

Peru's Business & Investment guide

2013 / 2014

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Ministerio de Relaciones Exteriores



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Foreword

Peru is one of the most important countries in Latin America. Some of its diverse characteristics include a variety of climates, a large territorial extension, important 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 market, with an important, recent history of economic stability, based on an uninterrupted average annual growth over the past 13 years of 6% of its Gross Domestic Product (GDP) as well as a people who stand out for their productivity and entrepreneurship. These reasons make Peru an excellent destination for foreign investment.

This guide for business and investment is a tool for foreign investors, providing key information on the country's current economic situation and on the principal tax, legal and labor issues and on incorporating businesses in Peru, as well as 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 the investor.

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Words from the President of Peru



Ollanta Humala Tasso
President of the
Republic of Peru

Dear friends,

Over the past several years, thanks to its strong economic dynamism, Peru has awoken the world's attention to its efficient management of the economy, including during times of crisis, earning the recognition of international private and governmental organizations and agencies and, principally, an increasing number of foreign investors.

The people of Peru, through great effort and sacrifice, have attained this important achievement. As a result, and in its search for justice and equity for the large majority of Peruvians, my government considers it indispensable to maintain the current context favorable to investment, based on compliance with the law, as the best guarantee to secure growth and foster social inclusion. We have said it from the beginning, we are the government of a country that is serious and fulfills its commitments.

The Peru of growth and social inclusion to which we aspire, modern and developed, will be built principally on the foundation of national effort, but it requires an appropriate international insertion in terms of investment, market access, integration and cooperation, from the perspective of strengthening the country's competitiveness and creating greater employment opportunities. We are certain that the close relationship between the public and private sectors will contribute to the attainment of these goals.

Welcome to Peru.

A handwritten signature in black ink, appearing to be the signature of Ollanta Humala Tasso. The signature is stylized and somewhat abstract, with several loops and lines.

Investment opportunities



Jorge Medina Méndez
Country Managing Partner
Ernst & Young Peru

Globalization is one of the distinguishing features of our times and large corporations seek to benefit from the opportunities in the economic boom of emerging countries such as Peru.

Nowadays, global companies require a full understanding of our markets, and the fiscal and regulatory environment in order to achieve dexterity and to share the benefits of growth and innovation. At the same time, emerging countries are competing amongst each other to be more attractive to local and foreign investment.

This Business and Investment Guide is Ernst & Young's contribution to the promotion, development and attraction of investment to Peru, by promoting the environment, economic situation and advantages that our country offers to the globalized world. The multidisciplinary teams at Ernst & Young help assess opportunities, boost competitiveness, ensure income, control costs and improve the results of transactions, contributing to the success of enterprises in Peru.

We would like to thank the Ministry of Foreign Affairs and ProInversión for the important technical contribution and valuable collaboration in assembling the data in order to produce this source of information.

We invite you to read our Business & Investment Guide to Peru, a friendly and welcoming country full of great opportunities.

Peru: a time for growth and challenges



**Paulo Pantigoso
Velloso da Silveira**
Advisory Leader
Ernst & Young Peru

Since the start of this millennium, Peru as of 2012 has achieved an impressive accumulated growth of 123% of its GDP, together with an accumulated inflation in the same period of only 34%; the best indices of their kind throughout Latin America. Poverty, measured in monetary terms, has been reduced by half in recent years, incorporating more Peruvians to improved standards of living and a better future. Today, Peru is a true economic miracle that, after 20 years and from a past of hyperinflation and terrorism, has opened the way to one of the best standards of stability, respect and promotion for investment in the region. This goes hand in hand with stronger national pride based on the knowledge that we can continue conquering more achievements together as a community, based on our own efforts, and on the rich historical legacy that plays an influential part in the burgeoning awareness of what is Peruvian, which can be seen for example in Peru's gastronomy and what the country has to offer in tourism. It is a fact that our entrepreneurship, as well as our use and transformation of rich resources, is decidedly changing our cities, our way of life and connecting everything to a new Peru.

This growth brings its own challenges of sustainability and, subsequently, the growth of productivity based on improving the quality of education and infrastructure, and carrying out necessary reforms. In fact, with per capita GDP measured in purchasing power parity, or "PPP", estimated at close to US\$11,200 for 2013, in the very short term Peru will be crossing a development threshold when it must avoid becoming one more nation caught in the Middle Income Trap. This is a risk when GDP per capita growth slows down considerably after a period of rapid growth (generally when the "PPP" reaches between US\$10,000 and US\$15,000), a situation attributed perhaps to complacency when relative success is achieved and the necessary and continuing reforms stagnate.

Peru: a time for growth and challenges

Thus, some of the challenges and opportunities that Peru sees as priorities to maintain the economic stability that it has achieved so far, include the concrete challenges of breaking poverty and extreme poverty, giving privileged status to investment in technological innovation, improving the quality of education, encouraging private investment and investment in infrastructure, positioning itself as the regional hub for international trade through the use of its strategic trade treaties with the world's leading economies, sustaining a strong domestic demand, consolidating its position as a world reference in gastronomy and tourism, improving the management of public health and of the environment, fostering an efficient and committed public administration, the timely solution to social conflicts, confronting corruption, fostering social inclusion, the fight against drug traffic, and bringing an end to the remnants of terrorism.

Peru is experiencing rapid growth and with it, new and greater opportunities of doing business are being created. Ernst & Young, through this Business and Investment Guide, wishes to give back to Peru as a recognition of our own growth by providing you with recent data on the country's outstanding performance as well as important technical information as a basis for doing business in Peru. We invite you to read the enclosed information and we are at your service for any assistance you may require.

I. Background information



1 Government

Peru is a constitutional democratic Republic with a multi-party system. Under the current constitution of 1993, the President, who is the Head of State and Government, is elected for a five-year period and cannot run for an 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 branch, and they become law after being passed through Congress and enacted by the President. The Judiciary is an independent institution.

The Peruvian government is directly elected and voting is compulsory for all citizens aged 18 to 70. In the recent democratic election of 2011, President Ollanta Humala was elected President of the Republic. Peru has some of the best macroeconomic indicators of the region with an expected Gross Domestic Product (GDP) growth rate that is well above the Latin American average.

Country overview

Type of government

- Constitutional republic

Legal system

- Based on civil law

Executive branch

- Head of state and government: President Ollanta Humala (since July 2011)
- Elections: every five years by popular vote (consecutive re-election not permitted). Next elections: April 2016
- Cabinet: the Council 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

- Judges are appointed by the National Judge Selection and Evaluation Council

International relations

- Peru has numerous economic cooperation agreements and free trade treaties with several countries (see Section I.10)
- 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 became a member of the Asia Pacific Economic Cooperation (APEC) and has hosted the APEC and the EU-LAC summits in 2008, and the Arab-South American Summit (ASPA) in 2012
- Peru will host the World Economic Forum for Latin America April 23-25, 2013; the Annual Assembly of the National Bank and the International Monetary Fund in 2015; and the APEC Summit in 2016

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

2 Geography

Peru is located on the central west 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:

- ▶ The Coast is a narrow desert strip with a maritime coastline 3,080 km long. Although it accounts for only 10.7% of Peru's territory, it is home to approximately 19.5 million inhabitants. Lima, the political and financial capital of the country, is located in this region.
- ▶ The Highlands, or Sierra, along the Andean Mountain range, covers 31.8% of the territory and is home to 8.4 million inhabitants. This region contains the country's major mineral deposits.
- ▶ The Amazon Rainforest or Selva is the largest region and occupies 57.5% of the country's territory, rich in petroleum and forestry resources. There are approximately 2.9 million inhabitants in this area.

Peru



Population

30.8 million
Urban: 77.6%
Rural: 22.4%

Area

1,285,215.60 km²



Currency*

Nuevo Sol (S/.)
S/.1 = US\$ 0.388
US\$1 = S/. 2.572



Principal languages

Spanish / Quechua / Aymara



Religion

Freedom of religion
Mostly Roman Catholic



Climate

Varies from tropical in the Amazon region to dry on the Coast temperate to very cold in the Highlands



Natural resources

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



* Interbanking exchange rate as of December 11, 2012

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

3 Population

Peru's estimated population for 2013 is approximately 30.8 million (30.1 million in 2012) of which around 9.5 million (approximately 9.395 million in 2012 about 30%) live in Lima. The labor force is estimated to be about 21.3 million people.

The main religion is Roman Catholic and the principal languages are Spanish and Quechua. The Aymara language is also spoken, predominantly in the southern region of the Andes, and there are also several other indigenous languages, mainly in the Amazon Rainforest area. Regarding the literacy rate, by 2015 around 94.3% of Peruvians over the age of 15 are expected to be able to read and write.

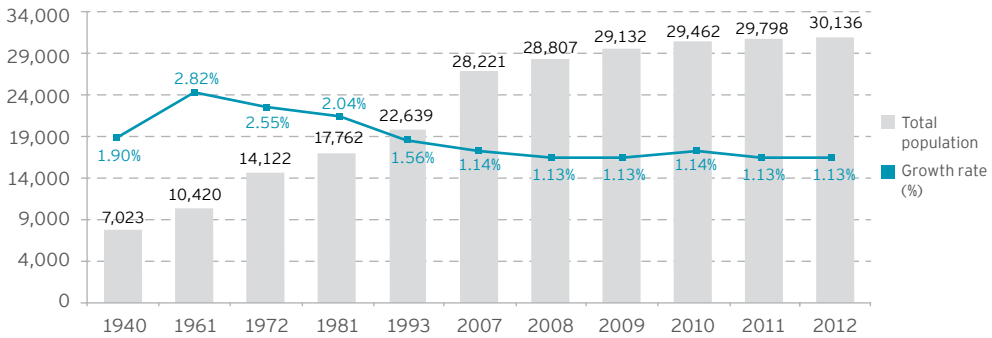
Population overview

Population
<ul style="list-style-type: none"> ▶ 30.8 million (estimate for 2013) ▶ 77.6% lives in urban areas (estimate for 2013)
Age range
<ul style="list-style-type: none"> ▶ 0 - 14 years: 29.9% ▶ 15 - 64 years: 64.1% ▶ 65 years and older: 6.0%
Growth rate
▶ 1.12% (estimate for 2013)
Birth rate
▶ 19.4 births / 1,000 population
Death rate
▶ 5.5 deaths / 1,000 population
Gender ratio
▶ At birth: 1.046 male / female
Life expectancy at birth
▶ 74.1 years (estimate for 2010-2015)

Sources: INEI / Cepal - Statistics Yearbook for Latin American and the Caribbean / Apoyo

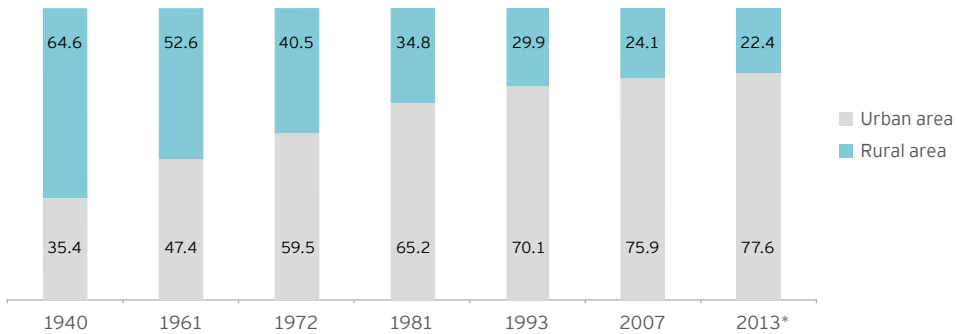
In the past four years, the growth rate of the population has averaged 1.13% per year. In the last census in 2007, the population living in urban areas reached 75.9% while the population in rural areas was 24.1%. For 2013, the population in urban areas is expected to reach 77.6%, and the population in rural areas to be 22.4%.

Total population and average annual growth rate



Source: INEI

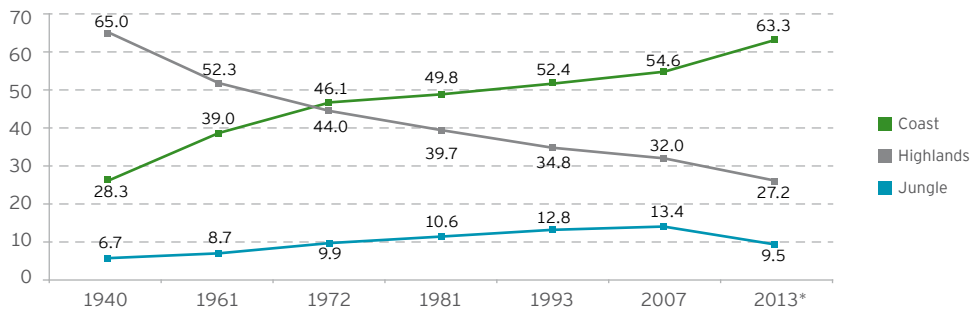
Population census per area of residence %



*Estimated
Source: INEI

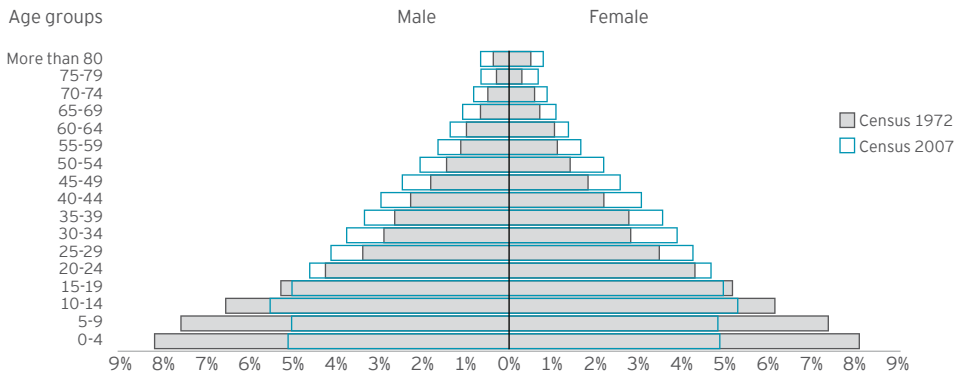
Meanwhile, in 2007 the female population was 0.60% greater than the male one. The population on the Coast was 54.6%; the population in the Andean highlands was 32.0%, and 13.4% in the Amazon Rainforest.

Evolution of the population taken in the census by natural region



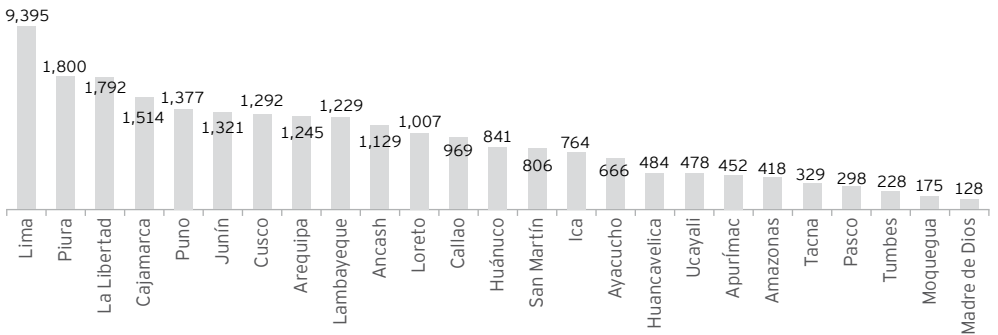
*Estimated
Sources: INEI / Ernst & Young

Pyramid of census population (1972 and 2007)



Source: INEI

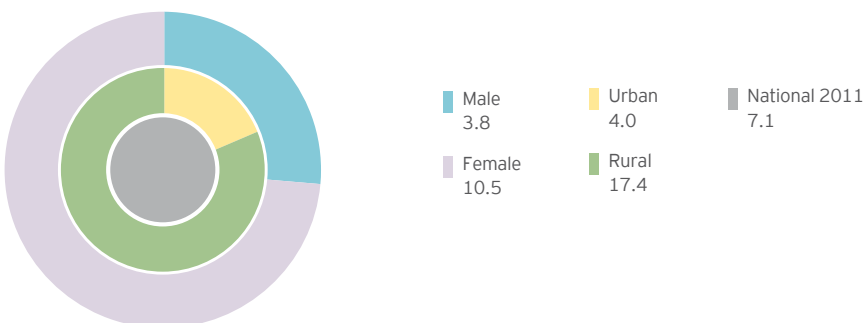
Population forecast per department in thousands (2012)



Source: INEI

With regard to the percentages of the population by regions, the three most heavily populated departments in the country are on the Coast: Lima, Piura and La Libertad, followed by Cajamarca, Junín, Puno, Cusco and Arequipa. Meanwhile, the percentage of the rural illiterate population older than the age of 15 was 17.4%, while the percentage in urban areas was 4.0%. Of the total population, 3.8% of men older than 15 years were illiterate in 2011, and 10.5% of women above the age of 15 did not know how to read or write.

Illiteracy rate of the population over 15 years of age and older by gender and area of residence (2011)



Source: INEI

4 Currency

The Peruvian official currency is the Nuevo Sol (S/.). The country has a free floating exchange rate system in which the government intervenes occasionally for stabilization purposes. On December 14, 2012, the weighted average exchange rate to buy one US\$ Dollar was at S/.2.563 and for sale at S/.2.564, according to the Superintendency of Banking and Insurance. Parallel market exchange rates are very similar.

According to estimates at the end of 2012, the Nuevo Sol is one of the world's least volatile currencies, and has proven to be strong given the fluctuations of the world's markets and foreign exchange. The Central Reserve Bank of Peru (BCRP) establishes monetary measures for stimulus and control of liquidity. There are no restrictions or limitations to either the number of bank accounts held in foreign currency or to the remittance of funds abroad by individuals or legal entities.

5 Economy

Gross Domestic Product (GDP)	US\$217.0 billion (estimate for 2013)
Per Capita GDP	US\$7,534 (estimate for 2013)
Purchasing Power Parity / PPP	US\$11,223 (estimate for 2013)
Net International Reserves	US\$64,152 million (as of December 18, 2012)
Foreign debt	US\$23.1 billion (2012)
Public debt	US\$25.1 billion (2012)
Investment	26.8% of GDP (2011)
Unemployment rate	7.6% (2012)
Population living below the poverty line	26.5% of GDP (estimate for 2012); 27.5% of GDP (estimate for 2013) and 28.1% of GDP (estimate for 2014)
Minimum Living Wage	S/.750 (at November 30, estimated for 2012, approximately US\$293)
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 banana, 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: BCRP / Apoyo Consultoría / Ministry of Economy and Finance (MEF)

With a population of 30.8 million (estimate for 2013) Peru also has rich deposits of copper, silver, gold, lead, zinc, natural gas, petroleum and urea. Due to the climate variations in its regions, and its natural and cultural resources, it is world 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 large maritime territory has always traditionally provided 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 - 2008, and in 2011, to invest in infrastructure, pay part of the public debt, and increase assets.

Peru has achieved important progress in its macroeconomic performance in recent years, with very dynamic GDP growth rates, stable currency exchange rates, and low inflation. In fact, in the past decade, the Peruvian economy has had the lowest annual average inflation rate in Latin America, at 2.8%, followed by Chile (3.2%), Colombia (4.9%) and Brazil (6.4%). The country's impressive annual growth rate of approximately 6.3% of GDP, in 2012, gives the country the privileged ranking of one of the fastest growing economies in the region, achieving an accumulated annual average growth of approximately 6.4% constantly over the past 13 years. This dynamism has been triggered by the rise in world commodity prices, market policies that are beneficial to investors, and aggressive free market strategies. Over the past decade, Peru's GDP 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 15% in the past few years, to around 26.5% 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, frameworks of sensible policies, and prudent macroeconomic policies, all of which allows it to enjoy sustained growth and reduced vulnerability.

The recent boost of economic growth in the country has much to do with the monetary and fiscal policies applied over the past two decades, having reduced the debt level (from 32.3% of GDP in 2006 to 19.5% for 2012) and existing constant fiscal surpluses: 2.0% in 2012 and official estimates for December 2012 at 1.1% and 1.1% of GDP, each for 2013 and 2014. All of this has been achieved hand in hand with the liberalization of the market in goods and labor, opening up trade through multiple and recent foreign trade agreements and direct foreign investment, and maximizing the revenues resulting from the rich natural resources. Peru is also reaping the benefits from the advantages of the increasing size of its market and of domestic consumption, and the development of its financial sector, which can be seen, for example, in the increase of private consumption by an estimated 5.8% in 2012 (9.9% growth in only the third trimester of 2012, and estimates of 5.7% and 5.7% for 2013 and 2014). Also, as of the December 18, 2012, net international reserves were approximately 32.7% of the estimated GDP at that date.

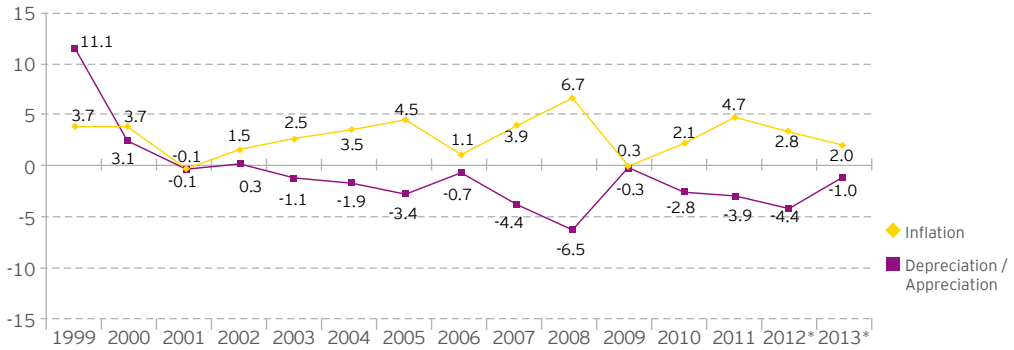
The Peruvian economy for 2012 is expected to be the second in highest growth in Latin America and the first in South America, with a growth rate of 6.3% of GDP. This is due principally to the stimulus in private consumption (5.8%) and domestic demand (7.3%), improved employment indicators and increased credit. At the same time, the growth of Private Fixed Investment in 2012 is expected to be 14.7% (8.2% for 2013 and 2014), while the growth of public investment is expected to be 29.2%.

Peru has signed a number of free trade agreements (FTAs) with the United States, China, Thailand, the European Union, South Korea, Japan, Canada, Mexico, Singapore and with the European Free Trade Association (EFTA) which is formed by Switzerland, Iceland, Liechtenstein and Norway. Lastly, Peru has initiated trade negotiations relating to the Trans-Pacific Association Agreement, which includes Chile, the United States, Singapore, Australia and New Zealand among its members. It has also signed the Framework Agreement on Economic, Commercial, Investment and Technical Cooperation with the Member States of the Cooperation Council for the Arab States of the Gulf, which includes Saudi Arabia, Bahrain, Kuwait, Qatar, Oman and the United Arab Emirates. The Free Trade Agreement with the United States came into effect on February 1, 2009, allowing greater trade and investment between both countries. Likewise, the Free Trade Agreement with China became effective on 2010. By December 31, 2011 and for the first time ever, China became Peru's principal trading partner, which has continued during 2012.

More recently, the Free Trade Agreement with Japan came into force on March 1, 2012. Peru's main exports are gold, copper, silver, zinc, lead, hydrocarbons, agricultural products, textiles and fishmeal, and its principal trading partners are China, the United States, Brazil, Chile, Ecuador, Argentina, South Korea, Japan, Canada, Germany, Spain, Mexico and Italy.

Depreciation and Inflation

The estimated annual inflation rate for 2012 is 2.8% (a real rate of 4.7% in 2011). The estimated annual appreciation rate of the Nuevo Sol against the United States Dollar in 2012 is 4.4% (against the real rate in 2011 of 3.9%).



*Estimated
Source: BCRP

By 2013, inflation is expected to be within the target range proposed by the Central Reserve Bank of Peru (BCRP) at 2.0% with a margin of tolerance of minus or plus one percentile point. Meanwhile, as of December 14, 2012, the average interbank interest rate in domestic currency, fixed by the Central Reserve Bank of Peru (BCRP) was at 4.25%, while the preferential corporate rate was 5.06%.

Peru's principal economic activities












Peru's main economic activities include agriculture, fisheries, mining, the exploitation of petroleum and gas, and manufacturing, of which one of the most important is textiles.

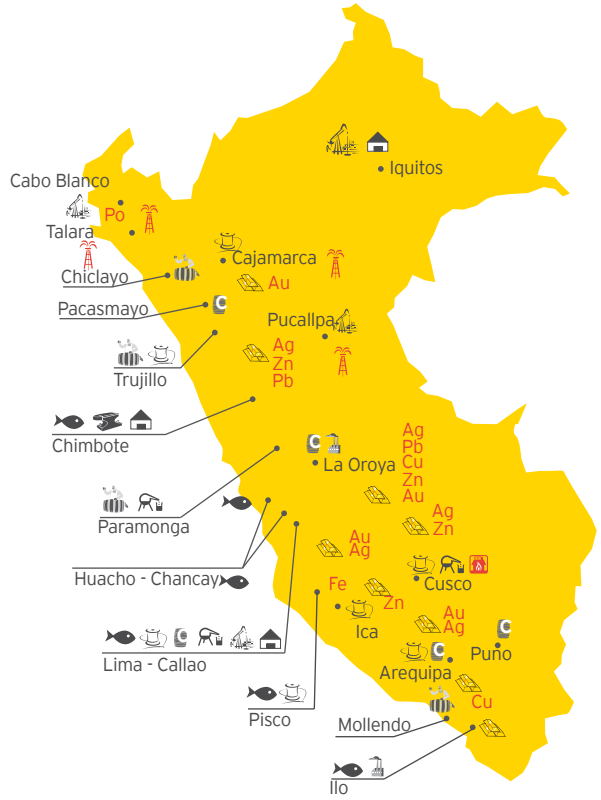
The sharply contrasting geographical areas of Peru make it a particularly diverse country, with a large variety of ecosystems and, therefore, flora and fauna.

In 2011, Peru ranked as the world's top producer of fishmeal (US\$1,195 million exported to July 2012), fresh asparagus (US\$149 million exported to July 2012), paprika and organic banana; the world's second producer of artichokes (US\$38 million exported to July 2012) and organic cacao (US\$38 million exported at July 2012); sixth world producer of coffee (US\$359 million exported to July 2012); and seventh producer of avocado (US\$133 million exported to July 2012). In mining, and according to the Mineral Commodity Summaries Publication of the U.S. Department of the Interior, during 2011 Peru ranked second in world silver production, zinc and copper; fourth in lead and sixth in gold, besides having large deposits of iron ore, phosphates, tin, 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 more recent industries in Peru, and with great potential, is forestry (principally cedar, oak and mahogany). Meanwhile, mango exports in 2011 increased by 29% over the previous year, and as of July 2012, had risen to US\$94 million in exports, becoming one of the fastest growing agricultural export products. In the case of avocados, in 2011 it ranked second in Peruvian agro-exports, having increased its annual production in 2011, by 93%. Artichoke exports have increased by 60% in the past two years, ranking as the fifth product among non-traditional exports, with the United States and Europe as the destinations for 95.6% of the shipments.

The following map shows the principal industries in the different regions of Peru.

-  Petroleum
- Au** Gold
- Ag** Silver
- Cu** Copper
-  Natural gas
- Zn** Zinc
- Pb** Lead
- Fe** Iron
- Po** Phosphate
-  Sugar refinery
-  Fishmeal plant
-  Textile industry
-  Cement plant
-  Chemicals plant
-  Oil refinery
-  Metals industry
-  Foundry
-  Metal-mechanics plant

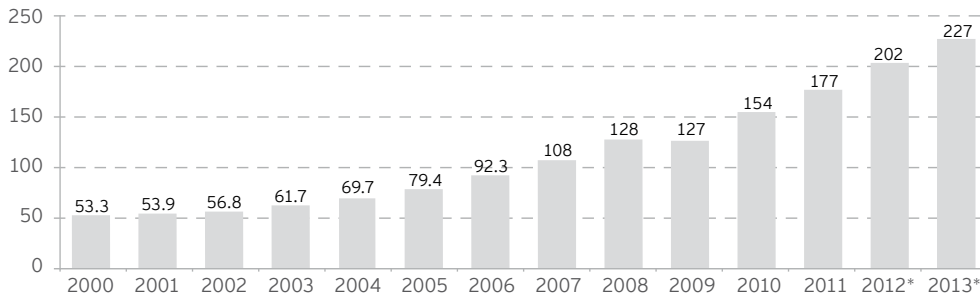


Source: University of Texas – Perry Castañeda Library Map Collection

Gross Domestic Product (GDP) / Trade Balance

The Gross Domestic Product (GDP) estimated for 2012 is US\$202.1 billion. As of December 2012, the total FOB exports will reach approximately US\$45,810 million, while imports will reach approximately US\$41,375 million. The principal exports were from the non-metallic mining, metal mechanics and textiles industries.

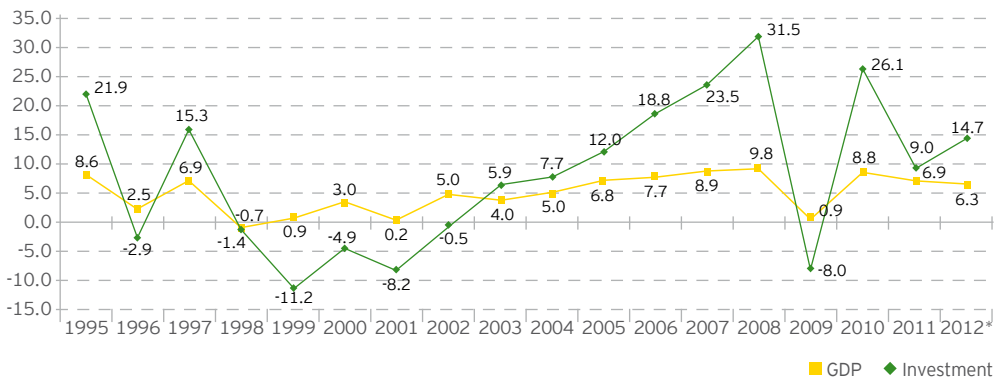
Real GDP of Peru (in US\$ Billions)



*Estimated

Sources: BCRP / Apoyo Consultoría / MEF

GDP and Investment (percentage of annual variation)



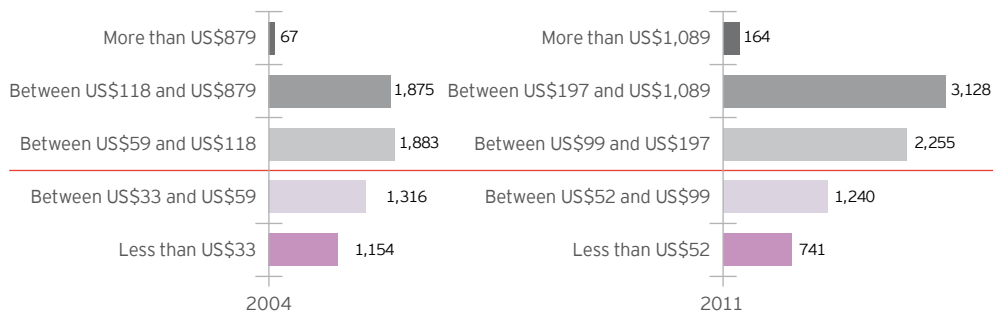
*Estimated

Sources: National Institute of Statistics and Informatics (INEI) / Ministry of Economy and Finance (MEF) / BCRP

Considering the importance of mining as an industry representative of approximately 59% of Peru's annual exports (2011) and of only 4.7% of its GDP (2011), it is estimated that the eventual change of its weight assigned to the future determination of the GDP to 14.4% will approach the annual GDP growth to +3%.

As an example of this, the new GDP annual growth determination as approximately 6% calculated on actual basis would ascend to 9%.

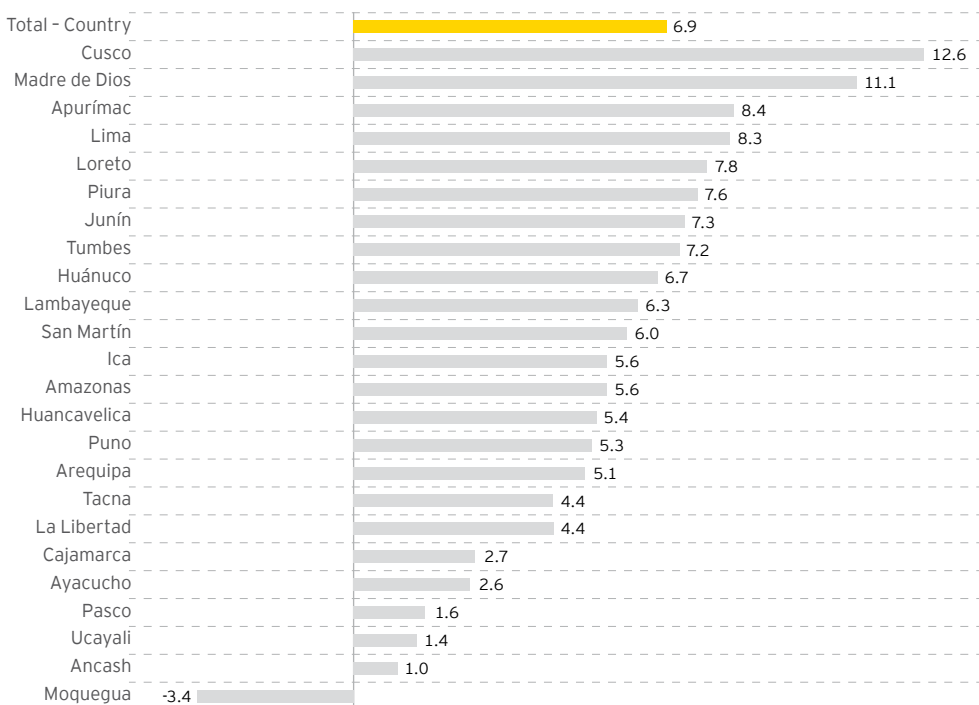
Monthly income per capita by number of households (in thousand households)



■ Poverty threshold

Source: MEF

Annual variation of GDP by department (2011)



Source: INEI

GDP by economic sector

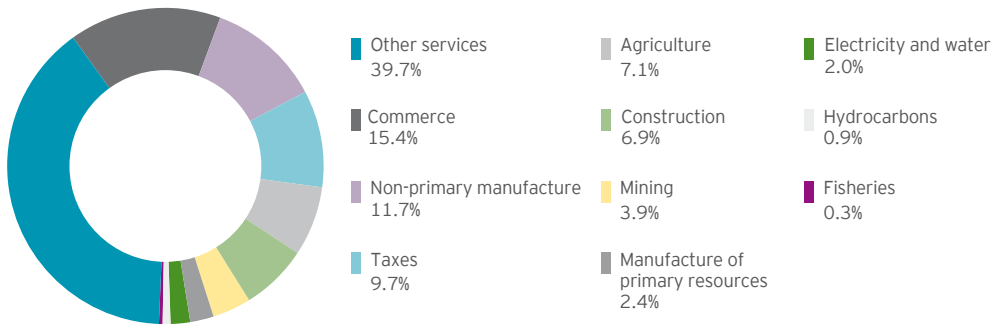
Annual variation in %

	2008	2009	2010	2011	2012*	2013*	2014*
Agriculture and livestock	7.2	2.3	2.7	3.8	4.5	4.3	4.2
Agriculture	7.4	0.9	1.4	3.5	n.a.	n.a.	n.a.
Livestock	6.0	4.4	4.2	4.2	n.a.	n.a.	n.a.
Fisheries	6.3	-7.9	0.3	29.7	-9.5	2.6	1.1
Mining and hydrocarbons	7.6	0.6	2.8	-0.2	1.9	7.1	12.6
Mining	7.3	-1.4	-0.7	-1.1	1.8	6.4	12.9
Hydrocarbons	10.3	16.1	28.4	19.7	2.3	9.4	11.3
Manufacturing	9.1	-7.2	6.5	7.7	1.5	5.6	6.0
Processed raw materials	7.6	0.0	2.7	12.3	-6.0	4.9	3.9
Non-primary manufacturing	8.9	-8.5	7.3	4.4	2.9	5.8	6.4
Electricity and water	7.7	1.2	4.9	7.4	5.5	5.9	6.5
Construction	16.5	6.1	12.5	3.4	16.0	9.6	8.2
Commerce	13.0	-0.4	5.1	8.8	6.7	5.8	5.9
Other services	9.1	3.1	5.4	8.3	7.2	6.3	5.9
GDP	9.8	0.9	8.8	6.9	6.3	6.2	6.3

*Estimated

Sources: BCRP / INEI / MEF (Multi-annual Macroeconomic Framework)

Peru GDP by industry in % (2012)



*Estimated

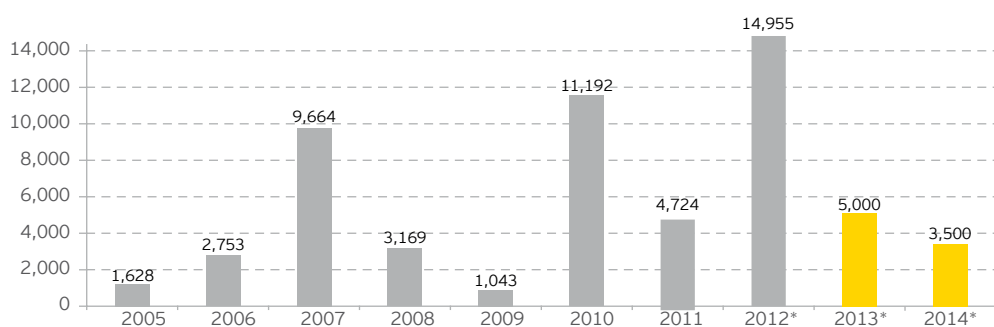
Source: Apoyo

GDP by expenditure in %

Variables	2008	2009	2010	2011	2012	2013	2014
Gross Domestic Product (GDP)	9.8	0.9	8.8	6.9	6.3	6.2	6.3
Imports	26.2	-16.0	29.3	9.8	11.2	7.5	8.9
Internal demand	13.2	-2.3	13.7	7.2	7.5	6.3	6.3
a. Private consumption	8.7	2.4	6.3	6.4	5.8	5.7	5.7
b. Public consumption	2.1	16.5	7.9	4.8	7.6	7.6	6.2
Fixed Gross Investment	31.5	-8.0	26.1	24.1	26.8	27.5	28.1
▸ Private	31.3	-14.9	28.6	11.7	14.7	8.2	8.2
▸ Public	32.4	31.2	16.8	-17.8	23.4	15.2	11.7
Exports	9.9	-2.9	4.8	8.8	5.5	7.7	9.1

Source: INEI

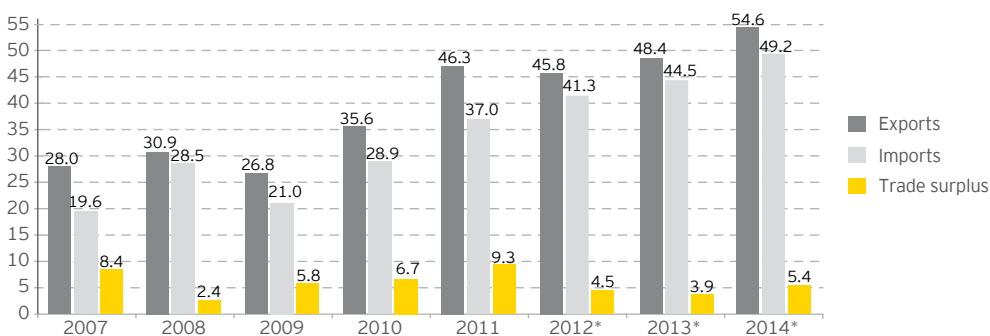
Balance of payments (in US\$ million)



*Estimated

Source: BCRP

Trade balance (in US\$ billion)

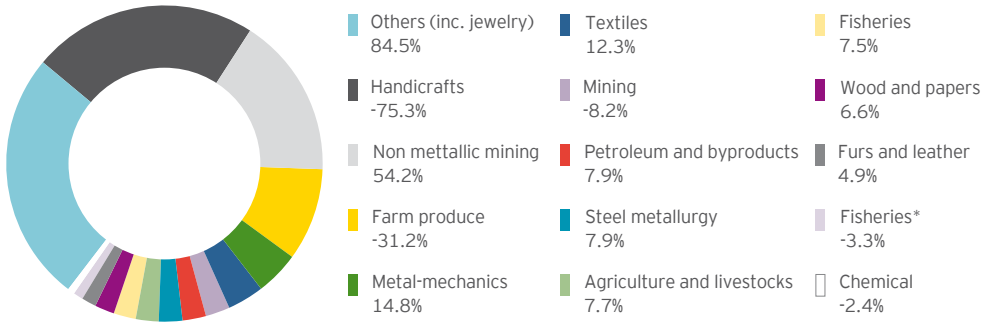


*Estimated

Sources: BCRP / Mincetur / ComexPerú

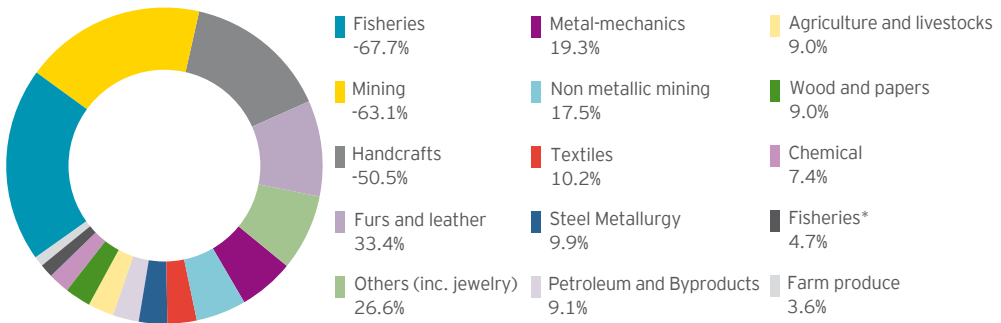
According to estimates by the Ministry of Economy and Finance (MEF) Peruvian exports by 2015 will reach approximately US\$63.5 billion, while imports will amount to almost US\$55.9 billion.

Annual variation of exports by economic sector in % (January - October 2012)



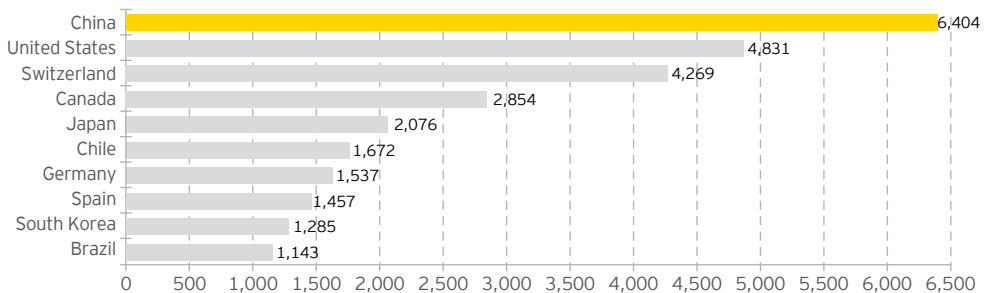
*Manufactured goods
Source: ComexPerú

Annual variation of imports per economic sector in % (January - October 2012)



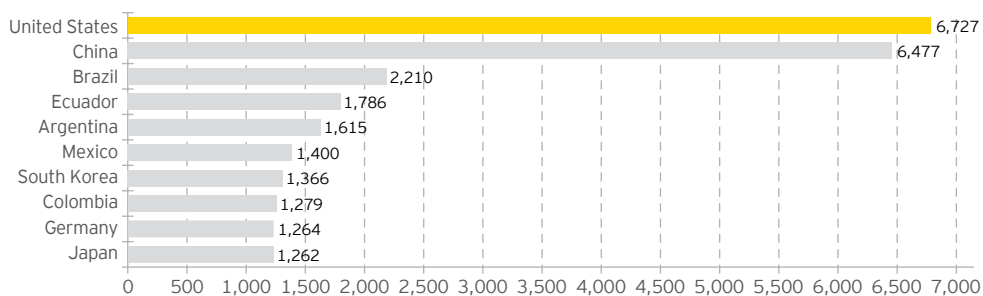
*Manufactured goods
Source: ComexPerú

Exports per partner in US\$ million, top ten partners (January - October 2012)



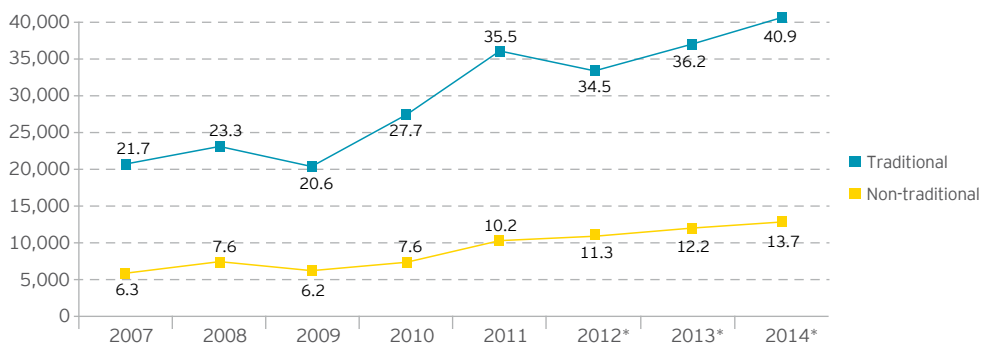
Source: ComexPerú

Imports by commercial partner in US\$ million, top ten partners (January - October 2012)



Source: ComexPerú

Traditional and non-traditional exports in US\$ million

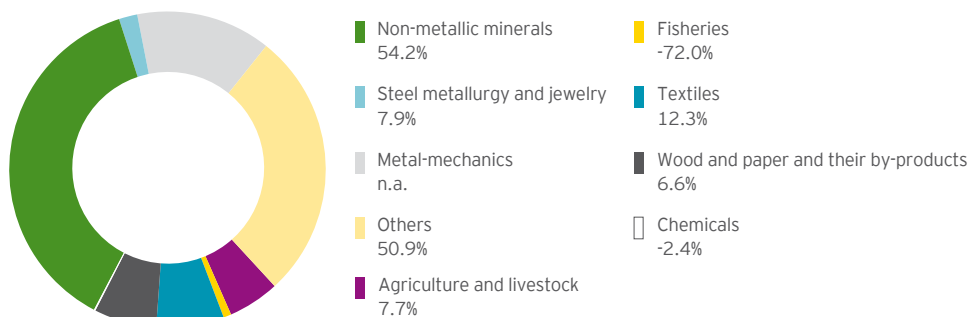


*Estimated

Sources: BCRP / ComexPerú

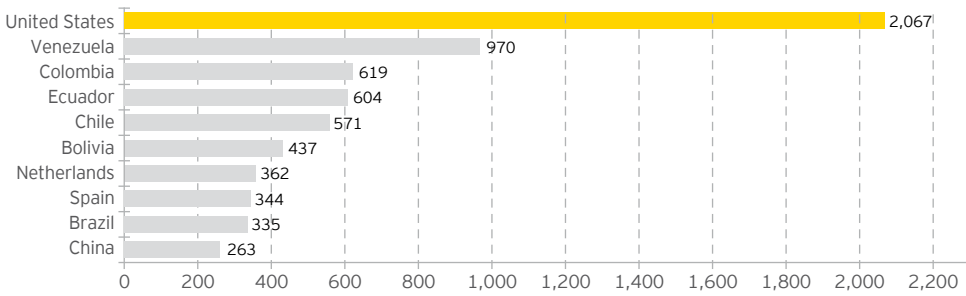
During 2011, exports of non-traditional products increased by 34.2% over 2010. Between January and July of 2012, the markets that grew most were those of non-metallic minerals (54.2%), textiles (12.3%) and steel metallurgy and jewelry (7.9%). The principal non-traditional products exported at July 2012 were natural calcium phosphates, refined copper wire, fresh or chilled asparagus, and cotton T-shirts. Meanwhile, the most important traditional products were gold, copper, lead, zinc, gas, coffee and fishmeal.

Annual variation of exports of non-traditional products in % (January - October 2012)



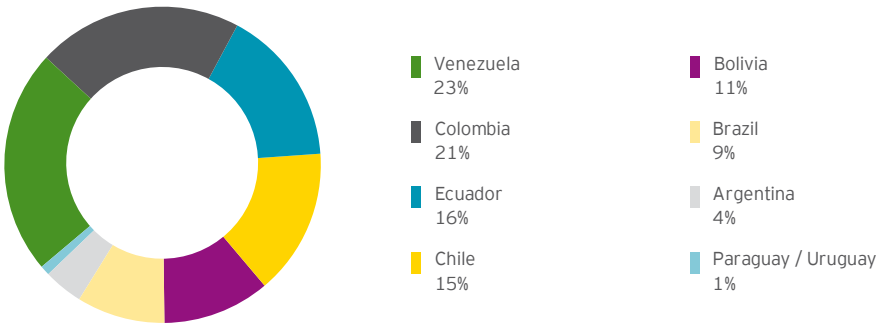
Source: INEI

Non-traditional exports by commercial partner in US\$ million (January - October 2012)



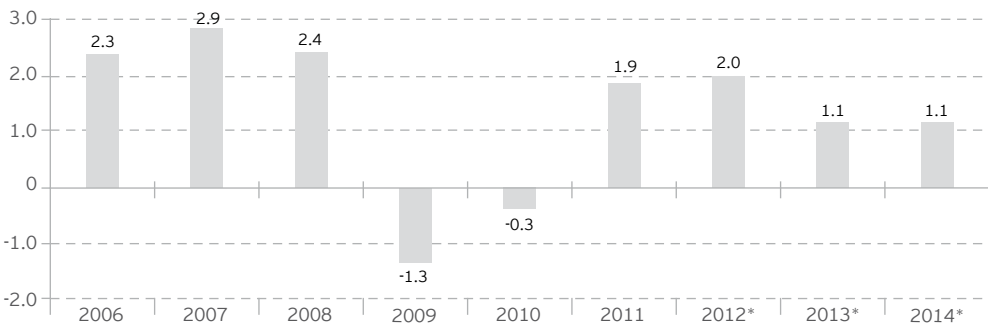
Source: ComexPerú

Non-traditional exports to South America (% of the total amount)



Source: Apoyo

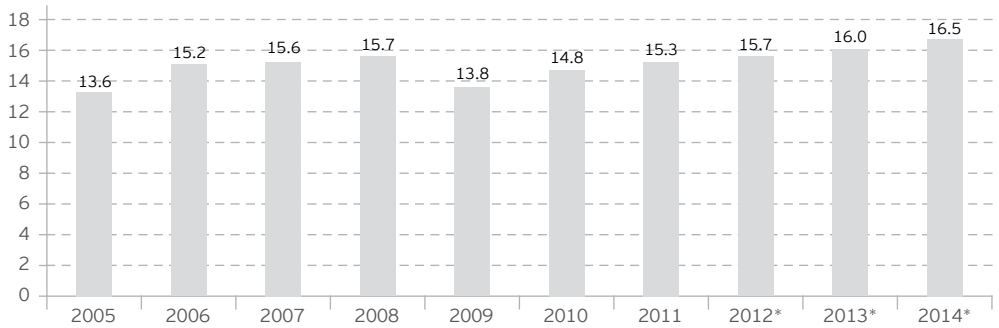
Evolution of fiscal position (in GDP %)



*Estimated

Source: MEF (Multi-Annual Macroeconomic Framework 2013)

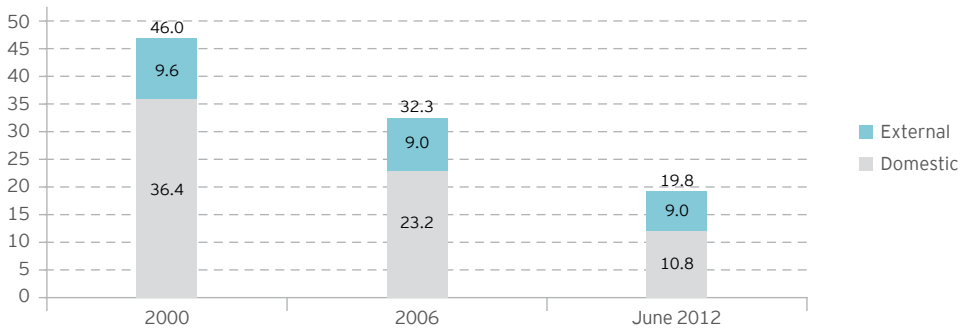
Tax burden (in GDP %)



*Estimated

Source: MEF (Multi-Annual Macroeconomic Framework)

Public debt in US\$ million



Sources: BCRP / MEF

6 Investment grade

The leading risk rating agencies have positive forecasts for Peru, which have not only ratified the country's investment grade but have also raised the Peruvian sovereign credit rating. The factors that support this rating are the solid economic prospects that are reflected in a minimum growth estimate of 6.2% of GDP for 2013 and 6.3% for 2014. These economic forecasts are supported by the rapid growth in investment and the significant drop in fiscal and external vulnerabilities, all within the context of several sources for growth, low inflation, and strength of the macroeconomic fundamentals.

Obtaining the investment grade has permitted Peru to attract a great deal of international attention. Even more important is that it has caused a positive impact on the local economy and is boosting the stock exchange and the appreciation of Peruvian currency, the Nuevo Sol, in the short term. More recently, an increasing number of multinational corporations are looking at Peru with greater interest. The subsequent improvement in jobs and the lowering of the poverty line will predictably help improve the social wellbeing of the country.

Peru's investment rating

Country	S&P	Fitch	Moody's
Chile	A+	A+	Aa3
Mexico	BBB	BBB	Baa1
Peru	BBB	BBB	Baa2
Brazil	BBB	BBB	Baa2
Colombia	BBB-	BBB-	Baa3
Venezuela	B+	B+	B1
Argentina	B	B+	B2
Bolivia	B+	B	Ba3
Ecuador	B-	B-	Caa2

Sources: Standard & Poor's / Fitch Ratings / Moody's / MEF (at November 30, 2012)

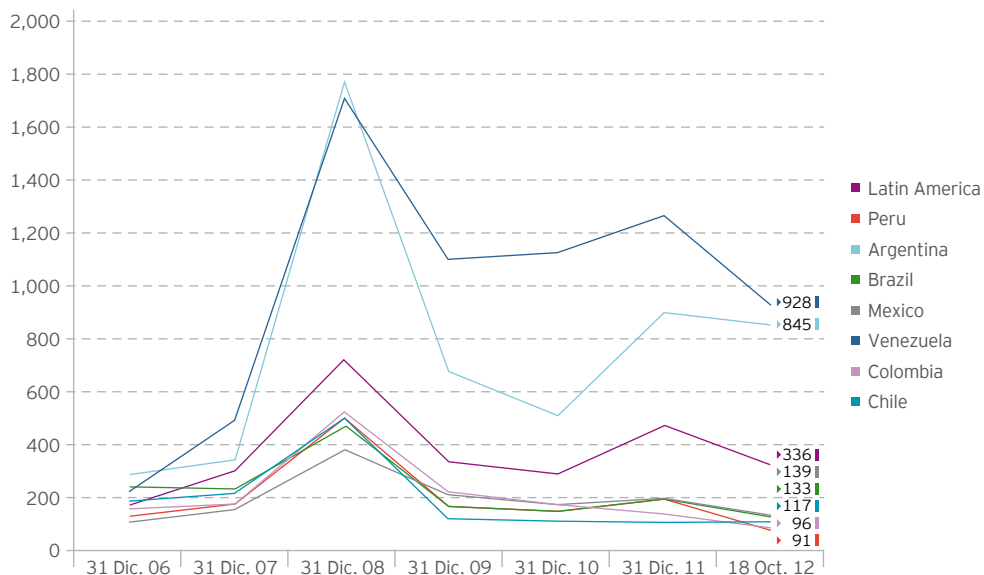
S&P / Fitch	Moody's	Feature
AAA	Aaa	Risk free
AA+, AA, AA-	Aa1, Aa2, Aa3	High grade
A+, A, A-	A1, A2, A3	High repayment capacity
BBB+, BBB, BBB-	Baa1, Baa2, Baa3	Moderate repayment capacity
BB+, BB, BB-	Ba1, Ba2, Ba3	Some repayment capacity
B+, B, B-	B1, B2, B3	High uncertainty of repayment capacity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

Investment grade
Source: Bloomberg

Country risk

On October 22, 2012, Peru achieved a new historic record by reducing its country risk to 91 base points, the lowest in Latin America. This indicator is less than a third of the average in the region up to date (336 points).

Country risk indicator (In base points)

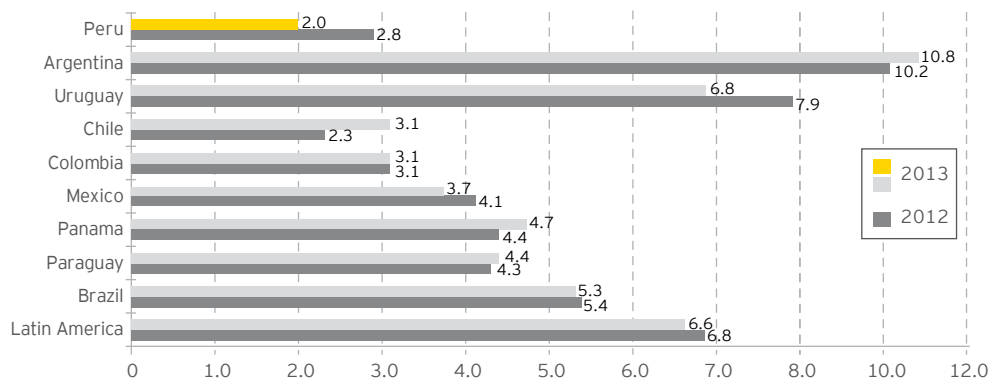


Source: BCRP

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

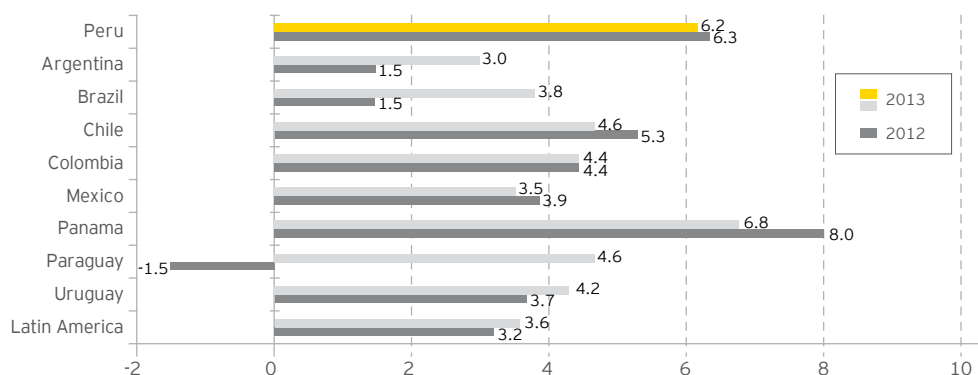
As can be seen in the following charts, Peru's level of inflation is the second lowest in Latin America, with an estimated rate of 2.8% in 2012, and the lowest estimated level for 2013 of 2.0%. In addition, over the past decade, the Peruvian economy had the lowest average annual inflation rate in Latin America, at 2.8%, followed by Chile (3.2%), Colombia (4.9%) and Brazil (6.4%). At the same time, it has one of the highest GDP (estimated) growth rates in 2011, 2012, 2013 and 2014.

Estimated inflation rates in Latin America



Sources: BBVA Research / BCRP

Estimated rates of GDP percentage growth in Latin America



Sources: BBVA Research / BCRP / MEF

Fiscal balance and exchange rate in South America

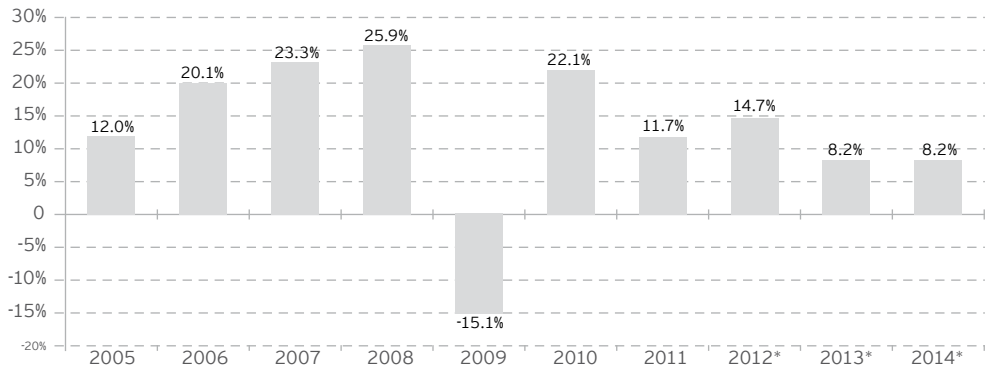
Country	Fiscal balance		Money exchange (local currency to the value of US\$)	
	2013	2014 - 2016	2013	2014 - 2016
Peru	1.1	0.9	2.53	2.50
Colombia	-1.5	-1.1	1,795	1,790
Chile	0.3	0.6	490	490
Bolivia	0.6	0.6	6.96	n.a.
Ecuador	-2.2	-2.0	-	-
Brazil	-2.2	-1.9	1.97	2.09
Argentina	-1.7	-1.4	5.83	7.04
Venezuela	-4.5	-4.4	6.33	8.13

*Estimated as of November, 2012

Source: Apoyo

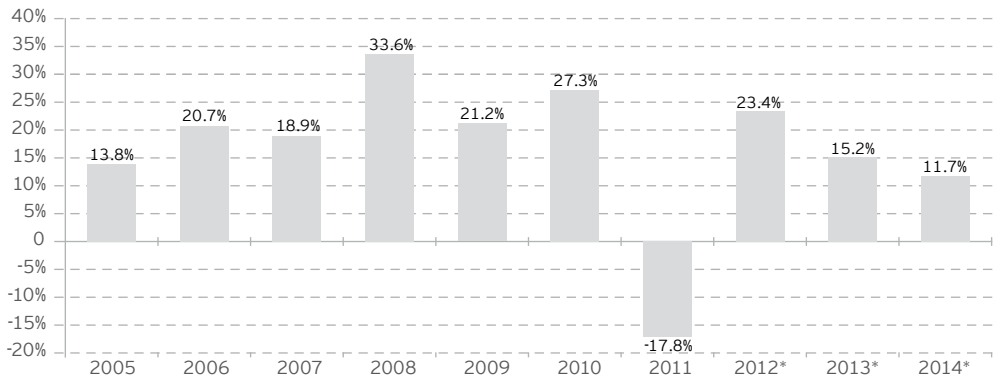
7 Foreign investment and private investment

Private investment 2005 - 2014 (variation in %)



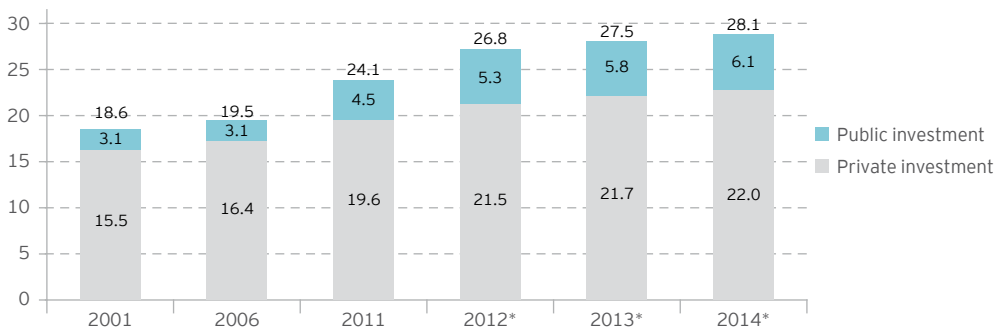
*Estimated
Source: BCRP

Public investment 2005 - 2014 (variation in %)



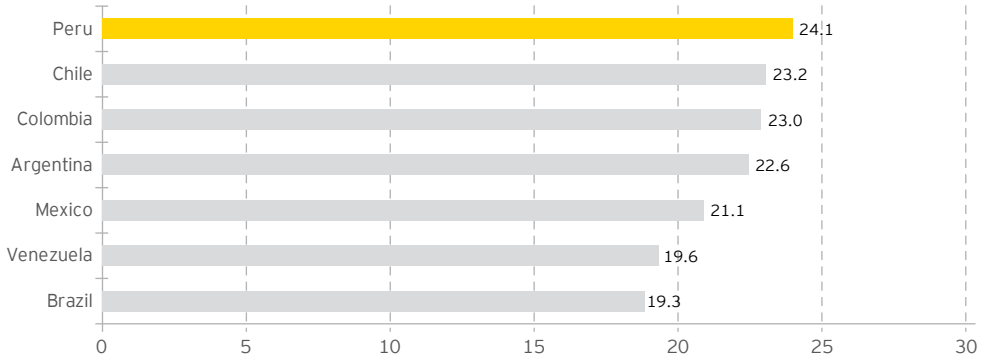
*Estimated
Source: BCRP

Gross fixed investment (% GDP)



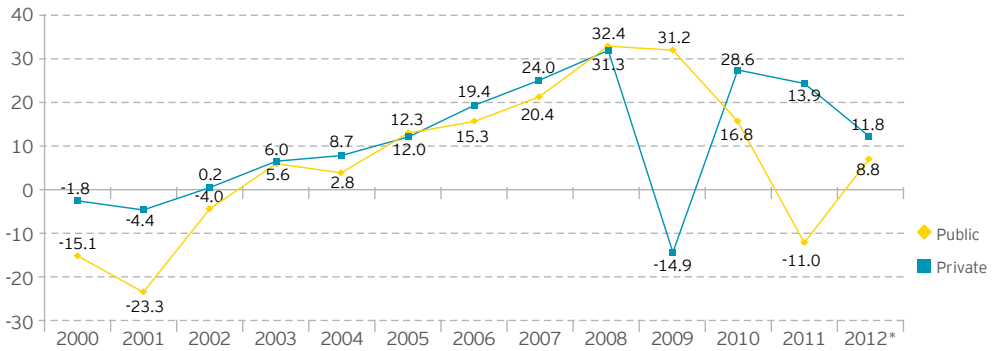
*Estimated
Source: MEF

Gross fixed investment in Latin America in GDP % (2011)



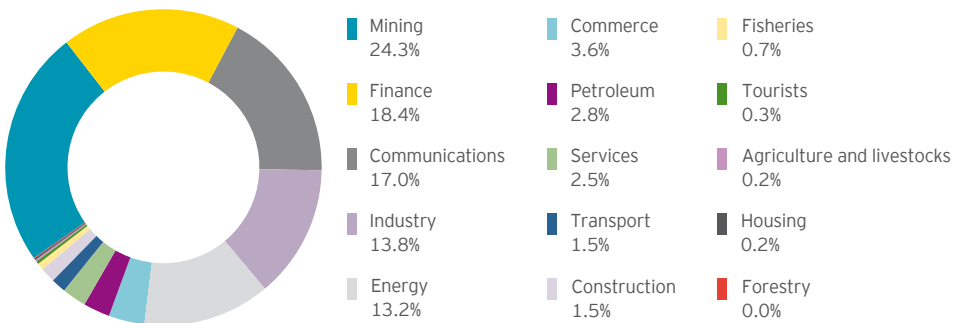
Source: MEF

Gross fixed capital formation



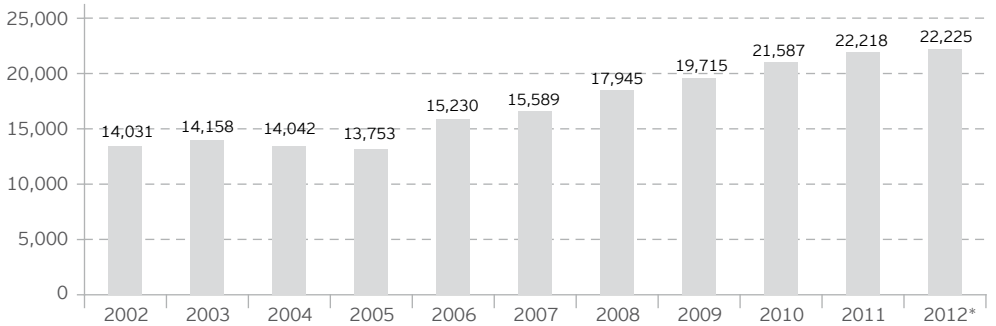
*Estimated
Source: INEI

Stock of direct private investment by sector in % (2012)



Updated stock as of June 30, 2012
Source: ProInversión

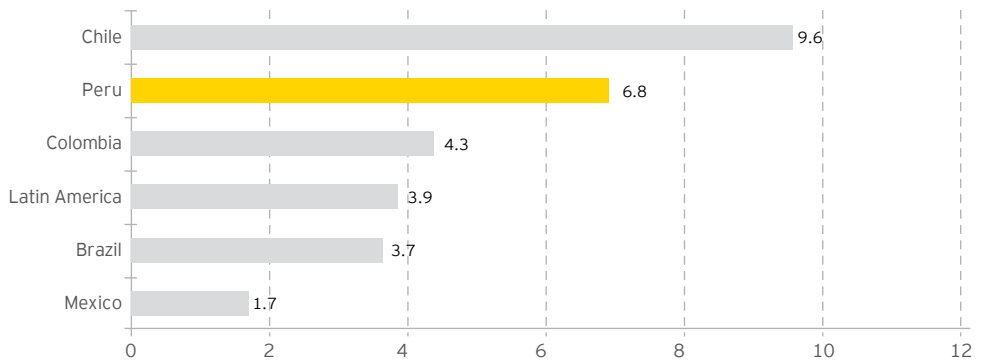
Stock of direct foreign investment in Peru as support to the capital (in US\$ million)



*Updated stock as of June 30, 2012

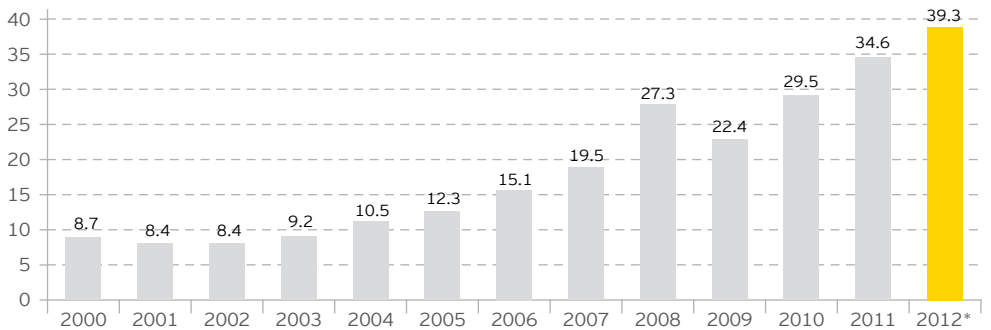
Source: ProInversión

Direct foreign investment in Latin America in GDP % (2011)



Source: MEF

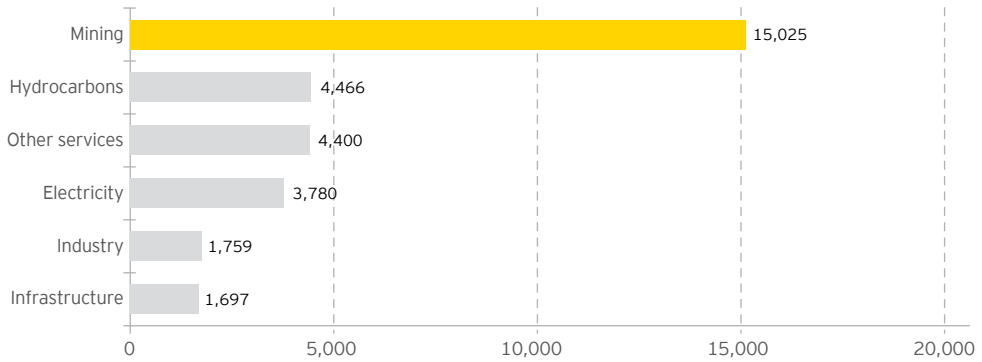
Private investment (in US\$ billion)



*Estimated

Source: ProInversión

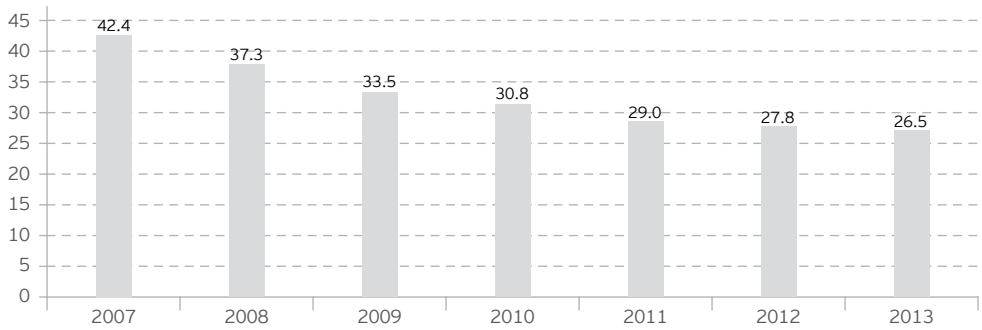
Private investment projects in US\$ million (2013 - 2014)



Source: BCRP

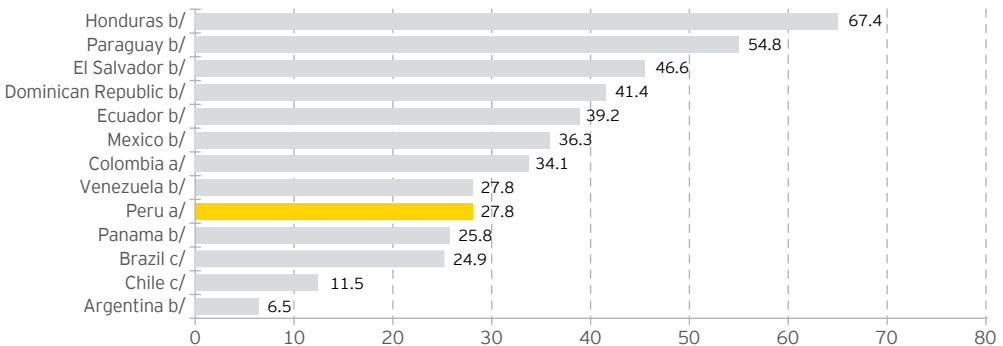
8 Poverty and employment

Total incidence of poverty in %



Sources: INEI / Apoyo

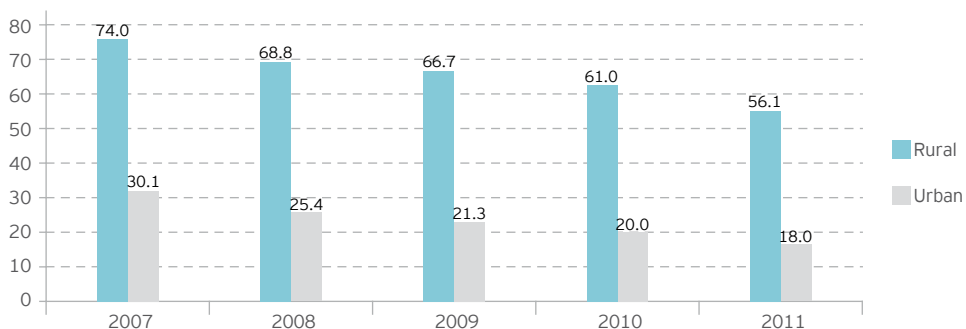
Poverty rate in Latin America



*a/2011, b/2012, c/2009

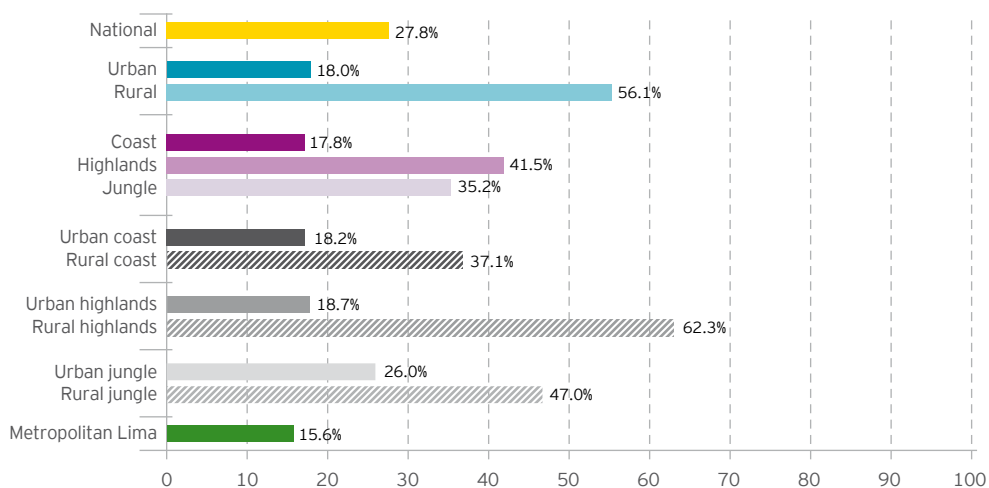
Source: INEI

Poverty rate according to area of residence



Source: INEI

Total incidence of poverty according to geographic areas (2011)



Source: INEI

In 2011, the country's Economically Active Population (EAP) was 73.9% of the population (including employed and unemployed EAP) reaching a level of employed EAP of 96.0%. Of this, 73.5% was located in urban areas, with the remaining 26.5% located in rural areas.

Activity conditions of working - Age population

Activity Conditions	2007	2008	2009	2010	2011
Working-age Population (WAP)	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
Economically Active Population (EAP)	73.8	73.8	74.0	74.1	73.9
Employed EAP, in %	95.3	95.4	95.5	95.9	96.0
Unemployed EAP, in %	4.7	4.6	4.5	4.1	4.0
Economically Inactive Population (EIP)	26.2	26.2	26.0	25.9	26.1

Source: INEI

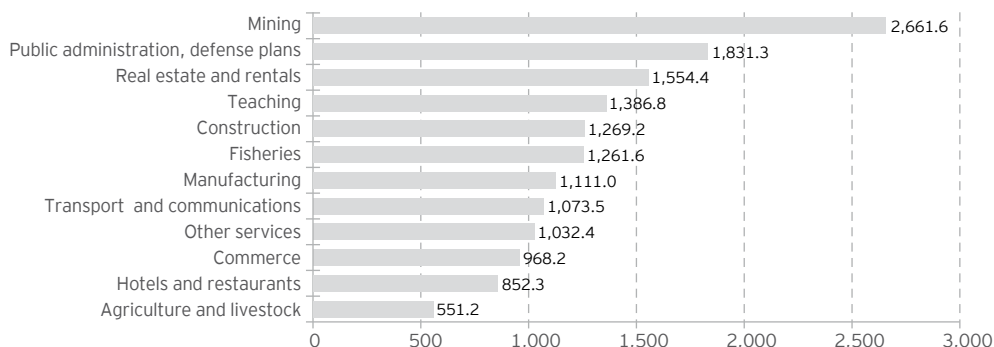
Rate of employment and unemployment by departments (2011)

Department	Employment rate	Unemployment rate
Total	95.9	4.1
Amazonas	99.0	1.0
Ancash	96.7	3.3
Apurímac	97.4	2.6
Arequipa	94.8	5.2
Ayacucho	97.6	2.4
Cajamarca	98.0	2.0
Callao	93.2	6.8
Cusco	97.2	2.8
Huánuco	97.3	2.7
Huancavelica	97.3	2.7
Ica	96.0	4.0
Junín	96.5	3.5
La Libertad	96.5	3.5
Lambayeque	96.3	3.7
Lima	94.6	5.4
Loreto	96.4	3.6
Madre de Dios	96.9	3.1
Moquegua	93.8	6.2
Pasco	96.1	3.9
Piura	96.3	3.7
Puno	97.7	2.3
San Martín	98.0	2.0
Tacna	95.3	4.7
Tumbes	94.9	5.1
Ucayali	97.2	2.8

Source: INEI

Among the activities that generate greater monthly incomes from employment are mining, public administration, services, construction, fisheries, farm produce, agriculture and livestock.

Average income per month from employment, according to activity, in Nuevos Soles (2011)



Source: INEI
S/.2.70 per US\$1 at December 31, 2011

Average income per month from employment by department in US\$ (December 2011)

Department	Income US\$
Madre de Dios	653.8
Moquegua	585.8
Lima	506.1
Arequipa	471.6
Tacna	425.3
Tumbes	387.8
Ica	374.2
San Martín	366.0
Ucayali	360.8
Ancash	346.4
Junín	343.0
Pasco	335.8

Department	Income US\$
La Libertad	335.4
Cusco	332.9
Loreto	323.3
Piura	315.9
Cajamarca	297.2
Amazonas	293.7
Lambayeque	283.7
Ayacucho	280.2
Huánuco	259.4
Puno	236.7
Huancavelica	230.0
Apurímac	224.1

Source: INEI
S/.2.70 per US\$1 at December 31, 2011

9 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 coherent investment policy that eliminates any obstacles that foreign investors could face. This has led Peru to be considered a country with one of the most open investment systems in the world.

Peru has adopted a legal framework for investments that offers automatic authorization at the moment of the investment decision. Additionally, it establishes the necessary regulations to protect the economic stability of the investors regarding 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 on the legislation governing income tax and distribution of dividends. Foreign investors that have the right to obtain legal and tax stability are those who are willing to invest in Peru for a period of not less than two years and for a minimum sum of US\$10 million in the mining and/or hydrocarbons sectors, or US\$5 million in any other economic activity, or if they acquire more than 50% of the shares of a company in the process of privatization.

The laws, regulations and practices of Peru do not discriminate between domestic and foreign companies. Foreign companies 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 are also not restricted in any way. Foreign currency can be used to acquire goods abroad or cover their financial obligations, provided the operator works in compliance with Peruvian tax laws.

b. Beneficial legal framework for foreign investors

Peru offers a legal¹ framework that protects foreign investors' interests by offering them:

- An equal and non-discriminatory treatment
- Unrestricted access to most economic sectors
- Free capital transfer
- Free competition
- Guarantee of private property (no expropriations or nationalizations)
- Freedom to purchase domestic company shares
- Freedom to access internal and external credit
- Freedom to transfer royalties
- A country with a network of investment agreements and membership in the Investment Committee of the Organization for Economic Cooperation Development (OECD)
- The country's membership in the International Centre for Settlement of Investment Disputes (ICSID) and Multilateral Investment Guaranty Agency (MIGA), both international arbitration institutions.

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

Foreign investors may remit the net profits resulting from their registered investments without any restrictions. Likewise, foreign investors may also transfer their shares, property or participation rights, reduce their capital and dissolve their companies.

¹Constitutional Regulations "Foreign Investment Law", Executive Order 662, "Master Law on Private Investment" Executive Order 757, "Public Construction of Infrastructure and Public Services Private Investment Promotion Law", Consolidated Text (TUO) approved under Executive Order 059-96-PCM.Extracted from ProInversión.

Recognition of the favorable investment climate

Peru has climbed six positions in the global competitiveness report, published by the World Economic Forum in 2012, compared with the previous year. It currently ranks as “competitive for efficiency” but, according to the ranking, it is close to achieving the highest “competitive for innovation” status if its current situation continues.

According to this ranking, Peru is among the top countries in Latin America in the areas indicated below, as well as being already recognized for its clear leadership in protecting the investor, financially solid banking, inflation control and national reserves.

Position	Average trade tariff	Facility to access loans	Trade barriers: No limitation to imported goods to compete in the domestic market	Legal protection to lenders and creditor
1	Peru	Panama	Chile	Guatemala
2	Costa Rica	Chile	Peru	Peru
3	Nicaragua	Peru	Uruguay	Puerto Rico
4	El Salvador	Colombia	Panama	Panama
5	Guatemala	Paraguay	Puerto Rico	Colombia
6	Chile	Brazil	Mexico	Costa Rica
7	Panama	Guatemala	Paraguay	El Salvador
8	Paraguay	Bolivia	Guatemala	Mexico
9	Ecuador	Puerto Rico	El Salvador	Uruguay
10	Uruguay	El Salvador	Honduras	Chile

Source: World Economic Forum 2012

c. Ease of doing business in Peru

According to Doing Business 2013, Peru ranks 43rd of 185 countries with facilities for entrepreneurship and doing business, and ranks second among the countries in Latin America, corroborated by Forbes.

Doing Business

Ranking for Latin America	
Position	Country
37	Chile
43	Peru
45	Colombia
48	Mexico
61	Panama
89	Uruguay
103	Paraguay
124	Argentina
130	Brazil
139	Ecuador

Source: World Bank - Doing Business 2013

Forbes

Best countries for doing business	
Position	Country
24	Chile
42	Peru
57	Mexico
60	Panama
61	Uruguay
62	Colombia
69	Costa Rica
73	Brazil
76	Dominican Republic
81	El Salvador

Source: Forbes 2011

The following are the principal indicators of an investment climate:

Indicators	Peru	Latin America and the Caribbean
Incorporating a business		
▸ Number of procedures	5.0	9.0
▸ Time (days)	26	53
▸ Cost (% of per capita income)	10.6	33.7
Construction permits		
▸ Number of procedures	14.0	13.0
▸ Time (days)	173	225
▸ Cost (% of per capita income)	62.8	143.7
Property registration		
▸ Number of procedures	4.0	7.0
▸ Time (days)	7	67
▸ Cost (% of value of property)	3.3	6.0
Access to electricity		
▸ Number of procedures	5.0	5.0
▸ Time (days)	100	66
▸ Cost (% of per capita income)	378.2	559.0
Access to credit		
▸ Strength of legal rights index (0-10)	7	6
▸ Credit information scope index (0-6)	6	3
▸ Public records coverage (% of adults)	31.2	11.1
▸ Private organizations coverage (% of adults)	42.5	33.8
Protecting investors		
▸ Transparency index grade (0-10)	9	4
▸ Board of directors responsibility index (0-10)	6	5
▸ Facility index for shareholders trials (0-10)	8	6
▸ Investment protection strength index (0-10)	7.7	5.0
Paying taxes		
▸ Number of taxes per year	9	30
▸ Time (hours per year)	293	367
▸ Income tax (%)	26.7	21.5
▸ Labor taxes and contributions (%)	11.0	14.4
▸ Other taxes (%)	2.8	11.3
▸ Total tax rate (as % over earnings)	40.5	47.2
Trading across borders		
▸ Number of documents required for exports	6.0	6.0
▸ Time to export (days)	12	17
▸ Export cost (US\$ per container)	890	1,268
▸ Number of documents required for imports	8.0	7.0
▸ Time to import (days)	17	19
▸ Import cost (US\$ per container)	880	1,612

(continues)

(continued)

Indicators	Peru	Latin America and the Caribbean
Business closing		
► Time (years)	3.1	3.1
► Cost (% of assets)	7	16
► Recovery rate (cents per US\$)	28.1	34.1

Source: World Bank - Doing Business 2013

Doing Business 2013: Top 50 Countries according to Property Registration, Access to Credit and Protection of the Investor

Country	Ease to do business	Property registration	Access to credit	Protection of investor
Singapore	1	36	12	2
Hong Kong	2	60	4	3
New Zealand	3	2	4	1
United States	4	25	4	6
Denmark	5	6	23	32
Norway	6	7	70	25
United Kingdom	7	73	1	10
South Korea	8	75	12	49
Georgia	9	1	4	19
Australia	10	37	4	70
Finland	11	24	40	70
Malaysia	12	33	1	4
Sweden	13	35	40	32
Iceland	14	9	40	49
Ireland	15	53	12	6
Taiwan	16	32	70	32
Canada	17	54	23	4
Thailand	18	26	70	13
Mauritius	19	60	53	13
Germany	20	81	23	100
Estonia	21	14	40	70
Saudi Arabia	22	12	53	19
Macedonia	23	50	23	19
Japan	24	64	23	19
Latvia	25	31	4	70
United Arab Emirates	26	12	83	128
Lithuania	27	5	53	70
Switzerland	28	15	23	169
Austria	29	34	23	100
Portugal	30	30	104	49
Netherlands	31	49	53	117
Armenia	32	4	40	25

(continues)

(continued)

Country	Ease to do business	Property registration	Access to credit	Protection of investor
Belgium	33	176	70	19
France	34	146	53	82
Slovenia	35	83	104	17
Cyprus	36	99	53	32
Chile	37	55	53	32
Israel	38	144	12	6
South Africa	39	79	1	10
Qatar	40	40	104	100
Puerto Rico	41	128	12	19
Bahrain	42	29	129	82
Peru	43	19	23	13
Spain	44	57	53	100
Colombia	45	52	70	6
Slovakia	46	8	23	117
Oman	47	18	83	100
Mexico	48	141	40	49
Kazakhstan	49	28	83	10
Tunisia	50	70	104	49

Source: World Bank - Doing Business 2013

d. The support to investment promotion

Microfinance sector

During 2011, the Multilateral Investment Fund (IDB) and MIX established the annual ranking of the 100 Best Microfinance Institutions in Latin America and the Caribbean, and evaluated the performance of these institutions in three areas: scope, efficiency and transparency. The first of these categories measures the success obtained in the expansion of financial services; the second measures the degree to which the microfinance companies reduce costs to their clients; and the third takes a comparable and standard measurement of the public coverage given to their performance results. In this assessment, a Peruvian financial institution earned the first place and Peru has occupied two places among the first ten, as well as representing a fourth part of that ranking.

Peru: an EITI member

The Extractive Industries Transparency Initiative (EITI) is a recognized alliance that includes state entities, extractive companies, international organizations and sectors of civil society to promote the use of transparency criteria in payments made to each State by mining, petroleum and gas companies, and the way this State canalize this income to ensure the sustainable development of its population.

Peru was the first country in the Americas to join the initiative, due to the major relevance and impact that these extractive industries have on its domestic revenue. In 2011, Peru created its own Permanent Multisector Commission for Transparency in Extractive Industries, and in February 2012, Peru was rated a compliant country by EITI after meeting audit standards.

For more information, visit www.eitiperu.minem.gob.pe

10 Commercial agreements

Peru's development strategy is based on an open economy and competitive 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 been benefited from rigorous macroeconomic management, strengthening and stability of institutions, have allowed the Peruvian economy to gradually reduce its external vulnerability in times of crisis such as in the current international situation. In recent years, Peru has negotiated free trade agreements with most of its commercial partners. The remaining work is to fully exploit existing agreements.

Currently, 95% of Peru's exports are covered by Commercial Agreements that are in force, about to begin or in negotiation. Of this total, 77% are destined for markets where agreements are already in force, which permits Peru's products to enter under preferential conditions to 22 countries (United States, China, Canada, Japan, Chile, South Korea, Brazil, Argentina, Uruguay, Paraguay, Venezuela, Panama, Mexico, Thailand, Singapore, Bolivia, Colombia, Ecuador, Switzerland, Liechtenstein, Norway and Iceland). Another 17% are about to start to enjoy the benefits of new agreements with 29 countries (including the European Union, Guatemala and Costa Rica).

The trade agreements that Peru has signed have permitted an increase in the number of export 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 apparent that the Trade Agreements have permitted the country to diversify its offer of non-traditional products. One example is that in the first three years of the FTA with the United States, 488 new tariff lines were registered for non-traditional exports shipped to the United States, while as the second year of the FTA with China was completed, there are 204 new non-traditional export lines.

Additionally, these trade agreements are a valuable instrument to attract direct foreign investment and boost increased productivity in companies and transfer technology through the lower cost of imports of capital goods and quality inputs. For example, during the second year of the FTA with China, 100% of imports of capital goods and construction materials from China entered Peru without paying tariff duties. The trade agreements provide an incentive to the processes of convergence of international standards, which has permitted more Peruvian companies to improve their management and logistics practices, and increase their international competitiveness.

In order to consolidate a legal framework that guarantees and protects investment, thirteen of the current commercial agreements include an investment chapter aimed at establishing guarantees on treatment, protection and access to international mechanisms for conflict resolution that are applicable to investments. These investment chapters constitute the international agreements on investment. Peru has also negotiated these types of agreements individually as Promotion and Reciprocal Protection of Investments Agreement. To date, Peru has international investment agreements in force with 38 countries.

It should be noted that Peru has signed an 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 controversies that might arise between investors and the State.

International investment agreements in force



Source: ProInversión

a. Commercial agreements 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, which is reflected in the signing of Commercial Agreements and in turn has resulted in a market growth in exports.

To date, Peru is a participant in a variety of regional trade agreements, multilateral and bilateral trade agreements. The following are the agreements signed²:

List of commercial agreements:

▶ Multilateral agreements:

- World Trade Organization (WTO)

▶ Regional agreements:

- Andean Community of Nations (CAN) - Bolivia, Colombia, Ecuador and Peru

▶ Bilateral agreements :

- Framework Agreement on Economic, Commercial, Investment and Technical Cooperation with the Gulf Cooperation Council (GCC) – Saudi Arabia, Bahrain, Kuwait, Qatar, Oman and the United Arab Emirates
- European Free Trade Association (EFTA) - Switzerland, Iceland, Liechtenstein and Norway
- Canada
- Chile
- China
- Korea
- Costa Rica
- Cuba
- United States
- Guatemala
- Japan

²Ministry of Foreign Affairs (MRE) and ProInversión

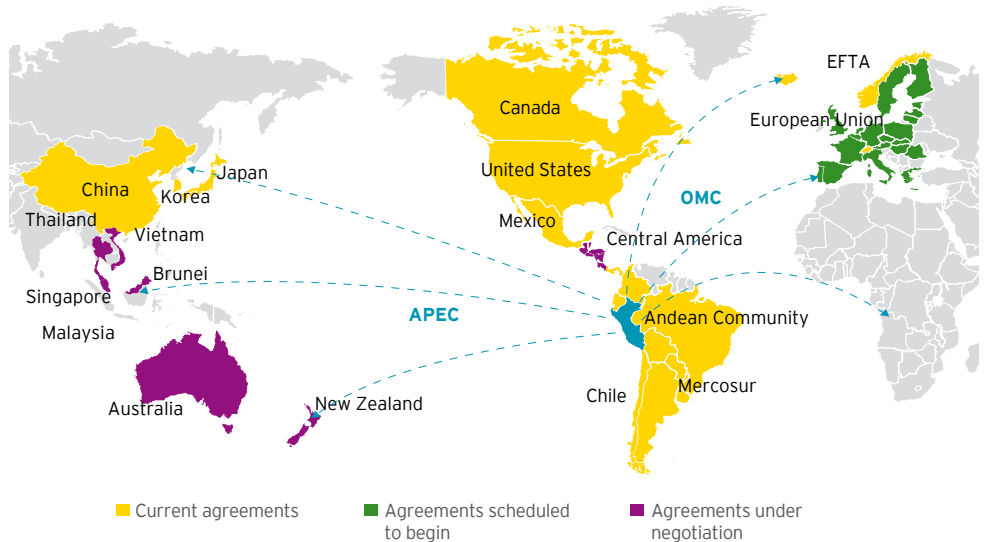
- Southern Common Market (MERCOSUR) - Argentina, Brazil, Paraguay and Uruguay
- Mexico
- Panama
- Singapore
- Thailand
- European Union

► **Ongoing negotiations:**

- Pacific Alliance - Colombia, Chile and Mexico
- Honduras
- El Salvador
- Thailand
- Trans-Pacific Partnership Agreement (TPP) - Brunei, Darussalam, Chile, New Zealand, Singapore, Australia, United States, Malaysia and Vietnam

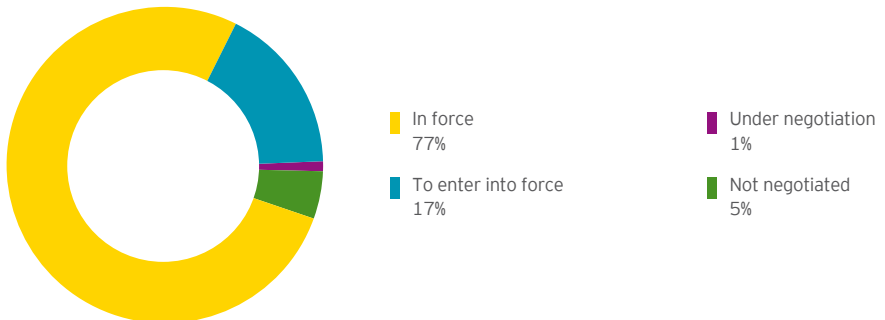
It is worth mentioning that Peru is member of the Asia Pacific Economic Cooperation (APEC) along with 20 other economies. Furthermore Peru is member of the Latin American Integration Association (ALADI).

The following map shows the status of Peru’s agreements, with a brief description of the agreements:



Source: ProInversión

Peru exports by markets with trade agreements



Source: MINCETUR

Peru - China Free Trade Agreement

In economic terms, China has been the fastest growing economy worldwide over the past two decades (around 10% per year of sustained growth).

The signing of this treaty in April 2009 has opened a market of 1,300 million people to Peru, and 350 million consumers in this market have great purchasing power.

As of July 2012, China continued to be Peru's top trade partner (a position it has held since 2011) and exports to China have grown an average 31.0% per year in 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. Among the main Peruvian products that are benefitting from the agreement are giant squid, cuttlefish and squid, fresh grapes, avocados, mango, barley, paprika, powdered tara, and yarn of fine animal wool.

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 increase bilateral trade but also to boost Chinese investment in Peru, principally in the industries of mining, agriculture, electricity, wind power, petroleum and gas, and fisheries.

Commercial promotion agreement Peru - United States

In 2002, the United States enacted the Andean Trade Promotion and Drug Eradication Act (ATPDEA) earlier known as the Andean Preferential Tariffs Act, which provided unilateral tariff exemptions by the United States to Bolivia, Colombia, Ecuador and Peru.

The Trade Promotion Agreement (TPA) signed with the United States in April 2006, ratified by the U.S. Congress in December 2007 and effective as of February 1, 2009, consolidates the tariff preferences temporarily granted through the ATPDEA. The TPA is responsible for a large part of Peru's export boom in recent years and consolidates the reforms in trade policies implemented by Peru during the 1990s.

The continuity of this law, complemented by the inclusion of specific lines for tariff exemption, culminated with the signing of the Commercial Promotion Agreement.

Peru - European Union Free Trade Agreement

The trade agreement signed with the EU is part of a comprehensive trade strategy that seeks to make Peru an exporting country, developing a competitive exportable offer and promoting investment. The trade agreement between Peru and the European Union was signed in June 26, 2012.

The EU is one of Peru's main export destinations, receiving a share of 18.5% in 2011. This region represents a market with great opportunities, with more than 490 million inhabitants and one of the highest per capita incomes in the world.

Among its benefits in market access terms, it has represented a tariff relief of 99.3% on Peruvian exports to the EU, which covers 95% of agricultural tariff lines. This means that Peruvian products such as asparagus, avocados, coffee, capsicum fruits (paprika, hot peppers) artichokes and other products will enter the European market tariff-free when the Agreement goes into effect.

Additionally, not only tariffs are negotiated in a Trade Agreement but also issues such as rules of origin, intellectual property, services and establishment, and government purchases, which contribute towards improving the country's risk grade and lowering the cost of credit as well as consolidating capital markets. As a result, the country's open policy on economic activities becomes consolidated and provides certainty to the development of private investment.

Another important issue is the granting of drawbacks, and in this case, the EU has accepted for the first time in a trade agreement that products that enjoy the drawback status can continue to be considered products of origin and enjoy the preferential treatment of the agreement.

Peru - Japan Free Trade Agreement

Over the past several years, Peru has initiated a process of rapprochement with Asia, including the start of negotiations with its principal trading partners on the continent.

Within this context, on May 31, 2011 an Economic Association was signed between Peru and Japan, which came into effect on March 1, 2012.

The Economic Association Agreement (AAE) Peru-Japan grants preferential access to an internationally consolidated market that also has a large consumer capacity for high value-added products.

Under this agreement, Peruvian products with preferential access to the Japanese market include coffee, asparagus, sacha inchi, giant squid, fish oil, copper, lead, zinc, purple corn, giant Cusco corn, and swordfish.

Economic Complementation Agreement (ACE) Peru - Mercosur

The Economic Complementation Agreement 58 (ACE 58) was signed between Peru and the members of Mercosur (Argentina, Brazil, Paraguay and Uruguay) on November 30, 2005 and came into effect in January 2006.

This agreement seeks to establish a legal framework for cooperation and integration that provides facilities for the exchange of goods and services. This includes forming a free trade area between Peru and the four Mercosur countries, through the expansion and diversification of commercial exchange and the elimination of tariff and non-tariff restrictions that affect the a reciprocal trade of goods and services.

Within this agreement, as of January 1, 2012, all Peruvian products destined for Argentina and Brazil enter those countries with 0% tariff rates, given that they receive 100% tariff preferences.

Peru - Mexico Commercial Integration Agreement

The Commercial Integration Agreement signed between Peru and Mexico on April 6, 2011 became effective on February 1, 2012. This opens up a market of more than 112 million inhabitants, and grants Peru preferential access for more than 12,000 products, such as tinned fish, sweet biscuits, and shrimp among other products. This will also allow us to access a greater variety of household appliances.

Andean Community of Nations (CAN)

Peru is a member of the CAN in agreements related to tariff relief on trading of goods, and the liberalization of sub-regional markets for services, community regulations governing intellectual property, land, air and water transport, telecommunications, and other areas.

Association of Latin American Integration (ALADI)

This Latin American integration group is comprised by 13 countries in the region: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela. ALADI fosters the creation of economic preferences in the region, in order to create a common market. To achieve this, it uses three tools: regional preferential tariffs, full scope accords, and partial scope agreements.

Within the ALADI framework, Peru has signed agreements with Cuba to lift tariffs on some products, and with the member countries of Mercosur to permit the lifting of specific products, according to the country of origin: Argentina, Brazil, Paraguay or Uruguay.

Peru - Chile Free Trade Agreement

This commercial agreement was signed in 2006 and came into effect on March 1, 2009. It reformulates and substitutes an earlier economic supplementary agreement executed in 1998, together with its annexes, protocols and other tools.

The agreement includes a timetable for gradual tariff reductions on goods produced by both countries with final exemption in 2016. To date, the larger part of goods listed in the customs tariffs are 100% tariff free.

The agreement also includes a chapter that incorporates standards of treatment and protection for the investments and establishes procedures for resolution of investor-state controversies in the case of incompliance of the standards.

Asia Pacific Economic Cooperation Forum (APEC)

Peru became a member of APEC since 1998 and its entry to the forum permits it to strengthen existing economic links and build up greater economic relations with the region, which, in recent years, has shown strong economic growth. The APEC market brings together almost 50% of the world's population, and thus becomes the natural link between the industrialized economies of Asia and the emerging economies of Latin America.

World Trade Organization (WTO)

This negotiation forum is where regulations that rule trade in countries throughout the world are discussed. Peru has been a member of the WTO since its establishment in 1995.

More recently, Peru has signed on October 2, 2012 a Framework Agreement on Economic, Commercial, Investment and Technical Cooperation with the member states of the Gulf Cooperation Council, which groups Saudi Arabia, Bahrain, Kuwait, Qatar, Oman and the United Arab Emirates. The agreement is the first signed by the council with a South American country.

Additionally, Peru is taking the initiative to foster the start of trade negotiations with India and with the Russian Federation. One of the interests in a future negotiation with India is the consolidation of opening up trade towards a market that covers a sixth of the world's population. In a first study carried out by the Ministry of Foreign Trade and Tourism (MINCETUR) 61 Peruvian products have been identified (52 non-traditional products) as having important comparative advantages and for which India would have a relatively high capacity for purchase. Meanwhile, an agreement with the Russian Federation would open up a market to Peru within an economy that concentrates 4% of world exports and 2% of world imports. According to MINCETUR, tariff relief between both countries could generate an increase of bilateral exports of 36% for Peru and 10% for the Russian Federation, highlighting on Peru's side the possibility of exporting fresh grapes, lacquer dyes, tangerines, capsicum, zinc oxides, and fresh mangoes among other products.

11 Integrated Latin American Market (MILA)

The Lima Stock Exchange Peru (BVL), the Santiago Stock Exchange Chile (BCS) and the Colombia Stock Exchange (BVC) together with the respective securities depositories of each country: Cavali, DC, and Deceval, respectively, have integrated their securities markets in an attempt to diversify, expand, and increase the attractiveness of trading these types of assets in all three countries, for both local and foreign investors.

This integration seeks the development of the capital market through its integration, to provide the investor a wider offer of stocks and a bigger source of financing to the issues. The unified markets of these countries are expected to become the largest in the region in terms of number of issuers, second in market capitalization, and third with regard to trading volume after Brazil and Mexico.

As of October 2012, the results of the MILA have been extremely promising: its market capitalization has risen to US\$712,530 million, representing 18.9% growth over the course of this year. Of this market capitalization, Chile represents 43% with US\$307,994 million; Colombia 36% with US\$258,064 million; and Peru 21% with US\$146,472 million. As of that same date, market capitalization in Brazil and Mexico was US\$1,161,519 million and US\$496,091 million, respectively.

The Executive Board of the MILA, together with the Mexican Stock Exchange (BMV) recently completed the first step for Mexico's official entry into the MILA. According to the corresponding feasibility study for the incorporation of Mexico into the MILA, certain adjustments will be necessary on the operating, technological, commercial, and regulatory fronts. The proposal for the incorporation of the BMV will be presented in the course of the first quarter of 2013. Once the necessary regulatory framework is in place, the Mexican market will start the process of technological and operating readiness. Thus, it is estimated that the full incorporation of Mexico into the MILA will be completed by the first quarter of 2014, at which point the MILA will become the leading stock exchange market in Latin America, surpassing even Brazil's.

As of September 2012, the total trading volume on the MILA came to US\$71,862 million, of which 47% corresponds to the BCS; 47% to the BVC; and 6% to the BVL. There were a total of 555 issuers at that time, and the total amount attracted by the eight active mutual funds amounted to US\$59.16 million, of which US\$18 million correspond to Peru. The MILA has 41 brokers with 47 brokerage agreements signed by the brokers' associations from the three countries. Additionally, the index measuring the performance of the Integrated Market, the S&P MILA 40, has accrued a positive variation of 12.19% as of September 2012.

For more information, please visit www.mercadointegrado.com

12 Mechanisms for promoting investment in infrastructure and public services³

Law 29230 or “Works for Taxes”

The “Work for Taxes Act” is the mechanism that allows a private company to execute public infrastructure projects and then discount the total amount of its investment from its Income Tax.

The principal objective of this act is to foster the execution of public investment projects and reduce the infrastructure gap that exists. To carry this out, a process led by a special committee is necessary to select the private company that will finance and execute the project, and the process is described in the regulations of the law, approved by Executive Order 133-2012-EF.⁴

► Limits on the issue of CIPRLs⁵

One of the special features of this act is the assignment to each local and regional government in the country of a maximum amount for issuing the corresponding CIPRLs, which is updated in March every year by the Ministry of Economy and Finance (MEF). Currently, the Regional Governments can execute projects for up to S/.5,005 million (approximately US\$1,925 million) while the Local Governments throughout the country have a total of S/.17,390 million⁶ (approximately US\$6,685 million).

► Offer of Projects

One of the principal innovations incorporated into the new Regulations of Law 29230 is the possibility for the private sector to propose projects to the regional or local government that meet the SNIP regulations, to be incorporated to their lists of priority projects, which has to be approved by the Regional Council or Municipal Council.

As of August 2012, 839 projects have been given priority, for the sum of S/.3.595 billion (approximately US\$1,383 million) which correspond to 12 regional governments and 117 local governments. A list of the projects on offer can be seen on the ProInversión website, www.proinversion.gob.pe, which is updated with information from the regional governments and local governments.

³Source: ProInversión

⁴Executive Order 133-2012-EF, Approves the Regulations of Law 29230. Published in El Peruano on July 27, 2012.

⁵CIPRL: Certificates of Investment - Public, Regional or Local.

⁶Source: Ministry of Economy and Finance (MEF). The maximum amounts that can be used by each of the regional or local governments via this mechanism are posted on the website. The amount is according to determinate resources, from canon and canon surcharge, royalties, customs revenue and participations.

► Benefits of the law

The following are the principal economic and social benefits of the law.

Social and Economic Benefits		
For regional and local governments	For private companies	For society
Increases local economic dynamism	Direct and efficient use of Income Tax	Broadens the coverage and quality of public services
Accelerates the execution of high social impact projects	Total recovery of investment	Creates direct and indirect jobs
Simplifies procedures and frees up technical resources	Associates its image with works of high social impact	Promotes the execution of quality public works guaranteed by the financing company
Brings forward financial resources	Improves relationship with stakeholders	Contributes to the development of a culture of tax compliance and execution of RSC programs
Increases their current investment budget	Accelerates works that could raise local and company competitiveness	

Source: ProInversión

► Features and use of CIPRLs by private companies

The private company that chooses to execute projects through this mechanism needs to take the following into consideration:

- The amount invested by the companies in public projects is recognized through a CIPRL, which is issued by the DGETP⁷ at the request of the GR or GL, once the quality and the delivery of the works has been approved.
- The CIPRLs may be issued once the work is in progress⁸.
- The CIPRLs are not negotiable and are valid for ten years from their date of issue.
- The CIPRLs are used by the private company exclusively for payment and regularization of its Third Bracket Income Tax, including delayed taxes.
- The private company may use the CIPRLs in the current fiscal period up to a maximum of 50% of its Income Tax calculated in the Annual Tax Return of the previous fiscal period, and can use the balance in the subsequent fiscal periods, granting the company recognition of a 2% revaluation on the balance not used.
- If the CIPRLs are not used before their expiry date, SUNAT⁹ will return to the company the corresponding amount via negotiable credit notes.

⁷DGETP: Bureau of Public Treasury and Debt.

⁸Partial CIPRLs can be issued (quarterly) on projects whose execution demands terms of more than six months.

⁹SUNAT: National Superintendency of Customs and Tax Administration.

Private Initiative

Through Private Initiative, the Peruvian State provides the private sector with the possibility of presenting an investment project in assets, companies, projects, services or other public works for state infrastructure. The initiatives should be presented according to the established requirements, to the Promotional Entities for Private Investment (in the case of the National Government, to ProInversión; and in the case of Regional or Local Governments, to the designated entity) for evaluation and admission for processing. From the point of view of financing, private initiatives may be self-sustainable or co-financed.

The following are among the principal criteria that the institution in charge of Private Investment Promotion takes into consideration for the evaluation:

- Financial capacity and technical solvency of the proponent to develop projects of the magnitude of the proposal.
- The economic and social profitability of the project.
- The environmental impact of the project.

For additional information, please visit www.proinversion.gob.pe

Public Private Association (APP)

The Public Private Associations (APP) are forms of private investment participation that incorporate experience, knowledge, teams, and technology and distributes the risks and resources, preferably private, with the objective of creating, developing, improving, operating or maintaining public infrastructure, or providing public services.

The APPs are executed as concessions, operations, management, joint ventures, or any other format that meets the definition.

Access to the APP modality can be made either by state or private initiative, depending on whether the project is developed in the public or the private sector.

▸ Classification

- **Self-sustainable:** associations that are financed through rates paid by the users or by prices, tolls or similar modalities for recovering the investment, and that do not require the use of public resources for co-financing.

Also within the category of self-sustainable APPs are those that, if they require financial guarantees from the State, the probability that these guarantees would be activated are minimal or nil. Minimum guarantees would be no more than 5% of the total cost of investment, and would not include operation or maintenance costs.

Additionally, self-sustainable APPs can be associations that, if they should require non-financial guarantees, have a minimum or nil probability of demanding the use of public resources, i.e. that the probability of using public resources would be no greater than 10% for each one of the five years during the execution of the project.

- **Co-financed:** associations that require the co-financing or granting or contracting of financial or non-financial guarantees that have a significant probability of requiring the use of public resources.

Principles that govern the application of an APP

- ▶ Value for money: a public service must be supplied by a private company that can offer greater quality for a specific cost or the same results in quality at a lower cost. This principle seeks to maximize satisfaction of the users and optimize the value for money that comes from public resources.
- ▶ Transparency: all quantitative and qualitative information that is used in making decisions in the stages of evaluation, development, implementation and accountability must be public knowledge, under the principle of publicity established in the Law of Transparency and Access to Public Information.
- ▶ Competition: competition is encouraged to ensure efficiency and lower costs in the provision of infrastructure and public services, as well as to avoid any anti-competitive act or collusion.
- ▶ Appropriate designation of risks: assign the risks to the association with a greater capacity to administrate the service at a lower cost, considering the public interest and profile of the project.
- ▶ Budgetary responsibility: the State's capacity for payment must be taken into consideration in acquiring firm and contingent financial commitments, without compromising the sustainability of public finances or the regular provision of the services.

Promotional Organizations for Private Investment in APP

a. In the case of the National Government:

The Agency for the Promotion of Private Investment (ProInversión) for projects that meet one of the following criteria:

- Total investment above 15,000 Tax Units, or UIT (approximately US\$21.6 million)
- Multi-sector projects
- Geographic scope that includes more than one region
- Request and approval of ProInversión's Board of Directors

The Ministries, through their Investment Committees, for the cases not included in the above criteria.

b. In the case of regional or local governments:

The entity of the regional or local government designated for this task.

II. Sector-by-sector analysis



Thanks to solid economic growth and macroeconomic policies orientated toward fostering greater competitiveness, and thus more jobs and higher domestic consumption, Peru's industrial sectors are undergoing a considerable growth, as highlighted in more detail below:

1 Mining

The mining sector has been and continues to be of great importance to the Peruvian economy. The mining tradition has been present in the country since pre-Incan times, ranking even today as one of the primary activities in Peru's development. Over the years, mining has contributed approximately half of the country's income as a result of its exports.

Mineral production (fine content in thousands)

Mineral	2005	2006	2007	2008	2009	2010	2011*
Copper (FMT)	1,010	1,048	1,190	1,268	1,276	1,247	1,235
Zinc (FMT)	1,202	1,203	1,444	1,603	1,513	1,470	1,256
Gold (fine ounce)	6,687	6,521	5,473	5,783	5,916	5,275	5,273
Silver (fine ounce)	103,064	111,584	112,574	118,505	126,118	117,043	109,763
Lead (FMT)	319	313	329	345	302	262	230
Iron (FMT)	4,638	4,861	5,185	5,243	4,489	6,139	7,123
Tin (FMT)	42	38	39	39	38	34	29
Molybdenum (FMT)	17	17	17	17	12	17	19

*Preliminary

Source: Ministry of Energy and Mines

Peru is one of the countries with the greatest variety of minerals in the world. It currently has some of the largest precious and base metal mines on the planet. Many of the world's biggest mining companies have operations in Peru, including Xstrata, Newmont, Glencore, Gold Fields, Freeport McMoRan, Rio Tinto, Anglo American, and Barrick.

Mining investment by production type in US\$ million

Production	2007	2008	2009	2010	2011
Smelting plant equipment	63.8	141.0	319.8	416.0	1,123.4
Mining equipment	125.5	176.7	499.7	518.0	779.4
Exploration	136.6	167.8	393.5	615.3	848.9
Exploitation	338.0	440.2	531.4	737.7	852.5
Infrastructure	336.8	321.5	376.4	827.6	1,393.7
Other	197.9	328.8	504.7	443.4	1,417.0
Repair	50.2	131.9	196.1	510.2	787.3
Total	1,248.8	1,707.9	2,821.6	4,068.2	7,202.2

Source: Ministry of Energy and Mines

Peru ranks among the top six countries in the world in terms of mineral wealth. In 2011, Peru maintained its position as the second-largest silver producer in the world, after Mexico, and continued to be the second largest producer of copper, zinc, and bismuth in the world. It also positioned itself as the world's third-largest producer of tin, the fourth-largest producer of molybdenum and lead, and the sixth-largest producer of gold.

During 2011, revenues from mining exports were US\$27.3 billion, representing approximately 59% of the country's total exports. It is estimated that the mining sector will represent 4.7% of the GDP in 2012.

The mining industry is one of the main sources of tax revenues in Peru. It is estimated that over the past ten years, the accumulated taxes from the mining industry represent more than 30% of taxes collected annually by the Peruvian government. The mining sector is also important because of its contribution to job creation. During 2011, it is estimated that approximately 177,000 people worked directly in mining activities, while several million people were involved in indirect activities.

The mining and hydrocarbons sector grew 0.6% in August of 2012 with respect to the same month of the previous year. This is principally explained by the increase of the production of copper (11.7%), zinc (18.3%), and crude oil and natural gas liquids (4.1%). The accumulated result up to October (2.9%) is found to be in line with the estimated rate for 2012 (3.0%).

Despite the fact that Peru has vast deposits of different mineral resources, it is estimated that just 0.28% of the country's total territory has been explored to date. Likewise, only a small percentage of Peru's mineral reserves are being exploited (0.82% of territory exploited in 2011). According to recent statistics, the production rankings of Peru are minimal, considering the country's mining potential. However, modern techniques and equipment are helping develop the commercial potential of the different minerals found in regions previously considered inaccessible.

Peru has numerous regions engaged in mining, a wide variety of world-class mineral deposits, and a very dynamic mining community. Additionally, Peru has an excellent geographical location, in the middle of South America, with easy access to the Asian and North American markets. Even within Latin America, Peru has one of the most promising mining exploration and production potentials. The country's clear and simple mining laws and its excellent geological potential have helped Peru attract one of the largest budgets for mining exploration and development in the world. As a result, it is predicted that Peru has the capacity to double or triple its production, especially in base minerals.

The following table shows the estimated reserves of the country's main minerals. These mineral reserves include the "proven" and "probable" categories, excluding those quantities considered "possible".

Proven and probable mining reserves

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

*Estimated

Source: Ministry of Energy and Mines

There are currently a growing number of exploration projects, mainly headed by 80 Canadian junior companies. However, large and medium-sized companies from the United States, Australia, China, and Brazil are also becoming important investors in exploration. Despite the great variety in the scale of exploration programs being run by large, medium-sized, and junior companies, the majority of large and medium-sized companies are concentrated on advanced projects aimed at production or, in some cases, those that make them more attractive for acquisition; while the emphasis of the junior companies is still focused on the initial exploration stage. At the same time, expenditures on total mining exploration have risen in recent years, since producers see it as a more economic, less risky means of replacing and adding to mineral reserves. The level and success of exploration nowadays will directly influence Peru's future competitiveness in mineral production.

In Peru, there are mining projects with approved Environmental Impact Assessments (EIA) and mining unit expansions which will call for an investment of US\$28,380 million over the next five years and which will enable to increase our exports by US\$15,000 million. According to estimates, the portfolio of mining investment projects for the period 2011 to 2021 is funded with US\$53,423 million. Some of the most important projects in the portfolio include:

Expansions	
Southern Perú Estimated investment: To be defined	Minera Barrick Misquichilca Estimated investment: US\$400 million
Compañía Minera Antamina Estimated investment: US\$1.288 billion	Shougang Hierro Perú Estimated investment: US\$1.2 billion
Sociedad Minera El Brocal Estimated investment: US\$254 million	Sociedad Minera Cerro Verde Estimated investment: US\$3.573 billion
Votarantim Metais Estimated investment: US\$500 million	Compañía Minera Miski Mayo Bayóvar Estimated investment: US\$ 520 million
Approved Environmental Impact Assessment (EIA)	
Anglo American Quellaveco Estimated investment: US\$3.3 billion	Hudbay Perú Constancia Estimated investment: US\$1.546 billion
Minera Chinalco Toromocho Estimated investment: US\$2.2 billion	Andean American Mining Invicta Estimated investment: US\$93 million
Compañía de Minas Buenaventura Mallay Estimated investment: US\$58 million	Xstrata Perú Las Bambas Estimated investment: US\$4.2 billion
Minsur Pucamarca Estimated investment: US\$120 million	Mar Cobre Estimated investment: US\$744 million
Xstrata Perú Antapaccay Estimated investment: US\$1.473 billion	Compañía Minera Alpamarca Alpamarca-Río Pallanga Estimated investment: US\$90 million
Compañía de Minas Buenaventura Breapampa Estimated investment: US\$48 million	Trevali Perú Santander Estimated investment: US\$73 million
Minera Yanacocha Conga Estimated investment: US\$4.8 billion	

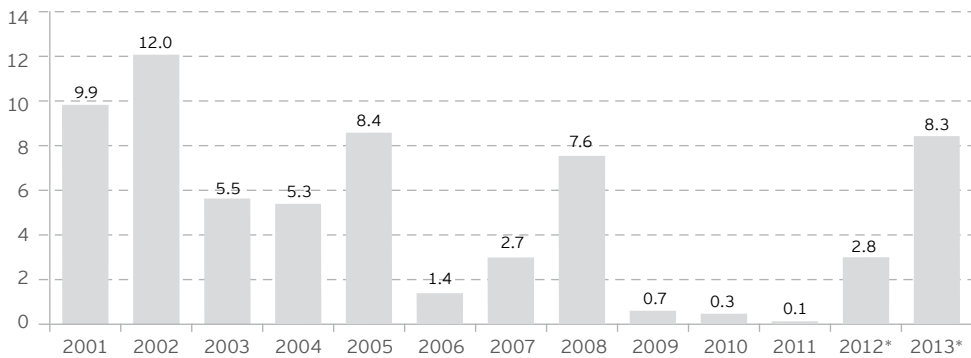
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Environmental Impact Assessments (EIA) submitted and under evaluation / expert appraisal	
Compañía Minera Milpo Pucaqqa Estimated investment: US\$328 million	Reliant Ventures San Luis Estimated investment: To be defined
Compañía Minera Ares Crespo Estimated investment: US\$111 million	Minera Quellopata Inmaculada Estimated investment: US\$315 million
Exploration	
Nanjinzhao Group Pampa de Pongo Estimated investment: US\$3.28 billion	Metminco Limited Los Calatos Estimated investment: US\$2.2 billion
Lumina Copper Galeno Estimated investment: US\$2.5 billion	Southern Perú Los Chancas Estimated investment: US\$1.56 billion
Southern Perú Tía María Estimated investment: US\$1 billion	Bear Creek Mining Corani Estimated investment: US\$574 million
Cañariaco Copper Perú Cañariaco Estimated investment: US\$1.561 billion	Canteras del Hallazgo Chucapaca Estimated investment: US\$1.2 billion
Compañía Minera Milpo Hilarión Estimated investment: US\$290 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

Sources: Ministry of Energy and Mines / Ernst & Young. Some classifications may vary.

Evolution of mining and hydrocarbon production in %



*Estimated
Source: INEI

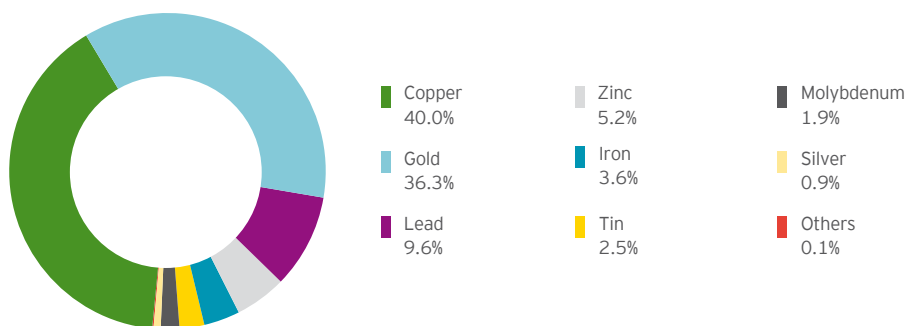
Mining exports (in US\$ million)



*January to October 2012

Source: Ministry of Energy and Mines

Mining exports by type of mining product (2012)



*Acumulated as of June 2012

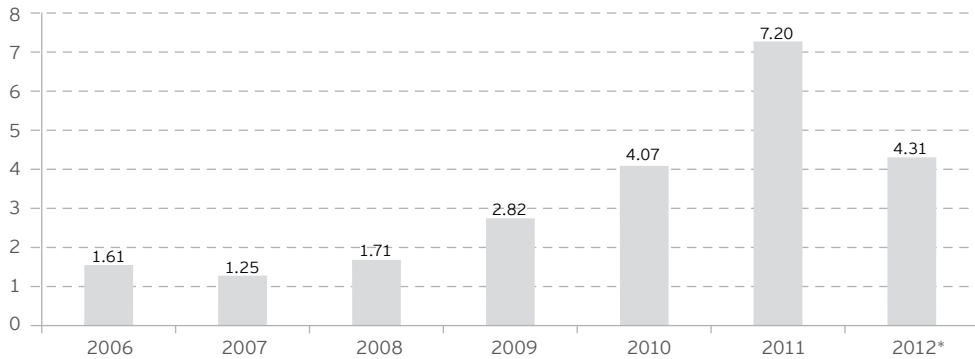
Source: Ministry of Energy and Mines

The state's role in the mining industry is strictly limited to that of regulating, promoting and observing. At present, the government has privatized a considerable part of its properties and assets in the mining sector; consequently, the major mining operations are in the hands of Peruvian and foreign private mining companies. Mining companies are not required to satisfy the local market's demand before exporting their products and are not required to sell them under official terms or prices. Also, Peru offers mining investors significant commercial advantages and great freedom to import the machinery and equipment necessary to perform their activities at a lower cost and subject to less bureaucratic requirements.

The measures envisaged by Peru for the development of the mining sector are producing favorable results. The most important international mining companies perceive Peru as an attractive space for their investments. Thus, in 2011, Peru reached record levels in attracting investments in the mining sector and became the world's fifth most preferred investment destination for mining exploration.

Investments in the mining industry increased by 23.3% between January and July of 2012. Furthermore, during 2011, mining investment in Peru recorded a remarkable annual increase of more than 70% and a significant growth in the fields of beneficiation plant equipment, mining equipment, exploration, exploitation, infrastructure and preparation of operation expansions.

Investment in the mining sector (in US\$ billion)



*Accumulated as of September 2012
Source: Ministry of Energy and Mines

Ernst & Young has an Investment Guide specialized in Mining, available on request via e-mail: eyperu@pe.ey.com

2 Financial System, Securities Market and Pension System

As of October 31, 2012, the Peruvian financial system consists of a total of 65 companies divided into four groups: banks (16), financial companies (11), non-banking microfinance institutions (36) and Leasing Companies (2). Within this composition, the largest share by asset level is held by banks with 88.7% of the total, followed by non-banking Microfinance Institutions with 7.4% and Financial Institutions with 3.7%. The financial sector is characterized by the presence of ten foreign banks, which are notably important and are supported by their parent companies. New foreign banks have announced their upcoming entry to the Peruvian market.

Over the past five years, the greater dynamism of the Peruvian economy has resulted in a 157% increase (December 2006/December 2011) in credit placements. During the same period, the percentage of adults holding deposits in financial institutions went up from 56% to 88%, and the number of loan clients increased in a similar proportion from three million to nearly five million. It should be highlighted that the delinquency rate of the Peruvian financial sector has remained low over the past five years, with an average indicator of 1.9% (1.63% at October 31, 2012). At the same time, the level of access to banking services (measured as gross placements over GDP) went from 20% in 2006 to 28% in 2012. This increase is explained to a large extent by the greater number of agencies throughout the country, which doubled in the past five years. Nevertheless, the bank penetration levels are still lower than the average in the region, which represents an opportunity at the local level, particularly in the retail sectors, such as consumption loans and micro and small enterprises.

Financial system structure and evolution of main variables

Structure of the peruvian financial system	
Bank entities	16
Financial companies	11
Non-banking microfinance institutions	36
▸ Municipal savings banks	14
▸ Rural savings and loan banks	11
▸ Small and micro-enterprise development entities	11
Leasing companies	2
Total	65

Source: Ministry of Production

Evolution of loan portfolio in US\$ million	
2012*	60,362
2011	52,933
2010	43,559
2009	39,180
2008	32,885
2007	25,909
2006	20,586

*Estimated

Source: Superintendency of Banking and Insurance (SBS)

Level of access to banking services	
2012*	28%
2011	27%
2010	26%
2009	25%
2008	23%
2007	22%
2006	20%

*Estimated

Source: SBS

Evolution of late payment rate in %	
2012*	1.79
2011	1.92
2010	2.10
2009	1.99
2008	1.41
2007	1.76
2006	2.21

*Estimated as of October 2012

Source: SBS

Evolution of deposits in US\$ million	
2012*	62,929
2011	55,980
2010	48,258
2009	45,574
2008	39,773
2007	31,729
2006	25,273

*Estimated as of September 2012

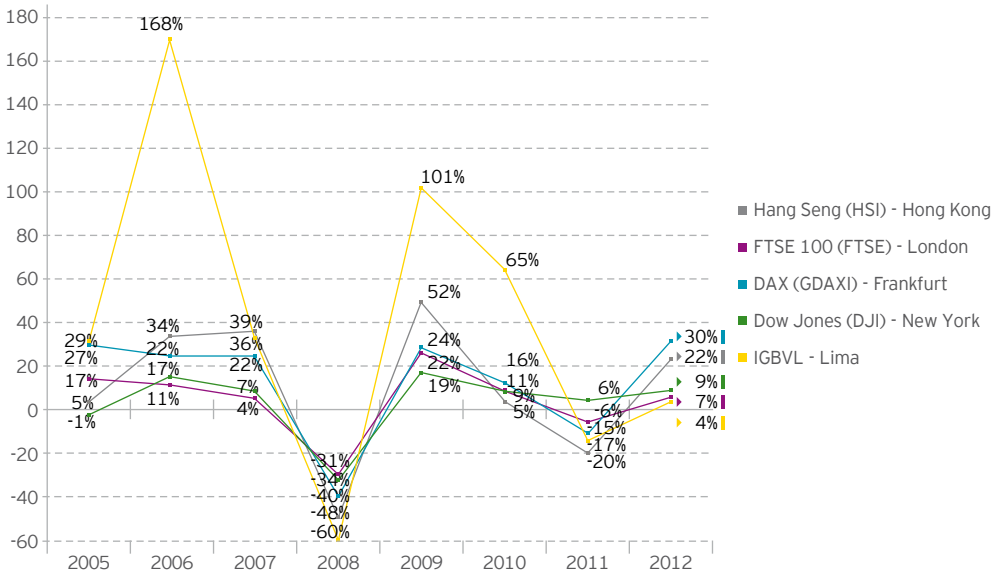
Source: SBS

The Peruvian securities market consists of the primary market, where public and private institutions issue fixed-income and equity securities, and the secondary market, where dealers place such instruments in the securities market through transaction mechanisms and platforms, such as the Lima Stock Exchange (BVL). The Lima Stock Exchange General Index (IGBVL) consists of shares from 246 companies, among which the most important ones are 43 mining companies which produce all types of ore: gold, silver, copper, zinc, among others. From January to September 2012, the BVL reported a daily average traded volume of US\$31 million, 15% higher than last year. The stock brokerage companies (SAB) are responsible for marketing securities in Peru. At present, 24 SAB's operate in the market, out of which the most important ones belong to local banking conglomerates. The BVL is a member of the MILA (see also Section I.11).

The private fixed-income market has consolidated as the major financing mechanism for local companies. As of September 2012, the total amount placed in fixed-income bonds has jumped to US\$7,996 million, 80% higher than that recorded five years ago. Currently, there are 65 companies with bonds outstanding in the market.

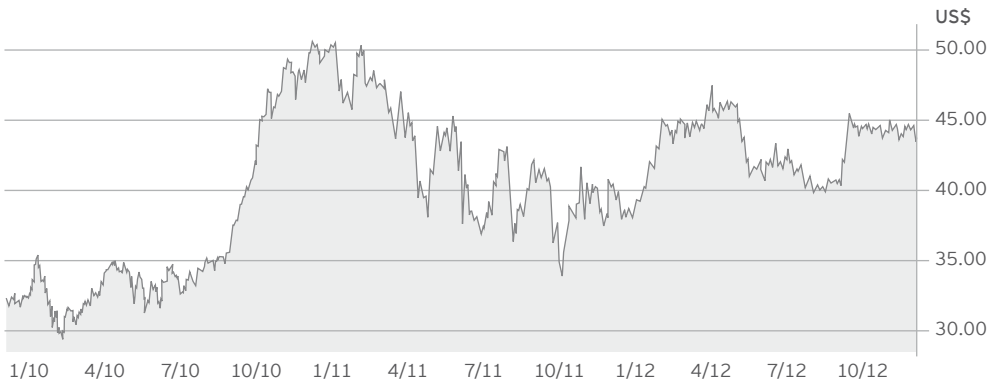
The main investors in the securities issued in the market are mutual funds and pension funds. As of September 2012, there are 61 mutual funds in the market totaling US\$6,000 million in managed resources, which are managed by seven pension fund management companies (SAF).

Evolution of IGBVL as compared to the main Stock Exchanges in the world (%)



*January to December 18, 2012
Source: Lima Stock Exchange (BVL)

The Exchange Traded Fund (ETF) is an iShares kind of share that measures the stock development of a group of values representative of their object of creation. The Peruvian ETF (EPV) has shown the following evolution since January, 2010:



Daily average volume traded in the BVL (in US\$ billion)

2006	25.13
2007	49.61
2008	31.81
2009	22.93
2010	26.89
2011	31.02
2012*	22.75*

*As of November 30, 2012

Source: BVL

Statistics of the pension system

Affiliation	
N° of Active Affiliates	5,095,375
Pension funds and contributions	
Total Pension Funds (S/. thousand)	88,700,659

Source: SBS

S/.2.60 times US\$1 at September 30, 2012

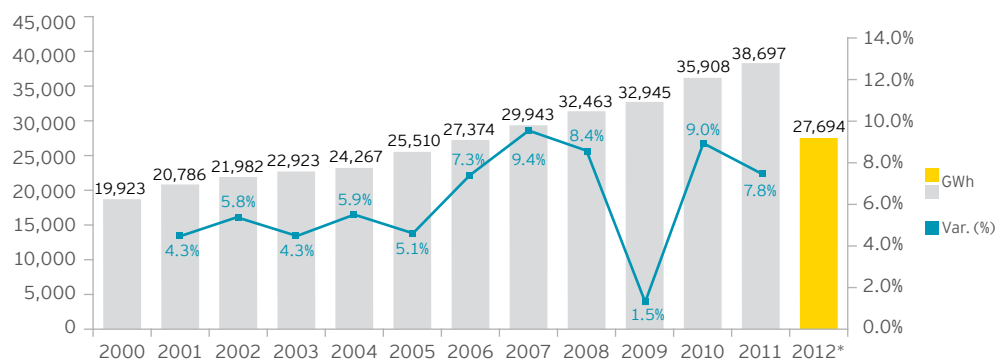
Stocks and flows of private sector bonds in US\$ million

Year	2005	2006	2007	2008	2009	2010	2011	2012
Private sector bonds	3,760	4,435	5,433	5,815	6,951	7,246	7,420	7,996
Placement	1,027	1,236	1,231	1,151	1,459	927	1,035	864
Redemption	734	644	572	668	591	748	1,041	410

Source: SMV

3 Electricity

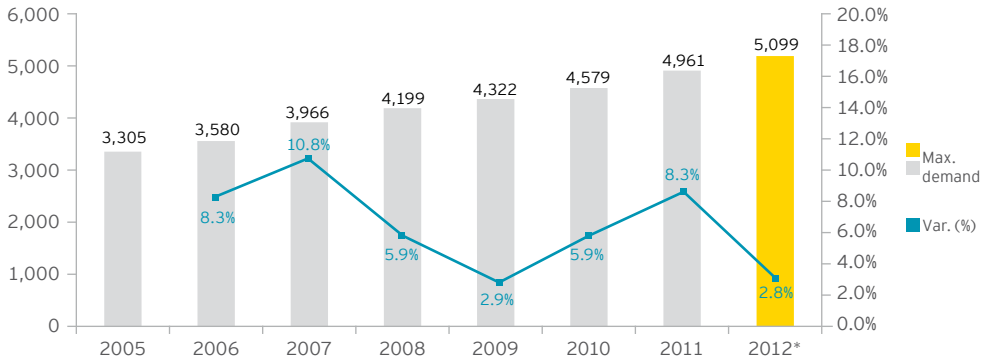
Electricity production and annual variation in %



*January to September 2012 by COES' reports

Sources: Ministry of Energy and Mines / Petroperú

High domestic demand and annual variation in %



*January to October 2012

Sources: COES / M&D Consultores

Electricity and water sector indicators

Concept	2005	2006	2007	2008	2009	2010	2011
G.A.V. Electricity and water							
► Current (million of S/.)	5,379	5,656	6,011	6,539	7,413	7,720	8,571
► Constant (million of 1994 S/.)	3,094	3,307	3,588	3,867	3,912	4,215	4,527
Annual % variation	5.6	6.9	8.5	7.8	1.2	7.7	7.4
Electricity production (GWh)	5.1	7.3	9.4	8.4	1.5	9.1	7.8
Total	25,509.7	27,374.1	29,943.0	32,443.4	32,919.1	35,908.0	38,697.5
► Hydraulic	17,977.0	19,523.9	19,548.8	19,039.9	19,878.2	20,052.1	21,543.0
► Thermal	7,531.5	7,848.9	10,393.0	13,402.3	13,039.7	15,854.7	17,153.2
► Wind	1.2	1.2	1.2	1.2	1.2	1.2	1.2
National electrification index (%)	77.0	79.9	81.8	84.3	86.3	87.9	89.5
No. of clients for electric power supply (thousands)	3,984	4,172	4,367	4,628	4,888	5,166	5,497
Drinking water production (thousands of m ³)							
► National	1,229,675	1,264,459	1,263,753	1,285,370	1,304,255	1,321,358	1,320,838
► Metropolitan Lima	669,724	664,805	650,762	658,749	671,604	680,819	683,246
Drinking water service coverage (%)							
► National	84.1	83.8	83	85.8	82.8	85.2	88.5
► Metropolitan Lima	87.3	85.8	84.6	87.0	80.6	84.3	89.4

Source: INEI

S/. 2.70 per US\$1 at December 31, 2011

4 Energy

According to the Ministry of Energy and Mines (MINEM) by 2018 investments in mining will be US\$53,000 million, while investments in hydrocarbons (including gas) will reach US\$28 billion. In the energy sector, investments are estimated to reach a total of US\$5,200 million. One of the most important energy investments is destined for the Southern Gas Pipeline project, which will amount US\$17,000 million. Gas reserves were recently discovered in Blocks 57 and 58, whose concessions are held by Kuntur and Petrobras, respectively, and are waiting to be certified. To date, the proven reserves of natural gas are located in Blocks 56 (2.3 TCF) and 88 (8.4 TCF). Additionally, there are 7.5 TCF of probable reserves in those blocks, as well as the reserves announced in Blocks 57 and 58.

Electric generation capacity with renewable energy to be exploited

Power type	Total power (MW)	Country's installed capacity (MW)	Total power / Capacity (number of times)
Hidraulic	58,937	2,954	20
Wind	22,000	142	155
Solar	to be defined	80	-
Biomasa	to be defined	27.4	-
Geothermal	3,000	0	to be exploited

Source: Ministry of Energy and Mines - 2010-2040 Politic-Energetic Presentation of Peru / Ernst & Young

The following chart briefly presents, the power capacity of generation projects to the year 2016.

Plan of generation projects

Year	Hydraulic	Thermal	Wind	Solar	Total (MW)
2012	32.4	967.8	0	60.0	1,060.2
2013	249.0	564.0	142.0	20.0	975.0
2014	450.5	1,112.6	0	0	1,563.1
2015	1,276.5	200.0	90.0	16.0	1,582.5
2016	213.8	0	0	0	213.8
Total (MW)	2,222.2	2,844.4	232.0	96.0	5,394.6

Source: M&D Consultores

This power capacity generation projects correspond to the following projects:

Date	Generation projects and company	Type	MW
Mar-12	C.T. Tablazo (Turbina a gas) - SDE Piura	Thermal	29.0
Mar-12	C.H. Huasahuasi I - Hidroeléctrica Santa Cruz (Grupo 2)	Hydraulic	5.0
Apr-12	C.H. Huasahuasi I - Hidroeléctrica Santa Cruz	Hydraulic	10.0
May-12	C.H. Nueva Imperial - Hidrocañete	Hydraulic	4.0
May-12	C.T. de Generación Adicional en Mollendo	Thermal	60.0
Jun-12	C.T. de Generación Adicional en Piura	Thermal	80.0
Jul-12	C.T. Planta de Etanol - Maple Etanol	Thermal	37.3
Jul-12	Central Solar Majes - Gts Majes	Solar	20.0
Jul-12	Central Solar Repartición - Gts Repartición	Solar	20.0
Sep-12	C.T. Kallpa - TV - Ciclo Combinado - Kallpa	Thermal	292.8
Nov-12	Central Solar Tacna - Tacna Soler	Solar	20.0
Dec-12	C.H. Yanapampa - Eléctrica Yanapampa	Hydraulic	4.1
Dec-12	C.H. Baños V - Empresa Administradora Chungar	Hydraulic	9.3
Jan-13	Central Solar Panamericana - Panamericana Solar	Solar	20.0
Jan-13	C.H. Las Pizarras - Empresa Eléctrica Río Doble	Hydraulic	18.0
Mar-13	C.H. Huanza - Empresa de Generación Huanza	Hydraulic	90.6
Apr-13	Central Eólica Marcona - Parque Eólico Marcona	Wind	32.0
May-13	C.H. Manta - Peruana de Inversiones en Energías Renovables	Hydraulic	19.8
Jul-13	Central Eólica Cupisnique - Energía Eólica	Wind	80.0
Jul-13	Central Eólica Talara - Energía Eólica	Wind	30.0
Jul-13	C.H. Machupicchu II Etapa - Egemsa	Hydraulic	99.9
Jul-13	C.H. Tingo - Compañía Hidroeléctrica Tingo	Hydraulic	8.8
Jul-13	C.H. San Marcos - Hidrandina	Hydraulic	11.9
Sep-13	C.T. Chilca 1 - TV - ciclo combinado - Enersur	Thermal	268.7
Sep-13	Reserva fría de generación - Turbo Gas Dual D2/Gas Natural - Norte (Talara) - EEPESA	Thermal	200.0
Oct-13	Reserva fría de generación - Turbo Gas Dual D2/Gas Natural - Sur (Ilo) - Enersur	Thermal	564.0
Jan-14	Embalse Pumamayo (32 Mmc) - San Gabán	Hydraulic	-
Jan-14	C.T. Santo Domingo de los Olleros - Tg1 - Termochilca	Thermal	197.6
Jan-14	C.T. Fénix - Tg1 + Tg2 + TV (ciclo combinado) - Fénix	Thermal	520.0
Jan-14	C.H. Carpapata III - Cemento Andino	Hydraulic	12.8
Feb-14	C.H. Runatullo III - Empresa de generación eléctrica Junín	Hydraulic	19.7
Feb-14	C.H. Runatullo II - Empresa de generación eléctrica Junín	Hydraulic	17.6
Apr-14	Reserva fría de generación - Turbo Gas Dual D2/Gas Natural - Norte (Planta De Eten)	Thermal	200.0
May-14	C.H. Chancay - Sinersa	Hydraulic	20.0
Jun-14	C.H. Cheves - Sn Power	Hydraulic	168.0
Jul-14	C.H. Shima - Energía Hidro	Hydraulic	5.0
Jul-14	Reserva fría de generación - Dual - Planta Puerto Maldonado	Thermal	18.0
Jul-14	Reserva fría de generación - Dual - Planta Pucallpa	Thermal	40.0
Aug-14	Central Biomasa La Gringa V - Consorcio Energía Limpia	Thermal	2.0
Oct-14	C.H. Ángel I - Generadora de energía del Perú	Hydraulic	20.0

(continues)

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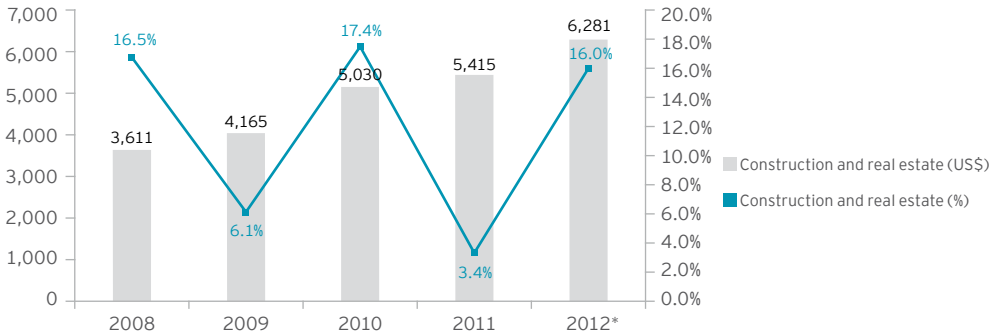
Date	Generation projects and company	Type	MW
Oct-14	C.H. Ángel II - Generadora de energía del Perú	Hydraulic	20.0
Oct-14	C.H. Ángel III - Generadora de energía del Perú	Hydraulic	20.0
Oct-14	C.H. Quitaracsá - Enersur	Hydraulic	112.0
Dec-14	C.H. 8 De Agosto - Andes Generating Corporation	Hydraulic	19.0
Dec-14	C.H. El Carmen - Andes Generating Corporation	Hydraulic	8.4
Dec-14	C.H. Nueva Esperanza - Andes Generating Corporation	Hydraulic	8.0
Dec-14	C.T. Nueva Esperanza - Empresa eléctrica Nueva Esperanza	Thermal	135.0
Jan-15	Parque Eólico Tres Hermanas - Consorcio Tres Hermanas	Wind	90.0
Jan-15	Central Solar Moquegua FV - Solarparck Corporation Tecnológica	Solar	16.0
Jan-15	C.H. Canchayllo - Aldana Contratistas Generales	Hydraulic	3.7
Jan-15	C.H. Huatziroki - Arzac Contratistas Generales	Hydraulic	11.1
Jan-15	C.H. Renovandes H1 - Renovables De Los Andes	Hydraulic	20.0
Apr-15	C.H. Santa Teresa - Luz del Sur	Hydraulic	96.1
May-15	C.H. Marañón - Hidroeléctrica Marañón	Hydraulic	90.6
Jun-15	C.H. Tarucani - Tarucani Generating Company	Hydraulic	49.0
Jul-15	C.T. Quillabamba - (4 Tgs - 50 Mw) - Gas Natural - Electroperú	Thermal	200.0
Jul-15	C.H. Chaglla - Empresa de generación de Huallaga	Hydraulic	456.0
Jul-15	C.H. Cola 1 - Hidroeléctrica Cola	Hydraulic	10.4
Jul-15	C.H. Las Cruces - General Commerce	Hydraulic	14.6
Dec-15	C.H. Cerro Del Águila - Cerro del Águila S.A.	Hydraulic	525.0
Jan-16	C.H. Pucará - Consorcio generación Pucará	Hydraulic	149.8
Feb-16	C.H. La Virgen - Peruana de Energía	Hydraulic	64.0

Sources: Report DP-01-2012 Final proposed Transmission plan update of the Planning Direction for transmission 2013-2022 - COES / M&D Consultores

5 Construction

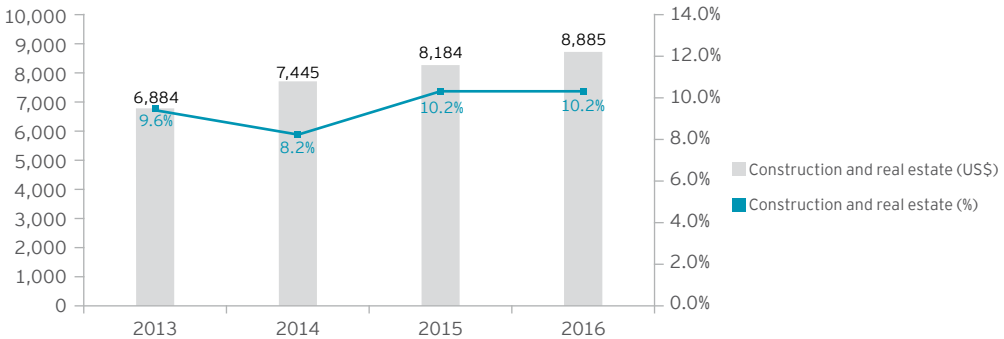
The construction sector has demonstrated continuous development over the past five years, despite the fact that its growth rates slowed down in 2009 and 2011 due to the international financial crisis. However, growth has been boosted by the increase in household incomes, higher public and private spending, and improved financing conditions for home acquisition.

Evolution of the construction sector in US\$ million and percentage variation



*Estimated
Source: BCRP

Projection for the construction sector in US\$ million and percentage variation



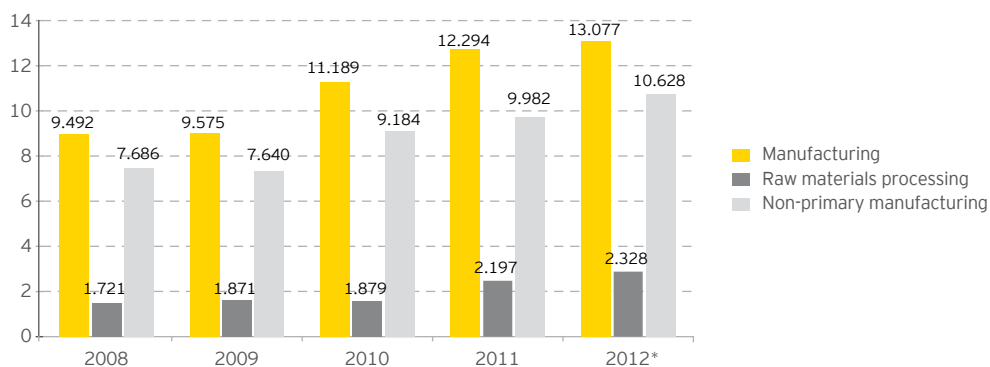
Source: BCRP

The economic outlook involves an increase in public spending in an effort to mitigate the adverse international impact. In this context, the construction sector would grow by approximately 12.6% in 2012, due to increased public and private investment that will finance the execution of works, most notably the southern gas pipeline project, highway infrastructure projects, and real estate projects. Likewise, internal cement consumption will grow by around 11.7%; while the physical progress of works will expand at a rate of 13.5% due to a higher public works budget.

6 Manufacturing

Between 2008 and 2011, the manufacturing sector experienced a growth of 11% in response to the increased incomes resulting from higher employment levels and the execution of low-cost housing projects such as those promoted by Fondo MiVivienda. This translated into a higher production of construction materials and goods for mass consumption. Likewise, the increase in private investment promoted growth in the production of goods demanded by mining and energy projects.

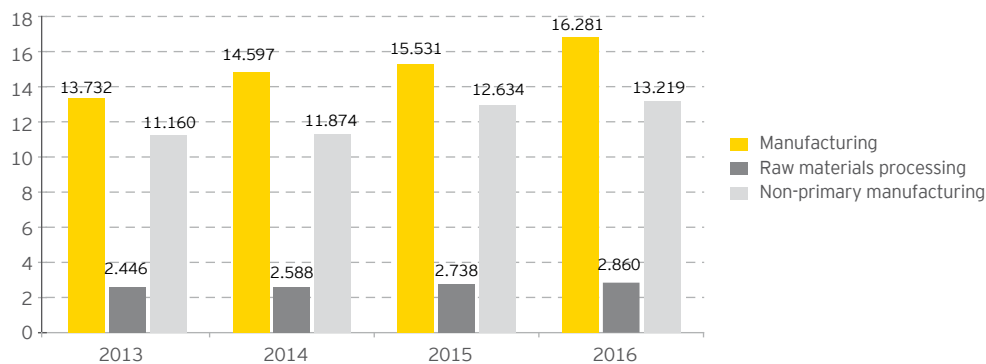
Evolution of the manufacturing sector in US\$ billion



*Estimated

Sources: BCRP / MEF

Projections for the manufacturing sector in US\$ billion



Source: MEF

It is estimated that the manufacturing sector will have grown at an interannual rate of 2.1% during 2012, driven by the advance of the non-primary manufacturing subsector (3.1%) in spite of the international contraction experienced by manufacturing due to a sharp drop in exports and the slow growth of internal demand.

The predicted growth of non-primary manufacturing is expected to be driven mainly by the intermediate goods industry, due to a strong upturn in public investment in infrastructure, which increases the demand for construction materials and industrial inputs. Growth is predicted for 2013 and 2014.

By August 31, 2012 this sector had grown 5.8% with respect to the same month of the previous year, similar to the rate shown in July. This result is explained by the drive of the petrochemical sector (13.4%) and construction materials (20.7%), being the highest growth since November, 2010.

However, the positive performance of these sectors is still being partially offset by the drop of the textile-apparel sector (-4.3%), due to the low demand from the United States; although in August 2012, this sector registered the lowest drop in the last six months.

The accumulated growth for the period of January - August (2.3%) is still found to be below the estimate for 2012 (3.3%).

Annual variation of the manufacturing sector by activity (January - July 2011/2012)

Primary manufacturing	-7.72
▸ Precious and non-ferrous metals, primary	0.79
▸ Petroleum refining products	-8.96
▸ Sugar refineries	-3.02
▸ Meat and meat products	6.00
▸ Fishmeal, canned fish, and others	-23.55
Non-primary manufacturing	1.07
Consumer goods	-1.49
▸ Knit and crocheted articles	-28.51
▸ Apparel, except for leather clothing	-3.49
▸ Other manufacturing industries	-0.89
▸ Cacao, chocolate, and confectionery production	-23.86
▸ Oils and fats, vegetable and animal	6.07
Intermediate goods	2.73
▸ Other chemical products	13.92
▸ Milling products	9.18
▸ Metal products for structural use	-9.91
▸ Cement, lime, and plaster	13.97
▸ Printing activities	-4.11
Capital goods	58.66
▸ Electrical power distribution and control devices	268.06
▸ Pumps, compressors, faucets, and valves	43.73
▸ Automotive vehicles	18.74
▸ Motors, generators, and power transformers	-0.29

Source: Ministry of Industry and Fisheries

7 Commerce and domestic consumption

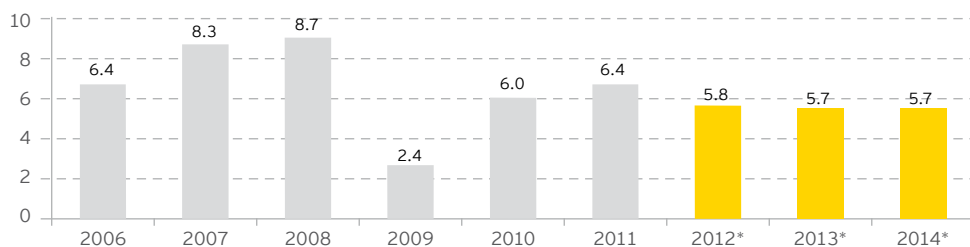
According to the Ministry of Economy and Finance (MEF) the country's growth in recent years has been based largely on private spending, which in turn may be broken down into private consumption and private investment. This has been reflected in the increase of the domestic demand, with the increase of jobs in this sector, reaching 6.9% in 2011.

Evolution of commercial production in %



*Estimated
Source: INEI

Private consumption evolution in %



*Estimated
Fuente: MEF

Distribution of family expenditure by items (2011)

Item	Metropolitan Lima		Rest of country - Urban		Peru - Urban		Peru - Total	
	S/.	%	S/.	%	S/.	%	S/.	%
Food within the household	643	29.5	471	31.7	547	30.9	466	31.5
Food outside the household	270	12.4	196	13.2	229	12.9	195	13.2
Clothing	69	3.2	87	5.9	81	4.6	73	4.9
Fuel	196	9.0	104	7.0	145	8.2	114	7.7
Furniture	89	4.1	69	4.7	77	4.4	67	4.6
Health	148	6.8	94	6.3	117	6.6	98	6.6
Transport	166	7.6	119	8.0	140	7.9	117	7.9
Leisure	253	11.6	122	8.2	179	10.1	142	9.6
Home electronics	11	0.5	12	0.8	12	0.7	10	0.7
Other expenditures	336	15.4	208	14.0	243	13.8	199	13.4
Total expenditure	2,182	100.0	1,483	100.0	1,771	100.0	1,480	100.0

Source: Apoyo
S/2.70 per US\$1 at December 31, 2011

8 Agriculture and livestock

According to the Ministry of Agriculture, agricultural and livestock production grew by 4.5% in 2011. The most outstanding products in the agricultural subsector were raw cotton, garlic, pineapple, cacao, asparagus, and avocado. In the livestock subsector, the principal products were eggs, poultry meat, and beef.

Agricultural and livestock production by subsector and principal products

Principal products	2010	2011	Variation (thousands of tons)	Var. (%)
Agricultural subsector				
Raw cotton	64	122	58.3	91.4
Garlic	63	83	19.9	31.7
Pineapple	311	399	88.9	28.6
Cacao	47	56	9.8	21.1
Asparagus	335	392	57.1	17
Avocado	184	215	30.1	16.3
Coffee	265	300	35.9	13.6
Potato	3,805	4,072	266.2	7
Grapes	280	296	15.5	5.5
Alfalfa	6,241	6,398	157.4	2.5
Bananas	2,007	1,904	-103.2	-5.1
Unhusked rice	2,831	2,621	-210.4	-7.4
Yucca	1,240	1,112	-127.9	-10.3
Mango	454	352	-102.3	-22.5
Livestock subsector				
Eggs	285	316	31.1	10.9
Poultry meat	1,244	1,324	79.7	6.4
Beef	337	351	13.7	4.1
Milk	1,678	1,724	45.5	2.7
Pork	154	157	2.2	1.4

Source: Ministry of Agriculture

The agricultural sector registered a growth of 4.4% as of October 2012 in comparison to the same period in the previous year. This result is mainly explained by the drive in the livestock sector (7.1%) which was lead by the growth in the production of poultry (14.0%). Furthermore, the agriculture subsector grew 1.5%, mainly due to the greater production of sugar cane (7.6%) and coffee (19.9%). The accumulated growth for the period of January - October 2012 is in line with the estimated rate for 2012 (4.0%).

9 Fisheries

The fishing sector held steady despite the current unfavorable environment which originated from climate changes and the decrease of demand in the United States and Europe. In June of 2012, the sector had grown 18% with respect to the same month in the previous year. The results were consequence of the greater capture of species for human consumption (39.85%) and direct (10.74%).

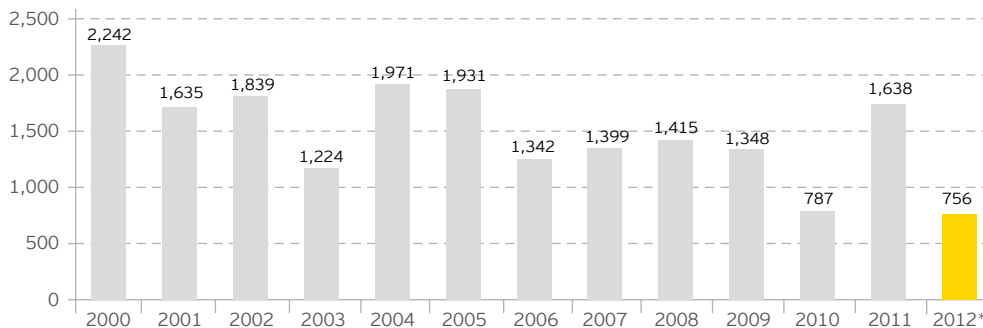
Evolution of fisheries production (annual percentage variation)



*Estimated

Sources: INEI / BCRP

Fishmeal production (in thousands of metric tons)

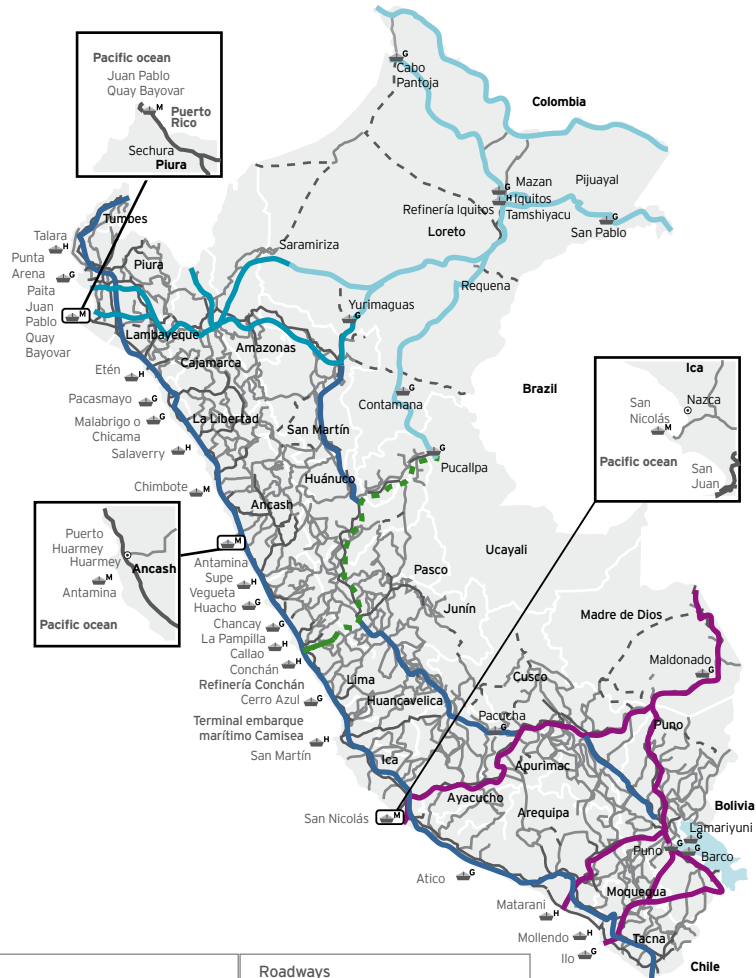


*Estimated

Source: Ministry of Production

10 Transport and communications

It is estimated that Peru's economic growth is closely related to the progressive reduction of its deficiencies in terms of infrastructure. Recently, Peru has started to adopt the necessary measures to improve this sector, mainly focusing on transport infrastructure, electricity, water and communications, with the aim of promoting new investment. The development of transport and communications will have a positive effect on the development of other sectors such as mining. Investment in infrastructure reduces the burden of distance between regions, resulting in the full integration of the local market, connecting it at a lower cost with markets from other countries and regions. The details of the project will be realized in the following years, through both public works and by intermediaries of Public-Private Associations (APP), this can be found in: www.proinversion.gob.pe



Ports			Roadways		
G	General	M	Mining	H	Hydrocarbons
Roadways IIRSA - Peru			Paved Unpaved		
IIRSA Norte / Amazon axis IIRSA Centro / Central Amazon axis			IIRSA Sur / Peru - Brazil - Bolivia and Interoceanic highway axis Andean axis		
Projected roads					

Source: Ministry of Transportation and Communications (MTC)

Main indicators in the transportation sector

Item	U.M.	2010	2011	Increase %
				2011 / 2010
Infrastructure				
Road system	Km.	125,044	129,162	3.3
Railway system	Km.	1,943	1,965	1.1
Airports	Unit	111	116	4.5
Ports	Unit	30	30	0.0
Vehicle fleet				
Motor	Unit	2,183,278	2,616,637	19.8
Locomotives	Unit	92	91	-1.1
Aircraft	Unit	281	283	0.7
Vessels	Unit	899	1,225	36.3

Source: Ministry of Transportation and Communications (MTC)

Main indicators in the communications sector

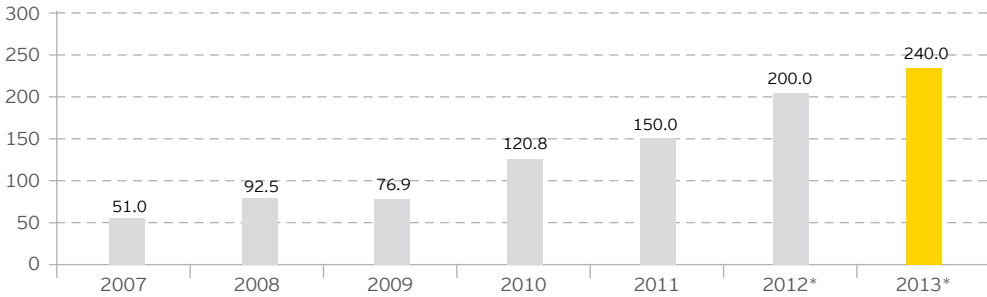
Year	Telephone lines in service			Telecommunication services			
	Fixed telephony	Public telephony	Mobile services	Broadcasting		Radiocommunication	
				Sound broadcasting station	Television broadcasting station	Private teleservice station	Amateur radio operators
2005	2,250,991	151,686	5,583,356	2,492	891	22,702	2,469
2006	2,400,603	158,314	8,772,479	2,596	933	29,586	2,440
2007	2,677,847	171,083	15,417,368	2,236	1,040	31,517	2,458
2008	2,875,385	196,659	20,951,834	2,146	1,043	30,174	2,376
2009	2,965,283	192,765	24,702,060	2,371	1,084	32,050	2,255
2010	2,949,990	200,398	29,002,791	2,778	1,143	33,460	1,997
2011	2,949,816	199,806	32,305,455	3,255	1,259	32,770	1,370

Source: Ministry of Transportation and Communications (MTC)

11 Automotive

The growth trend shown by the Peruvian automotive industry continued in 2012. Sales in 2012 are expected to surpass 200,000 vehicles, an annual increase of approximately 25%. This forecast is backed by the creation, in mid-2011, of the "Automotive Park Renovation Program," which has given an additional boost to the market. Also, the prices of vehicles in local currency will tend to fall as the Nuevo Sol continues to strengthen, and as new FTAs come in to effect, import tariffs will continue to reduce.

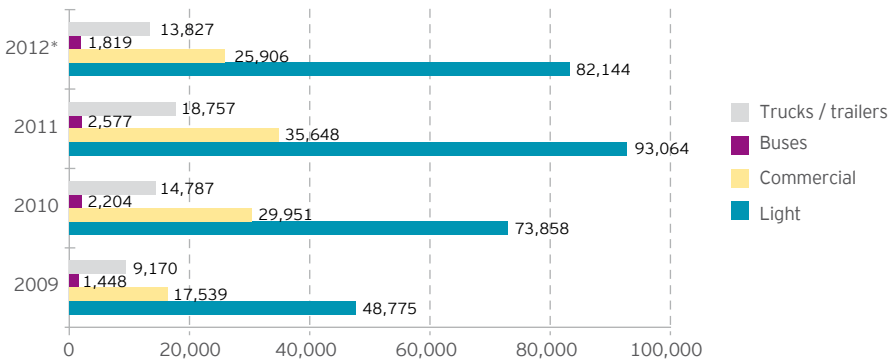
Total vehicle sales (thousands of vehicles)



*Estimated

Source: Apoyo Consultoría / Araper

Vehicle sales by category (units)

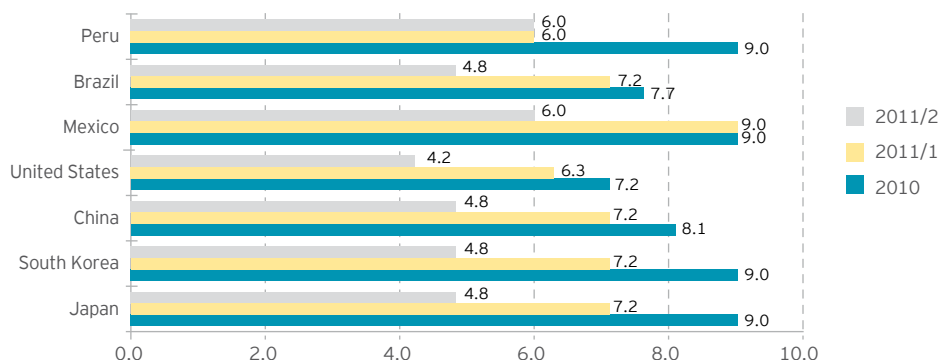


*Data as of August 2012

Sources: Apoyo Consultoría / Araper

In early 2011, tariffs dropped from 9% to 6% for light vehicles with the tariff reduction package promoted by the Ministry of Economy and Finance (MEF). This will accelerate the tariff relief process established in the FTAs with South Korea and Japan. By the end of the tariff relief period (five years) this will produce a drop in the import price for vehicles of approximately 8%. Heavy vehicles, related to investment, already enter the country tax-free from any country of origin.

Tariffs for light vehicles



*2011 /1: before the tariff reduction

**2011 /2: after the tariff reduction

***Consideration of a relief period of five years

Source: Apoyo

12 Food and beverages

According to the results of the National Household Survey (ENAH) the food consumption expenditure of households grew by 5.7% during the third quarter of 2011 over the same period of the previous year. For example, increased expenditures were registered for products such as coffee, tea, and cacao (15.8%); fish (15%); oils and fats (14.9%); sugar and sugary sweets (12.3%); bread and cereals (11.3%) in the first quarter of 2011, explained primarily by the higher costs of products such as sugar and sugary sweets (17.5%), coffee, tea, and cacao (11.8%), fish (11.1%), and bread and cereals (8.9%).

Likewise, during the first quarter of 2011, the food industry registered a growth in gross added value of 14.0%. This favorable result is due to the growth of internal consumption and higher external demand.

Main foods consumed according to the classification of individual consumption by purpose (in S/. millions)

COICOP Level	Description ^{1/}	2010 (E/) ^{2/}	2011 (E/) ^{2/}	% Variation
		3Q	3Q	2011-3Q / 2010-3Q
1.1.1	Bread and cereals	2,269	2,526	11.3
1.1.2	Meat	2,047	2,154	5.2
1.1.3	Fish	561	645	15.0
1.1.4	Milk, cheese, and eggs	1,484	1,560	5.1
1.1.5	Oils and fats	263	302	14.9
1.1.6	Fruits	1,015	1,070	5.4
1.1.7	Legumes - vegetables	1,825	1,871	2.5
1.1.8	Sugar and sugary sweets	420	472	12.3
1.1.9	Other food products	623	620	-0.6

(continues)

(continued)

COICOP Level	Description ^{1/}	2010 (E/) ^{2/}	2011 (E/) ^{2/}	% Variation
		3Q	3Q	2011-3Q / 2010-3Q
1.2.1	Coffee, tea, cacao	195	226	15.8
1.2.2 / 2.1.0	Beverages	317	347	9.2
11.1.1	Prepared foods consumed in the household	1,019	938	-7.9
Total		12,038	12,728	5.7

1/ Food consumed in the household, quarterly expenditure adjusted for inflation

2/ Calculation taken from quarterly preliminary inflation adjustment databases for 2010 and 2011

Source: INEI - National Household Survey (ENAHO) with expansion factor adjusted to the last population and housing census (CPV 2007)

The food industry in Peru has been driven fundamentally by the higher purchasing power of the population, influenced by job growth and consumer credit provided by the financial system. Over the past decade (2001-2010) the monthly per capita expenditure on food in real Nuevos Soles increased by approximately 24%, while food expenditures outside the household was the item that expanded the most (64%). In 2011, the food within the household items accounted for 31.5% of total average monthly family expenditures, while food outside the household accounted for 13.2%.

Distribution of average monthly family expenditures (2011)

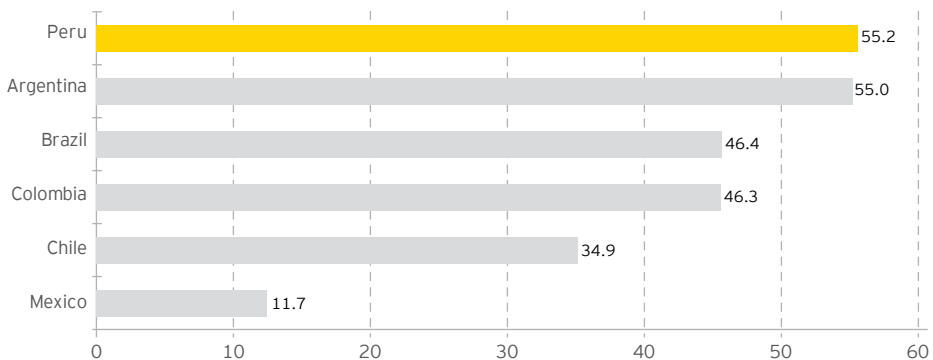
Item	Metropolitan Lima		Rest of country - urban		Peru - urban		Peru - total	
	S/.	%	S/.	%	S/.	%	S/.	%
Food within the household	643	29.5	471	31.7	547	30.9	466	31.5
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Total expenditures	2,182	100.0	1,483	100.0	1,771	100.0	1,480	100.0

S/2.70 per US\$1 at December 31, 2011

Source: Apoyo

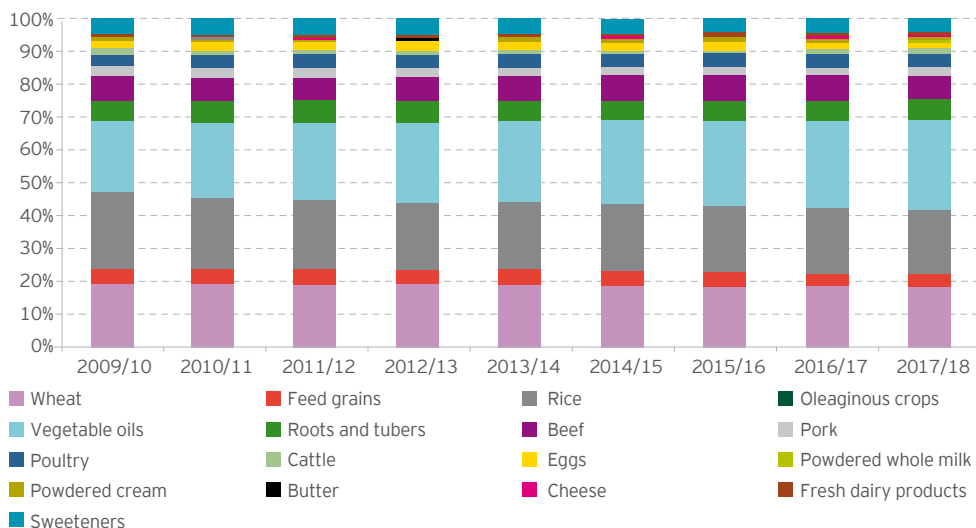
It is estimated that for the 2012 - 2016 period, the per capita consumption of food in Peru will grow by 55.2%, one of the highest figures in Latin America. Also, it is expected that the most-consumed foods for 2013 and 2014 will be vegetable oils, rice and wheat.

Food consumption per capita 2012-2016 (% variation)



Source: Business Monitor International

Food consumption profile



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

The beverage industry has an annual turnover of more than US\$1 billion. According to the National Association of Industries (SNI) the sector increased its production by 5.8% in 2011. The rise in consumption of this sector has been driven by a range of favorable macroeconomic conditions in the country, such as the increased purchasing power of the population, a greater variety in the offer of new products, new sales outlets outside Lima, and greater competition among the main brands in the internal market. The main bottling companies in Peru are also investing in expanding their installed capacity, especially outside of Lima.

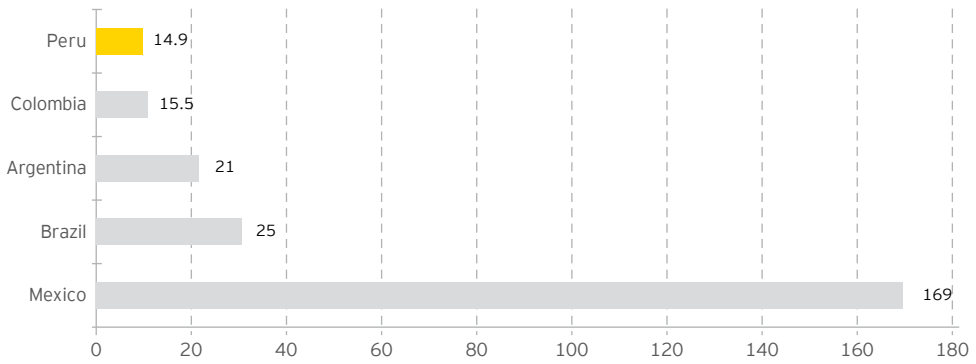
During 2011, bottled water production hit 385 million liters, 20.5% higher than the figures reported for the previous year. Between January and November 2011, bottled water exports were 4,584 liters, representing a growth of 8.1% over the previous year. At the same time, production of carbonated beverages totaled 1,744 liters, 2.7% more than in 2010. It is estimated that soda exports in 2011 totaled US\$4.8 million. In the case of rehydrating beverages, production totaled 152.3 million liters in 2011. In the past three years, the market for this beverage item has grown by more than 50%, making Peru the largest consumer of rehydrating beverages in Latin America.

On the other hand, beer sales totaled 13.1 million hectoliters in the Peruvian market, indicating a growth of 6.6% over the previous year. Wine production fell by 1.8% in 2011. However, it reported a growth of 20.6% the previous year. Despite this, wine consumption accounted for 40.3 million liters, indicating a growth of 1.5% over 2010. Pisco sales in 2011 achieved 3.3 million liters, or US\$39.6 million, of which 13% were exports.

It is estimated that the beverages sector will achieve growth of approximately 5% in 2012, including higher sales of non-alcoholic beverages, and 5% in the sale of alcoholic beverages. With regard to the former, this expansion will be led by bottled water, with a growth in production of nearly 15% due to the trend of consumer preference for healthy beverages, without carbonation and with lower sugar content. The soda item will also grow by 5%. Among alcoholic beverages, a 5% increase in beer production is predicted for 2012, with increased development of the premium segment with the launch of new brands.

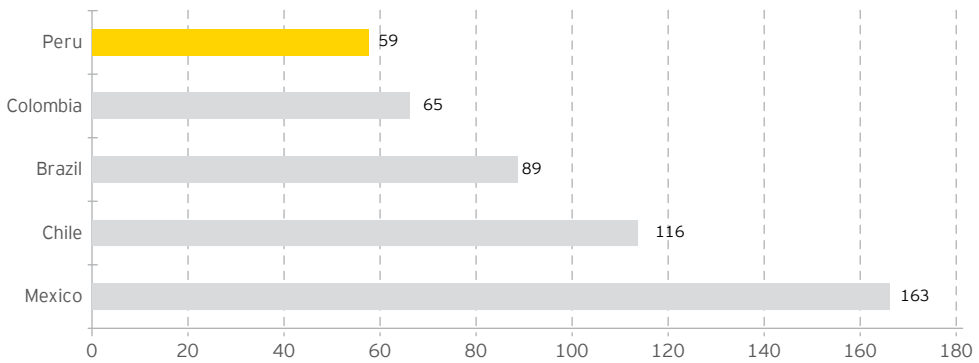
Peru ranked fifth in Latin America in per capita consumption of bottled water and beer in 2011, and fifth in per capita consumption of sodas.

Consumption of bottled water per capita in liters (2011)



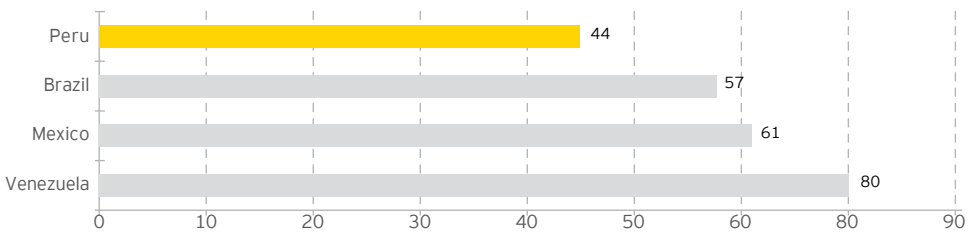
Source: National Association of Industries (SNI)

Consumption of sodas per capita in liters (2011)



Source: Oxfam

Consumption of beer per capita in liters (2011)



Source: Maximixe

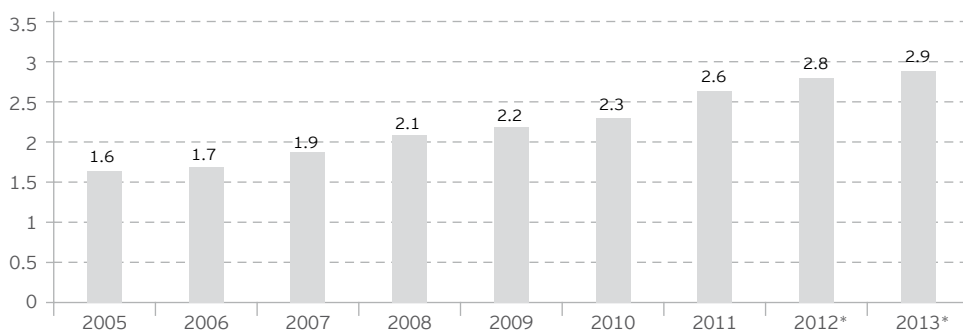
13 Tourism, Gastronomy and the Hotel industry

Tourism

Peru enjoys a privileged position as a global tourist destination and is ranked among the world's ten most preferred destinations owing to its authenticity, art and culture, history and natural beauty, in addition to recognized tourist locations such as Machu Picchu and the Amazon Region, both declared world heritage sites.

According to the Immigration and Naturalization Service, the arrival of tourists to Peru during the first half of 2012 was US\$1.373 billion, which represents a 10.6% increase compared to the same period of the previous year. Thus, there was a 16.3% rise in the number of tourists coming from Asia, a 13.8% growth in the number of tourists coming from Europe and a 11.3% upward trend in the number of tourists coming from South America. Similarly, foreign currency grew by 13.8% as compared to the first half of 2012, reaching US\$1,563 million.

The annual increase in tourist flow is shown below (in million):



*Estimated

Source: Ministry of Foreign Trade and Tourism (MINCETUR)

Gastronomy

Peruvian gastronomy is considered to be one of the most important in the world. Over time it has become a "flagship product" due to its quality and growing international competitiveness, in addition to having a cuisine rich in tradition and history. Peru is currently experiencing a "gastronomic boom," and 42% of the tourists visiting this country say that Peruvian cuisine is one of the aspects that most influences their choice of Peru as a tourist destination. The expansion of Peruvian gastronomy is reflected in the possibility of doing business, either by exporting the ingredients, know-how and skills in its preparation or by representing Peruvian cuisine franchises in a growing number of countries.

Hotel industry

Collective accommodation establishments by category (2011)

Category	Nº establishments	Nº rooms	Nº places - bed
Classified and categorized establishments	2,121	51,819	94,553
▸ Classified and categorized			
- 1 star hotel	362	6,196	10,638
- 2 star hotel	1,082	21,852	38,677
- 3 star hotel	548	15,307	29,093
- 4 star hotel	52	3,717	6,943
- 5 star hotel	35	4,101	7,491
▸ Classified establishments			
- Youth hostel	37	507	1,396
- Ecolodge	5	139	315
Non-categorized establishments	12,459	137,096	237,663
Total	14,576	205,692	359,405

Source: Ministry of Internal Affairs (MININTER)

III. Establishment of companies in Peru



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

1 Joint stock companies

A minimum of two shareholders is required. Non-domiciled shareholders should appoint an attorney in fact to sign off the by-laws on their behalf. Funds in local and foreign currency for the initial capital contribution should 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\$385).

► Features:

- **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; nevertheless, in the case of closely held corporations, the existing shareholders have the right of first refusal in the event that shares are being transferred 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 two and a maximum of twenty shareholders. Shares cannot be registered in the Public Registry listed on the Stock Exchange.

► Features:

- **Limited liability:** shareholders' liability is limited to the par value of the shares they hold.
- **Management:** Shareholders' Meeting (resolutions may be adopted in lieu of a meeting) and Chief Executive Officer (General Manager). A Board of Directors is optional.
- **Stock transfer:** the law establishes a right of first refusal to the existing shareholders in case of transfer of shares; however, this right may be eliminated from the bylaws.

3 Publicly held corporations

Publicly held corporations are intended basically for companies with a large number of shareholders (more than 750 shareholders) or for which an initial public offering has been made, or have debts that can be converted into shares. They must be registered in the Public Registry listed on the Stock Exchange.

► Features:

- **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

A minimum of two and a maximum of twenty participating partners is required. This type of company does not issue shares. The incorporation procedures are the same as those for all other corporations.

► Features:

- **Limited liability:** partners are not personally liable for the company's liabilities.
- **Centralized management:** Partners' Meeting, Board of Directors and Chief Executive Officer (General Manager).
- **Stock transfer:** transfer of partners' interest 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 it must be certified by the Peruvian Consulate in the country of the home office and authenticated by the Peruvian Ministry of Foreign Affairs (MRE) before it is put into the form of a notarially recorded instrument and registered in the Public Records Office of this country. A Certificate of Good Standing from the parent company is also required. In accordance with the Business Corporation Act (LGS) branches of foreign companies may be legally incorporated in Peru as any type of legal business entity provided for in the Business Corporation Act.

IV. Taxes



The following table shows the list of taxes according to their nature (direct, indirect and municipal). Each is described in detail below.

Direct taxes	Indirect taxes	Municipal taxes
Income Tax	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

Legal entities

Corporations incorporated in Peru are subject to 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 tax year ends on December 31, with no exceptions. Income tax returns for corporations, branches and individuals should be filed by March 31 of the following year.

The corporate income tax rate is 30% and is applied over the net income (after the deduction of expenses incurred in the generation of income or maintenance of the source).

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 of each subsequent year.

Loss carrybacks are not permitted.

Income obtained by non-domiciled entities are subject to a withholding income tax, 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 remittance of profits from the branch	4.10%
Interest paid to non-domiciled companies, provided certain requirements are met	4.99%
Interest paid to foreign related companies	30.00%
Technical assistance services used in Peru and affecting Peruvian income	15.00%
Royalties	30.00%
Capital gains deriving from the disposal, redemption, surrender or call of negotiable securities (shares, bonds or other securities issued by corporations incorporated in Peru) through the Lima Stock Exchange (BVL)	5.00%
Capital gains deriving from the disposal, redemption, surrender or call of negotiable securities (shares, bonds or other securities issued by corporations incorporated in Peru outside the Lima Stock Exchange - BVL (over the counter)	30.00%

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

Activities	Net income (%)	Effective tax rate (%)
Air transport	1	0.3
Maritime transport	2	0.6
Vessel lease	80	8.0 ¹⁰
Aircraft lease	60	6.0 ¹¹
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**

Under these 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) equivalent to three times the taxpayers' net equity at the end of the preceding year.

► **Transfer pricing rules**

Transfer pricing rules are based on the arm's length principle as interpreted by the Organization for Economic Co-operation and Development (OECD).

In Peru, however, these rules do not only apply to transactions between related parties, but also to transactions with companies domiciled in tax havens. Moreover, these rules must be considered not only for Income Tax purposes but also for Value Added Tax (VAT) purposes.

► **Individuals**

Under the Peruvian income 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.

However, after residing in Peru for a period in excess of 183 days within any 12-month period, foreign nationals will be considered residents and, therefore, taxed on a worldwide income basis.

An individual's status as domiciled or non-domiciled must be verified based on the individual's condition on January 1 of each tax year. Any change during the tax year will affect the residence status as from the following year.

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

For domiciled individuals, the Income Tax applicable to income derived from dependent services, shall be determined using a three-bracket cumulative scale, as shown below:

Scale	Accumulated progressive rate
Up to 27 tax units (tax unit is currently equivalent to S/.3,700)	15%
In excess of 27 and up to 54 tax units	21%
Any excess	30%

Note that 7 Tax Units, applicable to this type of income, have been previously deducted.

For non-domiciled individuals, the Income Tax over the labor income is 30% with no deductions.

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 businesses
- 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 (Chile, Canada and Brazil) or from member countries of the Andean Community of Nations (consisting of Ecuador, Colombia, Bolivia and Peru) other provisions may apply.

b. Temporary Net Assets Tax (ITAN)

The Temporary Net Assets Tax (ITAN) is equivalent to 0.4% of the total value of assets in excess of S/.1,000,000, determined on December 31 of the previous year. Companies in a 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. In such a way, taxpayers in their country of origin might be able to claim as foreign tax credit the Income Tax paid in Peru and not the ITAN.

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

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 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 for 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.

The Value Added Tax (VAT) follows the debit/credit system, under which the VAT paid on sales is offset against the VAT paid on purchases. The VAT that is not used as credit in a particular month may be applied in the following months until it is consumed.

► Early VAT recovery system

Companies developing projects in which the pre-operational stage is longer than two years can request the early recovery of the VAT before starting commercial operations. To do this, the subscription of an Investment Agreement with the Peruvian Government must be requested through ProInversión. The investment must be made before the pre-operational stage and must not be below US\$5 million, unless investments are to be developed in the agricultural sector which is exempt from this requirement.

► Definitive VAT recovery system

This system applies 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 the first case, the beneficiary of the system must not be in the production stage and should have entered into an Exploration Investment Agreement. In the second case, the investor must be in the exploration stage of such agreements.

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 local currency for each measurement unit; (ii) at the value, based on a percentage of the sale price; and (iii) sale price, a percentage over the suggested retail price.

3 Municipal taxes

a. Property Tax

Property Tax is an annual municipal tax that is levied over the value of real property on urban or rustic land. The tax considers the land, buildings, and fixed or permanent facilities.

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

b. Property Transfer Tax

Property Transfer Tax is levied on the transfer of real 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 tax base is the sale price of the property. The tax rate is 3%, to be paid by the buyer. The first 10 UIT are found to be exempt (UIT= S/.3,700).

c. Vehicle Property Tax

The Vehicle Property Tax is an annual tax, levied on the property of automobiles, trucks and station wagons manufactured within the country or imported that are three years old or less. The three years are calculated from the first filing of the automobile in the Vehicle Property Registry.

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

4 Customs administration

Imported goods are subject to import tariffs that are currently at Ad Valorem rates of 0%, 6% and 11%¹²

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

Additionally, and depending on the type of goods, imports can be taxed with the Selective Consumption or Luxury Tax, 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 Andean Community framework (CAN).

There are also specific duties that will apply as additional variable duties on imported agricultural products such as yellow corn, rice, milk and sugar.

Some imported goods can 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.

Lastly, compensation duties are applied to imported goods that are subsidized in their country of origin and their import can harm or threaten to harm national production.

The customs taxes and duties applied are summarized as follows:

Tax	Rate	Tax base
Customs tariffs ^(a)	0%, 6% and 11% ¹³	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 fiscal credit by the importer

^(c) Certain goods are additionally subject to the Selective Consumption or Luxury Tax

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.

^{12/13} In the case of Speedy Delivery 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.

a. Restricted or prohibited goods

Some goods that could be imported into the country may be considered by law to be restricted or prohibited, for reasons of national security or public health, and other reasons.

The goods that are restricted are those that require special authorizations, licenses, permits, etc. from the competent institutions, depending on the goods to be imported. These need to present 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:

- ▶ **Ministry of Industry and Fisheries**, through the General Directory of Industries in charge of the Bureau of Chemical Inputs and Controlled Products (DIQPF) for controlled chemical inputs; through the Technical Ozone Office for goods containing substances that deplete the ozone layer; etc.
- ▶ **Ministry of Health**, through the Peruvian Medicines Inputs and Drugs Administration (DIGEMID) in the case of medicines; and through the Bureau of Environmental Health in the case of foods 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 General Bureau of Control of Security Services, Arms Control, Ammunition and Explosives for Civil Use (DICSCAMEC) for goods such as fire arms, explosives, etc.
- ▶ **Ministry of Agriculture**, through the National Agricultural Sanitation Service 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.

b. Anti-dumping measures and compensation duties

When an importation is carried out it is possible that anti-dumping or compensation duties may have been applied for nationalizing certain goods in order to prevent or to correct distortions by dumping or subsidies, as laid out by the Commission for Control of Dumping and Subsidies of the National Institute for the Defense of Free Competition and the Protection of Intellectual Property (INDECOPI).

Likewise, it is possible that during the clearance or after this, INDECOPI may initiate a procedure to establish anti-dumping or compensation duties.

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

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

c. Trademarks and patents

For purposes of protecting copyright and trademarks, country border measures have been established so that the State or the interested party may initiate a request through the Customs Office.

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 of removal from customs warehouses) of goods when it is presumed that the goods carry fake trademarks, or brands that are confusingly similar, or pirated goods that harm copyright. This is filed so that INDECOPI can carry out an inspection of the goods to be imported into the country.

d. Drawback

The system of returning customs duties, or drawback, allows production-exporting companies to recover the total or partial customs duties paid on importing raw materials, inputs, intermediate products 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. The restitution rate applicable is equivalent to 5%.

e. Free Trade Zones

► Tacna free trade zone - Zofraticna

The Tacna Free Trade Zone, Zofraticna, was created in 2002 as a way to promote investment in the south of the country, by establishing companies engaged in developing a series of industrial activities, agro-industry, in-bond-processing, assembly, and storage, distribution, unpacking, and packaging, etc. A tax exemption system was granted, which includes Income Tax, Value Added Tax (VAT) Selective Consumption or Luxury Tax, Municipal Promotion Tax, as well as any other tax, either existing or to be created, provided to the activities that are developed within the special zone.

For products shipped from abroad that enter the zone, these will not be subject to import duties since Zofraticna is granted the status of a special customs treatment area. In the case that the goods are transferred to the Tacna Commercial Area, the goods pay only a special tariff; however, if the destination of those goods is the rest of the country, then they are subject to payment of the duties that are charged on imported goods.

The benefits system of tax exemptions is in effect until 2032, with the exception of the Income Tax, which will expire on December 31, 2033.

► Special Economic Zone of Puno - Zeedepuno

The Special Economic Zone of Puno, Zeedepuno, as in the case of Zofraticna, is an area that enjoys the status of being outside the customs territory and where a special tax system is applied that not only exempts goods that enter the area from import duties but also provides an exemption to Income Tax, the Value Added Tax (VAT) the Selective Consumption or Luxury Tax, Municipal Promotion Tax, as well as any other central government, regional or municipal tax in force or to be created, including those that require a special exemption, provided the users carry out authorized activities such as industry, agro-industry, in-bond processing, and assembly, and the services of storage, distribution, unpacking, packaging, etc. within the zone.

The exemptions are valid until 2027, except for the Income Tax, which concludes on December 31, 2028.

► Ceticos

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

The Ceticos are limited geographical areas that are primary customs zones for special treatments, where services can be provided for repairs, reconditioning of goods, modifications, combinations, packaging, in-bond processing, active improvement, distribution and storage, etc. Under this system, goods that

enter these areas are exempt from import duties. However, goods from the Ceticos that are then shipped to other parts of the country are subject to the payment of customs tariffs and other duties applicable to imported goods.

With regard to other duties and taxes, the development of industries within the Ceticos are exempt until December 31, 2022 (with the exception of the repair or conditioning of used vehicles, which expires indefinitely on December 31, 2012) from paying Income Tax, Value Added Tax (VAT) Selective Consumption or Luxury Tax, Municipal Promotion Tax, as well as all taxes, in force or to be created – including those that require an express exemption by law– with the exception of contributions to EsSalud and rates. Likewise, the transfer of goods and provision of services between users established in the Ceticos are exempt from Income Tax, Value Added Tax (VAT) Selective Consumption or Luxury Tax, and any other tax in force or to be created, including those that require specific exemption.

In the case of Ceticos Loreto, it is important to note that the term for establishing companies in that area, as well as for their exemptions, is fifty years, as of May 22, 1998. At the present time, Ceticos Loreto still lacks regulations and a specific property.

5 Tax Stability Agreements

The Agency for the Promotion of Private Investment (ProInversión) as representative of the Government of Peru, can celebrate Judicial Stability Conventions, through which they guarantee the stability of the legal and tax system to foreign investors applicable to the investors and Receiving Companies of these investors. Tax stability is available to those who contribute capital to established or new companies in Peru in the amount of no less than US\$10 million in the mining and hydrocarbons sector, US\$5 million in any other industry or business. The investment can be realized within a maximum period of two years. The term of validity is for ten years, except for those that have celebrated a concession contract. The investors of the concessionaries and those concessionaries awarded the processes of concession, covered under the D.S. 059-96-PCM, could celebrate these conventions, respecting the terms set in the concession contract to realize their investment.

6 Mining law

► Law No. 29789 - Special Mining Act (IEM)

The Special Mining Act (IEM) in force since October 1, 2011, is applicable to the holders of mining concessions and assignees that undertake the exploitation of mineral resources, applicable on the sale of metallic mineral resources as well as on the resources from personal use or unjustified withdrawals of those goods.

The IEM is determined and paid quarterly according to a progressive accumulative scale of operation margins with marginal rates varying between 2.00% to 8.40%. Technically the IEM is based on the sum of each increase on the operating margin, multiplied by the rate of the progressive tax according to 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%
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	More than 85%		8.40%

$$\text{Operating Margin} = \frac{\text{Operating profit}}{\text{Revenue from sales}} \times 100$$

Where:

- **Operating profit:** Income generated through the sales of mineral resources minus: (i) the cost of goods sold, and (ii) operating costs, including sales costs and administrative costs. The exploration costs must be distributed proportionately throughout 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 whether or not they have been capitalized as part of the sales costs or treated as operating costs.
- **Revenue from sales:** 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 in the case of determining Income Tax for the period in which it was paid.

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

► **Law No. 29790 - Special Mining Act (GEM) / Executive Order No. 173-2011-EF - Regulations Governing the GEM**

The Special Mining Act (GEM) in force as of October 1, 2011, is a “voluntary” payment, applicable to holders of mining concessions and to assignees that undertake the exploitation of metallic mineral resources that, in accordance with the signing of Contracts of Guarantee and Promotional Measures for Investment covered in the Mining Law, cannot be affected by changes in the legislation relating to the IEM and to mining royalties.

The GEM does not qualify as a tax insofar as it cannot be demanded coactively according to Law and having originating status.

Similar to the IEM, the GEM is determined and paid every quarter for each one of the Guarantee Contracts, according to a progressive and accumulative scale of operating margins with marginal rates of between 4.00% and 13.12%, as follows:

Special Mining Tax (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	More than 85%		13.12%

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. Likewise, it indicates that the adjustments made in 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, so that those that were not completely absorbed in any particular quarter cannot affect the calculation base for later quarters.

Unlike the IEM, the mining royalties established by Law 28258 and the royalties that expire after the signing of the Contract, can be discounted in order to determine the GEM and, in the case that it exceeds the amount of that tax, can be carried over to the following quarters until fully paid. Additionally, the effective amount paid on the GEM shall be considered a deductible expense in the case of determining Income Tax, within the fiscal period that it is paid.

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

Lastly, this Executive Order includes the approval of the agreement model to be applied for the GEM and that must be signed by those in the mining industry and the Peruvian State to bring the tax into effect. Article 11 of the model establishes that the signing of the agreement does not constitute any amendment or resignation in whole or in part of the investment promotion guarantee contract and measures signed by the party in the mining industry.

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

► **Law No. 29788 - Amendment to the Mining Royalties Act (Law No. 28258)**

Law 29788, in force as of October 1, 2011, amended Articles 2, 3, 4, 6 and 11 of Law 28258, according to which the mining royalty to be paid by mining concessionaires was calculated from the application of the progressive accumulative rate of between 1% and 3% on the value of the sales.

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

The amendment introduced establishes that the mining royalty must be calculated on a quarterly basis according to the progressive accumulative scale on operating margins with marginal rates of between 1.00% and 12.00%. Thus, the amount to be paid on the mining royalty shall be the higher amount that is made by comparing the result of applying the marginal rate to the operating profits, and 1% of income generated by the sales made in that quarter.

The base of the mining royalty and the way it is calculated are the same as those established to determine 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	More than 80%		12.00%

V. Labor legislation



1 Employment system

a. For national workers

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

- ▶ **Indefinite term contracts:** have no expressly defined term for termination. This form of employment contract grants the workers all the labor rights and benefits in force under Peruvian law, which are detailed in Section 2.
- ▶ **Fixed term contracts:** provide all the rights and benefits granted to workers hired for an indefinite term. For this form of contract the legislation requires proof of an objective cause or motive that guarantees temporary hiring (for example, start-up of a new business, works or specific service, substitute, etc.) and its validity is subject to compliance with the requirements of the law.
- ▶ **Part-time contracts:** these contracts govern labor relations that cover work of a weekly average of less than four hours per day. Workers who are part-time are eligible for all benefits under the law, except for: i) arbitrary dismissal indemnity; ii) severance pay (CTS); and, iii) vacation time of 30 days (they only have the right to six 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 must be a maximum term of i) three months for all workers in general; ii) six months for qualified workers; and iii) 12 months for management staff.

b. For expatriates

The labor relations governing foreign citizens entering Peru to render services for a domiciled company are governed by employment contracts for foreign personnel. These workers have the right to the same benefits provided to all workers in the private business workforce, and are subject to the same taxes and contributions.

As a general rule, foreign workers must not exceed 20% of the total workforce. Additionally, the total remuneration that a foreign worker receives must not exceed 30% of the total cost of the payroll. Exceptions to these limits may be made in the case of professionals and special 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 amount of salary are applicable to foreign workers who render services in Peru on an immigrant visa, who are married to Peruvian citizens, or have children of Peruvian nationality, parents or siblings, and foreign investors with a permanent investment in Peru of at least 5 UITs, among other exceptions.

2 Current fringe benefits

Workers have the right to the following fringe benefits, the cost of which is undertaken by the employer:

Benefit	Amount / Applicable Rate
Vacations	Equivalent to 30 calendar days of rest, with one month of paid remuneration
Legal bonuses	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)

- ▶ **Vacations:** The right to 30 calendar days of paid vacation per complete year of service, provided they 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 that took place 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 family. The payment is deposited in the workers' bank account in the months of May and November.
- ▶ **Profit sharing:** Companies with more than 20 workers that develop 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 higher or tertiary 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 when payment of the July and December bonuses is made. The amount is equivalent to 9% of the legal bonuses or 6.75% if the worker is a member of a Health Services Provider Company (EPS).
- ▶ **Annual comprehensive remuneration:** With workers who receive a monthly salary of at least S/.7,300 the employer can negotiate an annual comprehensive remuneration (RIA) in 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 charged on remunerations

The employer shall undertake the payment of the following taxes and contributions:

Taxes / contributions	Applicable rate
Social security (EsSalud)	9%
Mandatory life insurance	Depending on the type of policy
Occupational life and disability insurance	Depending on the type of policy
Pension system	13% for the National System or 13.22% for the Private System (approximately)

- ▶ **Income tax:** the employer is responsible for withholding and paying the income tax on earnings. A projection of the annual earnings of the worker is made to which the rates established in Section 3 of this Guide are applied on individual taxes. The approximate monthly retention shall be one twelfth of the determined monthly tax amount, which can be determined by following the procedures provided by law.
- ▶ **Social security for health (EsSalud):** this contribution is paid by the employer and is designed to finance the social health system (EsSalud) so that it can provide health 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 remuneration. If the company provides health coverage to its workers using its own resources or through a Health Services Provider Company (EPS) it can request a credit of up to 25% of the EsSalud contribution, providing it complies with the limits established by law.
- ▶ **Mandatory life insurance:** this is a collective insurance given to workers with more than four 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 on with the insurance company.
- ▶ **Pension system:** the workers can join the National Pension System (SNP) or the Private Pension System (SPP) and both are exclusive. This contribution is to be covered fully by the worker, as the employer is only responsible for its collection.
- ▶ **Other contributions:** other contributions shall 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. The contract for health services may be made with EsSalud or with a Health Services Provider Company (EPS); and 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 insurance company.
 - b) **Supplementary retirement fund for miners:** the mining, metallurgic and iron and steel companies must contribute 0.5% of their annual net earnings before taxes to this fund and also withhold 0.5% of the gross monthly remuneration of each mining, metallurgic and iron and steel worker.
 - c) **Contribution to the National Industrial Work Training Service (SENATI):** the companies that carry out industrial activities included in Category D of the Uniform International Industrial Classification (CIU) are under obligation to make a contribution to SENATI. The contribution amounts to 0.75% of the worker's remuneration, according to the conditions provided by law.

d) **Contribution to the Administration Committee of the Fund for the Construction of Housing and Recreational Centers (CONAFOVICER):** this is a contribution to be paid in full by the worker who performs civil construction activities for a company involved in construction. The amount of the contribution is equivalent to 2% of the worker's daily remuneration.

e) **Contribution to the National Training Service for the Construction Industry (SENCICO):** This is a contribution to be paid by the company involved in construction activities. The contribution amounts to 0.2% of the total company income for labor, general expenses, technical direction, use and any other element invoiced to the client, whatever the work contract system used.

4 Termination of employment contract

The employment contract terminates under the following circumstances:

- ▶ Compliance with the condition subsequent or the termination of the period of fixed term contracts
- ▶ By agreement between the worker and the employer, which should be made in writing
- ▶ Resignation of the worker, who must provide 30 days prior notice
- ▶ Due to permanent, absolute disability or death of the worker
- ▶ Retirement of the worker
- ▶ Justified dismissal, in which the cause must be related to the skill or conduct of the worker, according to conditions established under national legislation
- ▶ In the presumed condition of collective dismissal provided for in Peruvian law

The dismissal is subject to verification of an objective cause that justifies the action as provided by law. If the cause is non-existent, the employer will be penalized with the payment of indemnity. However, the Constitutional Court has established certain cases in which the worker can also request re-incorporation of employment according to the following chart:

Type of dismissal	Description	Consequences
Uncaused 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	Re-incorporation
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 only proceeds once the trial period has been completed (first three months of a contract) and is limited to twelve monthly remunerations.

In the case of workers who are hired for an indefinite term, the amount to be paid is one month and a half's remuneration for each year of completed service. In contrast, in the case of workers hired on a fixed-term contract, indemnity is one and a half month's remuneration for each month not worked until the termination of the contract. In both cases, indemnity is paid in 12th and 13th fractions per year.

Management staff or trusted workers that are hired as such may not request re-incorporation, and are only entitled to receive a dismissal indemnity, except if they have previously had an ordinary position, in which case they may also be entitled to re-incorporation in such ordinary position.

5 Immigration

Foreigners are able to request some of the visas listed below, according to the activity they wish to undertake in Peru:

Visa	Type of visa	Activities permitted
Tourist visa	Temporary	Limited to tourism visits, recreational activities or similar activities. Paid-for or lucrative activities are not permitted
Business visa	Temporary	The person can undertake business, legal or similar negotiations. They are permitted to sign contracts or transactions. The person cannot perform activities that are paid for or lucrative or generate an income from a Peruvian source, except in the case of director's fees for companies domiciled in Peru or as speaker or international consultancy fees as part of a service contract that does not exceed 30 calendar days, consecutive or cumulative, within any period of 12 months.
Investor visa	Permanent / Resident	The person must conduct investments in a company which is either constituted or about to be constituted of no less than the equivalent in Nuevos Soles to US\$25,000 and present a feasibility project or business plan, whichever is applicable, that includes the creation of 5 jobs in a term of no longer than two years.
Work visa	Temporary / Resident	This visa allows them to work in Peru on a contract approved by the Ministry of Labor.
Designated work visa	Temporary	This visa permits workers of a foreign company to carry out work in Peru for a limited and definite period for a concrete task or function or a job that requires professional, commercial, technical or other highly specialized knowledge. They are also permitted to sign contracts or transactions.
Work visa for service providers	Temporary / Resident	They can make investments or carry out 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	They cannot receive an income from a Peruvian source, except for professional internships or work during vacations, with the prior authorization of the competent authority.

If foreigners are from Mercosur countries (Brazil, Argentina, Chile, Uruguay, Paraguay, Bolivia) from CAN countries (Bolivia, Colombia, Ecuador, besides Peru) or from countries with specific migration agreements (Argentina, Ecuador, among others) other immigration provisions and/or facilities may apply.

VI. 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 (IFRS) and the specific provisions approved for particular businesses (banks, insurance companies, etc.). Likewise, on a supplementary basis, the U.S. general accounting principles, GAAPs, are applicable.

The Peruvian Accounting Standards Board (CNC) is responsible for issuing the accounting standards and methodologies that apply to both private business and government entities.

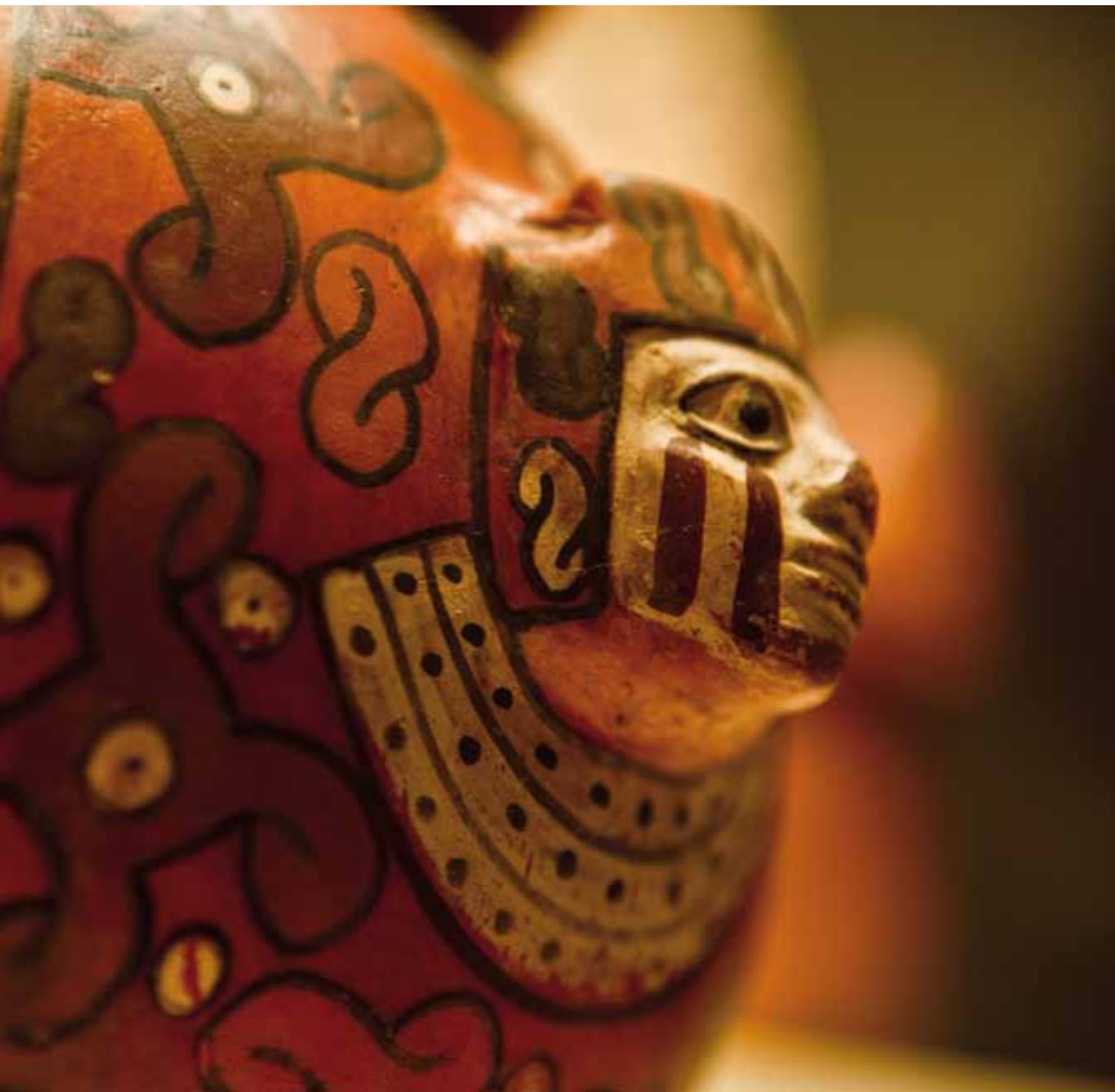
The CNC adheres to the standards approved by the IFRS, which are explicitly approved by the CNC and published in the official gazette El Peruano, indicating their date of approval.

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, and they 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).

Mandatory auditing has recently been approved for the financial reports of all companies with assets or annual income greater than 3,000 UITs (approximately US\$4.3 million).

Exhibits



Principal regulatory entities in Peru



Principal regulatory entities	Description
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.
Presidencia del Consejo de Ministros Tel: +51 1 219 7000 www.pcm.gob.pe	The Office of the Prime Minister is the technical-administrative institution of the Executive, 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. It also carries out coordinated actions with the Congress and different constitutional entities.
Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual - INDECOPI Tel: +51 1 224 7777 Fax: +51 1 224 7800 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 www.osinerg.gob.pe	OSINERGMIN is responsible for supervising and controlling compliance of legal and technical rules by companies in the electricity and hydrocarbons industries, as well as compliance with the legal and technical regulations related to conservation and environmental protection. It is also in charge of quality and quantity control of fuels and broader prerogatives within its right to control and sanction.
Organismo Supervisor de Inversión Privada en Telecomunicaciones - OSIPTEL Tel: +51 1 225 1313 Fax: +51 1 475 1816 www.osiptel.gob.pe	OSIPTEL is in charge of regulating and supervising the public telecommunications services market, regardless of the operating companies.
Superintendencia de Banca, Seguros y AFP - SBS Tel: +51 1 630 9000 Fax: +51 1 630 9239 www.sbs.gob.pe	SBS 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.
Superintendencia Nacional de los Registros Públicos - SUNARP Tel: +51 1 221 1401 +51 1 221 0125 +51 1 221 3100 +51 1 221 3062 +51 1 221 5839 +51 1 221 3055 www.sunarp.gob.pe	SUNARP mission 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.
Superintendencia Nacional de Servicios de Saneamiento - SUNASS Tel: +51 1 614 3200 Fax: +51 1 614 3140 www.sunass.gob.pe	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.

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Principal regulatory entities	Description
<p>Superintendencia del Mercado de Valores - SMV</p> <p>Tel: +51 1 610 6300 www.smv.gob.pe</p>	<p>The SMV, the Securities and Exchange Commission, 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 shaping of prices, and the dissemination of all information necessary to achieve this. It has legal status to act in national administrative or constitutional law and has complete functional, administrative, economic, technical and budgetary autonomy.</p>
<p>Superintendencia Nacional de Administración Tributaria - SUNAT</p> <p>Tel: +51 1 315 0730 www.sunat.gob.pe</p>	<p>SUNAT also includes the National Customs Superintendency. It is in charge of managing, supervising and collecting internal taxes, with the exception of municipal taxes. It also manages and controls the international trafficking of goods within the customs territory and collects the duties applicable by law, as well as facilitates foreign trade, inspects the international trafficking of persons and means of transport, and develops the actions necessary to prevent and repress customs crimes.</p>
<p>Dirección General de Salud Ambiental - DIGESA</p> <p>Tel: +51 1 442 8353 www.digesa.minsa.gob.pe</p>	<p>DIGESA, the environmental health bureau, is the technical regulator on aspects related to basic health, occupational health, food hygiene, zoonosis and protection of the environment.</p>

Investment promotion institutions



1 Ministry of Foreign Affairs: Executive Office for Economic Promotion (DPE)

The Executive Office for Economic Promotion (DPE) is the Ministry of Foreign Affairs (MRE) agency responsible for coordinating with Peruvian representations abroad, promoting Peru as a competent country to provide goods and services in international markets, as well as positioning the country as a leading global tourist destination, with interesting opportunities for business and investments in various economic sectors.

Services offered by DPE
Trade promotion services (PCO)
<ul style="list-style-type: none"> ▸ Promotion of business opportunities ▸ Promotion of export offer ▸ Support in solution of commercial problems ▸ Information requests to our missions abroad (OCEX) ▸ Preparation of commercial intelligence studies ▸ Identification of commercial opportunities ▸ Support of commercial missions and participation in exhibitions abroad ▸ Support to exporters in the solution of commercial controversies ▸ Execution of commercial events ▸ Preparation of entrepreneurial agendas
Investment promotion services (PIN)
<ul style="list-style-type: none"> ▸ Support to investor missions ▸ Preparation of video conferences ▸ Distribution of investment information material ▸ Participation in investment agreements ▸ Promotion of investment opportunities ▸ Road show support abroad
Tourism promotion services (PTU)
<ul style="list-style-type: none"> ▸ Promotion of tourism ▸ Support of gastronomic events ▸ Distribution of tourism material ▸ Support of tourism promotion fairs abroad ▸ Support of agents involved in tourism promotion ▸ Promotion and negotiation of tourism agreements ▸ Distribution of tourism information obtained by our missions

► Contacts:

▸ Guido Loayza
 Ambassador
 Executive Director of Economic Promotion
 Tel: +51 1 204 3360
 +51 1 204 3361
 Fax: +51 1 204 3362
 E-mail: gloayzad@rree.gob.pe

▸ Arturo Jarama
 Minister
 Director Investment Promotions
 Bureau of Economic Promotion
 Tel: +51 1 204 3384
 +51 1 204 3385
 Fax: +51 1 204 3387
 E-mail: ajarama@rree.gob.pe

- ▶ Ricardo Ymouye
Counselor
Director of Commercial Promotion
Bureau of Economic Promotion
Tel: +51 1 204 3368
+51 1 204 3369
Fax: +51 1 204 3370
E-mail: rymouye@rree.gob.pe

- ▶ Ricardo Morote Canales
Minister
Director of Tourism Promotion
Bureau of Economic Promotion
Tel: +51 1 204 3391
Fax: +51 1 204 3393
E-mail: rmorote@rree.gob.pe

- ▶ Website: www.rree.gob.pe
(This site also has the list of Decentralized Offices in Tumbes, Piura, Iquitos, Arequipa, Cusco, Puno and Tacna)
- ▶ Address: Jr. Lampa 545, Floor 10 - Lima 1
- ▶ Tel: +51 1 204 3361 / +51 1 204 3365 (OPE)
+51 1 204 3369 (PCO)
+51 1 204 3385 (PIN)
+51 1 204 3392 (PTU)
- ▶ Fax: +51 1 204 3362
- ▶ E-mail: ope@rree.gob.pe

2 Ministry of Foreign Trade and Tourism (MINCETUR)

The Ministry of Foreign Trade and Tourism (MINCETUR) defines, directs, executes, 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 with the other Government sectors in their related areas, it is responsible for the promotion of exports and international commerce negotiations. The Minister leads State international trade negotiations and may sign related agreements, and about tourism aspects, it promotes, guides and regulates them in order to encourage its sustainable development, including promotion, guidance and regulations of handicrafts.

▶ Contacts

- ▶ José Luis Silva (Minister)
- ▶ Website: www.mincetur.gob.pe
- ▶ Address: Calle Uno Oeste 050 Urb. Córpac, San Isidro
- ▶ Tel: +51 1 513 6100

PromPerú

PromPerú is an agency of the Ministry of Foreign Trade and Tourism (MINCETUR) in charge of developing strategies to achieve an integrated and attractive image of Peru, that will help develop domestic tourism and promote it 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 and to promote its exports.
- Manage and channel international technical and financial cooperation to meet its objectives.
- Participate in the strategic planning of promoting exports, as set out 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 receptive tourism to Peru and domestic tourism among Peruvians.
- Manage and channel international financial and technical cooperation for the promotion of tourism to Peru.

► **Contacts:**

- Website: www.promperu.gob.pe
- Address:
 - Main Office, Exports and General Secretariat: : Av. República de Panamá 3647, San Isidro - Lima, Peru
 - Main Office, Tourism: Calle Uno Oeste 50, Edificio Mincetur, Pisos 13 y 14, San Isidro - Lima, Peru
- Tel: +51 1 616 7400 (Main Office Exports and General Secretariat)
+51 1 616 7300 / +51 1 616 7400 (Main Office Tourism)
- E-mail: webmaster@promperu.gob.pe

Peru Brand

This project is led by the Commission for the Promotion of Peru for Exports and Tourism (PromPeru) with the support of the Ministry of Foreign Affairs (MRE) and ProInversión. The primary objective of the Peru Brand is to endorse the country's image, building and protecting its international reputation. It therefore seeks to become the seal that accompanies everything that originates in Peru and that represents the country beyond its borders (see the distinctive seal of the Peru Brand in the lower right corner of the Business and Investment guide's cover). It focuses on three large promotion areas:

► **Tourism:**

Centered on promoting Peru as a unique and comprehensive tourist destination that covers gastronomy, archaeology, culture, etc.

► **Exports:**

Backs Peruvian products to the world, based on the premise that Peruvian exports are singular, unique and far from being mass-produced but above all, of very good quality.

► **Investment:**

Promotes the country's positive business climate and encourages investment with the presentation of Peru as a land full of opportunities and with an enviable growth.

3 ProInversión

ProInversión is a public entity attached to the Ministry of Economy and Finance (MEF) 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.

Likewise, its vision is to be recognized by investors and by 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 industries, learning the processes of public private associations, among others.

ProInversión offers its free-charge services for the investment development in the country, in three stages:

Pre-establishment	Establishment	Post-establishment
<ul style="list-style-type: none">▶ General information service: macroeconomic data, legal framework, taxation, etc.▶ Specific information service requested by potential investors.▶ Development of agendas: potential partners, suppliers, customers, authorities, associations, etc.	<ul style="list-style-type: none">▶ Guidance on obtaining municipal permits and licenses for the installation of industrial of commercial enterprises.▶ Contact and visit the regions and potential production areas.▶ Advice on immigration procedures for the entry and stay of business people.	<ul style="list-style-type: none">▶ Establishing connections with public and private companies.▶ Guidance for business expansion.▶ Identification of administrative barriers.

▶ Contacts:

▶ Javier Illescas

Executive Director

Website: www.proinversion.gob.pe

Address: Main Office (Lima): Av. Enrique Canaval Moreyra N° 150, piso 9, San Isidro - Lima 27

Tel: +51 1 200 1200

Fax: +51 1 221 2941

Main Office : contact@proinversion.gob.pe

▶ Decentralized offices:

- Arequipa: Pasaje Belén N° 113 - Vallecito, Arequipa

Tel: +51 54 608 114, 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 (ComexPerú)

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:

- Carlos Chiappori
President
Website: www.comexperu.org.pe
Tel: +51 1 422 5784
Fax: +51 1 422 5942

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 from the perspective of 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, support, back, and provide advice to the business community.

► Contacts:

- Website: www.confiep.org.pe
- 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

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 is 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 to new issuers of securities, for fixed as well as variable incomes.
- Promote the mobilization of institutional investor resources through new intermediary vehicles.
- Actively promote improvement in legislation and the regulation of capital markets.
- 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 markets.

► Contacts:

- Website: www.procapitales.org
- Address: Las Camelias 820 Of. 601 San Isidro, Lima 27
- Tel: +51 1 440 1080
- Fax: +51 1 440 1080 Ext. 110

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 incorporators 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 Central Reserve Bank of Peru (BCRP), the Superintendency of Banking, Insurance and Pension Fund Management Companies (SBS) and the Stock Exchange Superintendency (SMV), ProInversión and PromPeru.

During 2013, inPERU plans to undertake a tour of road shows promoting Peru in Chicago, New York and San Francisco. Towards the middle of the same year, a second tour is planned to London, Frankfurt, Dubai; and near the end of 2013, a third to Asia.

► Contact:

Roberto Hoyle
President
Website: www.inperu.pe

Ernst & Young services for business and investment in Peru



The global network of Ernst & Young 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 the short and long-term.

For more information, please visit www.ey.com

Main services

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

- Advisory on internal and external regulation compliance
- Climate regulations and sustainability
- Conflict resolution
- Corporate governance
- Cost reduction
- Fraud prevention and investigation
- Implementing new businesses
- Improvement and redesign of processes and organization
- Information technology internal audit
- Internal audit
- Internal control and segregation of functions
- Management of areas and project in information technology
- Profit improvement
- Project management (PMO)
- Performance management
- Revenue assurance
- Risk management
- Security management in information technology
- Start-up operations
- Strategic planning

Assurance

- Audit of financial statements
- Actuarial calculations
- Debt emissions - and circular offerings under the 144 A - IPO rule
- IFRS implementations
- Standards compliance assessments

Tax

- Customs and international trade
- Establishing a business
- Human capital
- Labor advisory
- Tax advisory
- Tax compliance, including expatriates
- Tax planning
- Transfer pricing

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Main services
Transactions Advisory Services - TAS
- Capital markets
- Due diligence of financial, commercial, tax/legal, process and systems
- Financial planning
- Mergers and acquisitions
- Transactions structure
- Valuations

Directory of Peruvian Embassies and Consulates



Algeria		
<p>▶ Argiels</p> <p>Embassy 2 Et 4 Capitaine Salah Moghni - El Biar 16406, Argiels, Algeria. T: +213 0 2192 3854 +213 0 7706 64645 F: +213 0 2192 3856 E: amb.perou@assila.net</p>		
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Carlos Cárdenas Robles
Ciro Bedoya Frías
Claudia Cermeño Durand
Claudia Coronado Landeo
Claudia Perea Tamayo
Danitza Kukurelo Valdivia
David Vilca Tomaylla - M&D Consultores
Egberto Torres Cava
Elder Cama Aréstegui
Estefanía Ochoa Del Castillo
Fernando Tori Vargas
Jorge Acosta Yshibashi
Jorge Medina Méndez
José Carlos Bellina Aguirre
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