that dates back to 1994. However, given the evolution of the economy, it is likely that the reference baseline will be changed to 2007, in order to reflect a sector contribution makeup more in tune with the country's present situation. Thus, the following is a breakdown of the sector makeup of the GDP in percentages for both baseline years.

Peru Gross Domestic Product (GDP) by economic sector in % (3Q 2013), using the economic structure with a base estimate year of 1994



Source: National Institute of Statistics and Information (INEI), published in november 2013

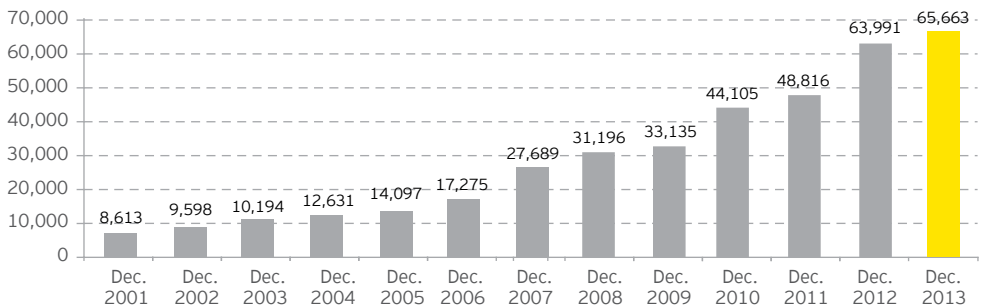
Peru Gross Domestic Product (GDP) by economic sector in %, using the economic structure with a base estimate year of 2007



Source: National Institute of Statistics and Information (INEI) / Institute of Economics and Development of the Lima Chamber of Commerce (IED-CCL)

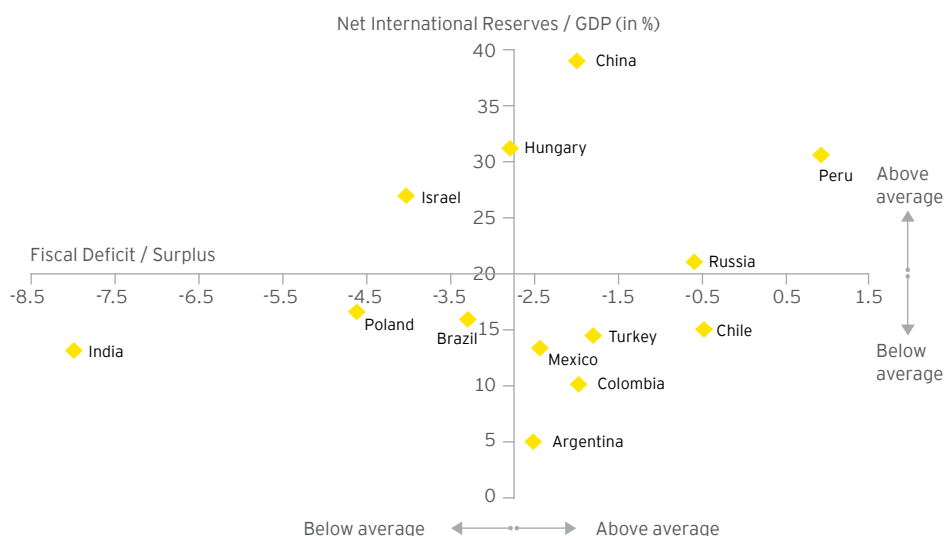
Based on the foregoing, changing the estimate of the economic growth rate using 2007 as the baseline year instead of 1994 would not cause significant differences in historical records. However, given the major growth and expected future growth of mining over the coming years, it is estimated that starting in 2016, the new use of the baseline year of 2007 with regard to the mining sector would contribute an additional 1% to the annual GDP, approximately.

Net International Reserves (in US\$ Millions)



Source: Central Reserve Bank of Peru (BCRP)

Emerging Economies Indicators: Net International Reserves vs. Gross Domestic Product (GDP) and Fiscal Deficit/Surplus (Estimated for 2013)



Source: Central Reserve Bank of Peru (BCRP)

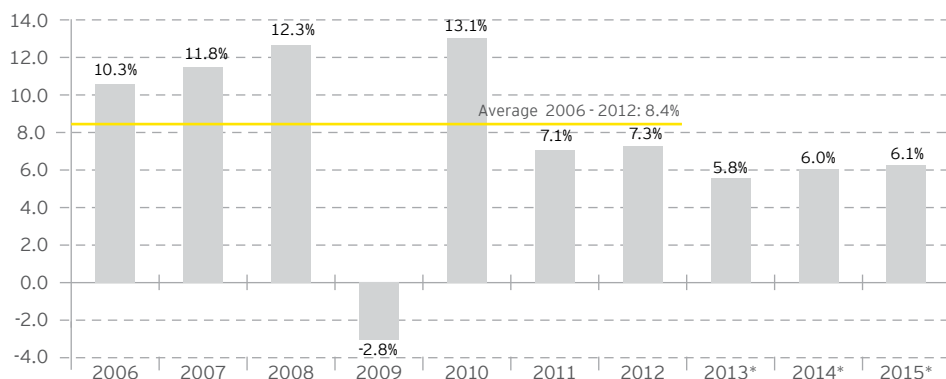
Gross Domestic Product (GDP) by spending type (percent change)

Variables	2008	2009	2010	2011	2012	2013*	2014*	2015*
Gross Domestic Product	9.8	0.9	8.8	6.9	6.3	5.0	6.0	6.5
Imports	26.2	-16.0	29.3	9.8	10.4	5.5	6.3	7.9
Domestic Demand	12.3	-2.8	13.1	7.1	7.3	5.8	6.0	6.1
a. Private Consumption	8.7	2.4	6.3	6.4	5.8	5.2	5.2	5.4
b. Public Consumption	2.1	16.5	7.9	4.8	9.4	5.5	6.3	4.2
Private Investment	25.9	-15.1	22.1	11.4	13.5	4.3	6.3	6.6
Public Investment	33.6	21.2	26.7	-18.0	20.8	18.1	15.5	14.6
Exports	9.9	-2.9	4.8	8.8	5.4	1.5	6.3	10.9

* Estimated

Source: Central Reserve Bank of Peru (BCRP) / EY (2013)

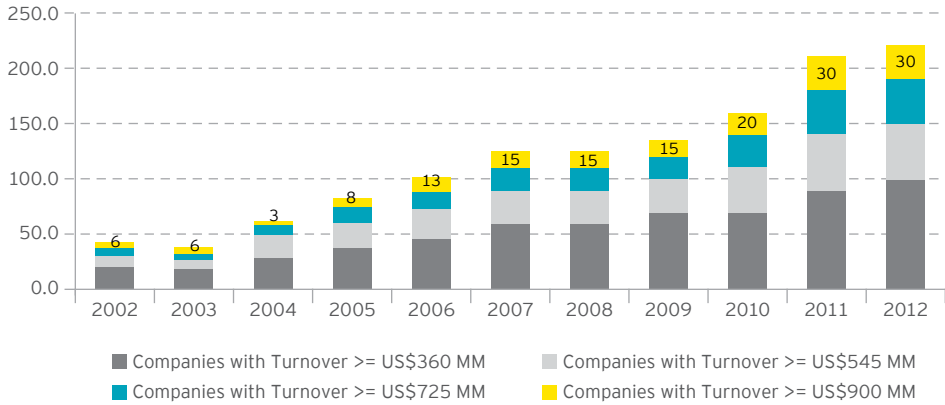
Domestic demand (percent change)



* Estimated

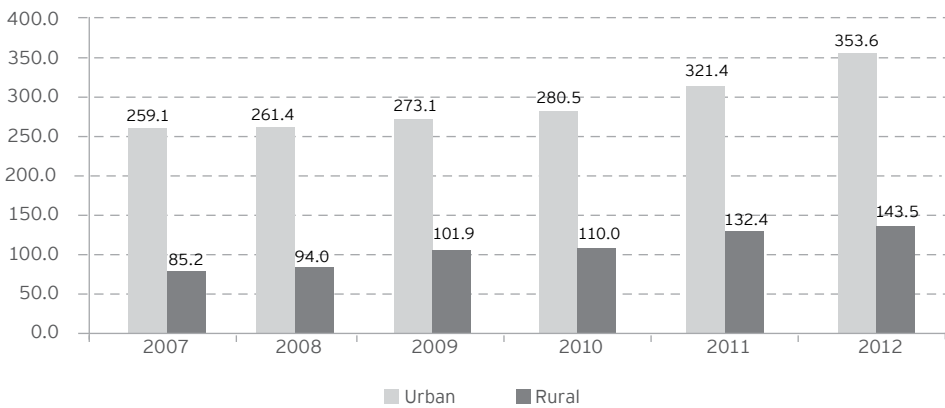
Source: Central Reserve Bank of Peru (BCRP)

Number of companies with annual turnover of more than US\$360 million



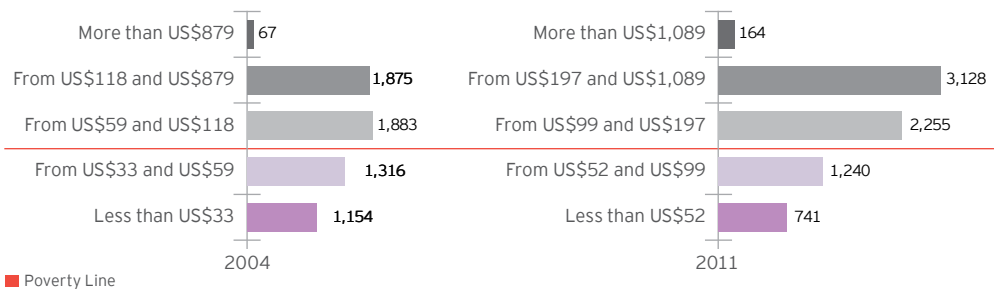
Source: Top 10k - Peru Top Publications / Peruvian Business Directory - Dun & Bradstreet / Prepared by EY

Real average income per capita by geographic areas (in US\$)



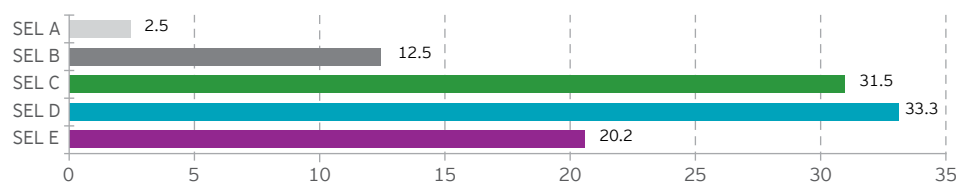
Source: National Institute of Statistics and Information (INEI) 2013

Monthly per capita income by number of households (thousands of households)



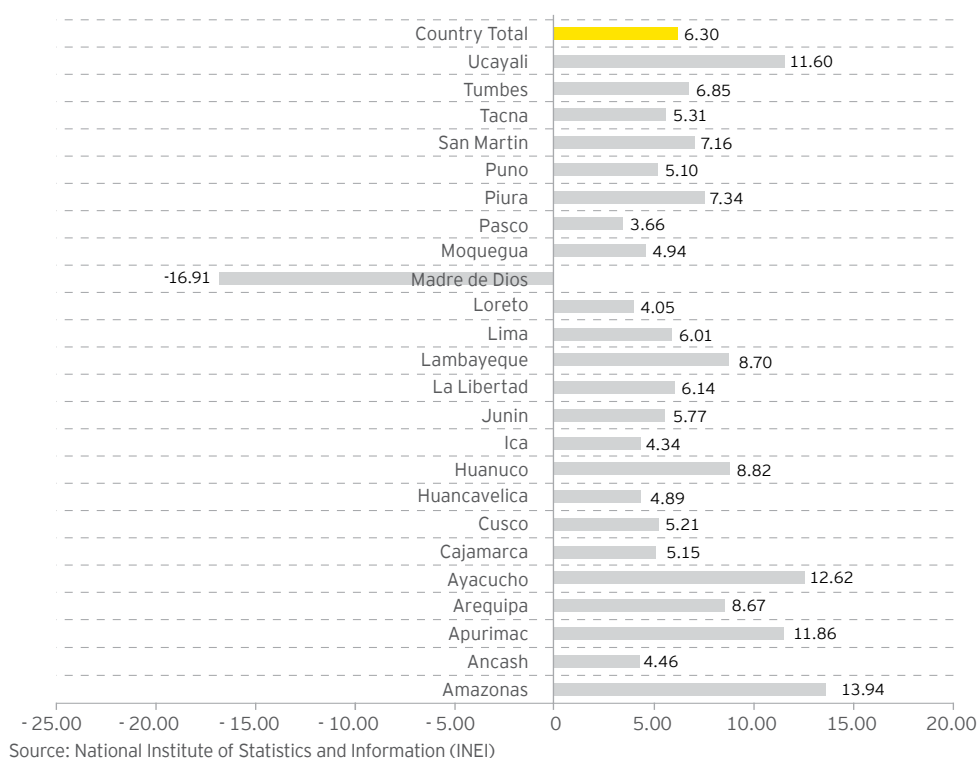
Source: Ministry of Economy and Finance (MEF)

Distribution of urban population by levels, in percentage (2012)



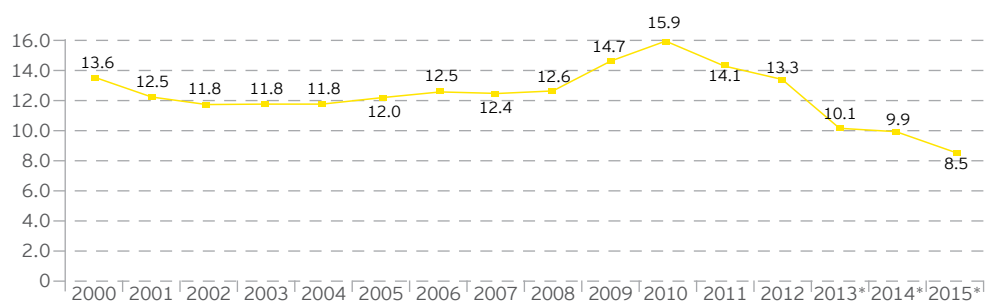
Source: Peruvian Association of Market Research Companies (APEIM) 2013

Annual change in gross domestic product (GDP) by region in percentage, constant values before taxes (2012)



Source: National Institute of Statistics and Information (INEI)

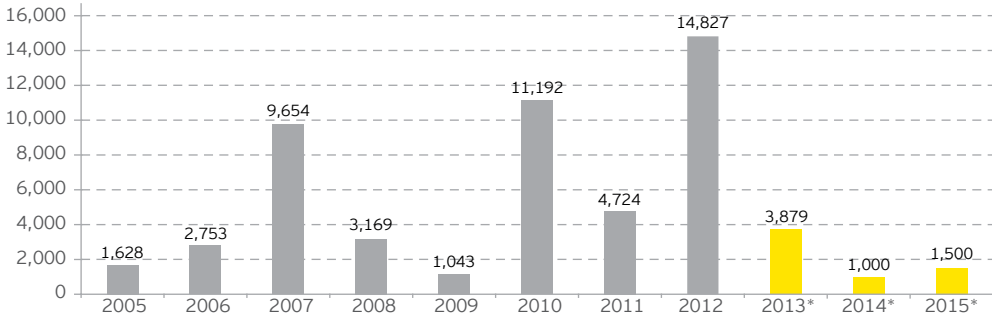
Public spending (real percent change)



* Estimated

Source: Central Reserve Bank of Peru (BCRP)

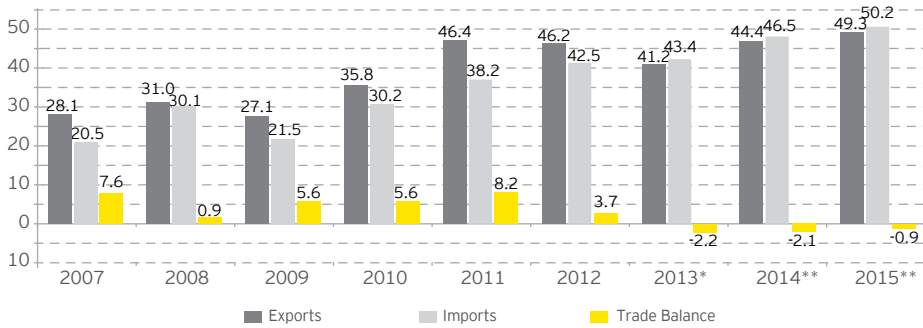
Balance of payments (in US\$ Millions)



* Estimated

Source: Central Reserve Bank of Peru (BCRP)

Trade Balance (in US\$ Billions)



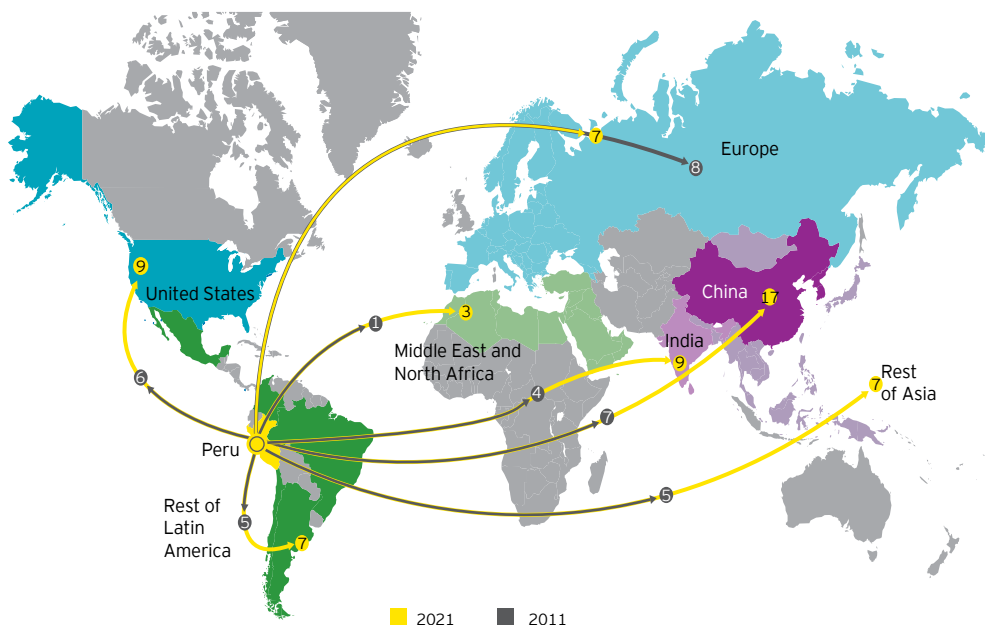
* Preliminary

** Estimated

Sources: Central Reserve Bank of Peru (BCRP) / Peruvian Foreign Trade Association (ComexPerú)

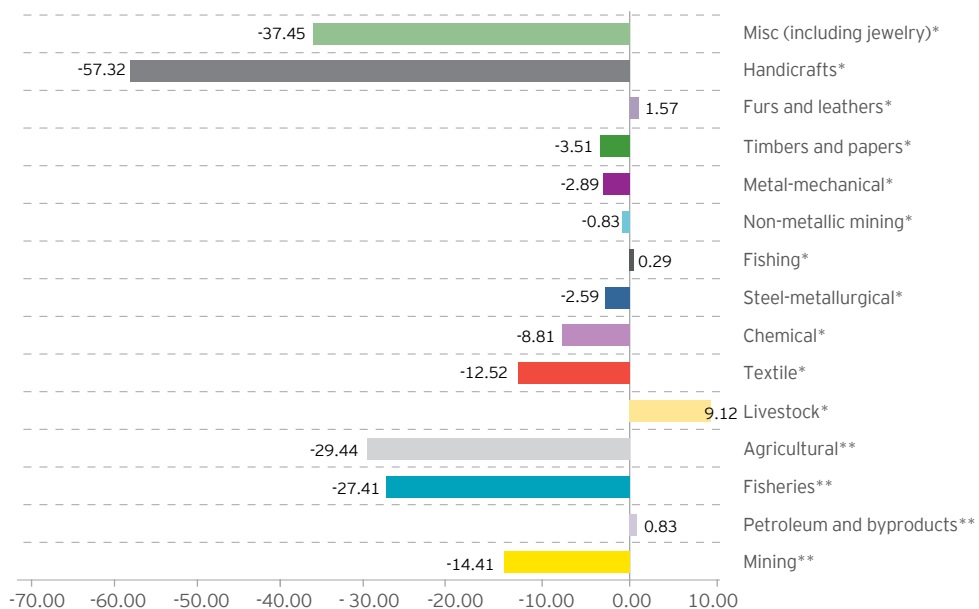
According to estimates, by 2015, Peruvian exports will total nearly US\$49.3 billion, while imports will come to approximately US\$50.2 billion. Likewise, the projection for the 2011-2021 period of the total in billions of Dollars of Peruvian exports is as follows:

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



Source: Oxford Economics / Prepared by EY

Annual change in exports by economic sector, in percentage (2013/2012)



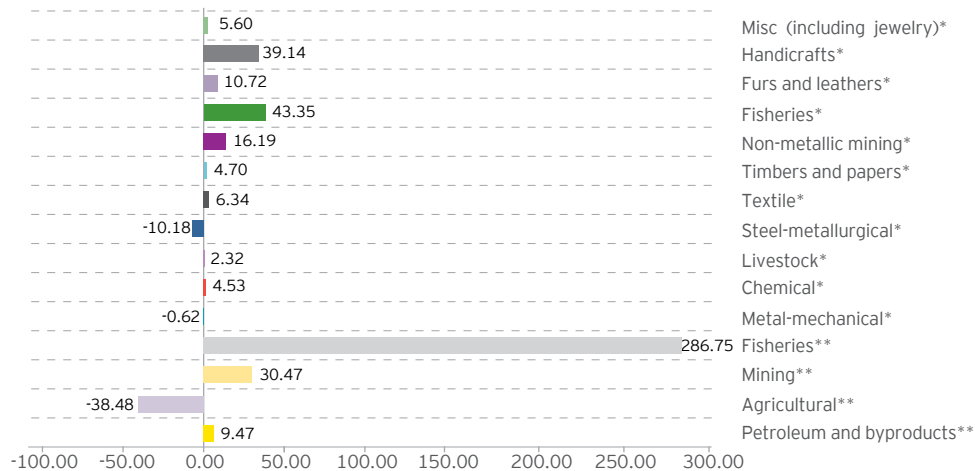
Preliminary

* Non-traditional

** Traditional

Source: Peruvian Foreign Trade Association (ComexPerú)

Annual change in imports by economic sector, in percentage (2013/2012)



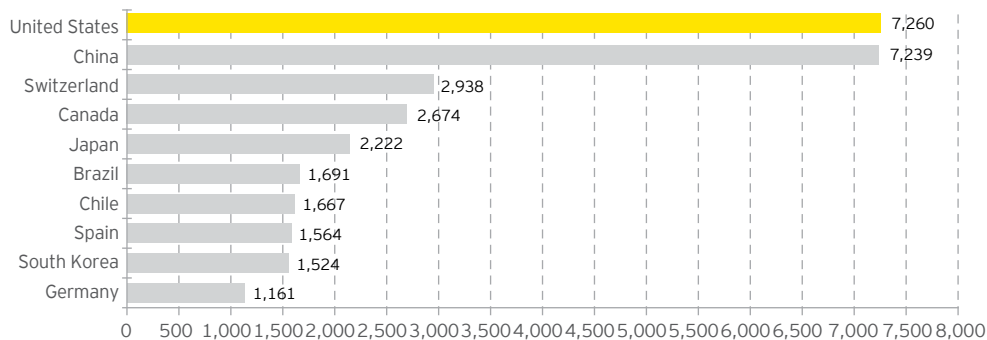
Preliminary

* Non-traditional

** Traditional

Source: Peruvian Foreign Trade Association (ComexPerú)

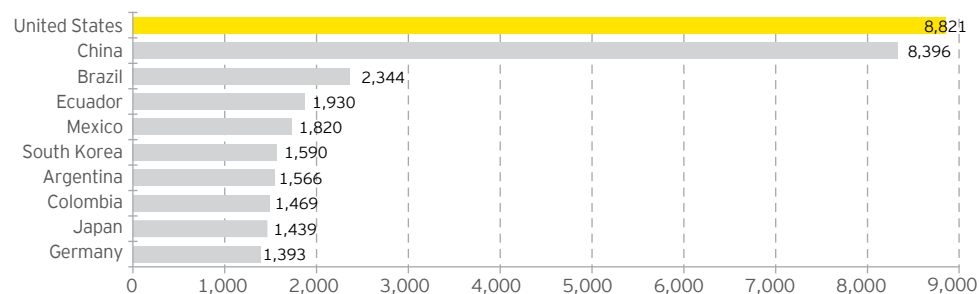
Exports by trading partner in US\$ Millions - top ten partners (2013)



Preliminary

Source: Peruvian Foreign Trade Association (ComexPerú)

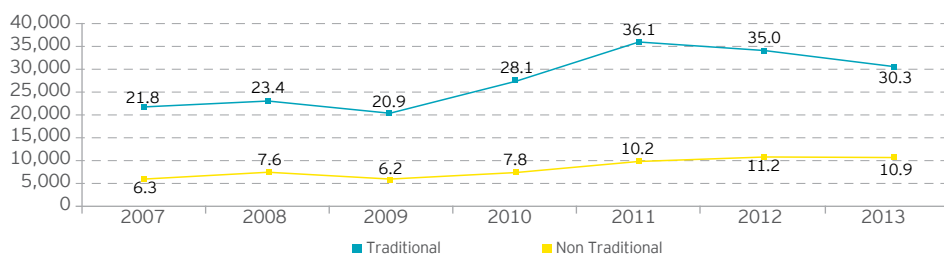
Imports by trading partner in US\$ Millions - top ten partners (2013)



Preliminary

Source: Peruvian Foreign Trade Association (ComexPerú)

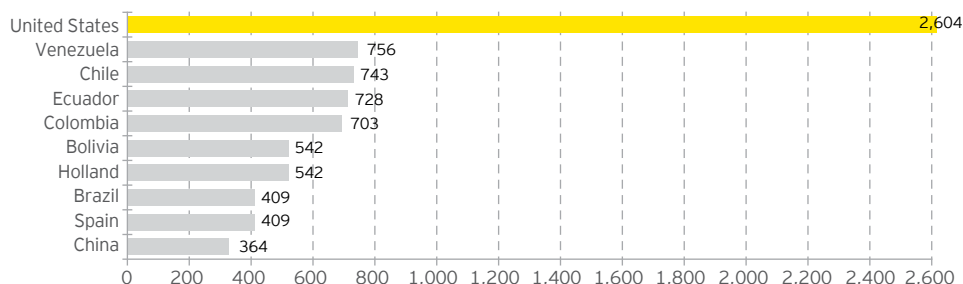
Traditional and non-traditional exports in US\$ Billions



Source: Peruvian Foreign Trade Association (ComexPerú) / Central Reserve Bank of Peru (BCRP)

During 2013, the non-traditional product markets with the most exports were livestock (30.9%), textiles (17.5%) and chemicals (13.7%). The principal non-traditional products exported in 2013 were fresh or refrigerated asparagus; natural calcium phosphates; refined copper wire; fresh grapes; and cuttlefish, stout bobtail squid, common squid, and giant squid, whether frozen, dried, or in brine. In terms of traditional products, the most significant were gold, copper, lead, zinc, gas, petroleum oil, coffee, and fishmeal.

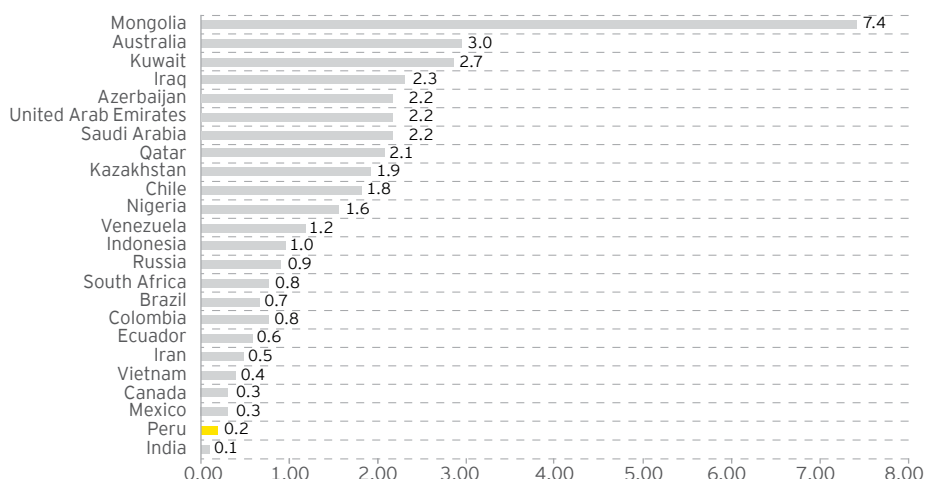
Non-traditional exports by trading partner in US\$ Millions (2013)



Preliminary

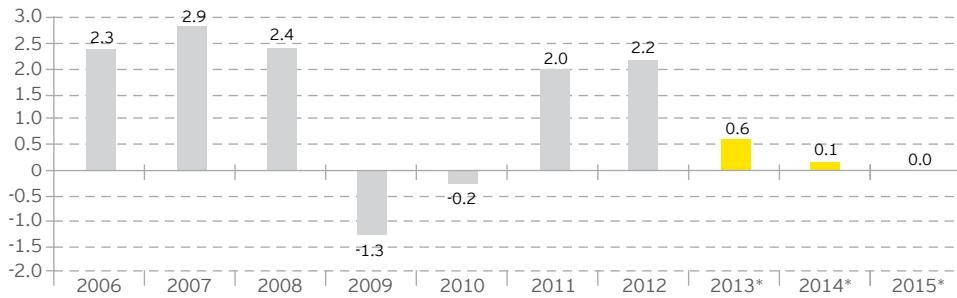
Source: Peruvian Foreign Trade Association (ComexPerú)

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



Source: International Monetary Fund (IMF)

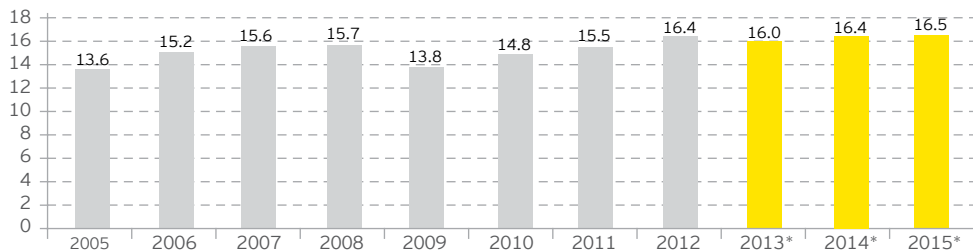
Economic results (fiscal surplus / deficit) of the non-financial public sector (in % of the GDP)



* Estimated

Source: Central Reserve Bank of Peru (BCRP)

Tax pressure (in % of the GDP)

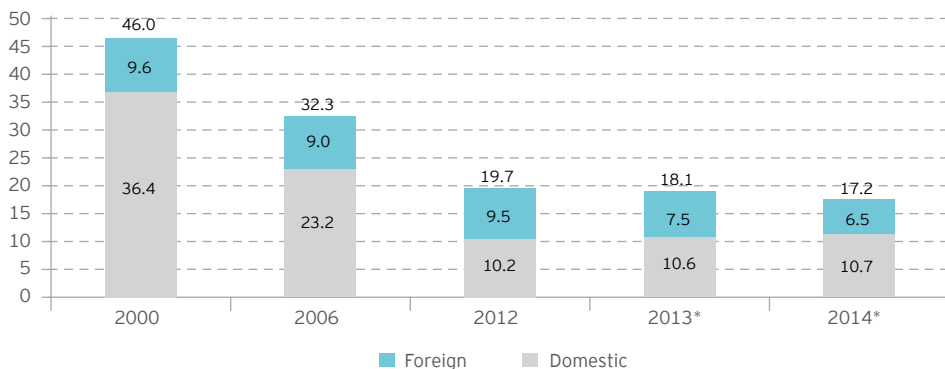


* Estimated

Source: Central Reserve Bank of Peru (BCRP) / National Superintendency of Tax Administration (SUNAT) (2013)

During 2013, according to the National Superintendency of Customs and Tax Administration (SUNAT) the tax base was broadened by 6.2%. 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 2013, the tax revenues collected totaled S/.89,388 millions (S/.102,089 millions, including social contributions and non-tax revenues) with 6,624,000 registered taxpayers.

Public debt (% of the GDP)



* Estimated

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 minimum growth estimate of 5.0% of the GDP for 2013, and an estimated 6.0% for 2014. 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.

Peru's investment grade ratings

Country	S&P	Fitch	Moody's
Chile	AA-	A+	Aa3
Peru	BBB+	BBB+	Baa2
Mexico	BBB+	BBB+	A3
Brazil	BBB	BBB	Baa2
Colombia	BBB	BBB	Baa3
Uruguay	BBB-	BBB-	Baa3
Bolivia	BB-	BB-	Ba3
Paraguay	BB-	BB-	Ba3
Venezuela	B-	B+	Caa1
Ecuador	B	B	WR
Argentina	CCC+u	CC	B3

WR: Withdrawn Rating

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
D	Ca	Default

● 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
Fitch	BB-	BB-	BB	BB	BB+	BB+	BBB-	BBB-	BBB-	BBB 1/	BBB	BBB+
S&P	BB-	BB-	BB	BB	BB+	BB+	BBB-	BBB-	BBB-	BBB 2/	BBB	BBB+
Moody's	Ba3	Ba3	Ba3	Ba3	Ba3	Ba2	Ba1	Baa3	Baa3	Baa3	Baa2	Baa2

1/ Rating was upgraded on November 10, 2011

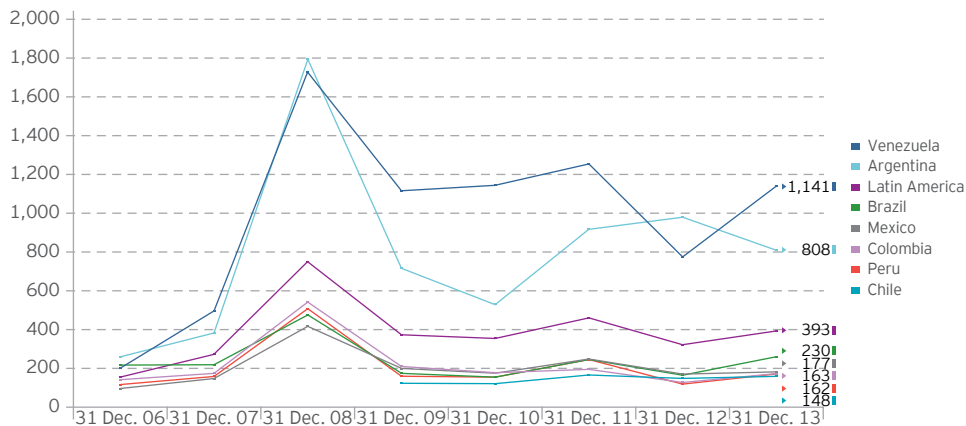
2/ Rating was upgraded on November 30, 2011

Source: Apoyo

Country Risk

As of December 31, 2013, 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 (393 points).

Country risk indicator (in based points)

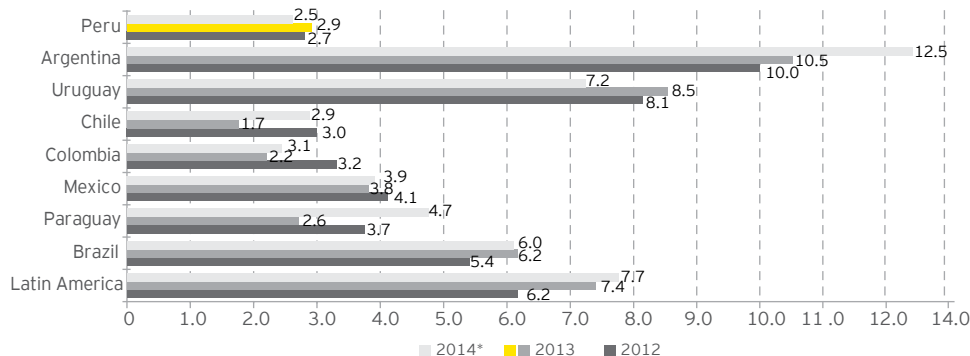


Source: Central Reserve Bank of Peru (BCRP)

Peru has recently achieved the position of the third most globalized country in Latin America, according to the Globalization Index established by EY. 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 February 2012 Bloomberg Markets positioned Peru as the third 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 2.86% in 2013, and an estimated range of 1.5% to 2.5% for 2014. In addition, over the past decade, the Peruvian economy had the lowest average annual inflation rate in Latin America, at 2.9%, below that of Chile (3.2%) Colombia (4.9%) and Brazil (6.4%). During the same period, it had one of the highest GDP growth rates, at 5.6%, above Argentina (5.4%), Ecuador (4.6%), Colombia (4.5%), Chile (4.4%), Uruguay (4.0%), Brazil (3.5%), and Mexico (2.3%).

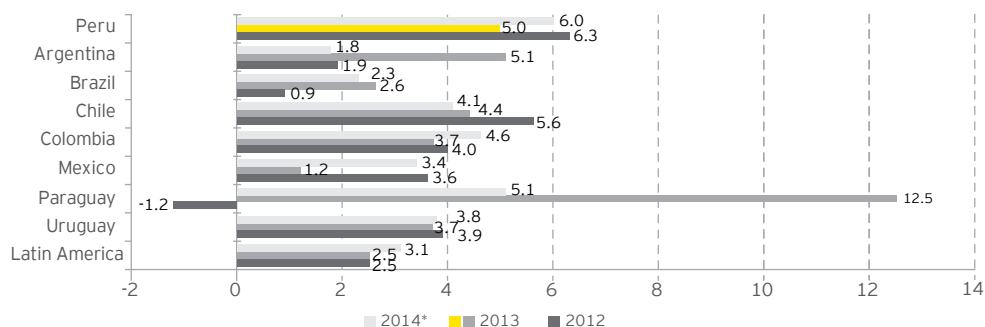
Estimated inflation rates in Latin America



* Estimated

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

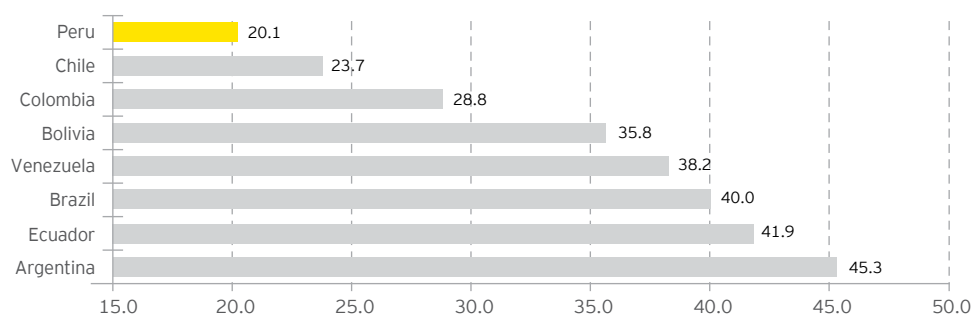
Estimated Gross Domestic Product (GDP) growth percentage rates in Latin America



* Estimated

Sources: BBVA Research - Peru / Ministry of Economy and Finance - MEF (Multiannual Macroeconomic Framework) / International Monetary Fund (IMF) / EY (Peru 2013)

Public spending in South America in % of the Gross Domestic Product - GDP (2013*)

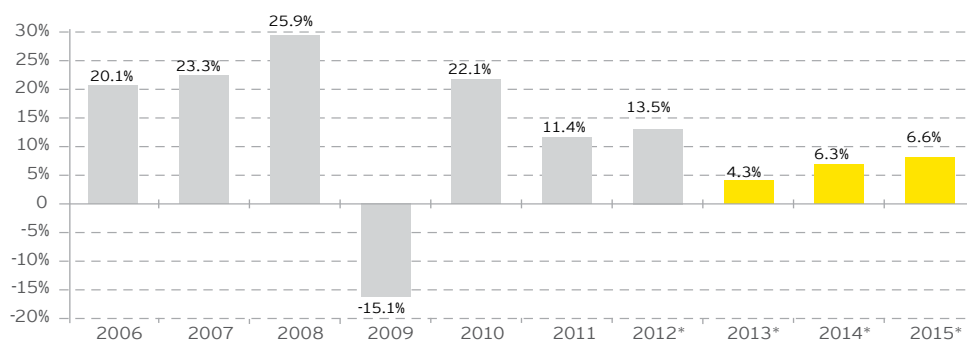


* Estimated

Source: Apoyo

6 Investment

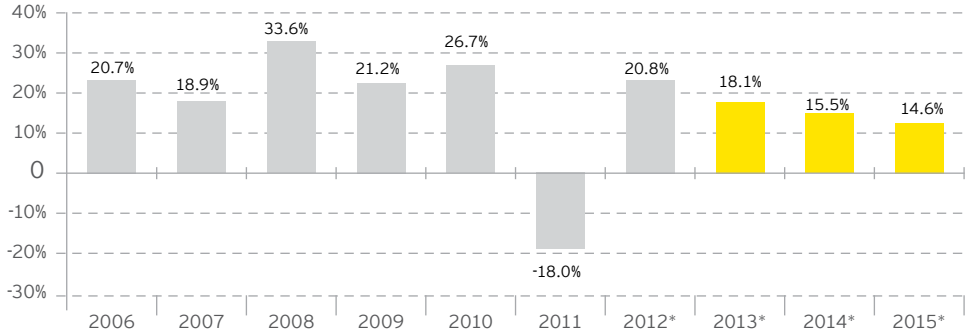
Private investment (percent change)



* Estimated

Source: Agency for the Promotion of Private Investment (ProInversión) / Central Reserve Bank of Peru (BCRP)

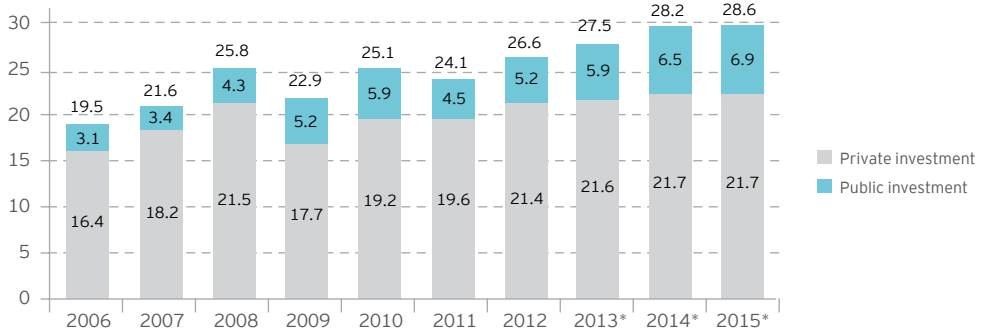
Public investment (percent change)



* Estimated

Source: Central Reserve Bank of Peru (BCRP)

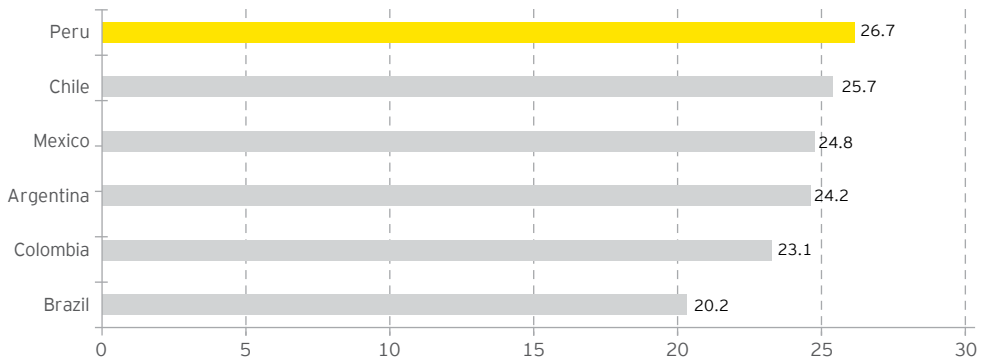
Fixed gross investment in % of the Gross Domestic Product (GDP)



* Estimated

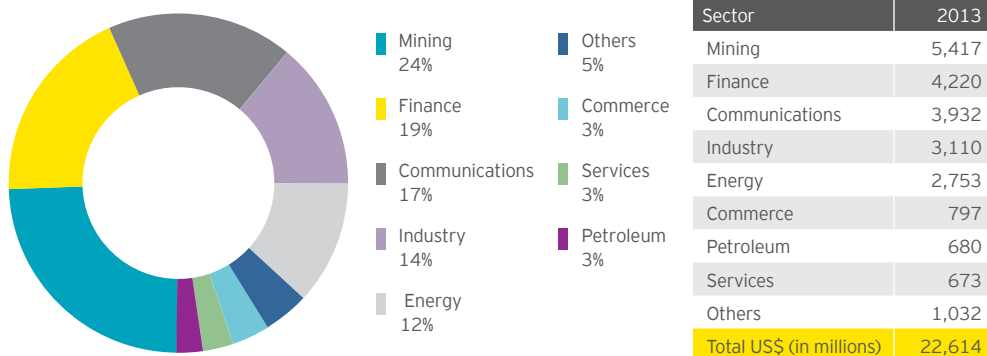
Source: Central Reserve Bank of Peru (BCRP)

Total investment in Latin America in % of Gross Domestic Product (GDP) (2012)



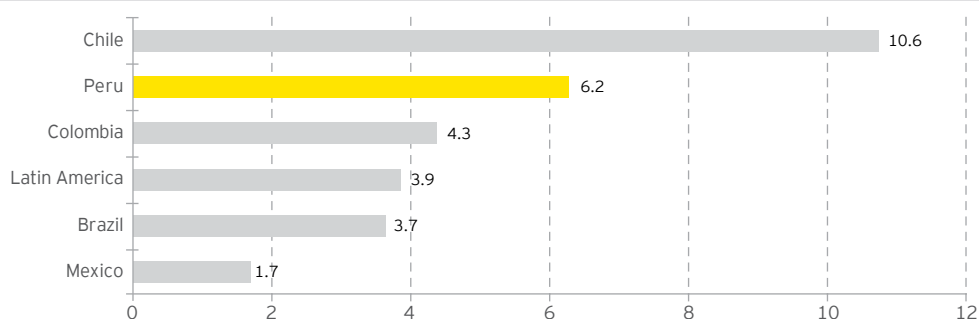
Source: International Monetary Fund (IMF) / Central Reserve Bank of Peru (BCRP)

Direct Foreign Investment Stock by Sector in US\$ Millions (2013)



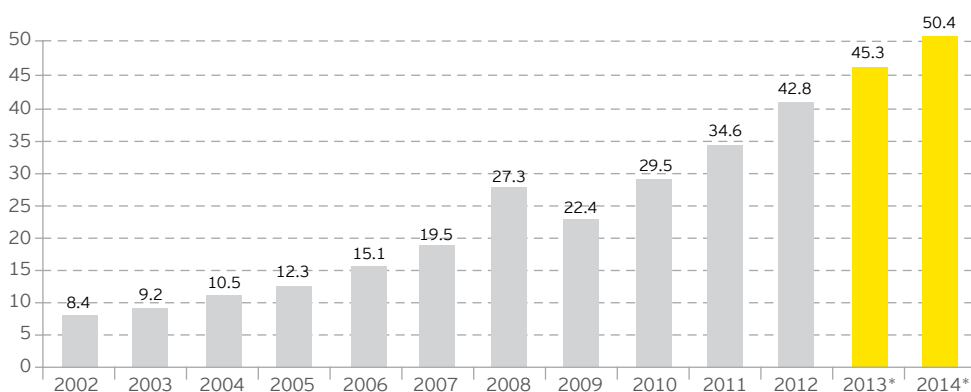
Source: Agency for the Promotion of Private Investment (ProInversión)

Direct foreign investment in Latin America in % of Gross Domestic Product (GDP) (2012)



Source: Inter-American Development Bank (IDB) / Central Reserve Bank of Peru (BCRP) / Agency for the Promotion of Private Investment (ProInversión)

Private investment (US\$ Billions)



* Estimated

Source: Ministry of Economy and Finance (MEF) (Multiannual Macroeconomic Framework) / Agency for the Promotion of Private Investment (ProInversión)

Investment projects portfolio in 2013 (US\$ Millions)

Sector	Nº of projects	Estimated investment* (US\$ millions)
Overland Transport (Roads and Railways)	4	6,253
Energy (Electricity and Hydrocarbons)	6	4,034
Sanitation	3	545
Agriculture	1	606
Telecommunications	2	297
Airport	1	659
Ports and Navigability	2	177
Tourism	1	18
Culture	2	55
Penitentiaries	1	4
Total	23	12,648

* Information as of December 5, 2013. Amount includes future expansions, upgrades, and maintenance. Does not include Mining, Capital Markets, or Health.

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

7 Population and Human Development

The estimated population of Peru for 2013 is approximately 30.9 million (30.5 million in 2012) of which approximately 10.5 million (2013) reside in Lima (including the population of the Constitutional Province of Callao). The national workforce (total EAP) is estimated at around 16.1 million people.

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

- 30.9 million (estimated, 2013)
- 75.7% live in urban areas (2013)

Age range

- 0 - 14 years old: 28.7%
- 15 - 64 years old: 65.0%
- 65 years or older: 6.3%

Growth rate

- 1.13% (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

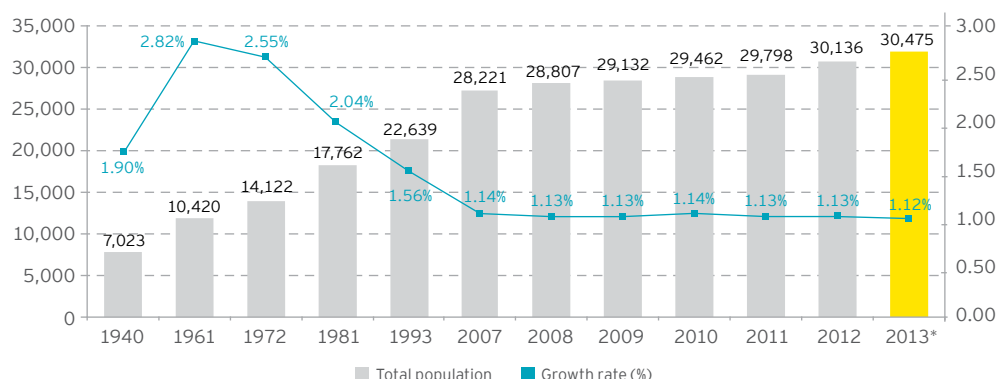
Life expectancy at birth

- 74.1 años (estimate for 2010-2015)

Source: National Institute of Statistics and Information (INEI) / Economic Commission for Latin America and the Caribbean (CEPAL) / 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%). As of 2013, it is estimated that the urban areas population will achieve 75.7% and the rural areas population will achieve 24.3% of the total national population.

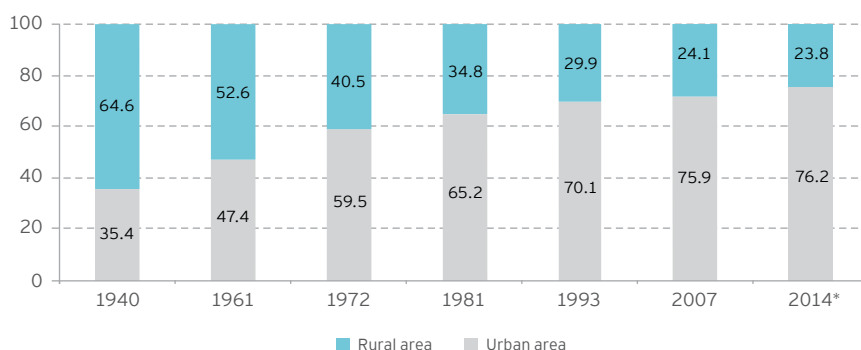
Total population and average annual growth rate in %



* Estimated

Source: National Institute of Statistics and Information (INEI) (it differs from the IMF, that estimates 30.9 million habitants for 2013)

Population census by area of residence in %

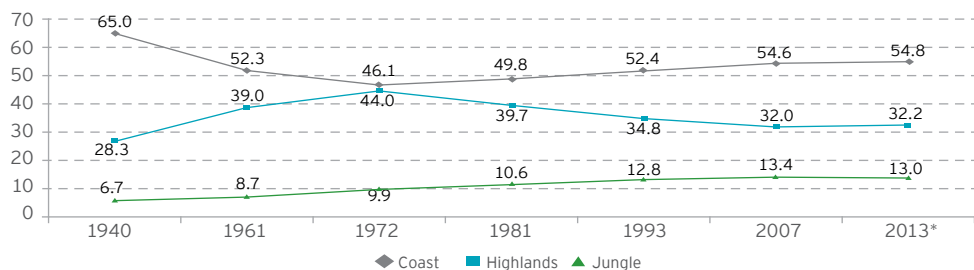


* Estimated; information taken from National Censuses through 2007

Source: National Institute of Statistics and Information (INEI) / EY

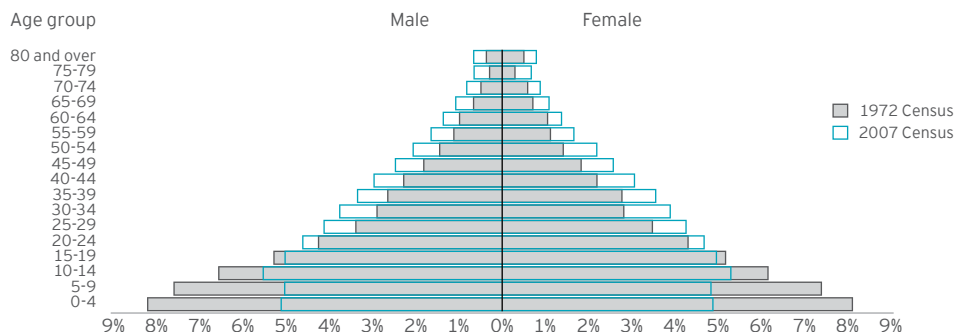
In 2013, the male population was greater than the female population by 0.1%. On the other hand, the population on the Coast accounted for 54.8% of the total population, while the population of the Highlands was 32.2%, and that of the Jungle was 13.0%.

Evolution of the census population by natural region in %



Source: National Institute of Statistics and Information (INEI) / EY

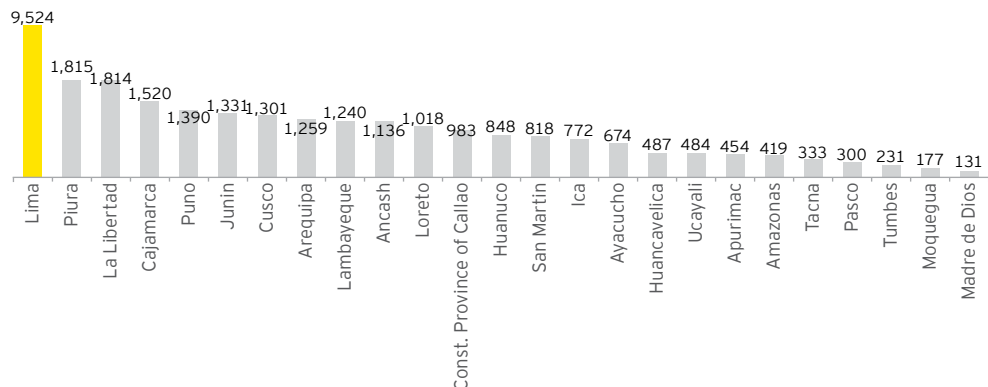
Census population pyramid (1972 and 2007)



Source: National Institute of Statistics and Information (INEI)

Of the total Peruvian population, 65.0% 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 bond” 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 bond” 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 bond” 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 bond” period.

Projected population by department in thousands (2012)

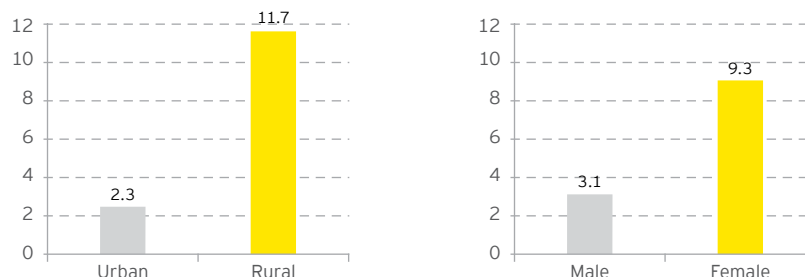


Source: National Institute of Statistics and Information (INEI)

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, Cusco, and Arequipa.

In 2012, the national illiteracy rate totaled 6.2% of the populated aged 15 and over. Thus, considering the total national population aged 15 and over, the illiterate rural population represented 11.7%, while the percentage in urban areas came to 2.3%. Of the total male population over the age of 15, 3.1% were illiterate as of 2012, while 9.3% of women over the age of 15 did not know how to read or write.

Illiteracy rate of the population aged 15 and over, by sex and area of residence (2012)



Source: National Institute of Statistics and Information (INEI)

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 2013 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:

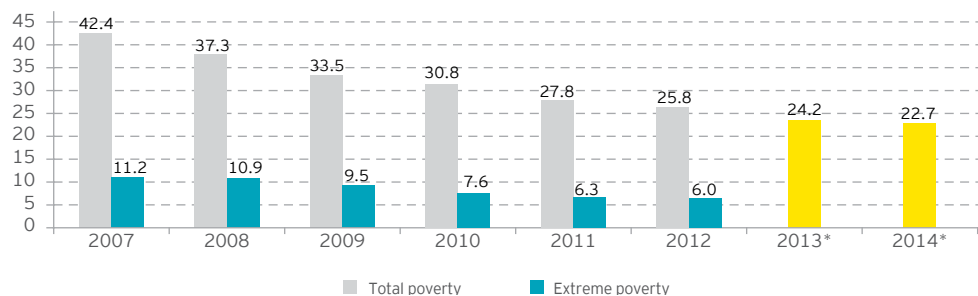
Ranking	Classification Country	1980	1990	2000	2005	2010	2011	2012	Growth Rate 2012 / 1980
	World Total	0.561	0.600	0.639	0.666	0.690	0.692	0.694	
	Latin America and the Caribbean	0.574	0.623	0.683	0.708	0.736	0.739	0.741	
	Very High Human Development								
44	► Chile	0.638	0.702	0.759	0.789	0.813	0.817	0.819	28%
45	► Argentina	0.675	0.701	0.755	0.771	0.805	0.810	0.811	20%
	High Human Development								
61	► Mexico	0.598	0.654	0.723	0.745	0.770	0.773	0.775	30%
77	► Peru	0.580	0.619	0.679	0.699	0.733	0.738	0.741	28%
84	► Brazil	0.522	0.590	0.669	0.699	0.726	0.728	0.730	40%
91	► Colombia	0.556	0.600	0.658	0.681	0.714	0.717	0.719	29%

Note: The ranking refers to each country's position in the world classification for 2012.

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.

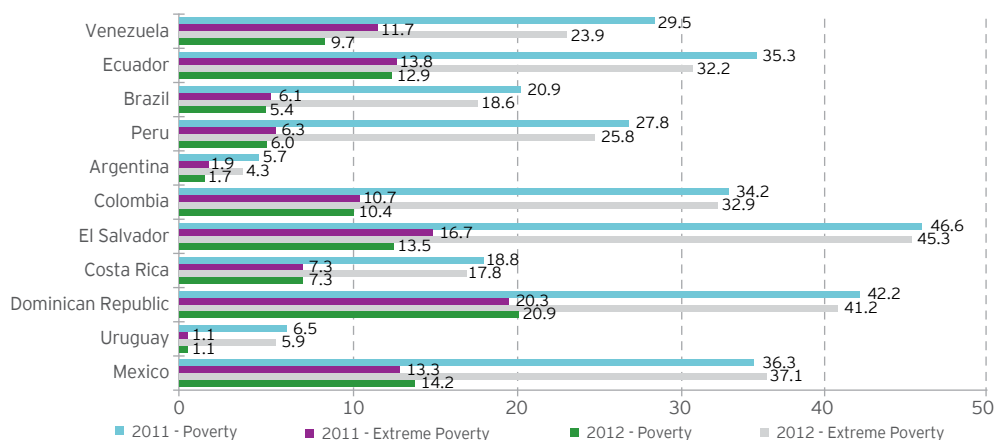
Total incidence of poverty in %



* Estimated

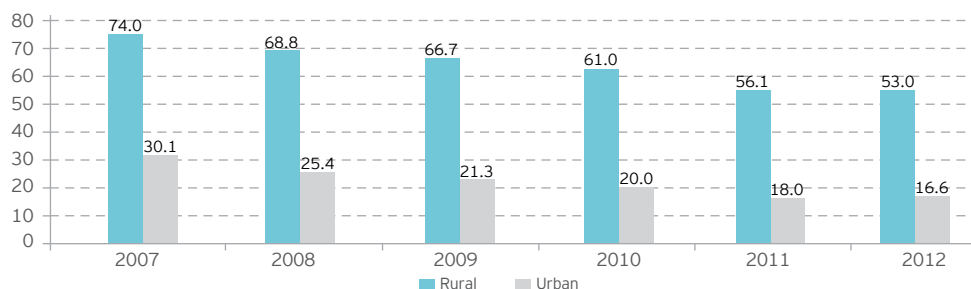
Source: National Institute of Statistics and Information (INEI), Apoyo (estimates 2013 and 2014)

Poverty rate in Latin America (2011 and 2012)



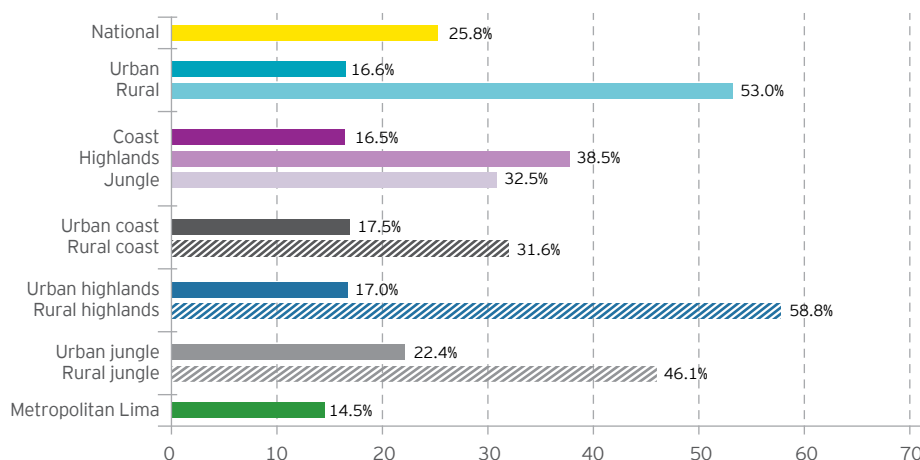
Source: Economic Commission for Latin America and the Caribbean (CEPAL)

Poverty rate by area of residence



Source: National Institute of Statistics and Information (INEI)

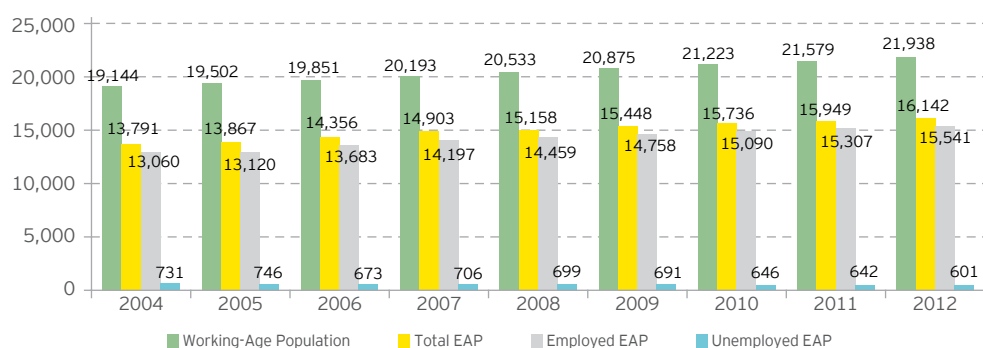
Total incidence of poverty by geographic area (2012)



Source: National Institute of Statistics and Information (INEI)

In 2012, 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 Information (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 Information (INEI) as of 2011, EY 2012

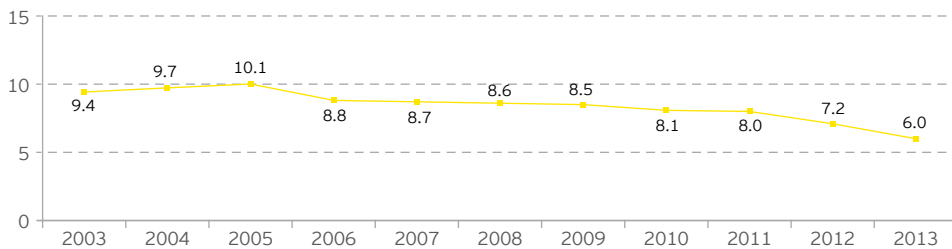
Employment and employment rate by departments in percentage (2012)

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

Source: National Institute of Statistics and Information (INEI)

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)



* Estimated

Source: 2013 ILO Global Employment Outlook

According to the International Labor Organization's 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 from employment by department in US\$ (2012)

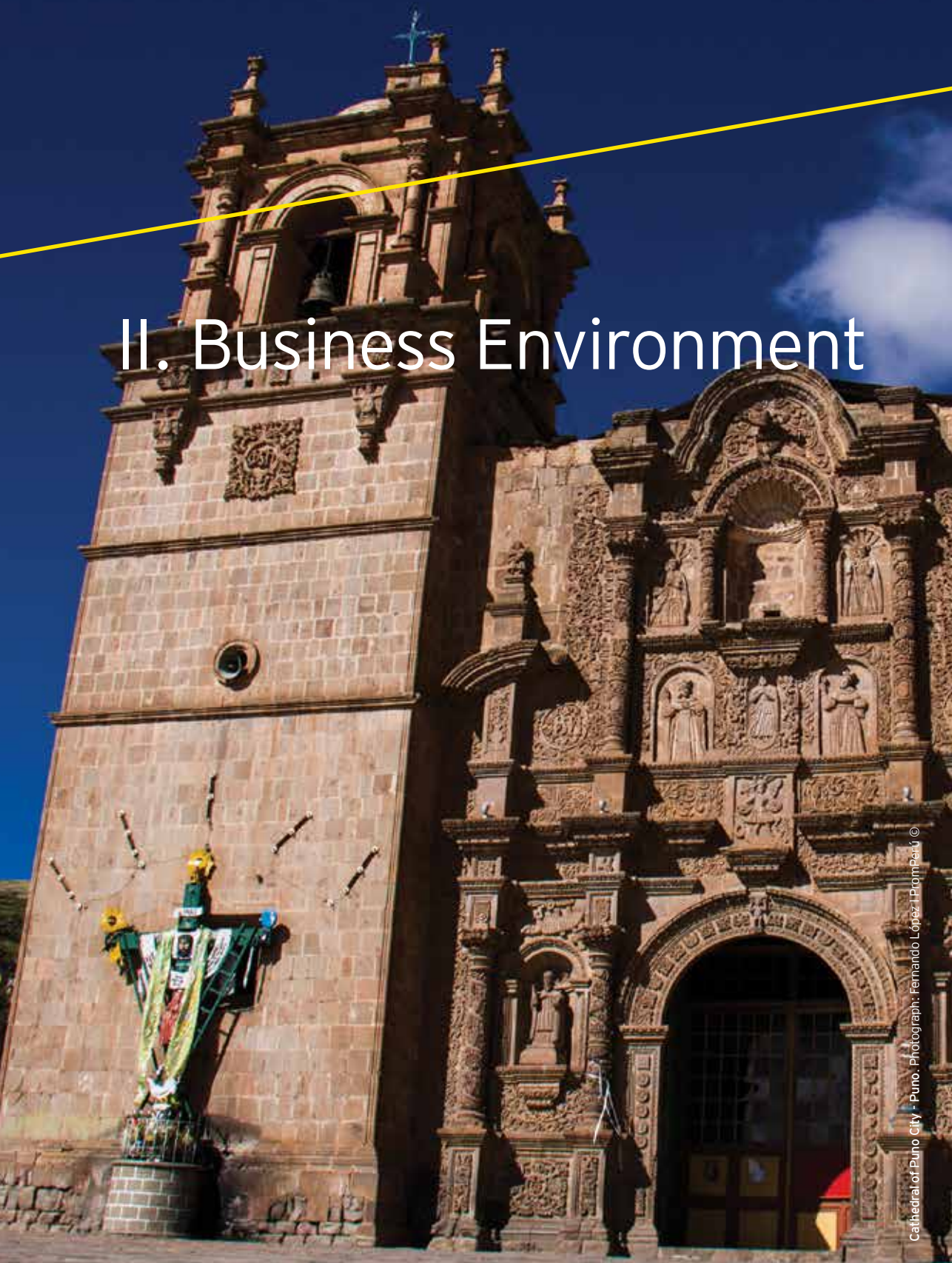
Departamento	Income US\$
Madre de Dios	650.7
Moquegua	635.9
Lima	531.1
Arequipa	464.2
Tacna	444.3
Tumbes	399.2
Ica	365.3
Ucayali	362.6
La Libertad	357.5
San Martín	351.0
Junín	348.5
Ancash	347.7

Departament	Income US\$
Cusco	347.3
Loreto	343.8
Piura	316.5
Amazonas	306.5
Lambayeque	301.3
Pasco	298.1
Huanuco	290.2
Cajamarca	284.9
Ayacucho	267.9
Puno	257.4
Huancavelica	229.3
Apurímac	225.0

S/.2.75 per US\$1 as of december 31, 2012

Source: National Institute of Statistics and Information (INEI)

II. 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. Additionally, it establishes the necessary regulations to protect the economic stability of investors from arbitrary changes in legal terms or conditions applicable to their projects and reduces government interference in economic activities.

The Peruvian government guarantees legal stability to foreign investors with regard to the legislation governing income tax and 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 (2) 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, or those who acquire more than 50% of the shares in a company in the process of privatization.

Peru's laws, regulations, and practices do not discriminate between domestic and foreign companies. Foreign investors receive equal treatment. 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 used to acquire goods or cover financial obligations, provided the operator complies with Peruvian tax laws.

b. Beneficial 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 companies
- 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 wide network of investment agreements and membership in the Investment Committee of the Organization for Economic Cooperation and Development (OECD)

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

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," Executive Order 662; "Framework Act for the Growth of Private Investment," Executive Order 757; "Act for the Promotion of Private Investment in Public Infrastructure and Utility Works," TUO approved by Supreme Executive Order 059-96-PCM. Taken from ProInversión.

Recognition of Favorable Investment Climate

Peru climbed six positions in the global competitiveness report published by the World Economic Forum in 2012, compared to the previous year, and maintained its position in 2013.

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.

	2012-2013			2013-2014	
	Ranking	Score		Ranking	Score
Peru Total	61/144	4.28		61/148	4.25
SUB-INDEX:					
Basic Requirements	69	4.57		72	4.53
Institutions	105	3.44		109	3.36
Infrastructure	89	3.51		91	3.50
Macroeconomic Environment	21	5.95		20	5.91
Health and Primary Education	91	5.38		95	5.36
Efficiency Enhancers	57	4.23		57	4.20
Higher Education	80	4.05		86	4.01
Goods Market Efficiency	53	4.37		52	4.37
Labor Market Efficiency	45	4.56		48	4.50
Financial Market Development	45	4.46		40	4.50
Technological Readiness	83	3.57		86	3.39
Market Size	45	4.40		43	4.46
Innovation and Sophistication Factors	94	3.31		97	3.35
Business Sophistication	68	3.94		74	3.95
Innovation	117	2.69		122	2.76

Source: World Economic Forum 2013

c. Ease of Doing Business in Peru

According to Doing Business 2014, Peru ranks 42nd 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. Peru is especially notable for the following indicators: Investor Protection (16th place), Real Estate Registry (22nd) and Access to Credit (28th).

Doing Business

Ranking for Latin America	
Position	Country
40	Puerto Rico (United States)
42	Peru
43	Colombia
53	Mexico
55	Panama
77	Dominican Republic
79	Guatemala
89	Uruguay
102	Costa Rica
109	Paraguay

Source: World Bank (WB) - Doing Business 2014

Forbes

Best Countries for Doing Business	
Position	Country
22	Chile
52	Uruguay
53	Peru
55	Costa Rica
63	Mexico
66	Colombia
80	Brazil
92	Paraguay
93	Guatemala
96	Dominican Republic

Source: Forbes 2013

The following are the principal indicators for the investment climate:

Indicators	Peru	Latin America and the Caribbean
Starting a business		
▸ Number of procedures	5.0	9.0
▸ Time (days)	25	36.1
▸ Cost (% of per capita income)	10.1	33.1
▸ Registration of minimum capital paid up (% of per capita income)	0.0	3.6
Construction permits		
▸ Number of procedures	14.0	13.0
▸ Time (days)	173.0	215.5
▸ Cost (% of per capita income)	109.3	136.6
Property registration		
▸ Number of procedures	4.0	7.0
▸ Time (days)	6.5	65.0
▸ Cost (% of property value)	3.3	6.0
Getting electricity		
▸ Number of procedures	5.0	6.0
▸ Time (days)	100	65
▸ Cost (% of per capita income)	353.7	502.5
Access to credit		
▸ Strength of legal rights index (0-10)	7	6
▸ Depth of credit information index (0-6)	6	3
▸ Coverage of Public Records Offices (% of adults)	31.7	12.8
▸ Coverage of private entities (% of adults)	41.5	37.5
Protecting investors		
▸ Extent of transparency and access to public information index (0-10)	9	4
▸ Extent of director liability index (0-10)	6	5
▸ Ease of shareholder legal proceedings index (0-10)	6	6
▸ Strength of investor protection index (0-10)	7.0	4.9
Paying taxes		
▸ Number of payments per year	9	30
▸ Time (hours per year)	293	369
▸ Profit tax (%)	23.1	20.5
▸ Labor tax and contributions (%)	11.0	14.7
▸ Other taxes (%)	2.3	12.1
▸ Total tax rate (% of profit)	36.4	47.3
Trading across borders		
▸ Documents to export (number)	5.0	6.0
▸ Time to export (days)	12	17
▸ Cost to export (US\$ per container)	890	1,283
▸ Documents to import (number)	7.0	7.0
▸ Time to import (days)	17	19
▸ Cost to import (US\$ per container)	1,010	1,676
Enforcing contracts		
▸ Time (days)	426	734
▸ Cost (% of claim)	35.7	31.0
▸ Procedures (number)	41	40
Resolving bankruptcy		
▸ Time (years)	3.1	2.9
▸ Cost (% of estate)	7	16
▸ Recovery rate (cents on the dollar)	27.7	31.4

Source: World Bank (WB) - Doing Business 2014

Index of Economic Freedom

According to the 2014 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, limited government, regulatory efficiency, 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	2014 Score
Hong Kong	1	-	90.1
Singapore	2	-	89.4
Australia	3	-	82.0
Canada	6	-	80.2
Chile	7	1	78.7
Colombia	34	3	70.7
Uruguay	38	5	69.3
Peru	47	7	67.4
Mexico	55	-	66.8
Paraguay	78	15	62.0
Brazil	114	20	56.9
Bolivia	158	25	48.4
Ecuador	159	26	48.0
Argentina	166	27	44.6
Venezuela	175	28	36.3

Source: The Heritage Foundation

Emerging and Growth-Leading Economies ("EAGLE's")

The emerging and growth-leading economies (EAGLEs) are elected every year by 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. It is expected that -together with the EAGLE countries- "Nest" countries will contribute 68% 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 2022, which will be 5.7%.

Contribution to global growth between 2012 and 2022

	Country	Estimated Annual Variation of GDP	Estimated World Percentage of Share in GDP Growth
EAGLE's	China	7.4	31.6
	India	7.5	12.3
	Indonesia	6.7	2.7
	Brazil	3.6	2.4
	Russia	3.4	2.4
	Korea	3.8	1.8
	Turkey	4.6	1.6
	Mexico	2.9	1.4
	Taiwan	4.1	1.1
Nest	Egypt	5.9	1.0
	Nigeria	6.7	1.0
	Thailand	5.0	1.0
	Colombia	5.3	0.8
	Vietnam	7.2	0.8
	Malaysia	5.0	0.8
	Poland	3.3	0.7
	Bangladesh	7.1	0.7
	South Africa	4.0	0.7
	Philippines	5.2	0.7
	Peru	5.7	0.6
	Argentina	2.7	0.6
	Pakistan	3.5	0.5
	Chile	4.8	0.5

Source: BBVA Research - Peru 2013

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.

2 Trade Agreements

Peru's development strategy is based on an economy open 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 (FTAs) with large and medium-sized markets.

Nearly 95% 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 53 countries, including the United States, China, Canada, Japan, South Korea, Thailand, Singapore, and the member countries of the European Union, 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 78% 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 the first three years of the FTA with the United States, 488 new tariff headings were registered for non-traditional exports shipped to the United States, while 204 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 Reciprocal Investment Promotion and Protection Agreements. As of this date, Peru has investment agreements with 53 countries, considering signed and in force 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 better treatment given to Peru's partner in these matters also covers Peru's other partners in these types of investment agreements .

In an effort to strengthen and consolidate Peru's image as an attractive destination for investments, there are currently 40 agreements in force:

- ▶ 29 Bilateral Reciprocal Investment Promotion and Protection Agreements (BRIPPAs): Germany, Argentina, Australia, Bolivia, 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.
- ▶ 11 Free Trade Agreements (FTAs) which include an investment chapter (Costa Rica, Panama, Mexico, United States, EFTA, Canada, Chile, China, South Korea, Singapore, 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) as an alternative for resolving disputes that might arise between investors covered by the ICSID and the Peruvian State.

Free Trade Agreements (FTAs) Signed by Peru

Good international relations are of vital importance to the sustainable development of a nation. The opening up of new international markets has allowed Peru to achieve a more dynamic economy, as reflected in the signing of Free Trade Agreements (FTAs) in turn resulting in market growth in exports.

To date, Peru and its exports have benefited from a variety of regional trade agreements, multilateral agreements, and bilateral trade agreements. The following is a list of the agreements signed².

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, and Uruguay
- Mexico
- Panama
- Singapore
- Thailand
- European Union
- Venezuela

► Pending Entry into Force:

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

► Ongoing Negotiations:

- Honduras
- El Salvador
- Thailand
- Turkey
- Trans-Pacific Partnership (TPP) - Brunei Darussalam, Chile, New Zealand, Singapore, Australia, United States, Malaysia, Vietnam, Canada, Mexico, Japan, and Peru.

²Ministry of Foreign Trade and Tourism of Peru (MINCETUR) and Agency for the Promotion of Private Investment (ProInversión)

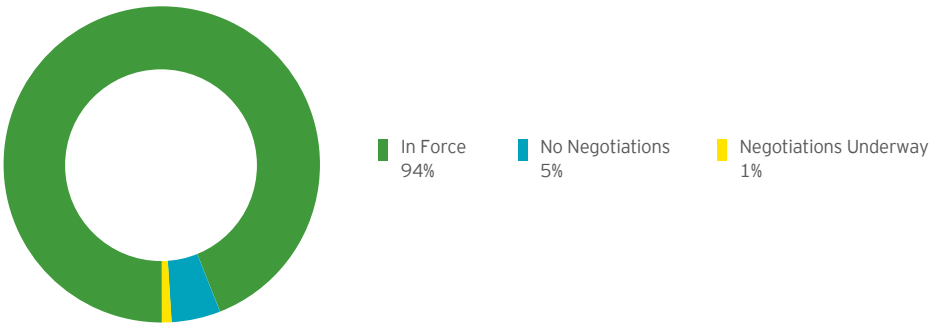
Peru is an active member of the Asia Pacific Economic Cooperation (APEC) Forum, together with 20 other economies from that Region. It is also a member country of the Latin American Integration Association (ALADI).

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



* Additionally, there are also agreements pending to entry into force with the Pacific Alliance (Colombia, Chile, Mexico) and ongoing negotiations with the Trans-Pacific Partnership (Brunei Darussalam, Chile, New Zealand, Singapore, Australia, United States, Malaysia, Vietnam, Canada, Mexico and Japan).

Peruvian exports distributed by markets under trade agreements



Source: Peruvian 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 1.35 billion inhabitants, of which 350 million are consumers with high purchasing power.

As of July 2012, exports to China had grown at an approximate average rate of 31% per year during the 2002-2012 period. Peru's principal exports to China are copper, fishmeal, and iron ore, lead, and zinc. In exchange, China ships machinery, mobile telephones, 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%).

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

The Trade Agreement with the 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 15.9% share in 2012. This Region represents a large market opportunity, with over 490 million inhabitants and per capita income levels which are among the highest in the world.

With the entry into force of the Peru - 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)

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 (EPA) 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 Cusco, 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 50 million people market with a per capita GDP of US\$22,590. 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 ninth destination of Peruvian exports during 2013, with a total of US\$1.524 billion, the bulk of which is represented by fisheries products and minerals, amounting to 94.4% of the total. In turn, it is the sixth country of origin of our imports, with a total of US\$1.590 billion in 2013. The main products imported from Korea are television sets and vehicles, representing 44% of the total.

6. Peru - Singapore and Peru - Thailand Free Trade Agreements (FTAs)

In the context of the policy to approach 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 with better conditions throughout the Region.

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.

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.

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 112 million people market, allowing our exports preferential access to over 12,000 products, such as canned fish, cookies, timber, shrimp, and other products. This Agreement will also make it possible for us to access a wider range of kitchen appliances.

9. Andean Community of Nations (CAN)

Peru is a member of CAN in 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 - 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.

11. 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 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.

12. World Trade Organization (WTO)

It is the world's largest trading forum, where 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.

The following agreements will soon come into full force and effect:

Pacific Alliance

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 34% of Latin America's GDP and 2.7% of the global GDP. Together, they would be the ninth largest economy in the world. Trade represents 35.8% of Latin America and the Caribbean. Additionally, by 2012, they were able to obtain US\$70 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. It consists of Colombia, Peru, and Chile, while Mexico is to join in 2014. 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 27% between 2009 and 2012. Finally, Chile, Colombia, Mexico, and Peru have agreed to liberalize at least 90% common custom duty tariffs upon the Agreement coming into force.

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.

Peru's Upcoming Trade Agreements

As part of efforts deployed to expand and strengthen the market for Peruvian products worldwide, Peru and Turkey have 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, it has been identified 61 Peruvian products (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 4% of world's exports and 2% 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 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 11 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 18 rounds of negotiations between March 2010 and December 2013, discussing issues relating to regional integration, regulatory coherence, economic development, 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 latest country joining the TPP, 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 GDP, for Peru this opportunity will represent a trading platform where one can diversify export destinations among its 11 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
- Israel
- ASPA Bloc Countries (Morocco, United Arab Emirates and others)

3 Integrated Latin American Market - MILA

The Lima Stock Exchange - BVL (Peru) the Santiago Stock Exchange - BCS (Chile) and the Colombia Stock Exchange - BVC (Colombia) along with the security depositories of each country, Cavali, DC and Deceval, 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 through their amalgamation 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 of December 2013, the MILA results have been very promising: market capitalization has totaled US\$601.95 billion. Out of this market capitalization, Chile represents 44.17%, with US\$266.01 billion; Colombia accounts for 35.78%, with US\$215.29 billion; and Peru 20.05%, with US\$120.65 billion. In December 2013, capitalization of the Brazilian and Mexican markets amounted to US\$1,020.46 billion and US\$526.02 billion, respectively. Including Mexico, the MILA market capitalization value reportedly totaled US\$1,127.97 billion.

The MILA Executive Committee, along with the Mexican Stock Exchange (BMV) expected its integration into this market by the third quarter of 2014 at the latest when MILA will become the top Latin American stock, surpassing Brazil.

In 2013, the total volume traded on the MILA amounted to US\$75.46 billion. Additionally, as of that date, there are 590 issuers, and the amount raised by the six existing mutual funds during the month of December totaled US\$17.13 billion. MILA has 34 brokers with 44 brokerage agreements signed by the brokerage firms in the three countries. During December 2013, 70.39% of the traded volume related to BCS, 24.84% to BVC, and 4.77% to the BVL.

For further information, please visit: www.mercadomila.com

4 Mechanisms for the Promotion of Investment in Infrastructure and Public Services³

The Peruvian Government facilitates access to private investment for a wide range of activities and projects. Mindful of the dynamic role of business, Peruvian law recognizes the following types of private involvement: (a) Private Initiative, (b) Public-Private Partnership and (c) Transfer of Public Works for the Payment of Taxes.

a. Private Initiative

Through Private Initiative, the Peruvian Government affords the private sector the opportunity to submit a proposal for investment in assets, companies, projects, services or public works of government infrastructure. Private initiatives must be submitted in accordance with the requirements set forth, to the Agencies for the Promotion of Private Investment (in the case of the National Government, ProInversión; in case of the Regional and Local Governments, the designated authority) for respective evaluation and admission for processing. From the financing point of view, private initiatives can be self-sustaining or co-financed.

The main criteria that the Agency for the Promotion of Private Investment (ProInversión) takes into account for the evaluation include:

- Financial standing and technical capacity of the submitting party to develop the proposed projects of a similar magnitude.
- Economic and social profitability.
- Project's environmental impact.

To be admissible for processing, the private sector must have a total investment of more than 15,000 Tax Units - "UIT" (approximately US\$20.3 million) and it must follow the process flow, as summarized below⁴:

1 Submission and admissibility	A simple bid must be filed with ProInversión.
2 Relevance and priority	ProInversión will forward the entire documentation to the sector, or pertinent Regional Government or Local Government, to render an opinion on the relevance and priority of the Private Initiative.
3 Declaration of feasibility	ProInversión will advise the bidder, so that it will proceed with the preparation of pre-investment studies. The feasibility of the Private Initiative will be subsequently assessed.
4 Cost-benefit analysis	ProInversión will perform a cost-benefit analysis of the Private Initiative.
5 Opinions rendered by the Ministry of Economy and Finance (MEF) and the regulatory agency	The Ministry of Economy and Finance (MEF) will render an opinion about the cost-benefit analysis, as well as on the soundness of the budget and government's fiscal responsibility.
6 Statement of interest	ProInversión will express an interest in the Private Initiative.
7 Bidding or direct awarding	The bidding or direct awarding of the bidder will be carried out.
8 Signing of agreement	The sector or the competent Regional Government or Local Government will sign the agreement, including its addenda.

³Source: Agency for the Promotion of Private Investment (ProInversión)

⁴Source: Agency for the Promotion of Private Investment (ProInversión) (simplified preparation by EY; to see the full flow chart, please visit www.proyectosapp.pe)

b. Public-Private Partnership

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.

PPPs are executed under arrangements such as a concession, operation, management, joint venture, or by some other means, provided it matches the definition.

PPPs can be accessed either by state or private sector initiative, depending on whether the origin of the project occurs in the public sector or the private sector.

Types of PPPs

- **Self-sustainable:** These are those financed through fees paid by users or prices, tolls or similar investment recovery mechanisms, not requiring the use of public funds for co-financing.

Also qualifying as self-sustainable PPPs are those requiring financial guarantees from Government, the probability of activation of these guarantees should be minimal or non-existent. Minimum guarantees are deemed to be those not exceeding 5% of the total investment cost, which does not include operating and maintenance costs.

Additionally qualifying as self-sustainable PPPs are those not requiring financial guarantees, having no or low probabilities of demanding the use of public funds in other words, that the probability of the use of public funds is not greater than 10% for each of the first five years of the project.

- **Co-financed:** These are those requiring co-financing, or providing or retaining financial guarantees or financial guarantees with a significant probability of demanding the use of public funds (greater than 5% of total investment cost).

Principles Governing the Application for PPP

- **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:** A quantitative and qualitative information used in decision-making at the evaluation, development, implementation and accountability stages must be known by all citizens under the principle of disclosure of the provisions of the Law for Transparency and Access to Public Information.
- **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:** Assign risks 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, without compromising the sustainability of public finances, and the regular provision of the services.

Organizations Promoting Private Investment in PPP

a. In the case of the National Government:

The Agency for the Promotion of Private Investment (ProInversión) works with projects meeting any of the following criteria:

- Total investment amount in excess of 15,000 Tax Units - "UIT" (approximately US\$20.3 million)
- Multi-sectorial
- Geographical scope covering more than one region
- Application and approval of the ProInversión Board of Directors

The Ministries, through their Investment Committees, in those cases excluded from the above criteria.

b. In the case of the Regional or Local Government:

The Regional or Local Government agency designated for that purpose.

c. Transfer of Public Works for the Payment of Taxes - Act 29230

Act 29230, the Law on the Transfer of Public Works for the Payment of Taxes, was established as a mechanism to allow private companies to carry out the public investment projects of Regional and Local Governments and universities, to then deduct the total amount of investment from their Income Tax. The Government issues a Regional or Local Public Investment Certificate (CIPRL) for the sum of the investment made.

The main objective of the Law is to promote the implementation of public investment projects and help narrow the infrastructure gap existing in the country. To do this, it is necessary, through a process conducted by a special committee, to select the private company that will privately finance and implement the project. This process is described in the Regulations of the Law, approved by Executive Order 133-2012-EF.⁵

CIPRL Emission Limit⁶

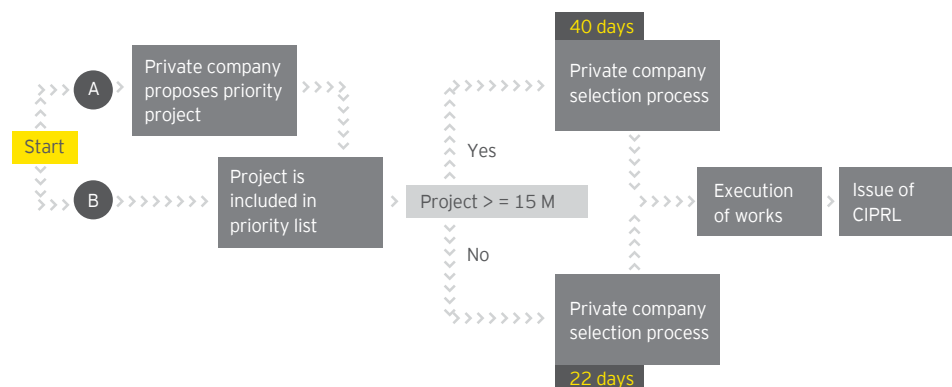
Each year, the National Government establishes, for each Regional and Local Government of the country, a maximum amount for the issuance of the corresponding CIPRL, which is updated by the Ministry of Economy and Finance (MEF) in March of each year. Thus, at present, the Regional Governments can carry out projects for an amount of up to S/.5.99 billion (approximately US\$2.14 billion) while Local Governments in the country have a total of S/.21.66 billion⁷ (approximately US\$7.73 billion). The MEF must soon establish the amount allocated for the issuing of the CIPRL for universities.

⁵Executive Order 133-2012-EF, approves the Regulations of Law 29230. Published in the Official Gazette "El Peruano" on July 27, 2012.

⁶CIPRL: Regional or Local Public Investment Certificates.

⁷Source: Ministry of Economy and Finance (MEF). The maximum amounts that each of the Regional or Local Governments can use by this mechanism per year are published on their website. The amount depends on determined resources that originate from industry payments and customs revenue.

Description of the Mechanism Transfer of Public Works for the Payment of Taxes



Constraints on the Issuing of CIPRLs	Regional Governments	S/.5,995,650,588.00	US\$2,141,303,781
	Local Governments	S/.21,661,710,678.00	US\$7,736,325,242

Source: Public AC

Range of projects

One of the main changes set forth in the Regulations to Law 29230, is the possibility that the private sector may propose to the Regional or Local Government the formulation of pre-investment studies for 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 Regional Council or Municipal Council.

The website Transfer of Public Works for the Payment of Taxes (www.obrasporimpuestos.pe), provides a list of projects given priority by the Regional and Local Governments.

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 Regional and Local Governments	For Private Companies	For Society
Increased local economic dynamism	Direct and efficient use of Income Tax	Wider coverage and higher service quality
Faster execution of high social impact works	Full recovery of investment	Creation of direct and indirect jobs in the local community, either through construction or during subsequent operation and maintenance
Simplification of procedures and freeing up of technical resources	Association of their image with high social impact works	Promotion of the undertaking of quality public works, guaranteed by the financing company
Provision of financial advances, which are deducted the year following completion of the works	Improved relations with their stakeholders	Contribution to the development of a culture involving payment of taxes and the implementation of social corporate responsibility programs
Increased current investment budget	Speeds up works which could enhance both local competitiveness and the company's competitiveness	

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

Characteristics and use of the CIPRLs by private companies

Private companies 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 CIPRLs, which will be issued by the Debt and Treasury Bureau (DGETP) on the request of the Regional Government or Local Government, once conformity has been granted as to the quality of works and reception thereof.
- The CIPRLs may be issued by stage of completion⁸.
- The CIPRLs are negotiable and are valid for ten (10) years as from their date of issue.
- The CIPRLs are used by private companies solely for their payments on account and payments for the regularization of Third Bracket Income Tax, including late payment fees.
- Private companies may use the CIPRLs 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 CIPRLs were not used by their expiry date, the Tax Administration (SUNAT)⁹ will return to the company any amount due, via negotiable credit notes.

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

The following incentives were introduced in July 2013, through Law 30056:

- Direct awarding upon the simple expression of interest by the company.
- Expansion of any type of public investment projects, not only infrastructure related.
- The works maintenance and operation may be funded by the tax.
- Use of new funds other than canon and overriding fees.
- Public universities with a canon may also apply Transfer of Public Works for the Payment of Taxes.

⁸Partial (quarterly) CIPRL may be issued for projects which execution demands timeframes in excess of six (6) months.

⁹SUNAT: National Superintendency of Customs and Tax Administration.

5 Socio-environmental responsibility

One of Peru's chief strategic objectives is to consolidate a co-existence between its rapid business development and diverse environmental and cultural environment. In this regard, the Ministry of the Environment (MINAM) has defined the National Environmental Policy, through which it has determined that one of its major initiatives is the National Environmental Action Plan (PLANAA). This Plan has been structured so that its efforts are oriented as required by the various major international environmental agreements such as the Rio de Janeiro Declaration and the United Nations Conference on Environment and Development (UNCED).

Therefore, the PLANAA has arranged its activities around six areas, which are paramount for the achievement of the objectives set forth: water, air, biodiversity, climate change and forest areas, solid waste, and mining and energy.

Accordingly, in efforts to achieve a successful and inclusive use of water resources, it is expected that all wastewater from urban households will be given special treatment, so that 50% of them can be used again. With respect to efforts made in caring for the air, it has been determined that a number of key cities perform actions to improve air quality, so as to meet international standards. For the protection of the country's biological diversity, it is expected that, through proper conservation and sustainable use of biological resources, and of the different elements existing in the environment, there will be an increase in the number and value of organic production as well as in the eco-friendly industry.

On the other hand, it is expected that in the medium term, the deforestation rate may be reduced by 54 million hectares, which would result in a reduction of about 50% of the emission of greenhouse gases. As far as the treatment of solid waste is concerned, the Plan calls for joint action to be taken with the municipalities, so that all waste can be reused and disposed of properly. Finally, to promote responsible development of mining and energy activities, it has been determined that all non-industrial and small-scale mining must develop an environmental protection plan.

For further information please visit: www.minam.gob.pe



III. Sectorial analysis

Thanks to the sound economic growth and macroeconomic policies aimed at encouraging greater competitiveness, which have translated into increased employment and, therefore, increased domestic consumption, Peruvian industries are experiencing 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, positioning 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.

In recent years, mining exports have grown eight-fold, accounting for 65% of total exports. In December 2013, mining exports were US\$22.51 billion. Estimates for the years 2014 and 2015 are US\$23.06 billion and US\$27.00 billion, respectively.

Ore production (fine content - in thousands)

Ore	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014*
Copper (TMF)	1,010	1,048	1,190	1,268	1,276	1,247	1,235	1,299	1,246	1,500
Zinc (TMF)	1,202	1,203	1,444	1,603	1,513	1,470	1,256	1,281	1,233	1,412
Gold (Fine ounce)	6,687	6,521	5,473	5,783	5,916	5,275	5,343	5,187	5,504	5,141
Silver (Fine ounce)	103,064	111,584	112,574	118,505	126,118	117,043	109,919	111,854	123,590	116,683
Lead (TMF)	319	313	329	345	302	262	230	249	239	276
Iron (TMF)	4,638	4,861	5,185	5,243	4,489	6,139	7,011	6,685	6,247	7,501
Tin (TMF)	42	38	39	39	38	34	29	26	22	21
Molybdenum (TMF)	17	17	17	17	12	17	19	17	16	15

* Estimated

Source: Ministry of Energy and Mines (MINEM) / National Institute of Statistics and Information (INEI) / Apoyo

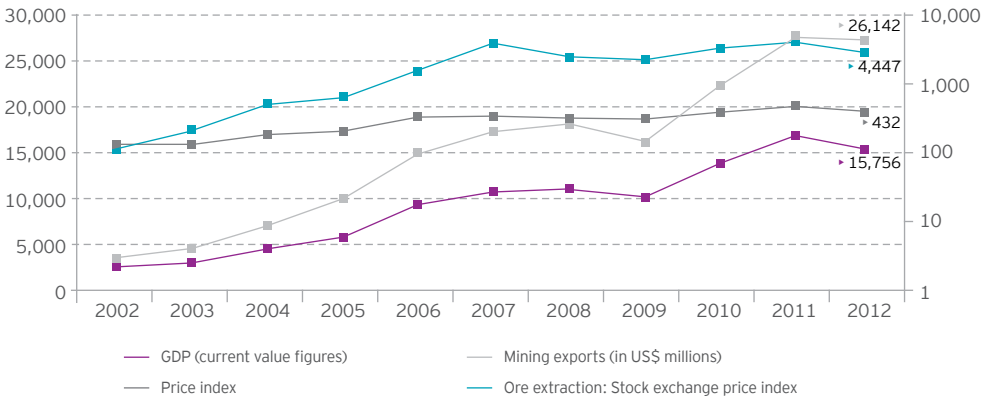
Peru's ranking in world metals production (2012)

Product	Global Ranking	Latin American Ranking	Product	Global Ranking	Latin American Ranking
Silver	3	2	Molybdenum	4	2
Tin	3	1	Lead	5	2
Zinc	3	1	Gold	6	1
Copper	3	2	Selenium	7	2
Mercury	4	2	Cadmium	7	2

Source: Mineral Commodity Summaries 2013

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, and Barrick and Chinalco have operations in the country.

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



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

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

Production	2007	2008	2009	2010	2011	2012	2013*
Smelting Plant Equipment	63.8	141.0	319.8	416.0	1,124.7	1,140.0	1,145.5
Mining Equipment	125.5	176.7	499.7	518.0	776.1	525.5	711.6
Exploration	136.6	167.8	393.5	615.3	865.4	905.4	695.1
Exploitation	338.0	440.2	531.4	737.7	869.7	1,005.4	975.0
Infrastructure	336.8	321.5	376.4	827.6	1,406.9	1,797.1	1,470.0
Other	197.9	328.8	504.7	443.4	1,411.6	2,491.9	3,207.3
Preparation	50.2	131.9	196.1	510.2	788.2	638.7	327.7
Total	1,248.8	1,707.9	2,821.6	4,068.2	7,242.6	8,503.3	8,532.1

* Information as of November 2013
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 2012, 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 mercury, fifth in lead, and the sixth largest gold producer.

During 2013, revenues from mineral exports totaled US\$22.5 billion, representing approximately 54.6% of total exports. In 2012, the Mining Sector accounted for 7.8% of the GDP. It is estimated that by 2014, mining exports will equal US\$23.1 billion, and US\$27.0 billion for 2015.

The mining industry is a major source of taxes in Peru. It is expected that in the last 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 2013, it is estimated that about 208,000 people worked directly in mining activities, and several million people in indirect activities.

It is estimated that the Mining and Hydrocarbon Sector has grown 2.4% in 2013 (2.0% mining). This is mainly explained by the increase in the production of copper (7.8% as of September 2013), lead (20.0% as of September 2013) and oil (7.8% in October 2013).

Although Peru has large deposits of various mineral resources, it is estimated that only 0.28% of the country's total territory has been explored to date. In turn, only a small percentage of Peru's mineral reserves are being exploited (an estimate of 0.82% of mined territory in 2011). 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".

Proven and probable mining reserves

Metal	2005	2006	2007	2008	2009	2010	2011*
Copper (Thousands of FMT)	44,031	57,132	88,998	73,901	63,886	76,416	69,890
Gold (Thousands of Fine Ounces)	62,562	72,823	66,554	63,704	70,924	88,815	60,363
Zinc (Thousands of FMT)	18,309	17,106	20,696	19,488	19,984	25,137	24,103
Silver (Thousands of Fine Ounces)	1,305,763	1,915,282	1,497,111	1,726,090	2,178,558	2,364,264	2,790,345
Lead (Thousands of FMT)	4,945	6,295	5,876	5,062	7,275	9,106	9,494
Iron (Thousands of TLF)	967,072	1,141,203	1,224,008	1,228,435	973,872	1,068,179	1,083,423
Tin (Thousands of FMT)	604	474	385	307	324	157	91

* Estimated

Source: Ministry of Energy and Mines (MINEM)

Register of mining claims by region and area (October 2013)

Departament	Ingemmet	Hectares	Regional Governments	Hectares
Arequipa	646	324,686.20	100	22,555.20
Lima	611	231,394.00	40	11,584.80
Ancash	585	281,867.90	101	30,839.60
La Libertad	398	159,565.40	22	5,267.00
Cusco	387	177,323.00	50	13,700.00
Ayacucho	334	177,675.40	47	15,580.00
Apurimac	299	153,992.40	82	25,098.60
Huanuco	188	92,300.00	73	21,900.00
Junin	179	68,751.80	119	25,584.70
Huancavelica	159	81,031.00	49	11,203.00

(continues)

(continued)

Departament	Ingemmet	Hectares	Regional Governments	Hectares
Ica	164	84,980.00	12	2,600.00
Cajamarca	140	72,255.70	26	5,140.00
Piura	12	69,243.90	62	19,937.00
Moquegua	125	87,141.10	44	8,600.00
San Martin	113	95,400.00	19	3,000.00
Tacna	100	66,207.50	38	9,621.30
Lambayeque	62	33,599.80	12	2,600.00
Pasco	38	18,325.96	18	4,400.00
Madre de Dios	11	1,400.00	2	300.00
Amazonas	9	5,600.00	6	1,300.00
Loreto	9	6,500.00	13	2,500.00
Tumbes	8	2,300.00	29	4,900.00
Ucayali	5	2,318.40	29	2,300.00
Callao	5	500.00	-	-
Puno	2	472.50	-	-
Unspecified	56	28,733.20	-	-
Total	4,647	2,325,065	993	250,511

Source: Institute of Geology, Mining and Metallurgy (INGEMMET)

Currently, there is a growing number of exploration projects in Peru, which come mainly from 80 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, have a direct influence on the future competitiveness of mineral production in Peru.

During 2013, the Ministry of Energy and Mines (MINEM) approved mining exploration studies for a set of 132 mining projects estimated to represent US\$510 million worth of investment commitments. These environmental assessments relate to 43 Semi-Detailed Environmental Impact Assessment (EIASD, in spanish) and 89 Environmental Impact Statements (DIA, in spanish) focused on exploratory and drilling projects. The 94 companies included in this set of projects guarantee additional vigorous intensity to mining activities in Peru for the coming years.

Peru has mining projects with Environmental Impact Assessments (EIA) approved, as well as extensions of mining units requiring an investment of US\$28,380 million for the next five years. It is estimated that this will increase our exports by US\$15 billion per annum. According to estimates, the investment portfolio of mining projects between 2012 and 2018 is valued at approximately US\$57.40 billion. Some of the most prominent projects in the portfolio are:

Extensions		
Southern Peru - Smelting Plant, Toquepala, Ilo Refinery Estimated investment: To be defined	Minera Chinalco Peru - Toromocho Estimated investment: US\$1.3 Million	Compañía Minera Miski Mayo - Bayóvar Estimated investment: US\$520 Million
Shougang Hierro Peru - Marcona Estimated investment: US\$1.5 Billion	Sociedad Minera El Brocal - Colquijirca Estimated investment: US\$432 Million	Sociedad Minera Cerro Verde - Cerro Verde Estimated investment: US\$4.4 Billion
Environmental Impact Assessment (EIA) approved		
Anglo American - Quellaveco Estimated investment: US\$3.3 Billion	Hudbay Peru - Constancia Estimated investment: US\$1.8 Billion	Minera Chinalco - Toromocho Estimated investment: US\$3.5 Billion
Invicta Mining Corp. - Invicta Estimated investment: US\$93 Million	Xstrata Peru - Las Bambas Estimated investment: US\$5.2 Billion	Minera Yanacocha - Conga Estimated investment: US\$4.8 Billion
Minera Suyamarca - Inmaculada Estimated investment: US\$370 Million	Reliant Ventures - San Luis Estimated investment: US\$90 Million	Compañía Minera Ares - Crespo Estimated investment: US\$110 Million
Minera Shouxing Peru - Tailings Exploitation Estimated investment: US\$239 Million	Bear Creek Mining Company - Corani Estimated investment: US\$750 Million	Minera Sulliden Shahuindo - Shahuindo Estimated investment: US\$132 Million
Minera Kuri Kullu - Ollachea Estimated investment: US\$170 Million		
Environmental Impact Assessment (EIA) submitted - undergoing assessment / appraisal		
Compañía Minera Milpo - Pucaqaga Estimated investment: US\$630 Million	Southern Peru - Tía María Estimated investment: US\$1 Billion	Fosfatos del Pacífico S.A. - Phosphats Project Estimated investment: US\$500 Million
Exploration		
Jinzhao Mining - Pampa de Pongo Estimated investment: US\$3.2 Billion	Mantaro Perú - Phosphats Peru Estimated investment: US\$850 Million	Lumina Copper - Galeno Estimated investment: US\$2.5 Billion
Southern Perú - Los Chancas Estimated investment: US\$1.6 billion	Cañariaco Copper Perú - Cañariaco Estimated investment: US\$1.6 Billion	Canteras del Hallazgo - Chucapaca Estimated investment: US\$1.2 Billion
Compañía Minera Milpo - Hilarión Estimated investment: US\$470 Million	Jintong Mining - Llama TY01 Estimated investment: To be defined	Apurímac Ferrum - Hierro Apurímac Estimated investment: US\$2.3 Billion
Río Tinto - La Granja Estimated investment: US\$1 Billion	Mar Cobre - Mar Cobre Estimated investment: US\$744 Million	Angloamerican - Michiquillay Estimated investment: US\$700 Million
Compañía Minera Quechua - Quechua Estimated investment: US\$490 Million	Junefield Group - Cercana Estimated investment: To be defined	Minera Antares - Haquira Estimated investment: US\$2.8 Billion
Minera Hampton - Los Calatos Estimated investment: US\$1.3 Billion	Minera Cuervo - Cerro Ccopane Brines Estimated investment: To be defined	Compañía Minera Milpo - Magistral Estimated investment: US\$750 Million
Río Blanco Copper - Río Blanco Inversión esimada: US\$1.5 Billion	Americas Potash Perú - Sechura Estimated investment: US\$125 Million	Compañía Minera Vichaycocha - Rondoni Estimated investment: US\$350 Million

(continues)

Exploration		
Minera AQM Copper Perú - Zafrañal	Exploraciones Collasuyo - Accha	Corporación Minera Centauro - Quicay II
Estimated investment: US\$1.1 Billion	Estimated investment: US\$346 Million	Estimated investment: US\$3 Billion
Anabi - Anama	Anabi - Anubia	
Estimated investment: US\$40 Million	Estimated investment: US\$90 Million	

Sources: Ministry of Energy and Mines (MINEM) as of January 2014 / EY. Classification could change in certain cases.

Geographic location of Peru's main mining projects (2013)

Extensions

- 4 Bayóvar
- 17 Colquijirca
- 19 Toromocho
- 39 Marcona
- 42 Cerro Verde
- 48 Refinería de Ilo

Environmental Impact Assessment (EIA) approved

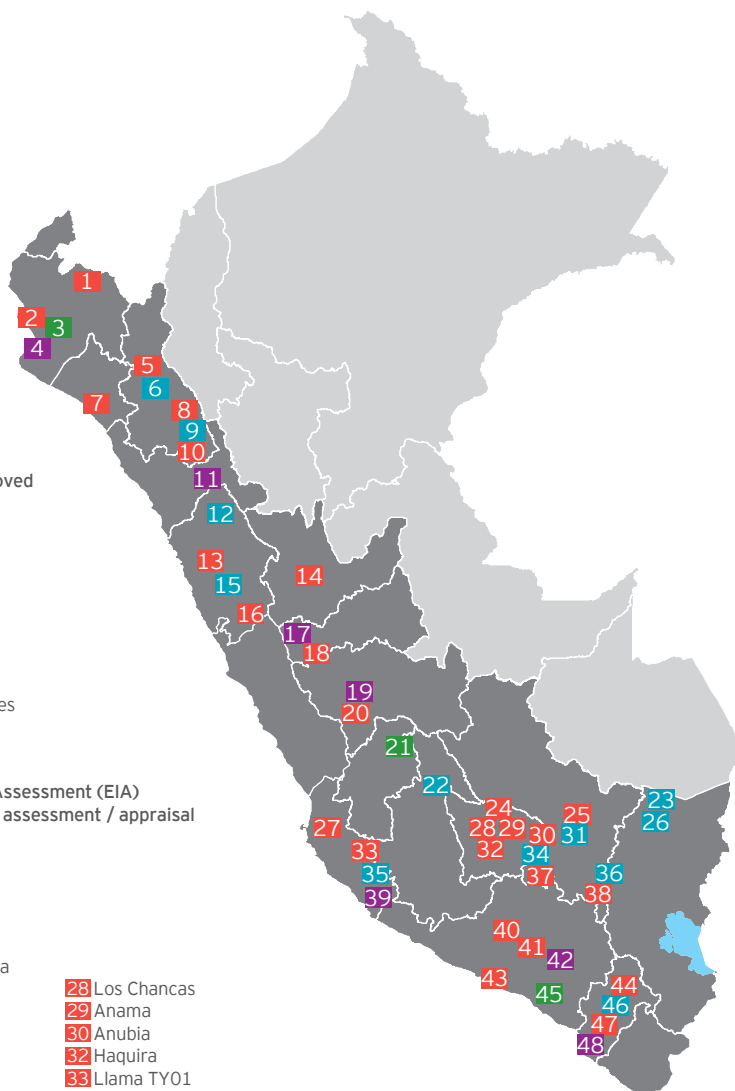
- 6 Shahuindo
- 9 Conga
- 12 Invicta
- 15 San Luis
- 22 Inmaculada
- 23 Ollachea
- 26 Corani
- 31 Crespo
- 34 Las Bambas
- 35 Explotación de Relaves
- 36 Constanica
- 46 Quellaveco

Environmental Impact Assessment (EIA) submitted - undergoing assessment / appraisal

- 3 Proyecto Fosfatos
- 21 Pucaqaga
- 45 Tía María

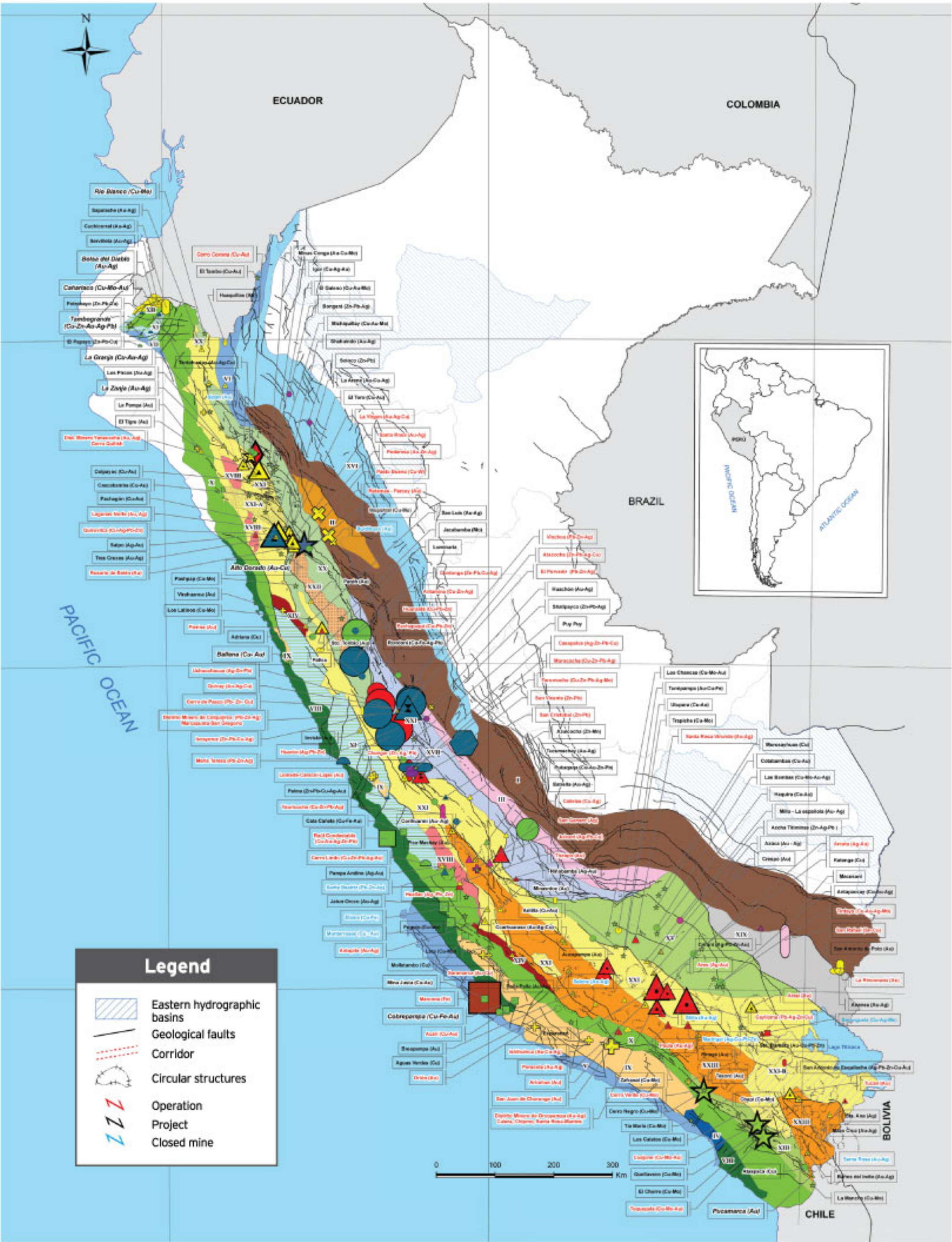
Exploration

- 1 Río Blanco
- 2 Salmueras de Sechura
- 5 Galeno
- 7 Cañariaco
- 8 La Granja
- 10 Michiquillay
- 13 Hilarión
- 14 Rondoni
- 16 Magistral
- 18 Quicay II
- 20 Fosfatos Perú
- 24 Hierro Apurímac
- 25 Accha
- 27 Mar Cobre
- 28 Los Chancas
- 29 Anama
- 30 Anubia
- 32 Haquira
- 33 Llama TY01
- 37 Cerro Ccopane
- 38 Quechua
- 40 Cercana
- 41 Zafrañal
- 43 Pampa de Pongo
- 44 Chucapaca
- 47 Los Calatos



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

Metallogenic map of Peru: mining operations and projects (Ingemmet, 2013)



- Symbols for deposit types**
- XXIII** Hydrographic basins favorable to alluvial and placer Au deposits
 - XXII** Epithermal Au-Ag deposits from the Mio-Pliocene
 - XXI** Intrusive related W-Mo-Cu deposits from the Upper Miocene
 - XX** Epithermal Au-Ag deposits from the Miocene hosted in Cenozoic volcanic rocks
 - XX-A** Epithermal Au-Ag deposits hosted in sedimentary rocks from the Cretaceous
 - XX-B** Polymetallic deposits with epithermal superposition
 - XX** Cu-Mo-Au porphyries, Pb-Zn-Cu-Ag skarns and intrusive related polymetallic deposits from the Miocene
 - XX** Intrusive related Sn-Cu-W deposits from the Oligocene-Miocene and epithermal Ag-Pb-Zn (Au) deposits
 - XVIII** Epithermal Au-Ag deposits from the Oligocene
 - XVII** Epithermal Au-Ag deposits from the Eocene and polymetallic deposits from the Eocene-Oligocene-Miocene
 - XVI** Mississippi Valley Type (MVT) deposits of Pb-Zn from the Eocene-Miocene
 - XV** Cu-Mo (Au, Zn) porphyries-skarns and intrusive related Cu-Au-Fe deposits from the Eocene-Oligocene
 - XIV** Intrusive related Au-Cu-Pb-Zn deposits from the Eocene
 - XIII** Cu-Mo porphyries and intrusive related polymetallic deposits from the Paleocene-Eocene
 - XII** Epithermal Au-Ag deposits from the Upper Cretaceous-Paleocene
 - XI** Volcanogenic massive sulfide deposits of Pb-Zn-Cu from the Upper Cretaceous - Paleocene
 - X** Cu-Mo porphyries from the Upper Cretaceous
 - IX** Intrusive related Au-Pb-Zn-Cu deposits from the Upper Cretaceous
 - VIII** Fe-Cu-Au (IOCG) deposits from the Lower Cretaceous
 - VII** Volcanogenic massive sulfide deposits or Cu-Zn-Au from the Upper Jurassic-Albian
 - VI** Cu-Au porphyries and skarns from the Upper Jurassic
 - V** Fe-Cu-Au (IOCG) deposits from the Middle-Upper Jurassic
 - IV** Cu-Mo porphyries from the Middle Jurassic
 - III** Cu-Mo-Zn porphyries-skarns and intrusive related Au-Cu-Pb-Zn deposits from the Permian
 - II** Orogenic Au-Pb-Zn-Cu deposits from the Carboniferous-Permian
 - I** Au deposits in metasedimentary rocks from the Ordovician and Silurian-Devonian

- Symbols for deposit types**
- I. Magmatic**
- Ni-Cu sulfides / Alpine Cr-Ni Cu
- II. Pegmatitic**
- Veins
- III. Hydrothermal**
- △ Undifferentiated epithermal
 - ▲ High sulfidation epithermal
 - △ Low sulfidation epithermal
 - △ Intermediate sulfidation epithermal
 - ◇ Polymetallic deposits with epithermal superposition
 - ◇ Skarn
 - Fe-Cu-Au (IOCG) Deposits
 - ☆ Porphyry
 - ⊗ Orogenic deposits
 - ⊕ Intrusive related deposits
- IV. Stratabound hydrothermal**
- VMS
- V. Stratabound Sedex**
- Sedex
- VI. Stratabound in sediments**
- MVT
 - ◇ Red bed type
- VII. Metamorphic**
- Metamorphogenic
- VIII. Exotic**
- ⊗ Placer
 - Alluvial
- IX. Hydrothermal deposits without genetic classification**
- Bed
 - Body
 - Veins
 - △ Scattered
- X. Uranium deposits**
- Uranium

Size of the ore deposit (tons)

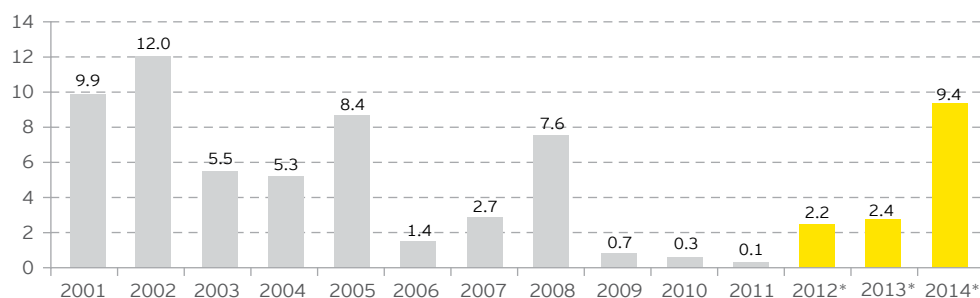
Element	Project	Small	Medium	Large	Very large
Au	-	<25	5 - 250	250 - 5 000	> 5 000
Ag	-	<250	250 - 5 000	5 000 - 10 000	> 10 000
Cu	-	<50 000	500 000 - 1 000 000	1 000 000 - 10 000 000	> 10 000 000
Mo	-	<2 000	20 000 - 200 000	200 000 - 500 000	> 500 000
Pb	-	<50 000	50 000 - 1 000 000	1 000 000 - 5 000 000	> 5 000 000
Zn	-	<50 000	50 000 - 1 000 000	1 000 000 - 5 000 000	> 5 000 000
Fe	-	<107	107 - 108	108 - 109	> 109
Sn	-	<5 000	5 000 - 50 000	50 000 - 500 000	> 500 000
W	-	<500	500 - 10 000	10 000 - 50 000	> 50 000
U	-	<1 000	1 000 - 5 000	5 000 - 50 000	> 50 000

Metals

- Au - Pb - Zn Cu - Au - Fe Cu - Pb - Zn Cu - W - Zn Zn - Pb - Ag Pb - Ag Pb - Cu Sn - Cu Mg Ti
- Ag - Pb - Zn Cu - Mo - Au Cu - Zn - Ag Cu - Ag - Au Zn - Cu - Au Pb - Zn Fe - Zn - Cu Sb - Ag - Au U Zn - Fe

Fuente: INGEMMET

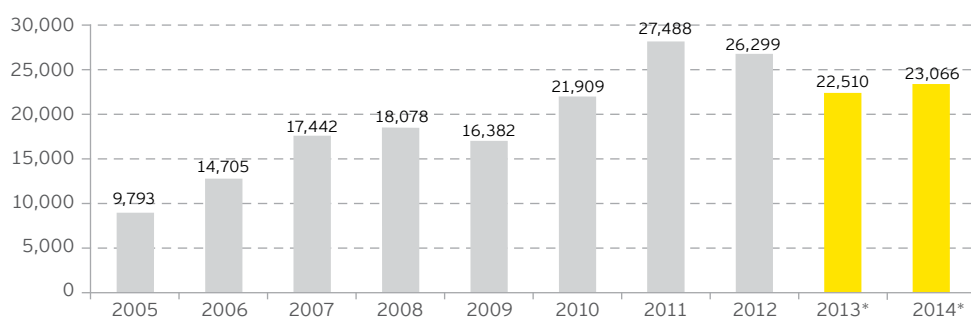
Evolution of mining and hydrocarbons production in %



* Estimated

Source: Central Reserve Bank of Peru (BCRP)

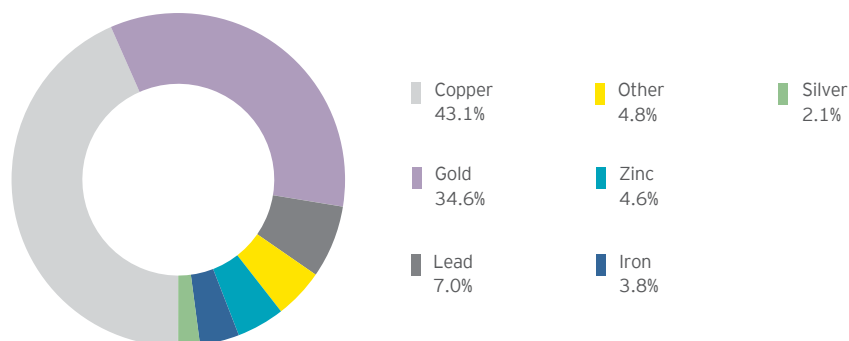
Mining exports (in US\$ Millions)



* Estimated

Source: Central Reserve Bank of Peru (BCRP) / Peruvian Foreign Trade Association (ComexPerú)

Mining exports by mining product type (2013)



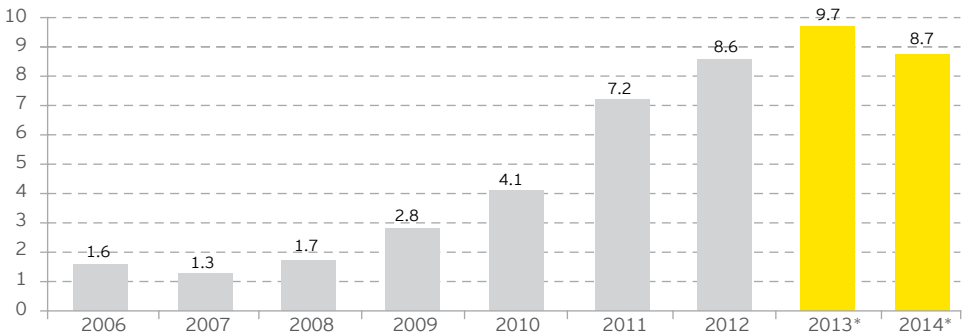
Source: Peruvian Foreign Trade Association (ComexPerú)

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.

Investment in mining activities increased by 18.0% during 2012, and it is expected that it has risen by 13.2% during 2013. In addition, in 2011, mining investment in Peru had a significant annual upward trend of over 70%, with significant growth in the areas of processing plant equipment, mining equipment, exploration, exploitation, infrastructure and operations expansion preparation. Exports growth and global positioning are explained by a larger volume of production of major minerals, which evolution has remained steady between 2000 and now. The development in production between 2000 and 2012 is reflected in the following minerals: iron (+138%), copper (+116%), silver (+67%), zinc (+41%), and gold (+34%).

Mining sector investment (in US\$ Billions)



* Estimated

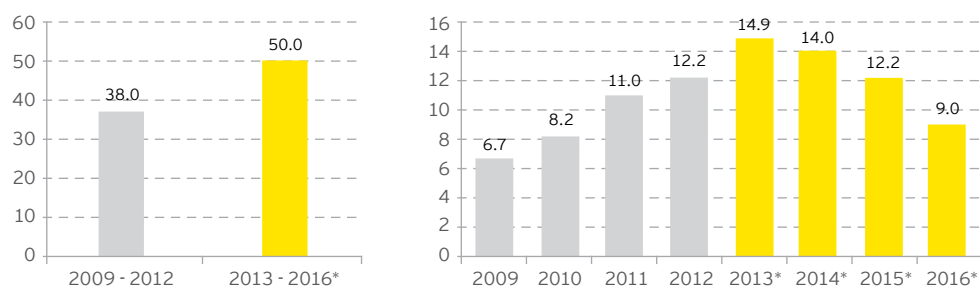
Source: National Association for Mining, Petroleum and Gas (SNMPE) / Ministry of Energy and Mines (MINEM)

Origin of estimated mining projects portfolio, by country (in US\$ Millions, August 2013)

Country	US\$MM	%
China	13,819	24.07%
United States	9,950	17.33%
Canada	9,655	16.82%
Switzerland	5,200	9.06%
United Kingdom	5,000	8.71%
Australia	3,790	6.60%
Mexico	3,460	6.03%
Peru	2,469	4.30%
Brazil	2,370	4.13%
South Africa	1,200	2.09%
Japan	490	0.85%
Total US\$ MM	57,403	100.0%

Source: Ministry of Energy and Mines (MINEM)

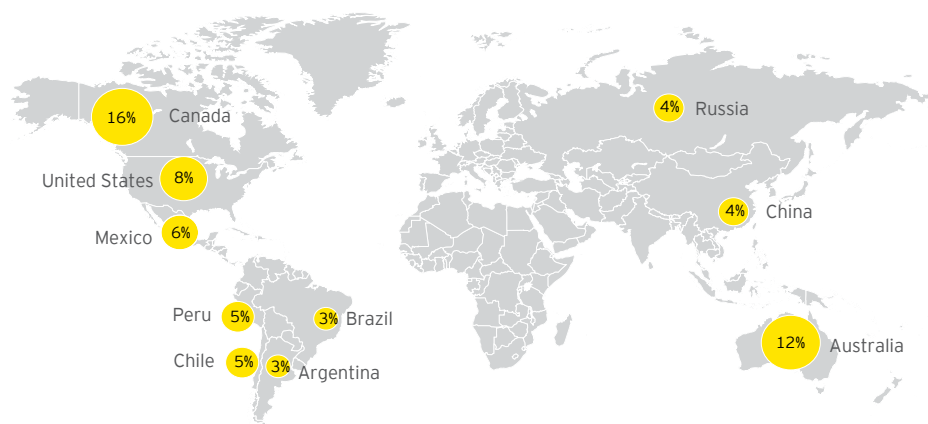
Investment in mining, hydrocarbons, electricity and infrastructure (in US\$ Billions)



* Estimated

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

Exploration budgets for the top ten countries (2013)



Source: Metals Economic Group

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, oil 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. The Permanent Multisectorial Commission for Extractive Industries Transparency was created in Peru in 2011. In February 2012, Peru received the rank of being in compliance with the EITI initiative, after satisfying the corresponding audit.

For further information, please visit: www.eitiperu.minem.gob.pe
 EY features a specialized Investment Guide to Mining. To request it, please write: eyperu@pe.ey.com or
 download from ey.com/pe/es/home

2 Financial System, Securities Market and Pension System

a) Financial System

As of December 31, 2013, the Peruvian Financial System consisted of a total of 62 companies, divided into six groups: Banks (16), Financial Institutions (11) Non-Banking Micro-Finance Institutions (31) 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 81.6% of the total, followed by Non-Banking Micro-Finance Institutions, with 6.3%, and Financial Institutions, with 3.7%. 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 dynamism of the Peruvian economy has caused the Financial Sector to increase by 156% (December 2012 / December 2007) in outstanding loans. In the same period, the percentage of adult persons with deposits in financial institutions grew from 56% to 89%, a proportion similar to the increase in the number of loan customers, rising from 3.5 million to 5.5 million. 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 1.89% (2.56% as of November 2013). Furthermore, the Level of Access to Banking Services (Bankarization) (measured as gross loans to Gross Domestic Product - GDP) increased from 22% in 2007 to 28.55% in September 2013. 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.

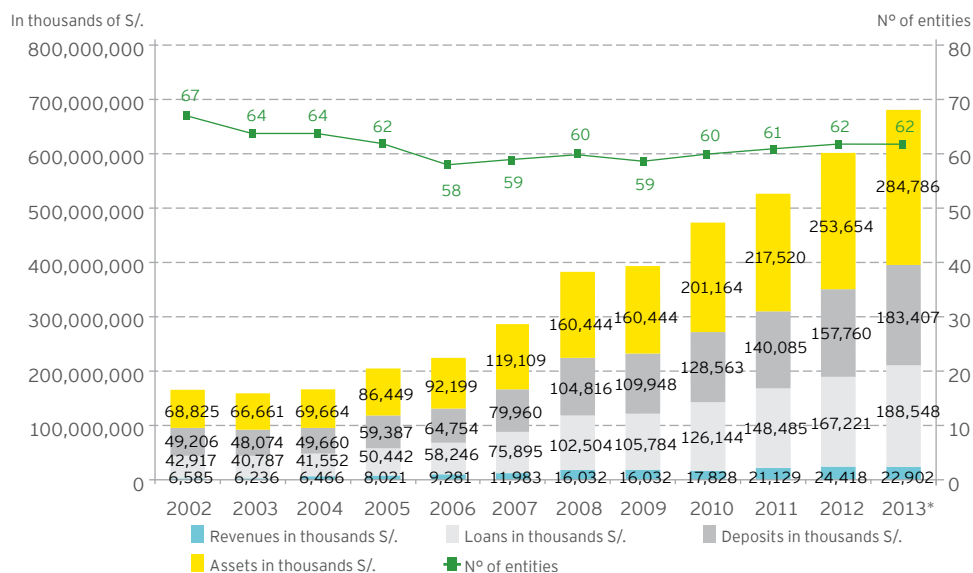
There is a Deposit Insurance Fund (FSD) which aims to protect depositors in the case that a financial institution member of FSD, where the depositors keep deposits, should become bankrupt. The Deposit Insurance Fund (FSD) for the period December 2013 to February 2014, amounted to S/.92,625 (equivalent 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	16
Financial Institutions	11
Non-Banking Micro-Finance Institutions	31
▸ Municipal Thrifts (CM)	13
▸ Rural Savings and Loans Institutions (CRAC)	9
▸ SME Development Institutions (EDPYME)	9
Leasing Companies	2
Banco de la Nación	1
Banco Agropecuario	1
Total	62

Source: Superintendency of Banking and Insurance (SBS) (November 2013)

Evolution of the financial system (in S./.)



Source: Superintendency of Banking and Insurance (SBS)

Evolution of total loans portfolio US\$ millions	
2013*	70,506.42
2012	66,868.04
2011	56,236.09
2010	45,953.20
2009	37,371.26
2008	33,291.52
2007	26,083.97

* Information as of November 2013

Source: Superintendency of Banking and Insurance (SBS)

Evolution of arrears %	
2013*	2.56%
2012	2.16%
2011	1.84%
2010	1.87%
2009	1.91%
2008	1.45%
2007	1.44%

* Information as of November 2013

Source: Superintendency of Banking and Insurance (SBS)

Level of Access to Banking Services (Bankarization)	
2013*	28.55%
2012	26.86%
2011	26.39%
2010	27.16%
2009	25.51%
2008	25.64%
2007	21.57%

* Information as of September 2013

Source: Inter-American Development Bank (IDB) / Superintendency of Banking and Insurance (SBS)

Evolution of deposits in US\$ millions	
2013*	74,270.95
2012	69,373.11
2011	58,556.04
2010	51,629.88
2009	43,394.06
2008	37,913.85
2007	31,610.03

* Information as of September 2013

Source: Superintendency of Banking and Insurance (SBS)

Corporate loans (in US\$ millions)			
	Dec. 2011	Dec. 2012	Nov. 2013
Multi-Purpose Banks	9,826.55	10,233.12	12,074.71
Financial Institutions	7.84	8.30	2.14
Non-Banking Micro-Finance Institutions	16.18	17.39	19.86
► Municipal Thrifts	14.41	11.72	17.81
► Rural Savings and Loans Institutions	1.77	5.67	2.06
► EDPYME	0.00	0.00	0.00
Leasing Companies	4.32	6.62	10.17
Banco de la Nación	0.00	0.00	0.00
Banco Agropecuario	0.00	0.00	0.00
Total Financial System	9,854.89	10,265.43	12,106.88

Source: Superintendency of Banking and Insurance (SBS)

Big business loans (in US\$ millions)			
	Dec. 2011	Dec. 2012	Nov. 2013
Multi-Purpose Banks	8,319.07	9,876.96	10,521.69
Financial Institutions	51.62	43.86	1.70
Non-Banking Micro-Finance Institutions	12.11	13.25	33.09
► Municipal Thrifts	6.83	8.64	6.06
► Rural Savings and Loans Institutions	5.28	4.61	27.03
► EDPYME	0.00	0.00	0.00
Leasing Companies	33.88	49.84	61.49
Banco de la Nación	0.00	0.00	0.00
Banco Agropecuario	3.26	5.04	9.30
Total Financial System	8,419.94	9,988.95	10,627.27

Source: Superintendency of Banking and Insurance (SBS)

Medium business loans (in US\$ millions)			
	Dec. 2011	Dec. 2012	Nov. 2013
Multi-Purpose Banks	8,866.77	10,731.91	11,290.07
Financial Institutions	162.22	156.46	82.75
Non-Banking Micro-Finance Institutions	367.35	462.10	518.35
► Municipal Thrifts	305.87	385.19	450.27
► Rural Savings and Loans Institutions	53.09	69.68	66.43
► EDPYME	8.40	7.23	1.65
Leasing Companies	56.89	91.78	83.81
Banco de la Nación	0.00	0.00	0.00
Banco Agropecuario	5.17	12.14	58.73
Total Financial System	9,458.41	11,454.39	12,033.71

Source: Superintendency of Banking and Insurance (SBS)

Small business loans (in US\$ millions)			
	Dec. 2011	Dec. 2012	Nov. 2013
Multi-Purpose Banks	4,102.20	5,097.74	4,963.83
Financial Institutions	586.17	955.49	1,063.63
Non-Banking Micro-Finance Institutions	1,871.95	2,203.45	2,098.14
► Municipal Thrifts	1,457.36	1,771.55	1,795.53
► Rural Savings and Loans Institutions	283.47	301.35	205.15
► EDPYME	131.12	130.56	97.45
Leasing Companies	11.20	11.16	9.30
Banco de la Nación	0.00	0.00	0.00
Banco Agropecuario	29.87	51.96	101.59
Total Financial System	6,601.39	8,319.80	8,236.49

Source: Superintendency of Banking and Insurance (SBS)

Microenterprise loans (in US\$ millions)			
	Dec. 2011	Dec. 2012	Nov. 2013
Multi-Purpose Banks	944.94	1,003.73	732.11
Financial Institutions	793.19	978.50	1,074.61
Non-Banking Micro-Finance Institutions	1,452.43	1,566.34	1,302.49
► Municipal Thrifts	984.33	1,115.15	1,021.50
► Rural Savings and Loans Institutions	280.33	297.25	153.73
► EDPYME	187.77	153.94	127.28
Leasing Companies	9.54	2.88	1.41
Banco de la Nación	0.00	0.00	0.00
Banco Agropecuario	53.18	74.57	102.71
Total Financial System	3,253.28	3,626.02	3,213.33

Source: Superintendency of Banking and Insurance (SBS)

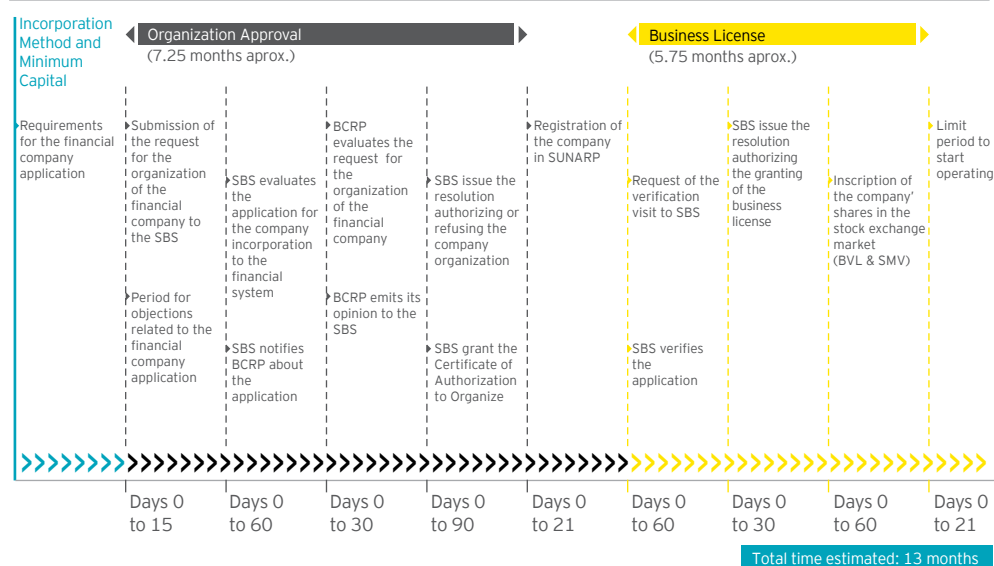
Consumer loans (in US\$ millions)			
	Dec. 2011	Dec. 2012	Nov. 2013
Multi-Purpose Banks	8,418.19	10,335.21	10,398.79
Financial Institutions	871.10	1,066.79	1,158.54
Non-Banking Micro-Finance Institutions	889.04	1,071.14	1,021.58
► Municipal Thrifts	735.63	894.22	864.69
► Rural Savings and Loans Institutions	98.60	89.88	68.19
► EDPYME	54.82	87.04	88.70
Leasing Companies	0.00	0.00	0.00
Banco de la Nación	1,051.28	1,119.17	1,135.61
Banco Agropecuario	0.00	0.00	0.02
Total Financial System	11,229.61	13,592.31	13,714.54

Source: Superintendency of Banking and Insurance (SBS)

Mortgage loans (in US\$ millions)			
	Dec. 2011	Dec. 2012	Nov. 2013
Multi-Purpose Banks	7,140.18	9,256.75	10,158.89
Financial Institutions	29.78	29.30	29.92
Non-Banking Micro-Finance Institutions	230.74	306.62	348.99
► Municipal Thrifts	180.97	232.52	244.57
► Rural Savings and Loans Institutions	21.11	40.23	64.10
► EDPYME	28.66	33.87	40.32
Leasing Companies	0.00	0.00	0.00
Banco de la Nación	17.77	28.43	36.38
Banco Agropecuario	0.00	0.00	0.00
Total Financial System	7,418.47	9,621.10	10,574.18

Source: Superintendency of Banking and Insurance (SBS)

Financial companies constitution



Sources: Peruvian Central Bank (BCRP) / Peruvian Banking, Insurance, and Pension Fund Regulator (SBS) / Peruvian Public Registration Office (SUNARP) / Lima Stock Exchange (BVL) / Peruvian Securities Market Superintendency (SMV) / EY

Microfinance sector

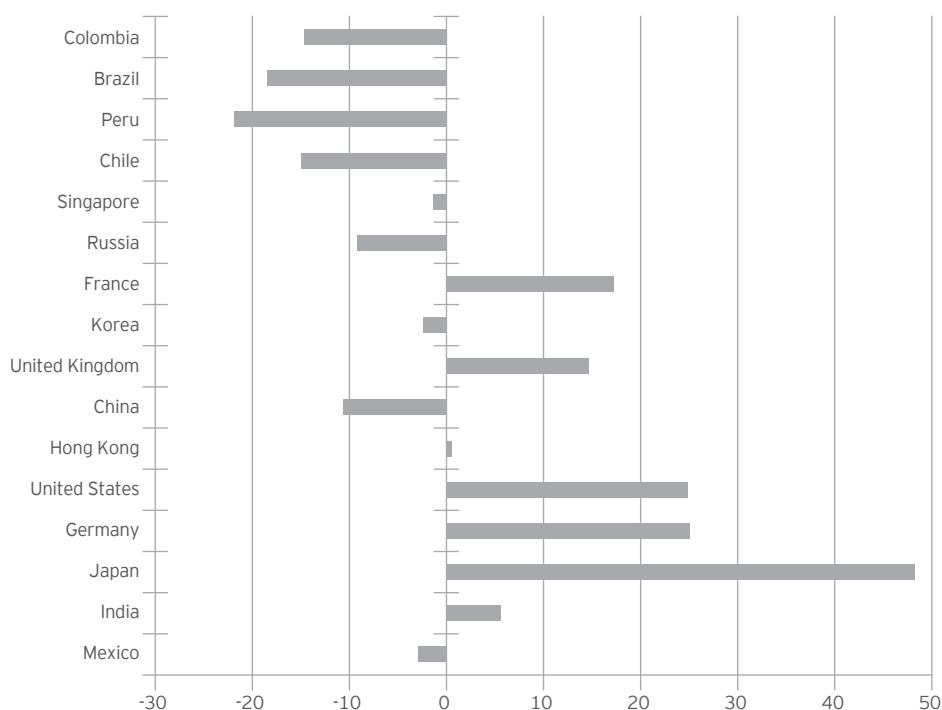
During 2011, the Multilateral Investment Fund (IDB) and MIX determined the annual ranking of the Leading 100 Microfinance Institutions in Latin America and the Caribbean, and the performance of the institutions was evaluated in three areas: scope, efficiency, and transparency. Scope measures the success attained in the expansion of financial services; efficiency measures the extent to which microfinance reduces costs to its customers; transparency measures the public dissemination of performance results in a comparable and standard manner. Consequently, a Peruvian financial institution took first place, and Peru has held two places in the top ten positions, besides representing one quarter of the ranking.

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 November 2013, the average daily trading volume of the Lima Stock Exchange (BVL) was US\$23.82 million.

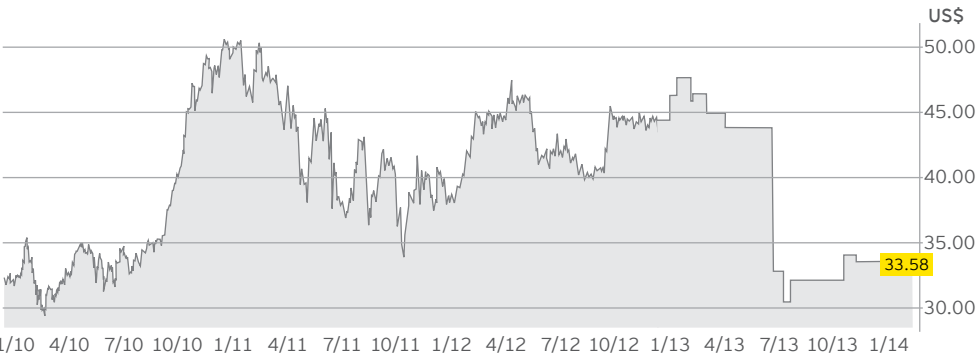
The BVL is a member of the Latin American Integrated Market (MILA), an entity responsible for integrating the multi-national stock exchange through the use of technological tools and standardization of regulations on the capital market trading. Regarding authorized stock market brokers, there are 24 brokerage firms (SAB) in the country, responsible for marketing, custody, management, and advice with respect to securities trading.

Evolution of IGBVL as compared to the world's major stock exchanges (2013 / 2012)



Source: Central Reserve Bank of Peru (BCRP)

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 pattern as from January 2010:



Source: Bloomberg

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

2013*	23.82
2012	30.34
2011	31.02
2010	26.89
2009	22.93
2008	31.81
2007	49.61

* Aggregate data as of September 2013
Source: Lima Stock Exchange (BVL)

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.

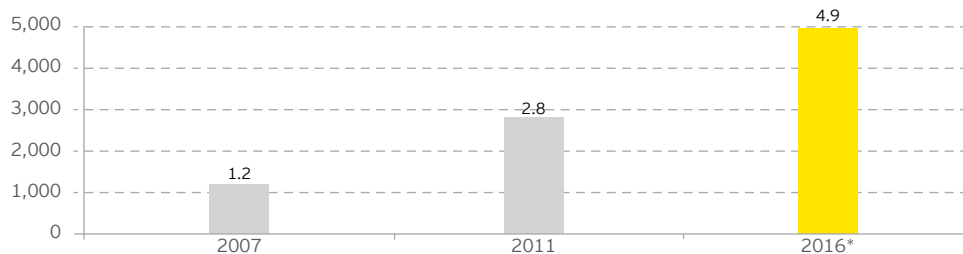
In mid-2012, the Superintendency of Banking and Insurance (SBS) and Private Pension Fund Management Companies (AFPs) passed Law 29903 - Reform of the Private Pension System (SPP) whereby it seeks to increase the coverage of pension security, encourage competition between Private Pension Fund Managers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

Pension System Statistics

Registration	
Nº of active AFP participants	5,481,771
Pension fund and contributions	
Total Pension Fund	US\$36.45 billion

Source: Superintendency of Banking and Insurance (SBS, December 2013)

Private health insurance expenditure (in S/. Millions)



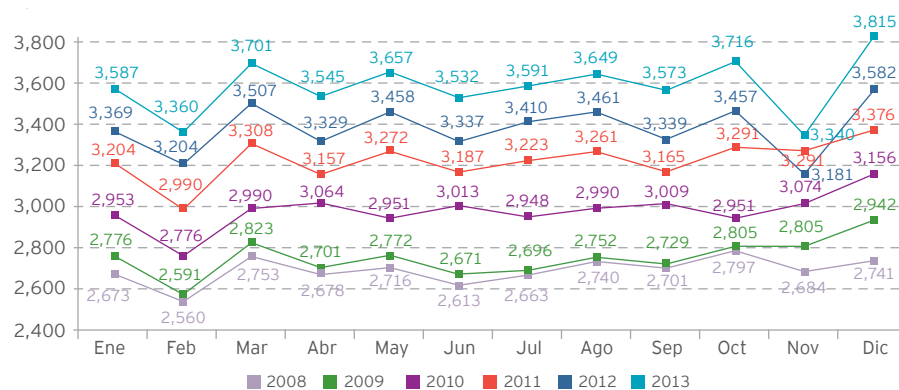
* Estimated

Sources: Superintendency of Banking and Insurance (SBS) / National Superintendency of Health Assurance (SUNASA) / Apoyo

3 Electricity

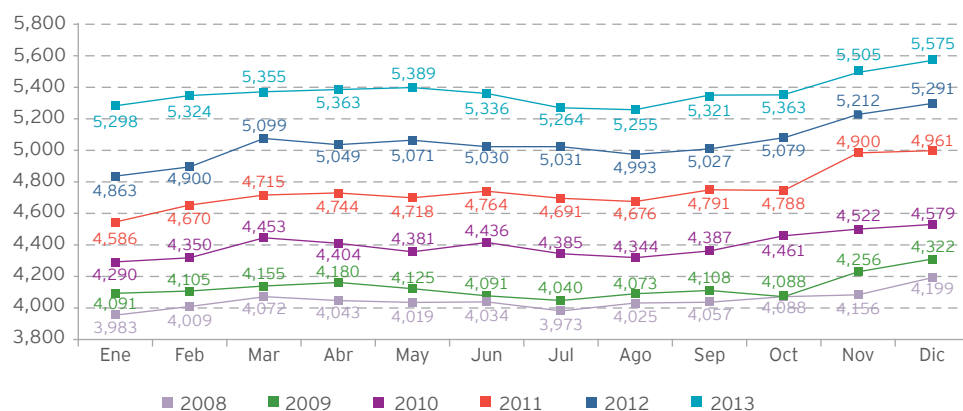
It is estimated that the Electricity and Water Sectors have grown 5.6% in 2013, and they will increase 6.1% in 2014.

Electricity production at the national level (GWh)



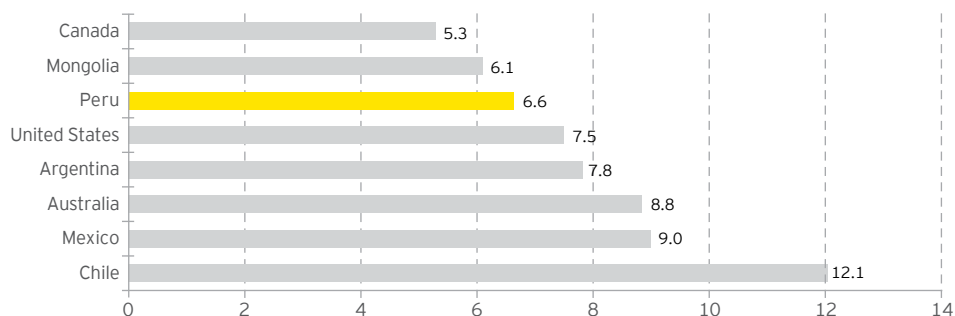
Source: Ministry of Energy and Mines (MINEM) / Apoyo

Maximum domestic electricity demand (MWh)



Source: Economic Operation Committee for the National Interconnected System (COES) / Apoyo, 2013 estimates

Cost of electricity by 2020 (US\$/kWh)



Source: Ministry of Economy and Finance (MEF)

Electricity and water sector indicators

Item	2006	2007	2008	2009	2010	2011	2012*
V.A.B. Electricity and water							
► Current (millions of S/.)	5,656	6,011	6,539	7,440	7,758	8,634	9,473
► Constant (millions of 1994 S/.)	3,307	3,588	3,867	3,912	4,218	4,536	4,780
Annual variation %	6.9	8.5	7.8	1.2	7.8	7.5	5.4
Electricity production (GWh)							
Total	27,374.1	29,943.0	32,463.1	32,944.7	35,908.0	38,796.5	41,036.3
► Hydraulic	19,523.9	19,548.8	19,059.6	19,903.8	20,052.1	21,557.3	22,038.7
► Thermal	7,848.9	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	1.2
National electrification ratio (%)	79.9	81.8	84.3	86.3	87.9	89.5	91.2
Nº of power supply customers (thousands)							
	4,172	4,367	4,628	4,888	5,166	5,497	5,828
Production of drinking water (thousands of m ³)							
► National level	1,264,459	1,263,753	1,285,370	1,304,255	1,321,358	1,320,838	1,323,695
► Metropolitan Lima	664,805	650,762	658,749	671,604	680,819	683,246	682,449
Drinking water coverage (%)							
► National level	83.8	83.0	85.8	82.8	85.2	87.2	88.1
► Metropolitan Lima	85.8	84.6	87.0	80.6	84.3	89.4	91.0

* Estimated

Source: National Institute of Statistics and Information (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	
► Free Market		0			0	
► Regulated Market		0			0	
► Auctions Market		0			0	
Other alternatives for return on investment						
► Regulated road tolls			0	0		
► Premiums and benefits of subsidies	0		0			0

* Estimated

Source: Ministry of Energy and Mines (MINEM)

National Plan for Rural Electrification

Period	Nº of works	Total Investment US\$	Beneficiary Population
2013	372	326,862,200	876,402
2014	412	309,202,579	954,881
2015	422	177,185,579	679,347
2016	276	178,607,819	623,049
Total 2013-2016	1,482	991,858,176	3,133,679

Source: Ministry of Energy and Mines (MINEM)

4 Energy

According to the Ministry of Energy and Mines (MINEM) by 2018, mining investments will total US\$57,403 million, while oil investments (including gas) will add up to US\$28 billion. Meanwhile, it is estimated that investments in the Energy Sector will amount to US\$4,034 million for 2014. Until 2018, one of the most important energy investments is intended for the Gasoducto del Sur project, which would amount to US\$17 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	58,937	2,954	20
Wind	22,000	142	155
Solar	Indefinite	80	-
Biomass	Indefinite	27.4	-
Geothermal	3,000	0	To be exploited

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

Generation dispatch

The table below shows the estimated annual generation meant to cover the plans to deal with the system's demand, separating the plants' generation by source: hydraulic, natural gas, wind, 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)/DP- 01-2013 "Diagnostic Report of Operating Conditions of the SEIN 2015-2016" - COES

Generation works program

The 2013-2016 Generation Works Program is shown below. It consists of the generation projects most likely to go into operation:

Date	Generation Projects and Companies	Type	MW
Jan-14	Huanza Hydroelectric Plant - G2 - Empresa de Generación Huanza	Hydraulic	45.30
Jan-14	Fénix Thermal Plant - Tg2 + TV - Fénix Power Perú	Thermal	268.00
Feb-14	Fénix Thermal Plant - Tg1 - Fénix Power Perú	Thermal	268.00
Mar-14	Cupisnique Wind Power Plant - Eolic Energy	Wind power	80.00
Mar-14	Talara Wind Power Plant - Eolic Energy	Wind power	30.00
Apr-14	Huanza Hydroelectric Plant - G1 - Empresa de Generación Huanza	Hydraulic	45.30
Apr-14	Marcona Wind Power Plant - Marcona Wind Farm	Wind power	32.10
May-14	Machupicchu Hydroelectric Plant Stage II - Egemsa	Hydraulic	99.85
Jul-14	Pelagatos Hydroelectric Plant - Pelagatos Hydroelectric	Hydraulic	20.00
Jul-14	Santa Teresa Hydroelectric Plant - Luz del Sur	Hydraulic	98.12
Aug-14	La Gringa V Biomass Plant - Consorcio Energía Limpia	Thermal	2.00
Dec-14	Langui II Hydroelectric Plant - Langui Hydroelectric Plant	Hydraulic	2.90
Jan-15	Manta Hydroelectric Plant - Peruana Inversiones en Energías Renovables	Hydraulic	19.78
Jan-15	Runatullo III Hydroelectric Plant - Empresa de Generación Eléctrica Junín	Hydraulic	20.00
Jan-15	Runatullo II Hydroelectric Plant - Empresa de Generación Eléctrica Junín	Hydraulic	17.57
Jan-15	Moquegua FV Solar Power Plant - Solarpark Corporación Tecnológica	Solar	16.00
Jan-15	Canchayllo Hydroelectric Plant - Aldana Contratistas Generales	Hydraulic	5.20
Jan-15	Huatziroki I Hydroelectric Plant - Arsac Contratistas Generales	Hydraulic	11.08
Jan-15	Renov Andes H1 Hydroelectric Plant - Renovables de Los Andes	Hydraulic	19.99
Jan-15	Rucuy Hydroelectric Plant - Empresa de Generación Eléctrica Río Baños	Hydraulic	20.00
Mar-15	Cold Reserve - Puerto Maldonado Plant - Infraestructuras y Energías Perú	Thermal	18.00
Mar-15	Cold Reserve - Pucallpa Plant - Infraestructuras Energías Perú	Thermal	40.00
May-15	Quitaracs Hydroelectric Plant - Enersur	Hydraulic	111.80
Jun-15	Cold Reserve - Eten Plant - Planta de Reserva Fria Generación de Eten	Thermal	219.00
Jul-15	Cola 1 Hydroelectric Plant - Hidroeléctrica Cola	Hydraulic	10.40
Jul-15	Tulumayo IV Hydroelectric Plant - Egejunín Tulumayo IV	Hydraulic	40.00
Jul-15	Tulumayo V Hydroelectric Plant - Egejunín Tulumayo V	Hydraulic	65.00
Jul-15	Macon Hydroelectric Plant - Egejunín Macon	Hydraulic	10.00
Aug-15	Tingo Hydroelectric Plant - Compañía Hidroeléctrica Tingo	Hydraulic	8.80
Oct-15	Zaña Hydroelectric Plant - Electro Zaña	Hydraulic	13.20
Dec-15	Muchcapata Hydroelectric Plant - Andes Generating Corporation	Hydraulic	8.10
Jan-16	Tres Hermanas Wind Farm - Consorcio Tres Hermanas	Wind power	97.15
Jan-16	8 de Agosto Hydroelectric Plant - Generación Andina	Hydraulic	19.00
Jan-16	El Carmen Hydroelectric Plant - Generación Andina	Hydraulic	8.40
Jan-16	Cheves I Hydroelectric Plant - Empresa de Generación Eléctrica Cheves - Sn Power	Hydraulic	168.00
Jan-16	Chancay Hydroelectric Plant - Sinersa	Hydraulic	19.20
Jan-16	Nueva Esperanza Hydroelectric Plant - Andes Generating Corporation	Hydraulic	8.00

(continues)

(continued)

Fecha	Proyecto	MW	Notas
Jan-16	Huasicancha Hydroelectric Plant - Central Hidroeléctrica Canchayllo	Hydraulic	15.00
Jan-16	Colca Hydroelectric Plant - Central Hidroeléctrica Canchayllo	Hydraulic	20.00
Jan-16	Chilcay Hydroelectric Plant - Central Hidroeléctrica Canchayllo	Hydraulic	20.00
Jan-16	Yanucaya Hydroelectric Plant - Huaura Power Group	Hydraulic	15.00
Mar-16	Chancay 2 Hydroelectric Plant - Empresa Generación Eléctrica Río Baños	Hydraulic	40.00
Apr-16	La Virgen Hydroelectric Plant - Peruana Energías	Hydraulic	64.00
May-16	Vilcanota 2 Hydroelectric Plant - Renewable Energy Perú	Hydraulic	19.80
May-16	Plant No.1 (Arequipa Region) - Samay 1	Thermal	500.00
Jun-16	Malabrigo Wind Farm - Petrolera Monterrico	Wind power	43.20
Jun-16	Santa Lorenza I Hydroelectric Plant - Empresa Generación Eléctrica Santa Lorenza	Hydraulic	18.70
Jul-16	Cerro del Águila Hydroelectric Plant - Cerro Águila	Hydraulic	525.00
Jul-16	Las Orquídeas Hydroelectric Plant - Electro Oriente	Hydraulic	16.20
Aug-16	Chagila Hydroelectric Plant - Empresa Generación Huallaga	Hydraulic	456.00
Nov-16	Carpapata III Hydroelectric Plant - Unión Andina Cementos	Hydraulic	12.80
Dec-16	Pallca Hydroelectric Plant - Andean Power	Hydraulic	10.10
Dec-16	Carhuac Hydroelectric Plant - Andean Power	Hydraulic	15.80
Dec-16	Quillabamba Thermal Plant - Electroperú	Thermal	200.00
Jan-17	Yacila Wind Power Plant - Generalima	Wind power	48.30
Jan-17	Potrero Hydroelectric Plant - Empresa Eléctrica Agua Azul	Hydraulic	19.90
Jan-17	Marañón Hydroelectric Plant - Hidroeléctrica Marañón	Hydraulic	88.00
Mar-17	Plant No. 2 (Moquegua Region) - Enersur	Thermal	500.00
Apr-17	Santo Domingo Los Olleros Thermal Plant - TV - Termochilca	Thermal	86.00
Jul-17	Pucará Hydroelectric Plant - Empresa Generación Macusani	Hydraulic	149.80
Jan-18	Angel III Hydroelectric Plant - Generadora Energía Perú	Hydraulic	19.95
Jan-18	Angel I Hydroelectric Plant - Generadora Energía Perú	Hydraulic	19.95
Jan-18	Angel II Hydroelectric Plant - Generadora Energía Perú	Hydraulic	19.95

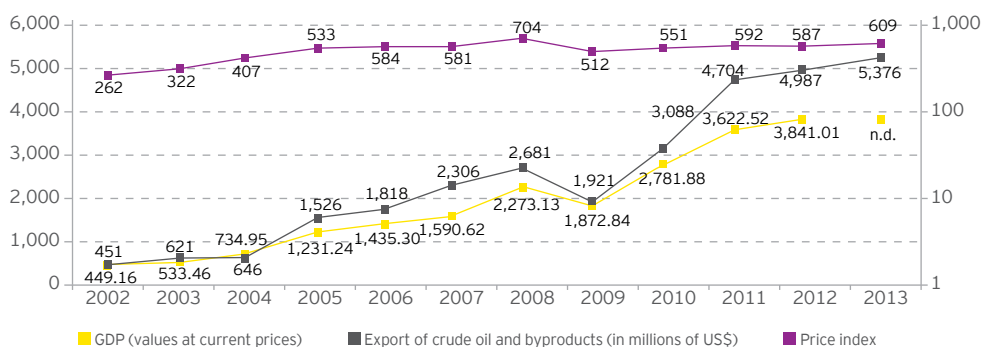
Source: Report Economic Operation Committee for the National Interconnected System (COES) / DP - 01-2013 "Diagnostic Report of Operating Conditions of the SEIN 2015-2016" - COES

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 currently awaiting certification. To date, proven natural gas reserves are located in Blocks 56 (2.4 TCF) and 88 (8.7 TCF). In addition, reportedly, there are 4.6 TCF in probable reserves and 3.4 TCF in possible reserves. Block 76 may contain additional reserves of 20 TCF. The average growth experienced by this Sector in recent years is mainly due to the increased production of the mentioned important blocks and gas operations.

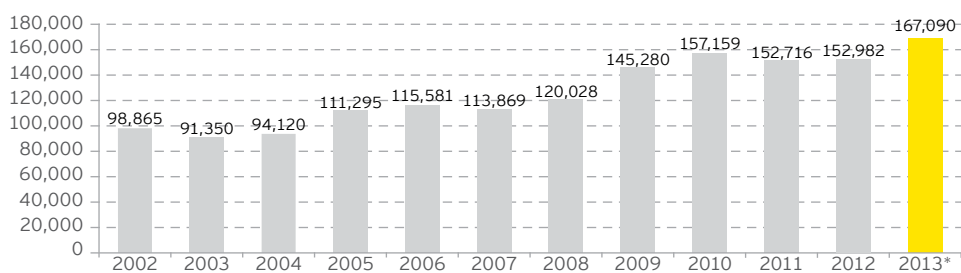
It is estimated that the Hydrocarbons Industry has grown 5.8% in 2013. Additionally, it will develop 10.8% in 2014.

Evolution of macroeconomic indices of the hydrocarbons industry (in US\$ Millions)



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

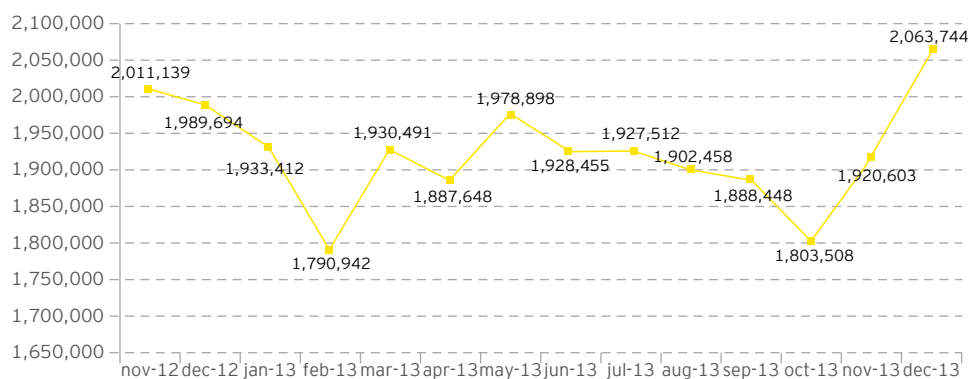
Average production of hydrocarbons (barrels per day)



* As of November de 2013

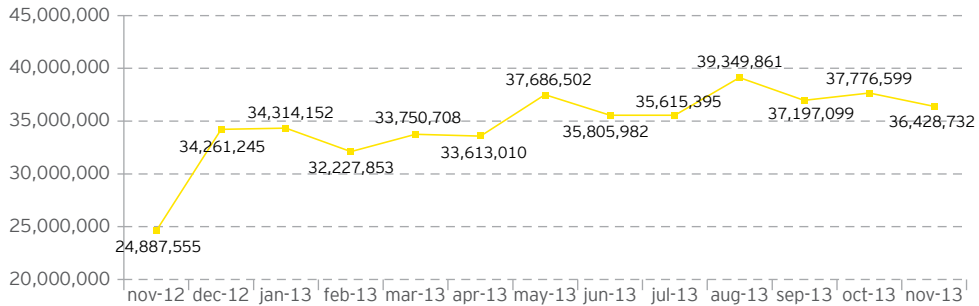
Source: Ministry of Energy and Mines (MINEM)

Oil production (BLS)



Source: Ministry of Energy and Mines (MINEM)

Natural gas production (MPC)



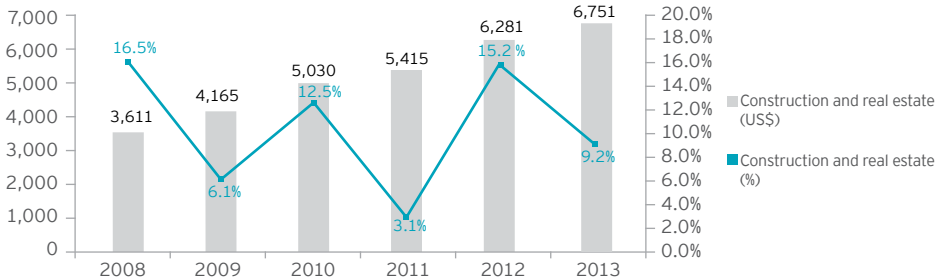
Source: Ministry of Energy and Mines (MINEM)

6 Construction

The Construction Sector has accumulated a steady expansion in the past five years, even though growth rates slowed down in 2009 and 2011, due to the global financial crisis. 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.

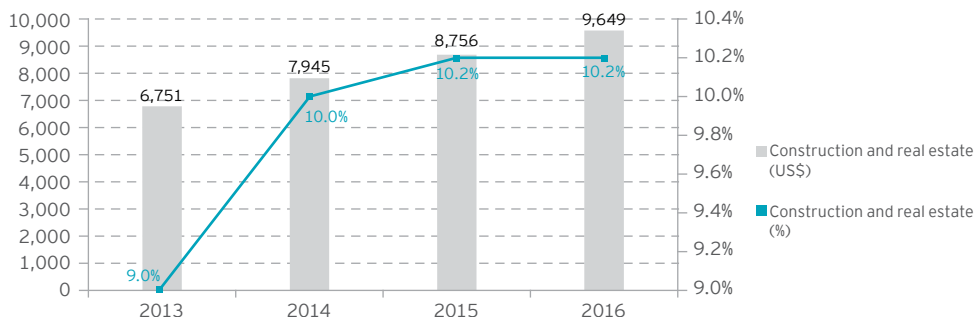
It is estimated that the Construction Sector has shown a 9.0% upward trend in 2013.

Evolution of construction sector in US\$ Millions and percentage change



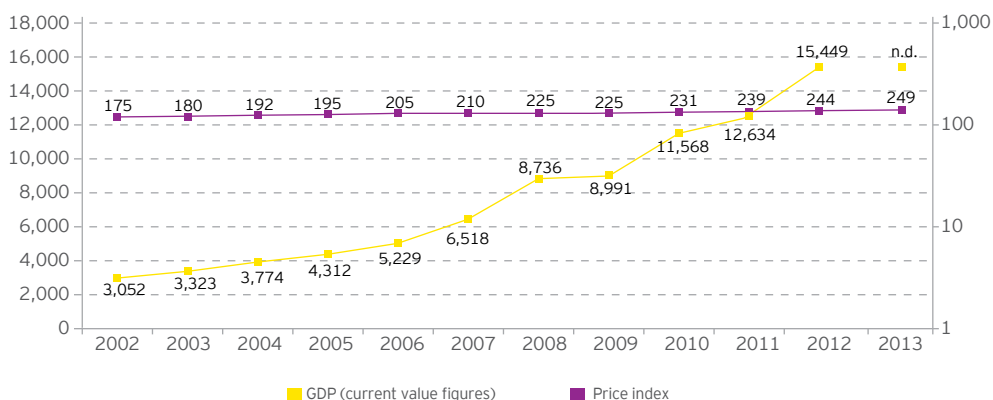
Source: Central Reserve Bank of Peru (BCRP)

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



Source: Peruvian Construction Chamber (CAPECO) / Central Reserve Bank of Peru (BCRP)

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



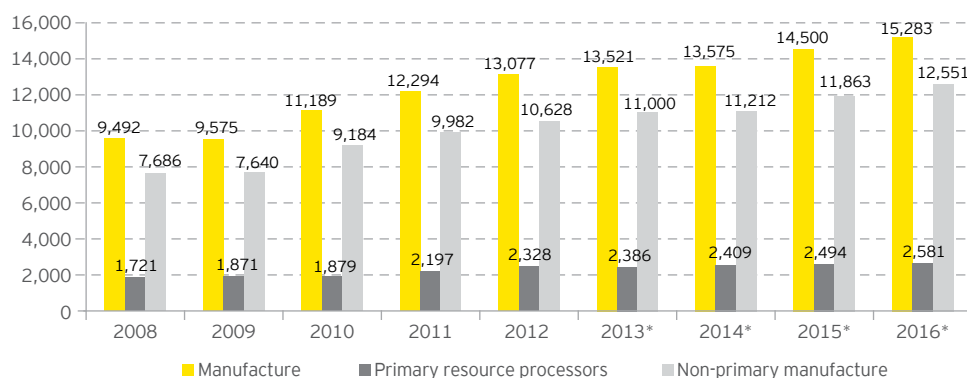
Source: National Institute of Statistics and Information (INEI) / Lima Stock Exchange (BVL) / Central Reserve Bank of Peru (BCRP)

The Construction Sector will grow by approximately 10.0% in 2014, 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.

7 Manufacture

Between 2008 and 2012, there has been an average annual growth of 10% 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. It is estimated that in 2013, manufacturing grew by 2.5%, and that between 2014 and 2016, the Primary Sector would increase an average of 7.0%, while the Non-Primary Sector will have an average upward trend of 11.0% due to an increased mining industry, and to a strong domestic market.

Evolution of manufacture sector in US\$ Millions



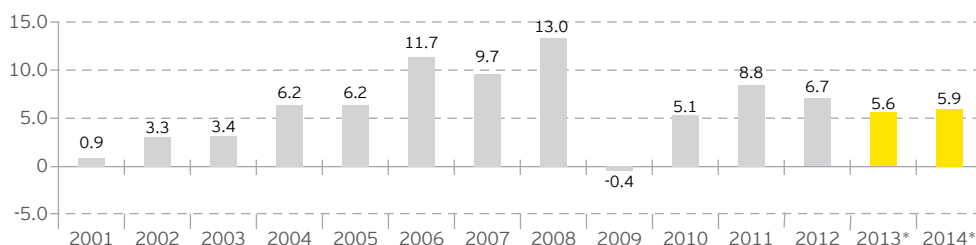
* Estimated

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

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.

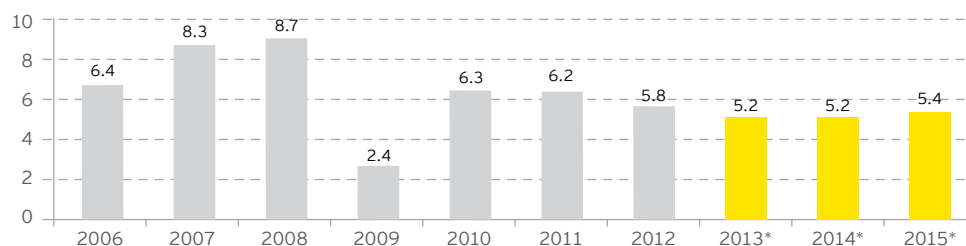
Evolution of trade production (annual percentage change)



* Estimated

Source: Ministry of Economy and Finance (MEF) (Multiannual Macroeconomic Framework)

Evolution of private consumption (in %)

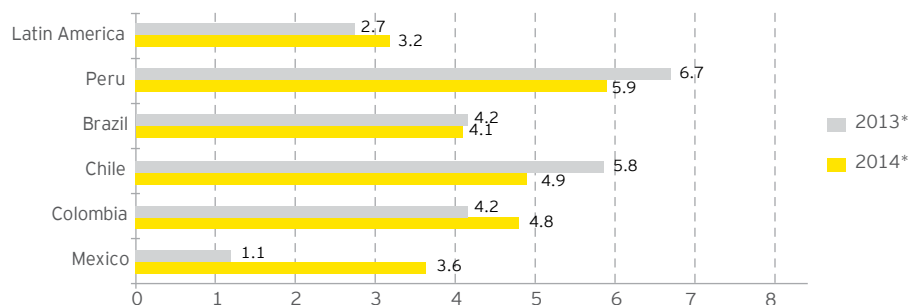


* Estimated

Source: Central Reserve Bank of Peru (BCRP)

Regarding the modern retail channel, a sector which has experienced significant growth is shopping centers, which has tripled sales in the 2000 - 2012 period. Growth is expected to continue, creating significant opportunities for different companies in the Textile, Food, and Service Sectors.

Retail sales (annual variation)

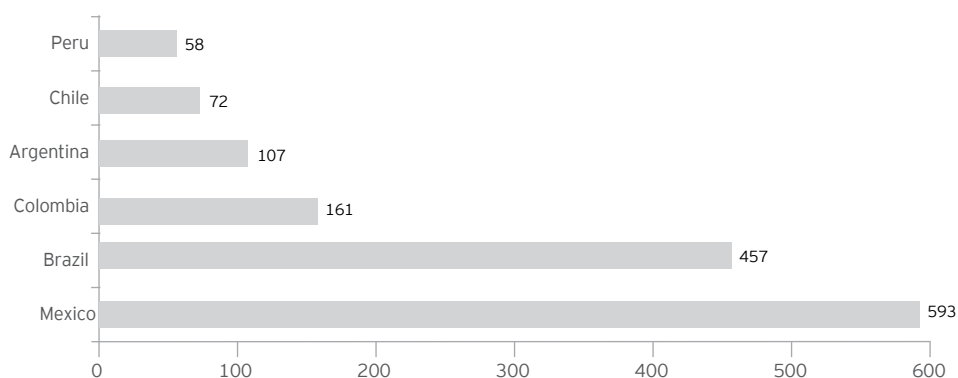


* Estimated

Source: Latin Focus Consensus Forecast

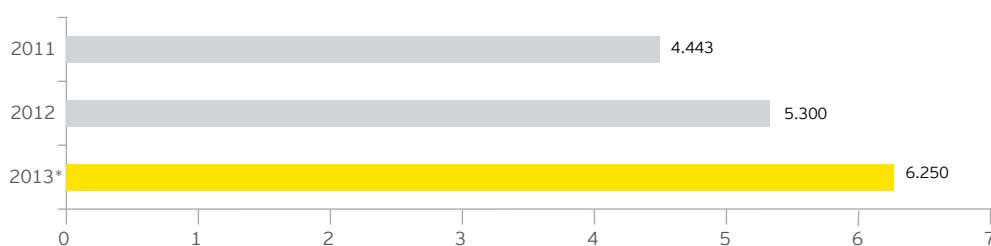
The gross leasable shopping centers area, in 2013, stood at 2.023 billion m², while the number of visits during the year amounted to 45.864 billion, with an average sale of US\$10.8 per visit.

Expansion of shopping centers (number of shopping centers)



Source: Peruvian Association of Shopping Centers (ACCEP) / Colliers International / EY

Evolution of shopping center billings (in US\$ Millions)



* Estimated

Source: Peruvian Association of Shopping Centers (ACCEP) / Colliers International / EY

Upcoming shopping centers in Lima (2014 - 2015)

District	#*
San Juan de Miraflores	3
Miraflores	2
Surco	2
San Juan de Lurigancho	2
La Molina	2
Cercado	1
Breña	1
La Victoria	1
San Isidro	1
San Bartolo	1
Santa María	1
Jesus María	1
Total	18

* Announced but no date set

Source: Peruvian Association of Shopping Centers (ACCEP) / Colliers International / EY

Upcoming shopping centers in provinces (2014 - 2015)

District	#
Cusco	3
San Martin	3
Cajamarca	3
Tacna	2
Tumbes	2
Chiclayo	2
Pucallpa	2
Huanuco	1
Junin	1
Puno	1
Arequipa	1
Ancash	1
Ica	1
Piura	1
Total	24

Source: Peruvian Association of Shopping Centers (ACCEP) / Colliers International / EY

9 Agriculture and Livestock

According to the Ministry of Agriculture and Irrigation, agricultural and livestock production grew by 5.7% in 2012. It is expected to have risen by 1.85% in year to date to August 2013 figures, compared to the same period of 2012.

Gross value of agricultural and livestock production January - October period (in US\$ millions)			
Activity	2012	2013*	Var. %
Agriculture	11,319	11,501	1.60%
Livestock	7,693	7,863	2.21%
Farming	19,012	19,364	1.85%

* Preliminary

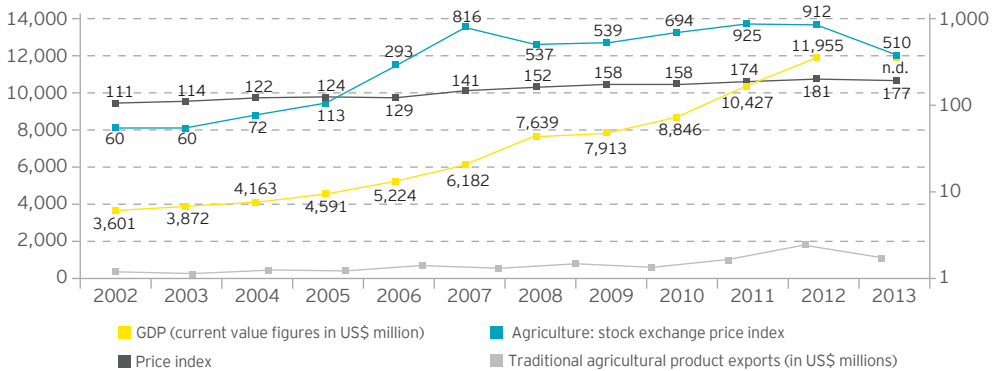
Source: Ministry of Agriculture and Irrigation

Agricultural and livestock production by sub-sector and major products - in thousands of tons (January - November 2013 / 2012)

Major Products	2012	2013	Variation (in thousands of tons)	Var (%)
Agricultural Sub-Sector				
Mango	153	414	261	171.6%
Alfalfa	6,125	6,401	276	4.5%
Sugar cane	9,406	9,957	551	5.9%
Soft maize	280	308	28	9.7%
Paddy rice	2,779	2,814	35	1.2%
Corn	342	376	34	10.1%
Tomatoes	189	220	31	16.6%
Tangerines	271	305	34	12.4%
Cocoa	58	63	5	9.4%
Avocados	253	269	16	6.4%
Cassava	1,015	1,072	57	5.6%
Pineapple	389	405	16	4.0%
Onions	712	707	-5	-0.6%
Yellow maize	1,264	1,245	-19	-1.5%
Raw cotton	110	82	-28	-26.1%
Olives	93	58	-35	-37.7%
Coffee	314	253	-61	-19.5%
Livestock Sub-Sector				
Poultry	1,302	1,332	30	2.4%
Eggs	286	321	35	12.0%
Pork meat	152	156	4	2.8%
Milk	1,652	1,665	13	0.8%
Beef meat	86	85	-1	-1.4%
Alpaca wool	4	4	0	-8.2%

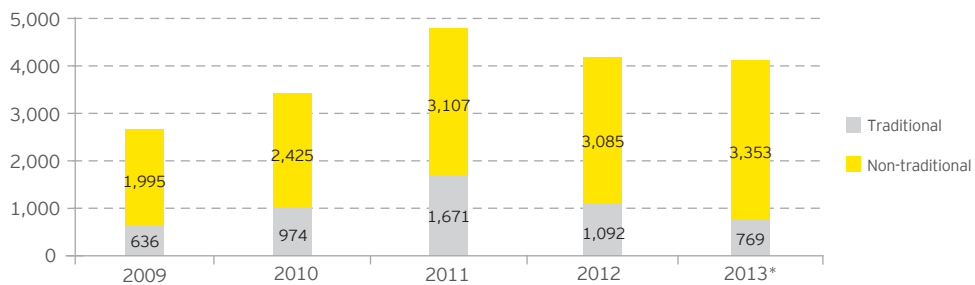
Source: Ministry of Agriculture and Irrigation

Evolution of macroeconomic indicators of the agricultural sector



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

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



* Preliminary information as of December 2013

Source: Ministry of Agriculture and Irrigation / Aduanas

Agro-exports (in US\$ Millions)

Product	2011	2012	2013	Var. % 2013 vs. 2012
Unroasted coffee	1,593	1,022	687	-32.80%
Fresh grapes	287	366	428	16.98%
Fresh asparagus	294	343	408	19.06%
Cooked asparagus	-	144	145	0.64%
Avocados	161	136	185	36.12%
Mangoes	116	117	127	7.96%
Artichokes	129	114	85	-25.58%
Animal feed	94	112	109	-2.94%

Source: Peruvian Foreign Trade Association (ComexPerú)

10 Fisheries

Compared to the previous year, the Fisheries Sector has grown by 8.3% in 2013. It is estimated to rise by 6.6% in 2014. The top products exported from the Fisheries Sector include frozen, dried, salted or brine cuttlefish, bobtail, squid, giant squid, scallops.

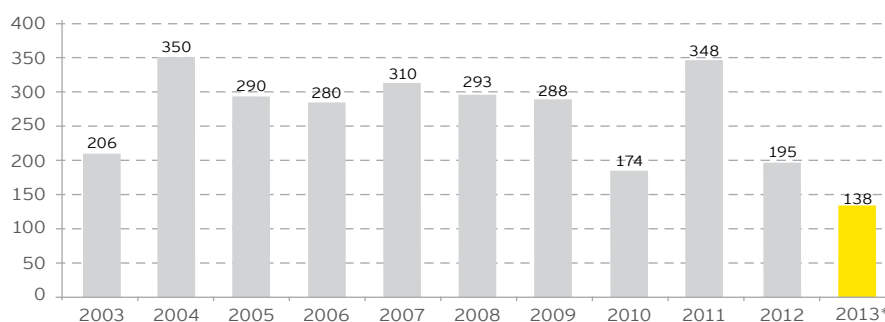
Fishmeal production (in thousands of metric tons)



* Preliminary information as of November 2013

Source: Ministry of Fisheries and Industry / Apoyo

Fish oil production (in thousands of metric tons)



* Preliminary information as of November 2013

Source: Ministry of Fisheries and Industry

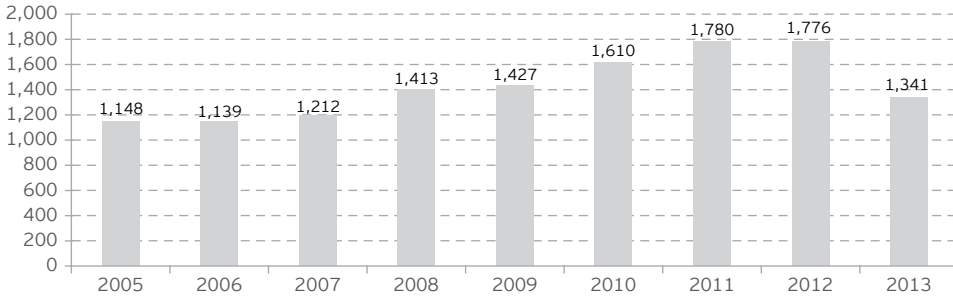
Processing of hydro-biological and maritime products by type of use (in thousands of metric tons)

Type of Use	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Direct Human Consumption	223	357	373	438	362	318	495	428	378
▸ Canned	56	107	84	105	89	78	115	59	58
▸ Frozen	146	228	270	313	256	224	363	356	302
▸ Cured	22	21	19	20	17	16	16	13	18
Indirect Human Consumption	2,221	1,622	1,709	1,708	1,636	962	1,982	972	1,005
▸ Harina	1,931	1,342	1,399	1,415	1,348	787	1,635	778	867
▸ Aceite crudo	290	280	310	293	288	174	348	195	138
Total	2,444	1,979	2,082	2,146	1,998	1,279	2,477	1,400	1,383

* As of November 2013

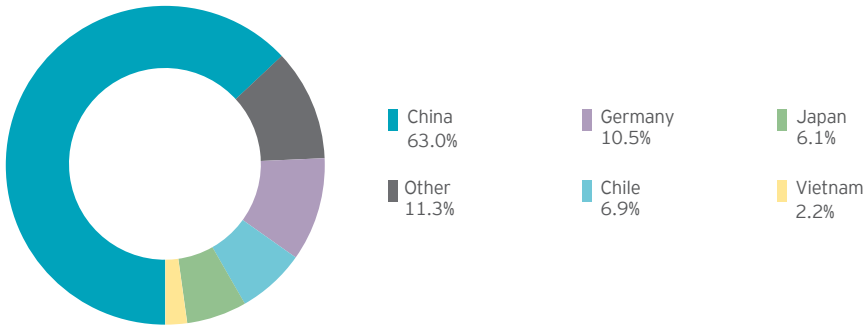
Source: Ministry of Fisheries and Industry

Export value of fishmeal (in US\$ Millions)



Source: Peruvian Foreign Trade Association (ComexPerú)

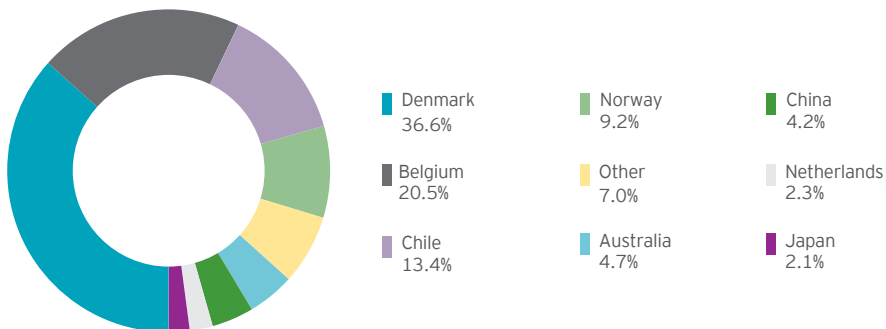
Fishmeal exports by country of destination (January - December 2013)*



* Preliminary

Source: Ministry of Fisheries and Industry

Fish oil export by destination country (January - November 2013)

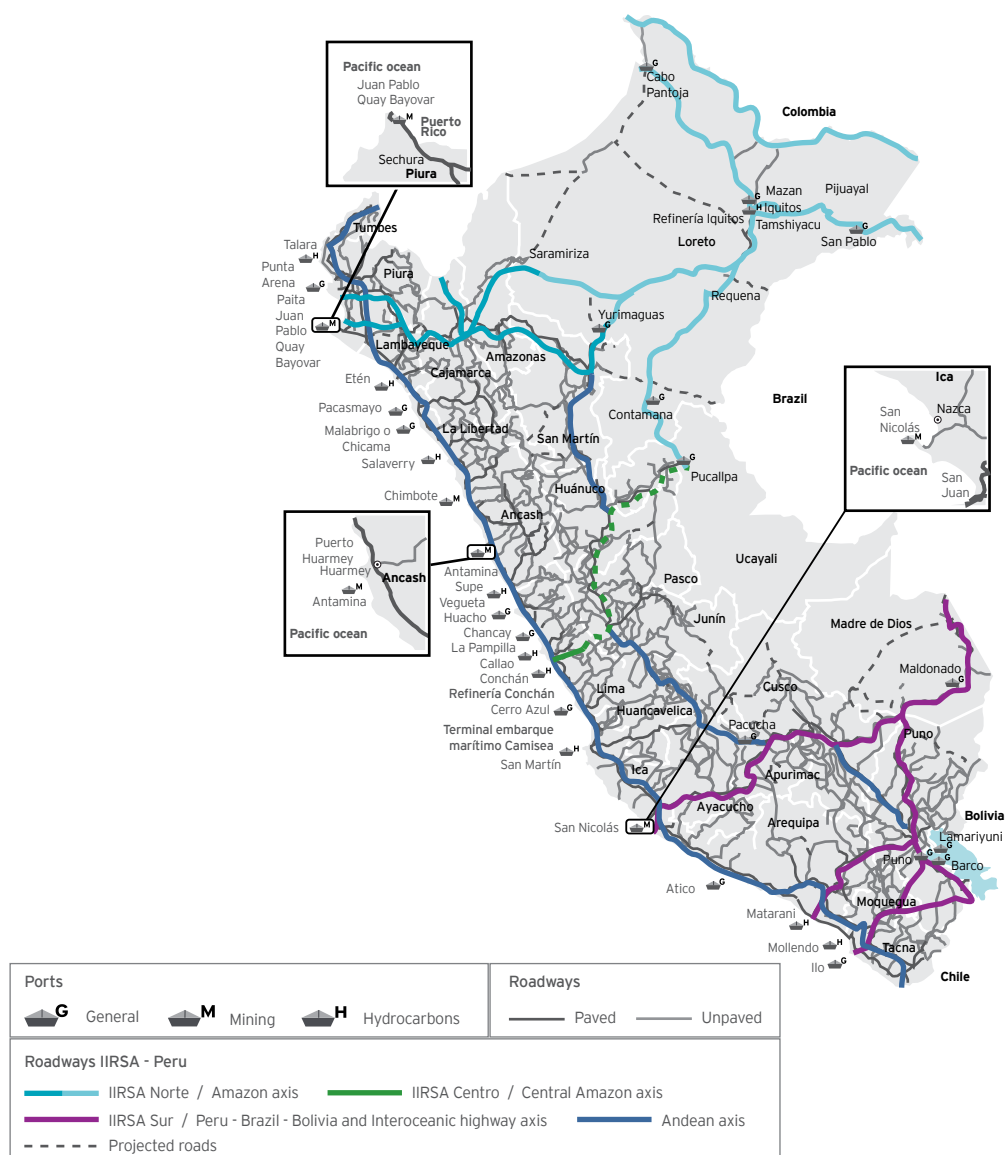


Source: Ministry of Fisheries and Industry

11 Transport 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 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 transport 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. Transport Sector

Item	U.M	2010	2011	2012	Variation % (2012/2011)
Infrastructure					
- Road network	Km.	125,044	129,162	140,672	8.9%
- Railway network	Km.	1,943	1,965	1,953	-0.6%
- Airports	Unit	111	116	135	16.4%
- Ports	Unit	30	30	30	0.0%
Vehicle Fleet					
- Automotive	Unit	2,183,278	2,616,637	2,999,223	14.6%
- Locomotives	Unit	92	91	92	1.1%
- Aircraft	Unit	281	283	323	14.1%
- Ships	Unit	899	1,222	1,095	-10.4%

Source: Ministry of Transportation and Communications (MTC)

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\$17.78 billions worth of projects will be carried out, representing significant investment opportunities for contractors and logistics operators.

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

Infrastructure	US\$ Million
Road	11,421
Railway	5,300
Airport	420
Port	548
Waterway	87
Total	17,776

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

The current government 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 in the tax advantages and direct social license or reputational capital. In that sense, this is a form of investment that is of particular interest to industry stakeholders. In November 2013, 52% of investments executed and/or committed through the Transfer of Public Works for the Payment of Taxes program was accounted for projects of the Transport 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 fixed telephone and mobile telephone lines have increased significantly:

Año	Fixed Telephone		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	3,083,650	10.6	29,451,584	116.1
2013	3,095,656	10.6	28,975,731	112.8

Source: Supervisory Agency of Private Investment in Telecommunications (OSIPTEL) as of September 2013

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 2013, there was already a mobile coverage in 1,825 districts with a total of 1,841 districts throughout Peru.

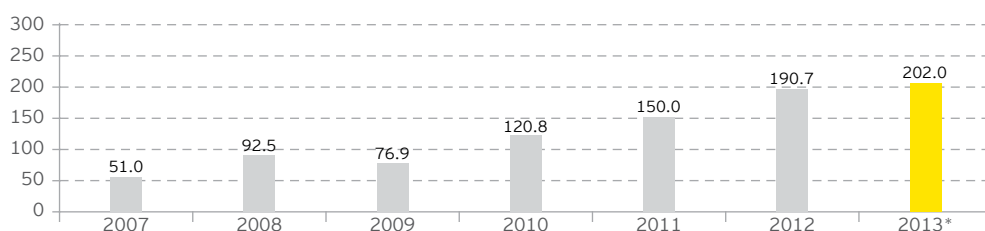
July 2012 saw the enactment of Law 29904 - Act for the Promoting of Broadband and Construction of High-Speed Optical Fiber Backbone. The National High-Speed Optical Fiber Backbone includes the installation, operation and maintenance of approximately 13,400 km of optical fiber, to connect 180 provincial 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

The positive trend shown in the Peruvian automotive market continued in 2013. Sales in 2013 totaled approximately 202,000 vehicles, an estimated annual growth of 6.1%. This expectation is supported by the creation, in mid-2011, of the Program for Renovation of the Automobiles Fleet, which has provided a further boost to the market. On the other hand, prices in local currency of the vehicles will tend to drop as the entry into force of the FTAs continue reducing import duties.

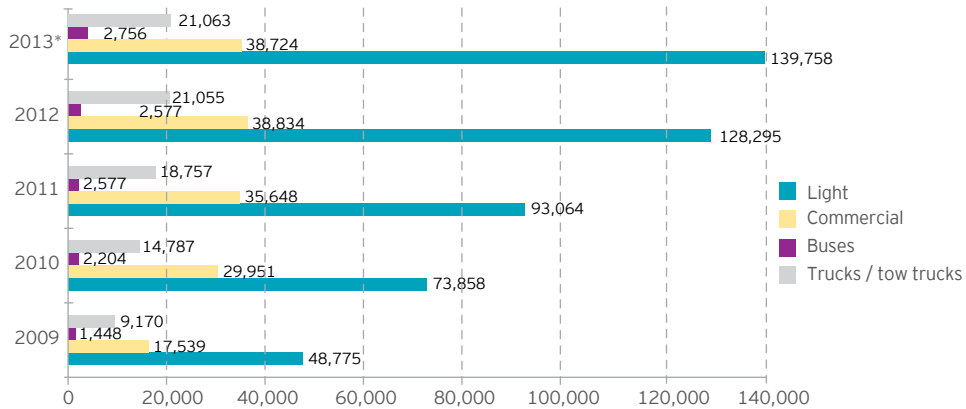
Total vehicle sales (thousands of units)



* Estimated

Source: Apoyo, Peruvian Association of Automotive Representatives (Araper)

Projection of vehicle sales by category (in thousands of units)



* Estimated

Source: Peruvian Association of Automotive Representatives (Araeper)

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.

13 Food and Beverages

Main food consumed according to the individual consumption classification by purpose (in millions of Nuevos Soles)

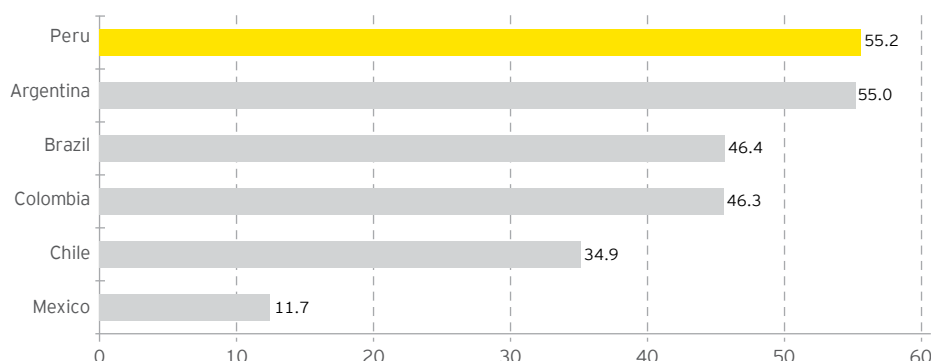
CCIF Level	Description	2012	2013	Variation %
		3rd Quarter	3rd Quarter	2013-III / 2012-III
1.1.1	Bread and cereals	2,593	2,583	-0.4
1.1.2	Meat	2,205	2,394	8.6
1.1.3	Fish	739	817	10.6
1.1.4	Milk, cheese, and eggs	1,669	1,719	3.0
1.1.5	Oil and fat	318	311	-2.4
1.1.6	Fruits	1,276	1,201	-5.9
1.1.7	Legumes - vegetables	1,825	1,871	2.5
1.1.8	Sugar and sweetmeats	487	385	-20.9
1.1.9	Unspecified (N.E.P.) food products	700	732	4.5
1.2.1	Coffee, tea, and cocoa	186	201	8.1
1.2.2 / 2.1.0	Beverages	358	308	-14.0
1.1.1.1	Prepared foods consumed at home	837	738	-11.9
Total		13,450	13,559	0.8

Source: National Institute of Statistics and Information (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. In the 2001-2010 decade, monthly food expenditure per capita -in Nuevos Soles- rose by approximately 24%, with the cost of eating out being the fastest growing category (64%). In 2011, the area of in-house food represented 31.5% of the average total monthly household expenditure, while eating out reported a 13.2% level.

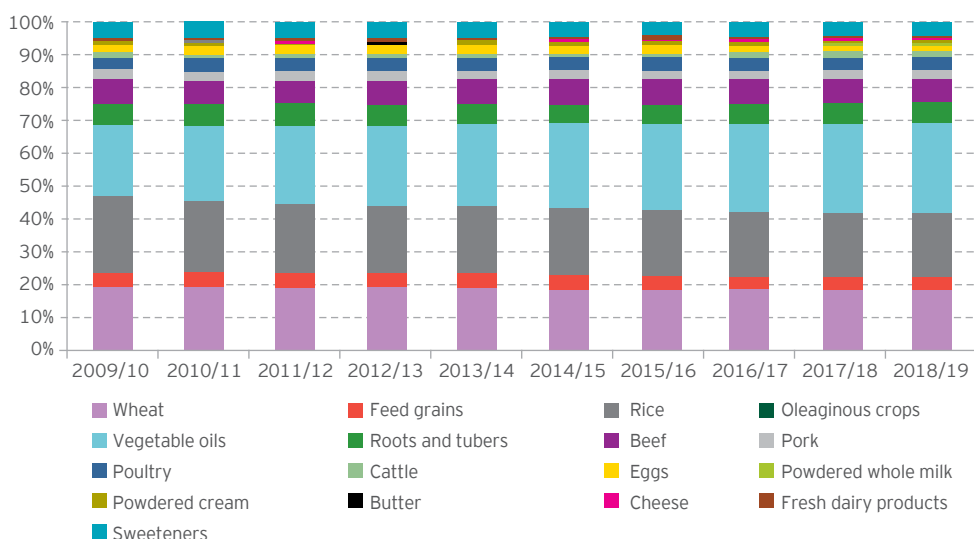
It is expected that for the 2012 - 2016 period, per capita food consumption in Peru will increase by 55.2%, one of the highest rates in Latin America. On the other hand, it is expected that during the years 2013 and 2014, the most consumed food consists of vegetable oil, rice and wheat.

Per capita food consumption 2012-2016 (percentage change)



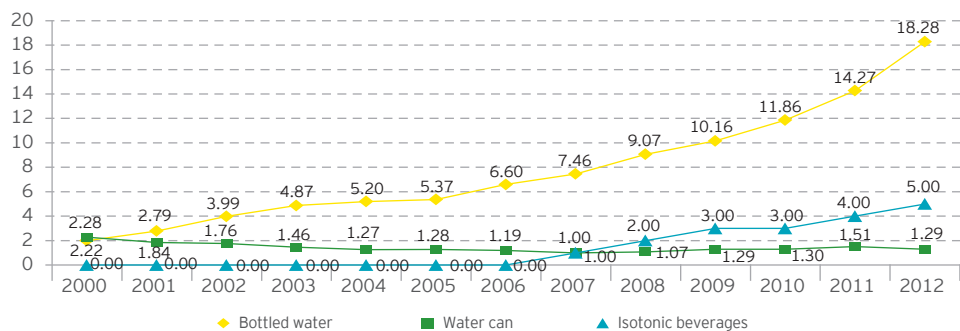
Source: Business Monitor International

Food consumption profile



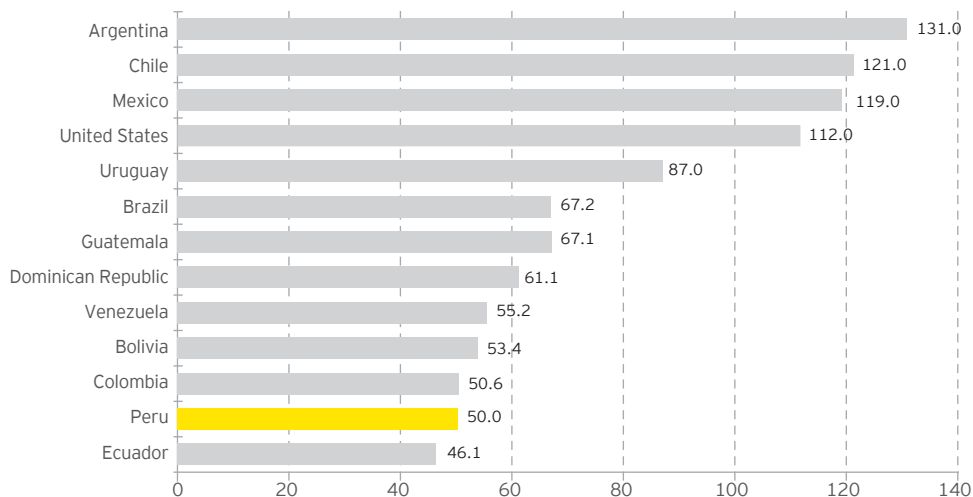
Source: Bioenergy and Food Security (BEFS) - Technical Compendium, Volume 1

Per capita consumption of bottled water, water can and isotonic beverages in liters (2000 - 2012)



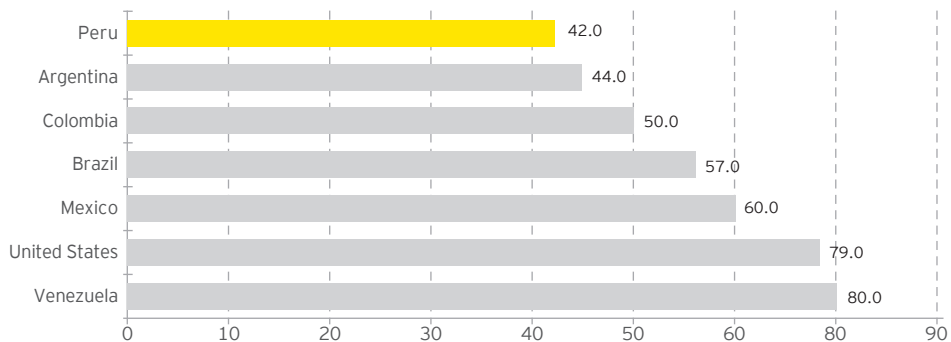
Source: Ministry of Fisheries and Industry / Produced by ITG Research

Per capita consumption of soft drinks in liters (2012)



Source: National Society of Industry (SNI)

Per capita consumption of beer in liters (2012)



Source: National Society of Industry (SNI)

14 Tourism, Cuisine and Hospitality

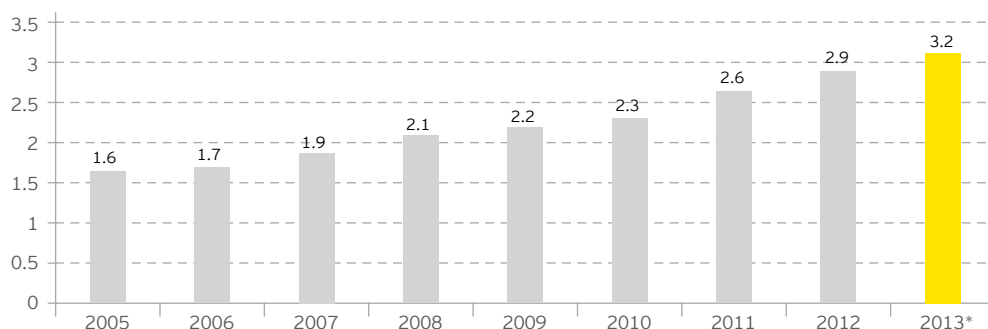
Tourism

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

According to the Immigration and Naturalization Service (DIGEMIN) tourist arrivals to Peru as of August 2013 totaled 2.10 billion, representing a 11.5% increase, compared with the same period of last year. During 2012, there was a 16.8% growth in tourists from Asia, 6.7% in the case of those from Europe, and 10.7% of those from South America. Similarly, in the second quarter of 2013, the trend in foreign currency rose by 21.8%, compared to the same period of 2012, totaling US\$1.9 billion.

Furthermore, according to the Peruvian Aviation Administration (DGCA) the flow of passengers on domestic flights during the first two months of 2013 increased by 18.6 % over the same period of 2012, totaling approximately 638,464 passengers in relation to more than 549,532 last year. In addition, the international flights traffic rose by 14% in September 2013, in relation to 2012.

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



* Estimated

Source: Ministry of Foreign Trade and Tourism (MINCETUR) National Tourism Chamber (CANATUR)

Revenues generated by tourism during 2013 totaled US\$ 3,641 million, 10.7% more than in 2012.

Cuisine

Peruvian cuisine is considered one of the most praised fares worldwide. Over the years, it has become a flagship product for 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 food is one of the aspects that influence their 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. It is estimated that Peru will get US\$1 billion for culinary tourism in 2014.

Hotels

Collective accommodations establishments by category (2011)

Category	Nº of establishments	Nº of rooms	Nº of bed-places
Classified and categorized establishments	2,383	59,839	107,839
▸ Classified and categorized			
- 1-star Hotel	368	6,054	10,298
- 2-star Hotel	1,227	25,413	44,002
- 3-star Hotel	636	18,443	34,800
- 4-star Hotel	62	4,628	8,642
- 5-star Hotel	38	4,428	7,997
▸ Classified			
- Youth Hostel	43	653	1,595
- Ecolodge	9	220	505
Non-categorized establishments	13,621	162,512	278,429
Total	16,004	222,351	386,268

Source: Ministry of Foreign Trade and Tourism (MINCETUR)

A photograph of the Machu Picchu Citadel in Peru, showing terraced stone walls, several stone buildings with thatched roofs, and a group of tourists. The site is set against a backdrop of steep, green mountains partially shrouded in mist. A yellow diagonal line runs across the top of the image.

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 deposit of S/.1,000 (approximately US\$357).

► Features:

- **Denomination:** must include the indication "Sociedad Anónima" 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. However, in the case of closely held corporations, existing shareholders have the right of first refusal in the event that shares are proposed for transfer to a third party.
- **Continuity:** 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 Anónima 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 Chief Executive Officer (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 Anónima 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 Chief Executive Officer (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 Chief Executive Officer (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.
- **Continuity:** 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 notari ally 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.

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.

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 (IR)

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-bracket income tax on a worldwide income basis. Non-domiciled corporations, branches, and permanent establishments of foreign companies that are located in Peru are only taxed on Peruvian-source income.

The corporate income tax rate for domiciled companies is 30% 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.

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%.

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.
- Method of undetermined coefficients: Divide the tax calculated for the previous fiscal year by the total net income for the same fiscal year and apply the resulting coefficient to the net income for the month. For the months of January and February, use the coefficient determined using the taxable base calculated and net income for the fiscal year preceding the prior fiscal year.

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

In case the prepayments exceed the 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-bracket 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:

Scale	Cumulative Progressive Rate
Up to 27 Tax Units - UITs ¹⁰ (S/.102,600 or US\$32,645)	15%
From 27 UITs (S/.102,600 or US\$32,645) to 54 UITs (S/.205,200 or US\$73,285)	21%
Any excess	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 Tax Units - UITs (S/. 26,600 or US\$9,500) 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-bracket 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 subject to a schedular rate of 4.1%.

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.

¹⁰For 2014, one Tax Unit (UIT) equals S/.3,800 or US\$1,357

- 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, and Brazil; or with those with which, starting in 2015, prior ratification by Supreme Executive Order, will have such treaties, such as 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	4.10%
Interest paid to non-domiciled companies, provided certain requirements are met	4.99%
Interest paid to related companies abroad	30.00%
Technical assistance services economically used in Peru	15.00%
Digital services economically used in Peru	30.00%
Royalties	30.00%

(continues)

Income	Rate
Capital gains deriving from the disposal of marketable/negotiable securities through the Lima Stock Exchange (BVL) including:	
▸ Disposal, redemption, or surrender of shares, bonds, or other securities issued by corporations incorporated in Peru	5.00%
▸ Indirect disposal of shares in Peruvian companies	
Capital gains deriving from the disposal of marketable/negotiable securities outside the Lima Stock Exchange (BVL), including:	
▸ Disposal, redemption, or surrender of shares, bonds, or other securities issued by corporations incorporated in Peru	30.00%
▸ Indirect disposal of shares in Peruvian companies	
Other income deriving from business activities conducted in Peruvian territory	30.00%

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

Activities	Net Peruvian-Source Income (% of Gross Income)	Effective Income Tax Rate (%)
Air transport	1	0.3
Maritime transport	2	0.6
Vessel lease	80	8.0 ¹¹
Aircraft lease	60	6.0 ¹²
Supply of transport containers	15	4.5
Demurrage of containers	80	24.0
Insurance	7	2.1
International news agencies	10	3.0
Motion picture distribution	20	6.0
Television broadcasting rights assignment	20	6.0
Telecommunication services	5	1.5

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, and Portugal, with whom it has established credit as a method for avoiding double taxation. 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 entered into double taxation treaties with South Korea, Switzerland, Spain, and Mexico, which are pending ratification. Likewise, negotiations are underway with Japan, Qatar, the United Arab Emirates, the Netherlands, Italy, France, Sweden, and the United Kingdom.

^{11/12}The withholding rate for these activities is 10%

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 companies 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 CNDE, 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 driving 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 responsible.

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.

On the other hand, interest paid by domiciled companies to a non-domiciled individual for credit operations from, to, or through tax havens is subject to a withholding tax of 30%. 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 (US\$357,143) 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 companies 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 ProInversión. 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.

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 must also be entered into.

Export of Goods

The VAT 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 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

Operations considered to be export of services include those contained in Appendix V of the VAT Act, so long as that 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% 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/.38,000 or US\$13,571) 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%¹³.

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.

Provisional corrective ad valorem duties are charged on the import of lards from Colombia and Venezuela, as corrective measures applied by Peru within the framework of the Andean Community (CAN).

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% and 11% ¹⁴	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.

¹³In the case of Expedited Shipments (goods with an FOB value equivalent to US\$200 or up to a maximum of US\$2,000 per shipment, an ad valorem rate of 4% is charged.

¹⁴For Expedited Shipments, a rate of 4% ad valorem 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. Prohibited goods, on the other hand, cannot enter or leave the country.

In order for restricted goods to enter the country, the requirements to be met are established by the control units of the competent sector. Some of the entities and types of restricted goods are as follows:

- **National Superintendency of Customs and 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 (MTC)** for radio-electric transmitters in general and/or communications equipment.
- **Ministry of Foreign Affairs (MRE)** for texts and/or publications that include geographical-cartographical and historical material.

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 (CFD) 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 (CFD) 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.

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 eighteen -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 twelve -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, with the exception of Income Tax, which will expire on December 31, 2033.

► 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. 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.

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. At the present time, the Loreto CETICOS still lacks regulations and a specifically delineated area.

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 Martín, 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, Huánuco, Junín, Pasco, Puno, Huancaavelica, La Libertad, and Piura.

5 Legal Stability Agreements

The Agency for the Promotion of Private Investment (ProInversión) 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 years. The term of the agreement is ten years, except for those investors who have entered into a concession agreement. Investors in concessionaires or the concessionaires themselves, who have won the contract in concession processes, as established in Supreme Executive Order 059-96-PCM, may enter into these agreements, in which case their term shall last for the duration of the concession.

6 Mining Law

► Law 29789 - Special Mining Tax (IEM)

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 2.00% 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 N°	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%

(continues)

Special Mining Tax (IEM)			
Scale N°	Scale of Operating Margin		Marginal Rate
	Lower Limit	Upper Limit	
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 spanish), 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 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 N°	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.

Lastly, 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 engaged in the exploitation of metallic mining resources.

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 N°	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%

A vibrant rainbow arches across a blue sky with scattered clouds. Below the sky, a town with various buildings and lush green trees is visible. In the far distance, a range of mountains is silhouetted against the horizon. A thin yellow line runs diagonally across the upper portion of the image.

VI. Labor and Employment Law

1 Hiring System

a. For 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 warrants temporary hiring (for example, the start-up of a new business, specific projects or services, substitution, etc.) and the validity thereof is subject to compliance with the requisites 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.

b. For Foreign Workers

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.

As a general rule, foreign workers 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) Tax Units - UITs, or foreign workers who render services in the country by virtue of bilateral or multilateral conventions, among other exceptions.

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
Extraordinary Bonus	9% of the legal bonuses (valid until December 31, 2014)

- **Vacation Time:** 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.
- **Extraordinary Bonus - Law 29351:** The extraordinary bonus is a temporary income (in force until December 2014) which is not considered as remuneration, that the employer must pay its workers at the same time as the July and December bonuses. The amount is equivalent to 9% of the legal bonuses, or 6.75% if the worker is a member of a Healthcare Service Provider Company (EPS).
- **Comprehensive Annual Remuneration:** With workers who receive a monthly salary of at least S/.7,400, 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 in Section V.1 of this Guide 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.
- **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 (UIIC) 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:

- Cumplimiento de la condición resolutoria o vencimiento del plazo en los contratos a plazo fijo.
- By agreement between the workers 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 workers.
- Retirement of the workers.
- Justified dismissal, in which the cause must be related to the skill or conduct of the workers, 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 thirteenthths (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.

A photograph of the Pisac Citadel in Cusco, Peru, showing ancient stone walls and towers. A yellow diagonal line runs across the upper part of the image. The sky is cloudy.

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.

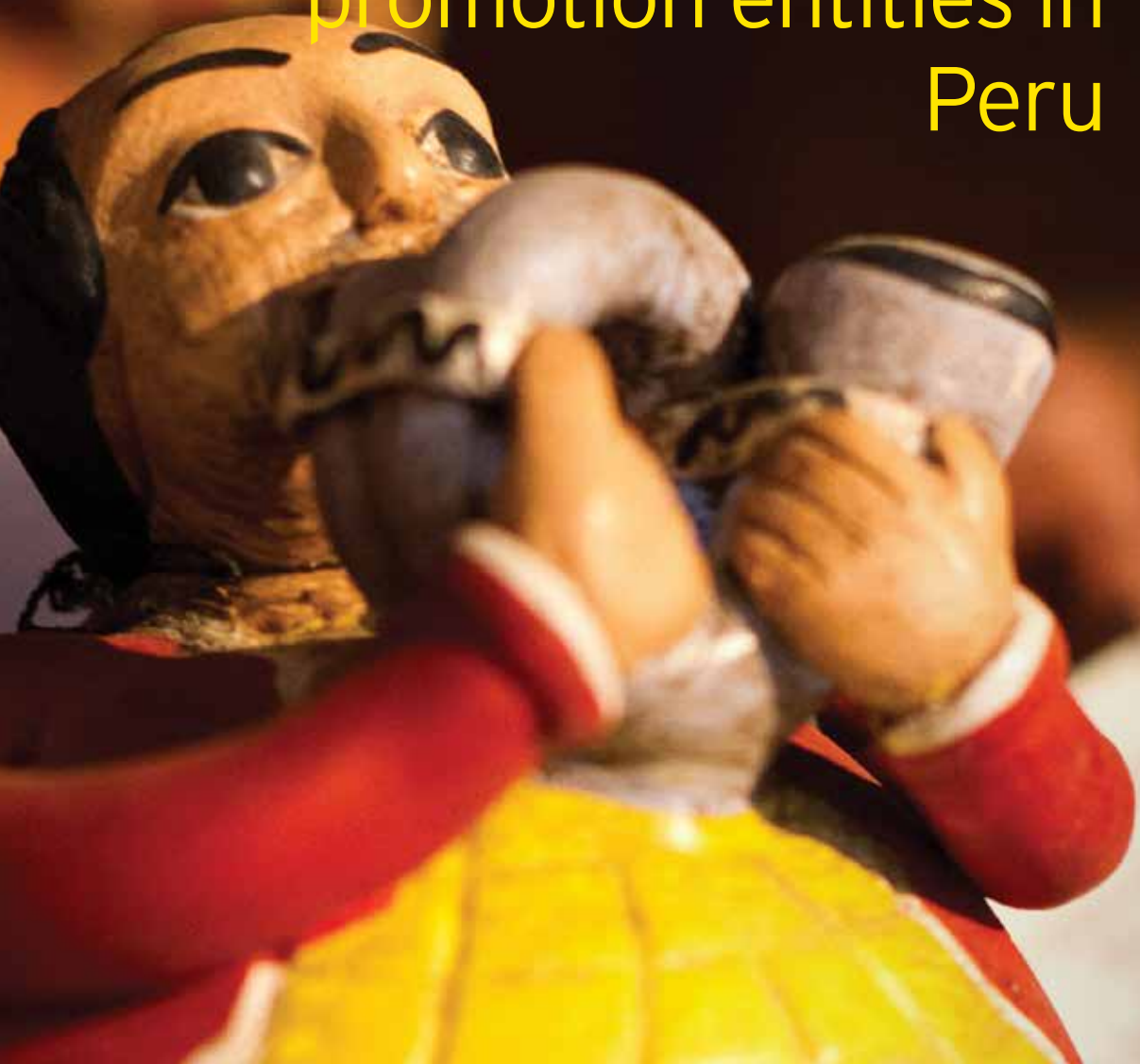
The annual financial information given by companies supervised by the SMV must be audited and include the previous year for comparative purposes. Quarterly reports do not need to be audited. The audit must be conducted according to regulations of the International Auditing and Assurance Board issued by the International Federation of Accountants (IFAC).

Companies with assets or revenues in excess of 30,000 Tax Units (UITs) (approximately US\$40 million) must submit their audited financial statements to the SMV, starting with those corresponding to 2012, prepared in accordance with the IFRS approved by the Peruvian Accounting Standards Board (CNC); and starting in 2013, in accordance with the IFRS approved by the International Accounting Standards Board (IASB). Companies with assets or annual revenues in excess of 15,000 UITs (approximately US\$20.3 million) shall also submit their audited financial statements, starting with those corresponding to 2013, under the IFRS approved by the IASB. Those companies with assets or revenues in excess of 3,000 UITs (approximately US\$4 million) shall submit their audited financial statements, starting with those corresponding to 2014, under the IFRS approved by the CNC; and starting with those corresponding to 2015, in accordance with the IFRS approved by the IASB. Branches of foreign companies are not included under this obligation.



Exhibits

Principal regulatory and promotion entities in Peru



Principal regulatory and promotion entities	Description
Central Reserve Bank of Peru - BCRP (Banco Central de Reserva del Perú - BCRP) Tel: +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) Tel: +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) Tel: +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) Tel: +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) Tel: +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).
Organismo Supervisor de la Inversión en Energía y Minería - OSINERGMIN Tel: +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) Tel: +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) Tel: +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 regulatory and promotion entities	Description
National Superintendency of Labor Auditing - SUNAFIL (Superintendencia Nacional de Fiscalización Laboral - SUNAFIL) For more information, visit: www.mintra.gob.pe	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.
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) Tel: +51 1 630 9000 www.sbs.gob.pe	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.
National Superintendency of Public Records Offices - SUNARP (Superintendencia Nacional de los Registros Públicos - SUNARP) Tel: +51 1 208 3100 www.sunarp.gob.pe	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.
National Superintendency of Sanitation Services - SUNASS (Superintendencia Nacional de Servicios de Saneamiento - SUNASS) Tel: +51 1 614 3180 www.sunass.gob.pe	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.
Stock Exchange Superintendency - SMV (Superintendencia del Mercado de Valores - SMV) Tel: +51 1 610 6300 www.smv.gob.pe	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.
National Superintendency of Tax Administration - SUNAT (Superintendencia Nacional de Administración Tributaria - SUNAT) Tel: +51 1 315 0730 / +51 1 0 801 12 100 www.sunat.gob.pe	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.
General Bureau of Environmental Health DIGESA) (Dirección General de Salud Ambiental - DIGESA) Tel: +51 1 442 8353 / +51 1 631 4430 www.digesa.minsa.gob.pe	DIGESA is the technical regulator on issues related to basic health, occupational health, food hygiene, zoonosis, and protection of the environment.
Environmental Assessment and Supervisory Board - OEFA (Organismo de Evaluación y Fiscalización Ambiental - OEFA) Tel: +51 1 717 6079 www.oefa.gob.pe	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.

Economic promotion institutions



1 Ministry of Foreign Affairs: Executive Office for Economic Promotion MRE - 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 Promoción del Comercio - PCO)

- Diffusion of business opportunities
- Diffusion 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 Promoción de las Inversiones - PIN)

- Participation in the negotiation of Foreign Investment Promotion Agreements
- Diffusion 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
- Diffusion of specialized information on foreign investment
- Support in the identification of investment possibilities and strategic alliances
- Diffusion of tenders and international bidding processes called by public and private Peruvian entities

Tourism Promotion Services - PTU (Servicios de Promoción del Turismo - PTU)

- Diffusion of tourism offer
- Support for culinary events
- Diffusion of tourism materials
- Support for tourism promotion fairs abroad
- Support for agendas involved in the promotion of tourism
- Promotion and negotiation of tourism agreements
- Diffusion of tourism information obtained by our missions

► **Contacts:**

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Bureau of Economic Promotion

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+51 1 204 3369 (PCO) / +51 1 204 3385 (PIN)

+51 1 204 3392 (PTU)

► Fax: +51 1 204 3362

► E-mail: dpe@rree.gob.pe

► Website: www.rree.gob.pe

(This website contains the list of Decentralized Offices in Tumbes, Piura, Iquitos, Arequipa, Cusco, Puno, and Tacna)

2 Ministry of Foreign Trade and Tourism – MINCETUR and PromPerú

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.

► Contacts:

- Magali Silva
Minister
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Web: www.mincetur.gob.pe

PromPerú

PromPerú 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 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 among Peruvians.
- Manage and channel international financial and technical cooperation for the promotion of tourism in Peru.

► Contacts:

- Address:
 - Office for Exports and General Secretariat: Av. República de Panamá 3647, San Isidro - Lima, Perú
 - Tourism Office: Calle Uno Oeste 50, Edificio Mincetur, Pisos 13 y 14, San Isidro - Lima, Perú
- Tel: +51 1 616 7400 (Office for Exports and General Secretariat)
+51 1 616 7300 (Tourism Office)
+51 1 616 7300 / +51 1 616 7400
- E-mail: 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 (PromPerú) with the support of the Ministry of Foreign Affairs (MRE) and ProInversión. 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 - ProInversión

ProInversión 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.

In turn, its vision is to be recognized by investors and the population as an "efficient and strategic ally in the development of investment in Peru".

ProInversión 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.

ProInversión 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:**

► Javier Illescas Mucha
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Website: www.proinversion.gob.pe

► **Decentralized Offices:**

- Arequipa: Pasaje Belén N° 113 - Vallecito, Arequipa
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Fax: +51 54 608 115

- Piura: Av. Chirichigno Mz. A - Lote 2, Urb. San Eduardo, Piura
Tel / Fax: +51 73 310 081 / +51 73 309 148 / +51 73 305 082

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.

► **Contacts:**

► Eduardo Ferreyros
General Manager
Address: Calle Bartolomé Herrera 254, Miraflores, Lima 18
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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.

► **Contacts:**

► Alfonso García Miró Peschiera
 President
 Address: Av. Víctor Andrés Belaúnde 147, Edificio Real Tres, Of. 401 San Isidro, Lima - Perú
 Tel: +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.

► **Contacts:**

► Address: Las Camelias 820 Of. 601 San Isidro, Lima 27
 ► Tel: +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 2014, inPERU plans to undertake a road show promoting Peru in New York City. Towards the middle of the same year, a second tour is planned to Asia; and near the end of 2014, a third to London and Paris.

► Contacts:

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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 10,000 member companies, including the Chamber of Commerce, Production, and Services (Perucamaras) which, in turn, groups together the country's 63 chambers and associations.

► **Contacts:**

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President

► José Rosas Bernedo
General Manager

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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.

► **Contacts:**

► Luis Salazar Steiger
President

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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.

► **Contacts:**

► Eduardo Amorrortu Velayos
President

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Tel: +51 1 618 3333
Website: www.adexperu.org.pe

11 National Institute of Statistics and Information - 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.

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A photograph of the Machu Picchu Citadel in Peru, showing the intricate stone masonry and terraced architecture of the ancient Inca city. The ruins are set against a backdrop of steep, green mountains.

Services of EY for Businesses and Investment in Peru

EY 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/es/home>

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Main Services

Advisory (<http://advisory.eyperu.com>)



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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)



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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.



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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



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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



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<p>Nicaragua</p> <p>► Managua</p> <p>Embassy Hospital Militar 1 cuadra al Lago, 2 cuerdas abajo, Casa N° 325, Barrio Bolonia, Managua, Nicaragua. Casilla Postal: 211 T: +505 2 266 6757 / +505 2 266 8678 F: +505 2 266 8679 E: Embassyperunic@gmail.com seconsular.peru@gmail.com W: www.peruennicaragua.com.ni</p>	<p>Panama</p> <p>► Panama</p> <p>Embassy Calle 53 Marbella, Edificio "World Trade Center", Piso 12, Oficina 1203, Apartado Postal 4516, Zona 5 - Panama. T: +507 269 9053 / +507 263 8901 F: +507 269 6809 / +507 215 2234 E: embaperu@cableonda.net</p>
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<p>► Bangkok</p> <p>Embassy Glas Haus Building, 16 th. Floor, 1 Sukhumvit 25 Road, Wattana, 29 10110, Thailand. T: +66 2 260 6243 / +66 2 260 6245 +66 2 260 6248 F: +66 2 260 6244 E: info@peruthai.or.th W: www.peruthai.th.com</p>	<p>► Taipei</p> <p>Oficina Suite 2411, International, Trade Building, 333 Keelung RD. Section 1, Taipei 110, Taiwan. T: +886 2 2757 7017 F: +886 2 2757 6480 E: postmaster@peru.org.tw W: www.peru.org.tw</p>
Turkey	Uruguay
<p>► Ankara</p> <p>Embassy Resit Galip Caddesi, 70/1, 06700, Gaziosmanpasa, Ankara, Turkey. T: +90 312 447 4026 / +90 312 448 1436 F: +90 312 447 4026 E: peruankara@gmail.com</p>	<p>► Montevideo</p> <p>Embassy Obligado 1384, Montevideo C.P. 11300, Uruguay. T: +598 2 707 1420 / +598 2 707 2834 +598 2 707 2834 F: +598 2 707 7793 E: embamontevideo@embaperu.org.uy</p>
Venezuela	
<p>► Caracas</p> <p>Embassy Av. San Juan Bosco con 2da. Transversal, Edificio San Juan, Piso 5, Altamira, Caracas, (Zona Postal 1060). T: +58 212 264 1420 / +58 212 264 1483 F: +58 212 265 7592 E: embaperu-caracas@rree.gob.pe</p>	<p>► Puerto Ordaz</p> <p>Consulate General Calle Roraima con esquina de calle Aguila, Mz. 4, casa N° 20, Urbanización Roraima, Alta Vista Sur, Puerto Ordaz, State of Bolívar, Bolivarian Republic of Venezuela. T: +58 286 961 4945 / +58 286 961 6225 F: +58 286 962 3865 E: copordaz@cantv.net</p>
Vietnam	
<p>► Hanoi</p> <p>Sofiel Plaza Hanói, 1 Than Nien Rd. Ba Dinh District, Hanoi, Vietnam. Office 921. T: +84 04 3823 8888 E: embaperu-hanoi@rree.gob.pe</p>	

A photograph of three vicuñas in a natural, hilly landscape. One vicuña is in the foreground, looking directly at the camera. Two other vicuñas are behind it, one to the left and one to the right, both looking away. The text 'Directory of principal Chambers of Commerce' is overlaid in yellow on the upper part of the image.

Directory of principal Chambers of Commerce

Peruvian - American Chamber of Commerce - AmCham

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Aldo Defilippi

Executive Director

Peruvian - Brazilian Binational Chamber of Commerce and Integration - Capebras

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Website: www.capebras.org

Miguel Vega Alvear

President

Spanish Chamber of Commerce in Peru

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Ignacio Baena

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Peruvian - Chilean Chamber of Commerce

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Juan Carlos Fisher

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Canadian - Peruvian Chamber of Commerce

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José Tudela

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Peruvian - Ecuadorian Chamber of Commerce and Integration - Capecua

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Bernd Schmidt

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Vilma Schenone Dulanto
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Carlos Lazarte
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