

Doing Deals in Peru

August 2009



PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 163,000 people in 151 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

Foreword



For those presently exploring the possibility of doing business in Peru, the opportunity could not be better since we are enjoying unprecedented times of economic and political stability. By the end of 2009 it will be 18 years of consistently applying economic policies intended to create a foreign investor-friendly environment; all of which have enabled the Peruvian economy to be up and running in times of global financial crises. Peru will continue to promote macro-economic stability as a goal within its more comprehensive strategy of becoming a globalized economy.

The newly signed Free Trade Agreement with the United States, the classification of the country with an investment grade by Fitch Ratings and by Standard & Poors and the adherence to the “Declaración sobre Inversión Internacional y Empresas Multinacionales” of OCDE, are actual landmarks of the achievements obtained by Peru which have made it a more attractive destination for foreign investments and has also earned it a secured and prominent place in the agenda of most investment-related forums and events organized in the world economic centers.

It should be noted that based on the results of a research conducted by Fundación Getulio Vargas (Brazil) and the University of Munich, comprising a survey of 149 experts in 16 countries, Peru obtained the highest index (ECI) in having the most favorable economic climate for investment in all the region, which confirms Peru's major expectations for foreign investment. The University of Munich also performed a survey focused on the juridical and administrative barriers existing in each country for foreign investment; again Peru was found to have no major restrictions for foreign investment.

As a signal of this enhanced international confidence, the quote price of the so-called EPU, the financial instruments listed on the New York Stock exchange, comprising Peruvian-company stocks, increased by 15% from its first listing by mid-July. Considering that the increased demand of these instruments exceeded expectations, a listing of such EPU was also made on the Mexico Stock Exchange.

At PricewaterhouseCoopers (PwC), an integral component of our mission is to provide companies with guidance in seeking to make new business in any part of this increasingly interconnected and complex business world. Bearing this in mind, we have launched “Doing Deals in Peru”, as a modest but effective tool to help investors, as yourself to take a closer look to key aspects to be considered in deciding to initiate and conduct successful business in this country. Relying on our 85 years of experience providing business advice in Peru, our team of talented professionals of a variety of disciplines, are ready and eager to work with you on a collaborative basis, safeguarding and creating value for your business.

We will be highly pleased to provide you with the business assistance and guidance you may eventually require.



Miguel Mur Valdivia
Senior Partner

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Our Services

Part I

Macroeconomic Analysis

Economic Performance

Economic Performance

Peru Highlights

- Despite the effects of the international crisis over worldwide economic activities, Peru should have a positive growth in its GDP (2%).
- Inflation began to decrease from January 2009 and it is expected that inflation will reach to its target by the end of the year (between 1%-2%).
- Compared to other Latin American countries, the exchange rate Nuevo Sol-US Dolar has been showing the lowest volatility since the worsening of the economic crisis.
- The Economy and Finance Ministry, in coordination with other governmental authorities, promoted an Economic Stimulus Plan equivalent to 3.2% of peruvian GDP (US\$ 4,187 millions).

Source: BCRP, MEF, News

Peru has reached “Investment Grade”

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

Latin American Ranking (Long term foreign currency debt)			
Country	S&P	Fitch	Moody's
Chile	A+	A	A1
Mexico	BBB+	BBB+	Baa1
Peru	BBB-	BBB-	Ba1
Brazil	BBB-	BBB-	Ba1
Colombia	BB+	BB+	Ba1
Venezuela	BB-	B+	B2
Argentina	B-	RD	B3
Bolivia	B-	B-	B3
Ecuador	CCC+	RD	Caa2

Source: Standard & Poor's, Fitch Ratings and Moody's

Source: Standard & Poor's, Fitch Ratings and Moody's

GDP Growth

Economic Sector	Weight (%)	2007	2008	2009*	2010*
Agriculture and livestock	7.6	3.3	7.2	2.9	5.2
Fishing	0.5	6.9	6.2	-3.7	4.5
Mining and fuel	5.7	2.7	7.6	1.7	4.6
Manufacturing	15.5	10.8	8.7	-1.6	5.3
Based on raw materials	3.0	0.7	7.6	4.1	6.3
Non-primary	12.5	13.0	8.9	-2.9	5.0
Electricity and water	2.0	8.5	7.7	2.5	6.0
Construction	5.9	16.6	16.5	7.4	8.9
Commerce	15.0	9.7	13.0	3.2	4.4
Other services**	47.8	8.9	9.3	4.9	5.7
GDP	100.0	8.9	9.8	3.3	5.5
Primary sectors	16.8	2.7	7.4	2.5	5.2
Non-primary sectors	83.2	10.2	10.3	3.5	5.6

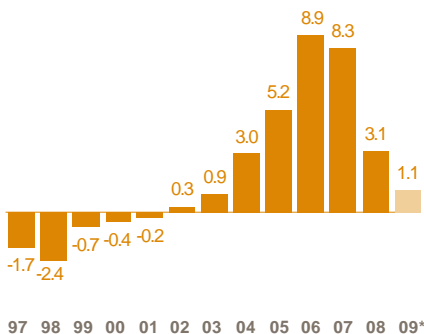
* Forecast

** Including taxes on products and import duties

Source: BCRP

The external sector will not be significantly impacted by the crisis

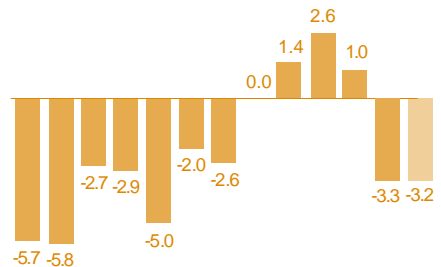
Trade Balance
(US\$ billion)



* Forecast

Source: BCRP

Current Account Balance
(as% GDP)

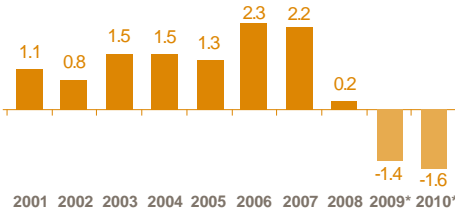


Forecast

Source: BCRP

Public finance is correctly managed

Structural Primary Balance of the Non-Financial Public Sector^{1/} (as % GDP)

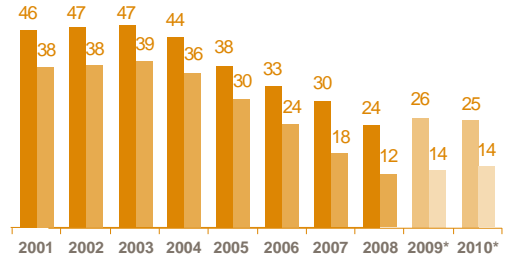


*Forecast

^{1/} These figures eliminate cyclical effects as well as the impact of prices of commodities over fiscal incomes

Source: BCRP

Public Debt (as % GDP)

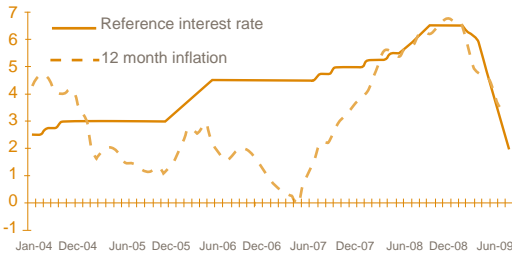


*Forecast

Source: BCRP

Monetary policy

Inflation and interest rate (%)



Source: BCRP

Volatility of exchange rate (%)

Volatility coefficient	2007	2008	2009*
Real/US Dolar	6.36	14.99	4.83
Euro/US Dolar	3.81	7.39	2.92
Pound/US Dolar	1.97	9.73	3.59
Chilean Peso/ US Dolar	2.81	14.26	3.70
Nuevo Sol/US Dolar	2.44	4.16	2.78

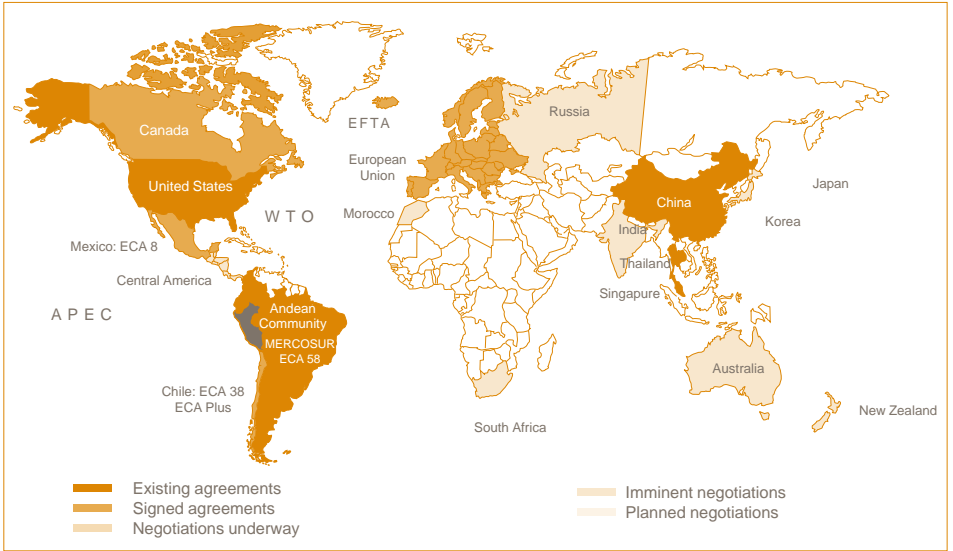
*To June 2009

Source: BCRP

- Inflation Forecast (%): 2009:1.0 - 2.0
2010:1.5 - 2.5
2011:1.5 - 2.5

- The effective monetary policy has allowed Peru to face the crisis better than other emerging countries.

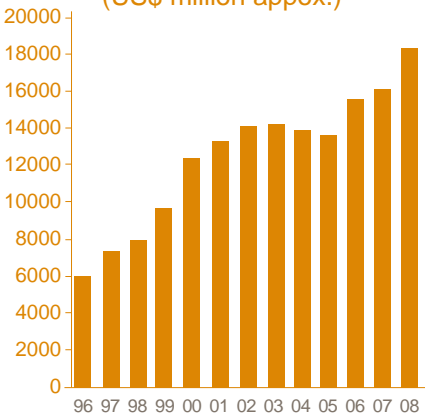
Access to the Markets



Source: ProlInversión

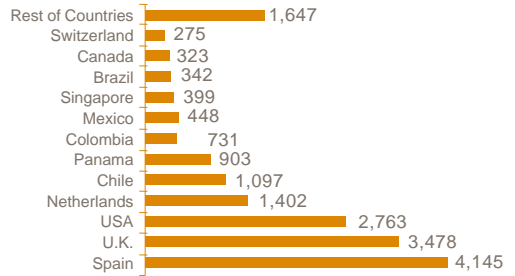
Foreign Investment

Amount of Foreign Direct Investment (US\$ million approx.)

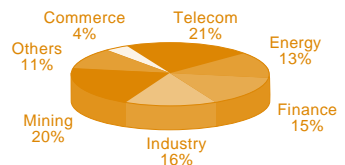


Source: ProlInversión

Amount of FDI by countries 2008



Stock of FDI, by main sectors 2008



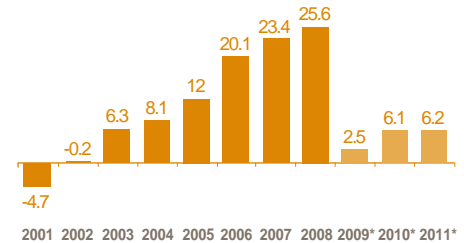
Source: ProlInversión

Investment growth

Principal Investment Projects 2009-2011 (Million of Nuevos Soles)

Sector	2009	2010	2011
Mining and fuel	3,039	5,243	7,574
Electricity	837	741	684
Transport and Telecom.	596	446	189
Industrial	817	1,361	999
Others	2,144	1,797	749
Total	7,433	9,588	10,195

Private Investment Growth (Real % change)

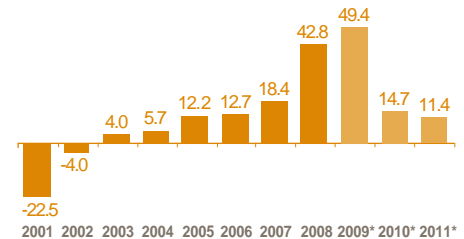


*Forecast

Economic Stimulus Plan (Million of Nuevos Soles)

Boost to economic activity	3,459
Infrastructure	7,821
Social protection	1,242
Others	40
Total	12,561

Public Investment Growth (Real % change)



*Forecast

Source: BCRP

Investment Opportunities

Projects	Estimated Investment (Million of US\$)	Concession Award
Land Transportation		
Sun Highway: Trujillo-Chiclayo-Piura-Sullana	170	2Q2009
IIRSA Amazon axis-Center branch	To be defined	To be defined
Huancayo-Huancavelica Train	11	3Q2009
Airport		5,051
Provincial airports - second group: Tacna-Juliaca-Arequipa-Puerto Maldonado-Ayacucho and Andahuaylas	237	4Q2009
Ports		2,479
San Martín (Pisco)	62.3	3Q2009
Pucallpa	16.7	4Q2009
Iquitos	15.7	4Q2009
Salaverry	159.1	4Q2009
Yurimaguas	61	4Q2009
Ilo	To be defined	To be defined
Irrigation and Hydro-electric		
Majes-Sihuas II Project: Pampa Baja and Auction	Public auction	3Q2009
Majes-Sihuas II Project: Pampa de Sihuas Land Auction	Public auction	To be defined
Majes-Sihuas II: Water Stabilisation	300	4Q2009
Majes-Sihuas: Hydroelectric Component	To be defined	4Q2009
Energy		5,051
Natural gas Power Thermal Plant in Malvinas Cusco	300	To be defined
New hydroelectric power plants	650	3Q2009
Zapallal-Trujillo Transmission Line	300	3Q2009
Gas pipeline to Chimbote	1300	To be defined
Telecommunications		2,479
Broadband and others	335.9	3Q2009
Tourism and Real Estate		2,479
Cable car system to access Kuellap	10	4Q2009
Lobitos Camp	Auction	3Q2009
San Martín, former Military Barracks	Auction	3Q2009
San Lorenzo Island	To be defined	4Q2009

Source: Proinversión

Peru offers a favourable legal framework for foreign investment.

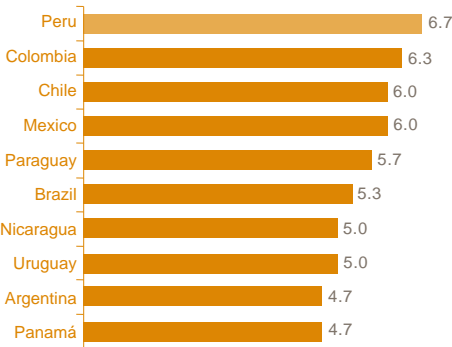
- Non-discriminatory treatment.
- Unrestrictive access to most economic sectors.
- No performance requirements.
- Free transfer of capital.
- Free competition.
- Guarantees for Private Property.
- Freedom to purchase stocks from local residents.
- Freedom to access internal and external credit.
- Freedom to pay royalties.
- Network of investment agreements and member of ICSID and MIGA.

Source: ProlInversión

Climate for investors

- Peru stands first in the Latin America region in protecting investors
- Peru is fourth in the region for Infrastructure Private Investment Attractiveness

Protecting Investors Index



Source: Doing Business 2009

Position	Country	Points
1	Chile	5.43
2	Brazil	4.40
3	Colombia	4.33
4	Peru	4.23
5	Mexico	4.04
6	Uruguay	4.02
7	El Salvador	3.97
8	Guatemala	3.64
9	Argentina	3.41
10	Venezuela	3.37
11	Bolivia	3.34
12	Dominican Rep	3.33

Source: World Economic Forum

Part I

Macroeconomic Analysis

Other Issues: Tax Issues
Corporate Issues

Work Force and
Labor Contributions

Financial Accounting
Reporting

Environmental and
Social Aspects

Part I

Macroeconomic Analysis

Other Issues: Tax Issues

Tax Issues

Taxation

Corporate Income Tax

- Companies incorporated in Peru are considered domiciled in Peru for tax purposes and, therefore, they are subject to Income Tax at a 30% rate on their worldwide net income. Branches, agencies and permanent establishments incorporated in Peru of non-domiciled companies or entities are subject to Income Tax at a 30% rate on their Peruvian source income only.
- In order to fulfill their annual Income Tax liability, the aforementioned entities must make monthly advance payments by applying a coefficient to their monthly net revenues. The coefficient is determined by dividing the income tax calculated of the previous year by the total taxable income of the same year. New companies or companies with tax losses meet their monthly advance obligations by paying 2% of monthly net revenues. It is possible to reduce the coefficient or even suspend the monthly advance payments under certain conditions. Any unpaid balance or excess payment is paid or credited, respectively, upon the filing of the annual Income Tax return, which must be filed no later than during the first 4 months of the tax year following that to which the Income Tax liability corresponds (e.g: 2009 annual Income Tax return must be filed no later than April 2010). The Fiscal year is the calendar year.
- For purposes of determining their taxable income, entities are allowed to deduct expenses to the extent that these are necessary to produce taxable income or to maintain its source. Requirements, limits and/or caps may be applicable for the deduction of certain expenses, such as financial expenses (thin-capitalization rules apply), bad debt provisions, salaries, travel expenses, gifts, among others.
- However, certain expenses are not tax deductible, such as those derived from transactions with (i) entities domiciled in tax havens included in the list attached to the Peruvian Income Tax Law's regulations, (ii) permanent establishments located in tax havens, or (iii) with entities that obtain revenues or income through tax havens. Notwithstanding, expenses derived from the following transactions are excluded from the above mentioned limitation: (i) interest on loans, (ii) insurance premiums, (iii) lease of aircraft and ships, (iv) maritime freight and (v) tariff for passing through the Panama canal.

- Depreciation is applied under the straight-line method. The limit for the depreciation expense allowed for tax purposes is the one registered for accounting purposes; however, the tax depreciation cannot exceed in no case the following maximum rates:

Buildings	5%
Cattle (both livestock and reproduction) and fishing nets	25%
Vehicles (except railroads) and any kind of ovens	20%
Machinery and equipment used for mining, oil and construction activities, except furniture, household and office goods	20%
Equipment for data processing	25%
Machinery and equipment acquired as from January 1st, 1991	10%
Other fixed assets	10%

Source: MMM 2008-2010

Withholding taxes

- Income paid to non-domiciled entities is subject to the following withholding tax rates

Interest paid on loans from non-related parties, provided certain requirements are met	4.99%
Interest paid in consideration of loans with related parties	30%
Interest paid by Peruvian financial entities or banks to foreign beneficiaries, for credit lines used in Peru	1%
Royalties	30%
Digital services	30%
Technical assistance, provided certain formal requirements are met (otherwise a 30% rate would apply)	15%
Lease of vessels or aircraft	10%
Other income	30%

- It should be noted that domiciled taxpayers cannot deduct the withholding tax of a third party, except in the case of loans provided by non-domiciled creditors, to the extent the debtor has contractually assumed the obligation of bearing the withholding tax.
- In the case of the following services in which activities are performed both in Peru and abroad, the Peruvian tax provisions deem that non-domiciled beneficiaries obtain Peruvian source income at the following percentages:

Taxable transaction	Peruvian source income	Effective tax rate
Insurance	7%	2.1%
Lease of vessels	80%	24%
Lease of aircrafts	60%	18%
Air transport	1%	0.3%
Maritime transport	2%	0.6%
Telecom services	5%	1.5%
International news services	10%	3%
Distribution of movies, records and similar products	20%	6%
Containers supply	15%	4.5%
Right for broadcasting within Peru foreign live TV shows	20%	6%

30%

Transfer pricing rules

- For tax purposes, the value assigned for any transaction must meet market value standards (arm's length). If the value assigned to a transaction differs from market value, either by overvaluation or sub-valuation, the Tax Administration may adjust it for both purchaser and the seller. Should one of the parties be a non- domiciled entity, such adjustment will be unilateral (only to the domiciled party).
- In the case of transactions between related parties or transactions with tax havens, the value of the goods and services must be determined in accordance to transfer pricing rules, being mandatory in most of the transactions to support such value with a transfer pricing study; otherwise penalties may be imposed.

Individual Income Tax

- Income Tax on individuals in Peru is determined by the domicile of the individual rather than by residence. Foreign individuals are deemed to be domiciled in Peru for tax purposes, if they have physical presence in Peru for more than 183 calendar days within a 12 month period. Temporary absences up to 183 days within a 12 month period do not interrupt the continuity of their presence.
- The tax status of the individual (domiciled or non-domiciled) is determined at the beginning of each fiscal year. Changes regarding such condition that may occur during the fiscal year shall enter in force as of the next fiscal year. This means that non-domiciled individuals, who meet conditions to be considered as a Peruvian tax resident, must wait until the next year to effectively acquire tax domiciled treatment.
- Domiciled individuals are subject to Income Tax on their worldwide income, whereas non-domiciled individuals are only taxed on their Peru source a income. In this case, however, the individual is entitled to a foreign tax credit for the taxes paid on foreign income taxable in Peru, determined by his/her average Peruvian tax rate applied on his/her foreign income, with a limit of the tax actually paid abroad.
- Income tax on domiciled individuals is imposed on a scale of brackets on their income, as shown below:

Bracket	Reference in tax units	Tax rate
1st	Up to 7 UIT	0%
2nd	From 7 to 34 UIT	15%
3rd	From 34 to 61 UIT	21%
4th	Over 61 UIT	30%

- Income tax on non-domiciled employees is imposed at a flat rate of 30% on their gross Peruvian source income. No deductions or credits apply to non-domiciled individuals.
- A tax unit is equivalent to S/. 3,550. The exchange rate as of June 2009 is S/. 3.00 per US \$ 1.

Tax Treaties

- Tax treaties to avoid double taxation with Canada and Chile (which follow the OECD Model Tax Convention) are currently in force.
- Our country has also entered into tax treaties with Spain and Brazil (both of which follow the OECD Model Tax Convention), but these are not yet in force.
- In addition, Peru is a member of the Andean Community of Nations, in which Bolivia, Colombia and Ecuador are also currently members. These countries have a Tax Treaty in force which has been prepared under the United Nations Model.

Payroll taxes

Health contributions

- Employers shall make monthly payments equal to 9% of the retribution paid to employees, this is, the insured compensation, which is equivalent to the total compensation paid to the employee.
- Employees shall be affiliated either to the National Health System ("EsSalud") or the Private Health System ("EPS" or "Entidades Prestadoras de Salud"), according to what option they choose. In the latter case, a portion (25%) of the amount paid to the EPSs may be used by the employer as a credit to be offset against EsSalud contributions.

Complementary insurance for risky work

- Employees who perform high risk activities established in Law No. 26790, such as mineral extraction, iron and steel smelting, among others, must have a complementary insurance for risky work, the coverage of which includes healthcare, temporary or permanent disability pensions and burial expenses as a consequence of a work accident or professional disease suffered by employees. This insurance is compulsory and must be paid by the employer.
- Employees hired through workers cooperatives; special, temporary or complementary service companies; contractors and subcontractors; as well as any other interposing institution that assign personnel to a company where risky activities are performed, are obliged to contract the complementary insurance for risky work.

- In addition, employers that hire work services or workmanship through the abovementioned companies are obliged to verify that all the employees assigned to its offices, have been duly insured according to the corresponding legal provisions. Otherwise, they will have to contract the insurance (on its own), in order to guarantee the coverage of the referred employees, under penalty of being jointly liable with such companies before the employees of said entities and the National Health System, for the obligations established by Law.

Pension fund contributions

- Employers shall apply monthly withholdings for pension funds contributions equal to 13% of the retribution received by the employee, in case he/she is affiliated to the National Pension System, or approximately 12.7%, in case he/she is affiliated to the Private Pension System (in this case, 10% corresponds to the personal pension account, and almost 3% to insurance and commissions for managing the fund).
- Should the foreign individual's labor contract end and the individual leave Peru, the pension funds deposited in the Private Pension System may be wired to an account of the employee in a foreign bank (the aforementioned 10%).
- Below we set forth a summary of the payroll contributions:

Payroll tax	Employer	Employee	Rate
Health Contribution	X		9%
Complementary Insurance for Risky Work	X		1.30%
National Pension Fund		X	13%
Private Pension Fund		X	12.4 % approx.

Financial transactions tax (FTT)

- Pursuant to Law No.28194, obligations that are cancelled through cash payments, the amount of which exceeds S/.3,500 or US\$1,000, must be made through a bank or deposit account, wire transfers, payment orders, credit cards, non-negotiable checks, among other means of payment provided by entities of the Peruvian financial system.

- Any obligation above such amounts that is not made using such methods (i.e. payments in cash), does not allow the expense to be deducted or the cost recognized for tax purposes, nor allows tax credits to be recognized.

According to article 9 of Law No.28194, operations that are subject to FTT are, among others, the following:

- A) Credits or debits made in bank accounts, in which case the account holder is the taxpayer. However, credits, debits or transfers made between accounts of the same account holder are not subject to FTT.
- B) Purchase of certified checks, bank certificates, travelers` checks or other financial instruments in which the bank accounts mentioned in item a) are not used. In this case the taxpayer is the purchaser of the mentioned instruments.

For 2009 the FTT rate is 0.06%, which in the case of the transactions mentioned in item a) is applied on the value of such transactions, whereas in case of the transactions mentioned in item b) is applied on the face value of the certified check, bank certificate, travelers` check or the corresponding financial instrument. The FTT may be expensed for Income Tax purposes according to rules applicable to this tax.

The following transactions among others, are exempt from FTT:

- A) Credits or debits made in bank accounts opened at the employers` request in order to deposit exclusively the salaries of their employees.
- B) Credits or debits in bank accounts of severance indemnities (compensation for time of service of the employee).

Temporal Net Assets Tax (TNAT)

- Companies subject to corporate Income Tax are obliged to pay the TNAT, except those which are at a pre-operative stage or that have started productive activities as from January 1 of the FY for which the TNAT must be paid.
- The taxable basis is the value of the net assets set forth in the taxpayer`s balance sheet as of December 31 of the year prior to the one that corresponds to the tax payment, adjusted with the deductions and amortizations accepted by the Peruvian Income Tax law. Thus, the amount of the temporary net assets tax is determined by the application of the following rates on the taxable basis:

Rates	Net Assets
0%	Up to S/. 1'000,000
0.5%	Excess of S/. 1'000,000

- As from January 1, 2009 the following rates will be applicable:

Rates	Net Assets
0%	Up to S/. 1'000,000
0.4%	Excess of S/. 1'000,000

It is to be noted that the amount paid for TNAT by the taxpayer is a credit to be offset with its corporate Income Tax obligations. If not totally offset, the remaining TNAT may be refunded by the Tax Administration.

Value added tax (VAT)

The following transactions are subject to VAT at a 19% rate:

- Sales of moveable goods made within Peru;
- Services rendered within Peru;
- Importation of services (services economically used within Peru by a domiciled entity);
- Importation of goods;
- Construction agreements; and,
- The first sale of real estate performed by constructors.

The VAT Law follows a debit/credit system and, input VAT (paid on purchases of goods and services) may be offset with output VAT (originated on taxable operations). Any VAT credit that is not offset in a certain month, can be carried forward (at historical values) to be offset with any future output VAT. It is to be noted that VAT credit cash refunds are only available for exporters and some entities at a pre-operative stage, provided certain conditions are met (as explained in the next sections)

Early recovery of VAT

- Companies at a pre-operative stage with large projects may apply for the early recovery of VAT, which allows a VAT credit refund prior to starting its operations. An investment agreement with the Government (the Ministry of its sector) is required and a minimum investment must be met.

VAT exporter's positive balance

- Exportation of goods (including the sale of goods in an international zone of ports and airports) as well some services performed for foreign entities are taxable at zero rate. VAT paid upon the acquisition of goods, performance of services, construction agreements and importation of goods related to exported goods or services grants a VAT exports positive balance which may be refunded by the Tax Administration.
- The positive balance may be offset with (i) output VAT, (ii) income tax, (iii) any other outstanding tax debt in favor of the Central Government. In case the positive balance is not completely offset, as the amount of the aforementioned tax obligations do not suffice, the taxpayer may apply for a refund (which may be made in cash or by check).

Excise tax (ISC)

- Sales of some specific goods, such as fuel, cigarettes, beer, liquor, vehicles, among others, are subject to excise tax.
- Tax rates range from 0%, 2%, 10%, 17%, 20%, 30% and 125%, according to type of goods or services.

Customs Duties

- Custom duties are imposed on the CIF value of the imported goods, at rates of 0%, 9%, 17% and 20%. There are no restrictions on imports and exports, although there is a limited list of products, which cannot be imported or exported. Exports are not subject to any taxes. The importation of most capital goods is subject to the 0% rate.
- Peru is a member of the World Trade Organization (WTO) and various bilateral agreements providing for most-favoured-nation treatment on a reciprocal basis. Peru is also a member of the Andean Community and the Latin American Integration Association - LAIA (formerly the Latin American Free Trade Association).
- The Government is empowered to grant duty exemptions under certain circumstances and also to suspend temporarily the assessment of duties on certain products. Customs duties are imposed on an Ad-Valorem basis -the CIF value of the imported goods-. Goods are classified for customs duty purposes under the Harmonized System.

Source: MMM 2008-2010

Drawback regime

- Pursuant to the drawback regime, the exporter may apply for the refund of the custom duties that it paid upon: (i) the importation of the goods contained in the exported goods; or, (ii) the importation of the goods that are consumed during the production of the exported goods.
- The refund rate is 5% of the FOB value of the exported goods, provided such amount does not exceed 50% of the good's production cost. The refund will proceed for each kind of goods exported by the exporter and for the first USD 20 million worth of goods exported per year (the excess will not be subject to refund).
- For such purpose, article 1 of Supreme Decree No. 104-95-EF establishes that the beneficiaries of the drawback regime are the manufacturer – exporter companies whose cost of production has been increased by the custom duties paid upon the importation of: (i) raw materials; (ii) intermediate products; or, (iii) pieces incorporated or consumed in the production of the exported goods. It is to be noted that fuel or any other energy source, which aim is to generate heat or energy for purposes of obtaining the exported goods, is not considered as a raw material.

Stability agreements

Investors may enter into stability agreements with the Government, either under the general regime or specific regimes (i.e. mining and oil).

Under the general regime, investors may enter into Juridical Stability Agreements that guarantee them, for a 10-years period, the following:

- Stability of the Income Tax regime with respect to dividends and profits distribution, in force at the time the agreement is entered into.
- Stability of the monetary policy of the Peruvian Government, according to which there is a total absence of exchange controls, foreign currency can be freely acquired or sold at whatever exchange rate the market offers and funds can be remitted abroad without any previous authorizations.
- Right of non-discrimination in relation to local investors.

On the other hand, under the mining regime, local mining companies may enter into stability Agreements of Guarantees and Investment Promotion Measures that guarantee them, for 10 or 15 years, among others, the following:

- Stability of the overall tax regime.
- Stability of the overall administrative regime.
- Free disposition of funds (foreign currency) arising from export operations.

- No exchange rate discrimination.
- Free trade of products.
- Stability of special regimes in relation to tax refunds, temporary importations and similar regimes.

Oil companies may enter into stability agreements that guarantee them, for the term of the contract, among others, the following:

- Stability of the overall tax regime.
- Free disposition of funds (foreign currency) arising from export operations.
- Free convertibility of its funds.
- Free trade of products.

Tax Issues

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Part I

Macroeconomic Analysis

Other Issues: Corporate Issues

Corporate Issues

Business entities issues

Guide to “doing business” entities

- Choice of entity
The corporation is the most commonly used entity by foreign investors. However, there are no significant local tax differences between corporations, branches or partnerships.
Foreign investors may also set up a branch, which is taxed like a corporation.
- Capital requirements
There are no specific rules establishing percentages for foreign investment participation. There is no minimum capital requirement, except for banks, financial entities and certain other controlled companies.
- Founders’ requirements
No minimum number of Peruvian shareholders is required. There is no general requirement stating that directors or managers must be Peruvian residents or nationals. In some cases, however, Peruvian residence of the legal representative is recommended for practical reasons.
- Repatriation of funds
Repatriation of funds is fully unrestricted.
- Tax considerations
Capital gains, as defined by the income tax law, are taxed as ordinary corporate income.

Forms of business enterprise

The General Law on Companies (Ley General de Sociedades—LGS), the Commerce Code and a number of other laws, decrees and regulations govern financial, commercial and industrial activities. The General Law on Companies regulates the incorporation and conduct of business entities in general. Special laws affect the conduct of industrial, mining, telecommunications, banking and insurance activities to varying degrees, as well as companies operating under special conditions.

The varieties of commercial entities recognized in the General Companies Law are as follows:

1. Sociedad Anonima (S.A.) - Corporation:

- Private Corporation (S.A.):
The corporation is the most common form used by business entities, and constitutes the grounds for the other forms of S.A. (below). Contributions to capital are represented by shares. Liability is limited to the amount of the contribution;
- Private Corporation (Sociedad Anonima Cerrada—S.A.C.):
No more than twenty shareholders are allowed, its shares may not be registered with the stock exchange, and the transfer of shares may be subject to restrictions;
- Public Corporation (Sociedad Anonima Abierta—S.A.A.): One or more of the following requirements must be met:
 - i. An initial public offering of shares or convertible bonds has been carried out;
 - ii. It must be conformed by more than 750 shareholders;
 - iii. Over 35 percent of the share capital belongs to 175 or more shareholders.
 - iv. The corporation is incorporated as an open corporation; and
 - v. All shareholders with voting rights unanimously agree to abide by this regime.
All its shares must be registered with the Stock Exchange and the corporation is subject to the supervision of the National Supervisory Commission of Companies and Securities (Comision Nacional Supervisor de Empresas y Valores-CONASEV).

Source: MMM 2008-2010

2. Sociedad comercial de responsabilidad limitada (S.R.L.)

Similar to the closed corporation (see above). No more than twenty partners are allowed. All partners or quota holders have limited liability, and their capital is divided into quotas, for which no documents or titles are issued.

3. Sucursal - Branch

Permanent establishment of a local or foreign company outside its domicile, dedicated to one or some of the activities that constitute the corporate purpose of the company. The branch does not have legal independence or legal status. However, it is considered independent from the foreign parent company for tax purposes.

Entities indicated in paragraphs 1 through 3 above must be registered in the Public Registry that corresponds to its domicile. The issuance, transfer or cancellation of shares must be reported to the National Tax Administration Superintendency - SUNAT, within the first ten days of the month following such operations.

4. Joint Ventures - Contrato de Consorcio

Unincorporated joint ventures and collaboration agreements are not registered in the Public Registry. They may either be considered as independent tax payers or pass through entities.

Government supervision

Government supervision is limited, in general, to the following:

- Analysis of accounting records in connection with taxes imposed by the SUNAT.
- Supervision of insurance, financial and banking operations, as well as examination of financial statements of the companies under the control of the Banking, Insurance and AFP Superintendency - SBS and the CONASEV.
- Supervision and inspection of establishments where certain goods, such as drugs or chemicals, are produced.

Corporation

The most common form used by national or foreign investors to conduct business in Peru is a corporation (sociedad anónima).

Incorporation procedures:

- The incorporation of a local corporation is relatively simple. The corporation may be formed either through the founders' agreement (privately) or through a public sale of shares. In the latter case, a project must be prepared and submitted for approval to the CONASEV.

The corporation may be incorporated by two or more persons (acting on their own or as duly accredited legal representatives of others) or legal entities, who must execute a Public Deed of incorporation, which must be authenticated by a Notary Public and registered at the Public Registry. The deed must contain the following:

- The Articles of Association and By-laws and the personal data of the signatories of the deed.
- The express intention to incorporate a corporation.
- The amount of share capital.
- The number of shares in which it is divided.
- The form of payment for share capital.
- The contribution of each shareholder, either monetary or in-kind (which includes a corresponding valuation report).
- The appointment and personal data of the first board of directors of the corporation, if applicable.

The By-laws must include the following:

- The name, corporate purpose and address of the corporation.
- The proposed duration (definite or indefinite).
- The date on which operations will commence.
- The amount of the authorized share capital and the number of shares into which it is divided, as well as their respective value and the paid-in amount for each share.
- Class of shares into which the share capital is divided, number of shares in each class, characteristics, special or preferential rights granted, and ancillary rights or additional obligations, whenever applicable.
- Regime of the shareholders' meeting, their faculties, quorum, conditions, and periodicity of shareholders' meetings, conditions for the validity of their resolutions, timing of meetings and the exercise of voting rights.
- Regime of the board of directors; its powers, the number of directors to be elected, appointment procedure, the method for filling vacancies, the conditions and time sequence for directors' meetings, and remuneration for those elected as directors, if applicable.
- Regime of the corporate management.
- Form and timing for submitting the company's performance and annual results to the shareholders for their approval.
- The requirements for increasing or reducing the share capital and modifying the corporation's by-laws.
- Rules for the distribution of profits.

A copy of the Public Deed must be delivered by a Notary Public in order to be registered before the Public Registry. Registration formalities normally take about 20 days. The registration fee amounts to 1.08 percent of the Peruvian Tax Unit (S/. 3,550 for the year 2009) plus 0.003 percent of the registered capital. Notary Public's fees are determined on the basis of the length and complexity of the Public Deed.

Capital structure

Matters of interest related to the capital structure of Peruvian corporations are summarized below:

- There is no minimum capital amount required by law, except in the cases of banks, financial institutions, insurance companies and pension fund administrators, and intermediate labor services entities.

- Shares are nominative and different classes are allowed (bearer shares are prohibited).
- The issuance of shares is permitted with or without voting rights.
- Shares can be issued once they have been fully subscribed and at least 25 percent paid for.
- By-laws may establish limitations on the transfer of shares but may not prohibit transfers.
- The corporation may not grant loans or guarantees under responsibility of the board of directors using its own shares as a guarantee, not even for the acquisition of shares.
- A corporation is entitled to issue bonds or debentures, thus creating debt in favor of their holders.

Relationship of shareholders, directors and officers

Conduct of the entity

The shareholders exercise the control of a corporation through the general shareholders' meeting. The management of the business is normally delegated to a board of three or more directors and to the managers, except for closed corporations, in which the existence of a board of directors is not mandatory. Powers of each body are defined in the General Law on Companies and in the by-laws of the corporation.

Directors and Managers are not required to hold shares. Minutes of all shareholders' and directors' meetings must be kept in legalized books of minutes or on loose-leaf pages. Every corporation must keep a legalized share registry book in which the creation, issuance, rights, transfers, liens and guarantees granted with respect to the company's shares must be registered. At the end of the fiscal year, the directors must prepare and submit to the shareholders the corporate financial statements, together with their report on the corporation's activities.

General shareholders' meetings

An annual general meeting of shareholders must be held within three months of the end of each year. At this meeting, shareholders approve, among other matters, the management, the financial statements of the past year, the profit distribution (if any), and the membership of the board of directors.

Other meetings are held when required by the corporation, with the agenda stating the reason for calling the meeting.

Increase or decrease of share capital and modification to the by-laws

An increase or decrease of share capital and modification to the by-laws may only be decided by an absolute majority of shareholders at a general shareholders' meeting. Shareholders representing not less than two-thirds of the subscribed shares with voting rights must be present or represented by proxy. If the required number of shareholders is not obtained at the first meeting, a second meeting must be called at which shareholders representing not less than three-fifths of the subscribed shares with voting rights must be present or represented by proxy. No valid resolution may be agreed if the required representation of shareholders is not present at either of these two meetings.

Voting rights

Voting rights for the different classes of shares are normally established in the by-laws, with each share being entitled to one vote. Proxies for shareholders' meetings may be granted by letter, fax and other similar methods if provided in the by-laws.

Shares with non-voting-rights are permitted. These shares are not taken into account in determining the quorum of the general shareholders' meeting. However, they are granted preferential rights on a profit distribution.

Dividends

Unless otherwise stated in the by-laws, the shareholders at the annual general meeting decide the distribution of profits. The rules for profit distribution are as follows:

- Dividends are only to be paid based on profits obtained or on free reserves, and provided that the company's net worth is not lower than the paid-up share capital.
- Unless otherwise stated in the by-laws or agreed on by the general shareholders' meeting, all shares of the corporation (even if not fully paid-in) have the same right to dividends, no matter when they have been issued or paid.
- Distribution of dividends in advance is valid, except for those corporations that have an express legal prohibition.
- In the event that the general shareholders' meeting approves the distribution of a dividend in advance, with no favorable report from the board of directors, the shareholders who vote in favor of such a distribution shall be jointly and exclusively responsible for the payment.

- Directors may be empowered to decide on the distribution of dividends in advance. The distribution of dividends for up to half the value of the distributable profit for each period is mandatory when requested by shareholders who represent at least 20 percent of the company's subscribed shares with voting rights.

Dissolution and liquidation

Dissolution must be agreed to on the general shareholders' meeting. Such a resolution must be published for three consecutive days within ten days of the agreement. The registration of the dissolution before the Public Registry must be performed within ten days following the last publication.

A corporation must enter into a liquidation process if it incurs losses in excess of two-thirds of its paid-in capital stock. A corporation that continues to operate after accumulating losses in excess of two-thirds of its paid-in capital is deemed to be an "irregular" company and, as such, loses its limited liability status, whereupon the shareholders, directors and managers assume joint and unlimited responsibility for all obligations incurred.

Liquidators designated by the shareholders conduct the liquidation proceedings. The liquidators are empowered to sell the company's assets, pay the liabilities and distribute any remaining balance of equity among the shareholders.

Books and records

Banks, insurance companies and other supervised companies are required to publish their balance sheets and profit and loss statements in El Peruano, the official gazette, and another daily newspaper. A standard form is requested for this presentation, but the information required is minimal.

Statutory audit

Annual audits by independent public accountants are mandatory in the following circumstances:

- When established by the company's by-laws.
- When specifically requested by shareholders representing not less than 10 percent of the company's subscribed shares with voting rights.
- In a closed corporation, when it is requested by shareholders representing at least 50 percent of subscribed shares with voting rights.
- When the corporation qualifies as a public corporation.
- When established by special legislation

Limited liability Company (S.R.L.)

In limited liability companies (S.R.L.), the capital stock is divided into equal quotas, accumulative and non divisible, which may not be denominated shares. No title or document is issued to the holder. There cannot be more than 20 partners, and they do not have personal liability for the company's obligations.

An S.R.L. will have a corporate name and may also use an abbreviation of its name, to which "Sociedad Comercial de Responsabilidad Limitada," or its abbreviation, "S.R.L.," should be added.

Limited liability Company (S.R.L.)

S.R.L.S are incorporated by Public Deed, which must contain the following:

- The contribution of each partner indicating the manner in which it is carried out, along with a valuation report for in-kind contributions.
- Ancillary services to which the partners have committed, indicating their form, the remuneration to be received by those who will perform said services, and reference to the possibility that they may be transferred with the sole consent of the company's managers.
- Procedures and timing for calling meetings, which are to be carried out by the manager via fax, e-mail or any other means that allows a record of reception to be kept. Communications shall be addressed to the domicile designated by the partner for that purpose.
- Requirements and other formalities for the modification of the Articles of Association and the by – laws, for the extension of the company's duration and for its transformation, merger, spin-off, dissolution, liquidation or extinction.
- Formalities to be followed for the increase and reduction of the capital stock, indicating the eventual preemptive right of the partners and the conditions under which capital not assumed by the partners may be offered to third parties.
- Elaboration and approval of the financial statements, quorum and voting procedures and the right to the distribution of profits in relation to the participation of each partner in the capital stock, unless otherwise provided for in the by-laws.
- Other rules and procedures deemed convenient for the organization of the company, as well as any other licit agreements that do not contradict the principles of the S.R.L..

The deed of constitution may impose restrictions and conditions for the transfer of quotas, but may not prohibit transfers altogether.

Management of the company is entrusted to one or more managers, who may or may not be partners, and who represent the company in each and every matter related to its corporate purpose. As a consequence of their appointment, managers hold general and special representation powers.

Branch of a foreign corporation

Under Peruvian legislation, a branch is every secondary establishment through which a company performs certain activities included in its corporate purpose in a different location from its domicile.

To register a branch of a foreign corporation, the legal representative of the corporation in Peru must execute an appropriate Public Deed before a Notary Public.

The following documents must be attached to the deed:

- Copy of the charter and by-laws (memorandum and Articles of Association) of the foreign corporation.
- Copy of the board of directors' or competent body's resolution to establish the branch in Peru. This resolution should specify:
 - a. Amount of assigned capital;
 - b. Declaration that the activities to be performed by the branch are within the corporation's purpose;
 - c. Domicile of the branch;
 - d. Name(s) of the person(s) designated as representatives in Peru, powers vested in them and the express assumption of the Peruvian legislation for those obligations of the branch.
- Certification of the corporation's existence issued by the competent authority.
- Certification of the board of directors in order to establish that the members of the competent body of the company are duly authorized and empowered to approve this agreement.

The above-mentioned documents require certification by a Notary Public or appropriate government officials in the country of incorporation of the company. The local Peruvian consul must authenticate the signatures. After that, the Ministry of Foreign Affairs in Lima must authenticate the Peruvian consul's signature. An official translator must translate any document that it is not in Spanish, in order to file it in the Public Registry.

The business of the branch is directed by the person appointed by the parent company, whose powers of attorney are duly registered before the Public Registry. Such power may be revoked only by the parent company or by the holder of an overriding power of attorney in Peru. The scope of the representative's power of attorney may vary according to the parent company's policy but should be sufficiently extensive to allow adequate representation in Peru. It is recommended that certain powers, such as the signing of checks, be delegated. There is no regulation requiring filing of the financial statements of the parent company in Peru.

Participation Agreement

Two or more parties may enter into an agreement to carry out a particular business activity under this type of agreement. Pursuant to this agreement, one of the associates is the active partner who agrees to share in the results or profits of one of his businesses with another person, who is the silent partner (or partners), in consideration for contribution of goods or services to the business.

The active partner operates the business and is responsible before third parties. This agreement does not give rise to an entity different from the active partner.

Consortium Contract / Joint Venture

Under this form of collaboration agreement, two or more parties associate to actively and directly participate in a certain business with the purpose of obtaining an economic profit. However, each party maintains its independence. Each party is individually liable to third parties for the activities of the agreement. The agreement sets the extent of participation; otherwise it is deemed to be equal for all the parties. For tax purposes, they are considered separate taxable entities if independent accounting records are kept.

Corporate Issues
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Part I

Macroeconomic Analysis

Other Issues: Work Force and
Labor Contributions

Work Force and Labor Contributions

Labor Relations

Labor and management relations

Peruvian labor legislation is characterized for being regulated in many laws and regulations. However the creation of a single General Labor Law is foreseen, which will comprise the entire labor legislation.

In regard to the labor relationship, it is to be noted that once this is initiated, employees must comply with a trial period of three months, during which they can be dismissed without indemnity for unjustified dismissal. The trial period can be extended to six months or one year for skilled employees, or those appointed to management and positions of trust. There are special additional rights for women and minors.

The following types of employee are excluded from the labor regime applicable to the private sector.

- Employees hired by the public sector (i.e., government employees)
- Professionals who render services independently through service agreements that are ruled by the Civil Code.
- Those who earn commissions in the retail sector who simultaneously render services for several employers.
- Travel agents and traders in the wholesale business.
- Independent insurance brokers.

The current labor legislation grants the same treatment to all types of employees.

Payroll

As of January 2008, every employer must substitute their Payroll books for the new system of Electronic Payroll which is supervised by the Tax Administration.

Indirectly Hired Employees

Currently, Peruvian labor legislation establishes two kinds of agreements on employees hired indirectly:

- Intermediation
- Outsourcing

Regarding an intermediation agreement, it should be mentioned that this agreement consists in the rendering of temporary, complementary and highly specialized services. By this agreement the intermediary entity assigns employees to a company in order to perform services under its instructions, but their labor relationship is with the intermediary entity. It is important to highlight that the intermediary entity will assume the labor cost involved on the employees' assignment.

On the other hand, outsourcing services are contracted by the main entity in order to perform specialized activities, as long as the outsourcing company assumes the risk and responsibilities of its own financial, technical and material resources, as well as the responsibility of the result of its activities. Also, the workers of the outsourcing company must remain under its exclusive subordination.

Unions

Currently the union movement in Peru is not very strong. Employees in construction, transportation and industrial companies commonly form the strongest unions, being the most important the Confederación General de Trabajadores del Perú (C.G.T.P.) and the Central de Trabajadores del Perú (C.T.P.).

Unions or workers' representatives usually negotiate salary increases, fringe benefits and other special conditions through collective bargaining with employers. Agreements reached with unions that comprise more than one-half of a company's employees are applicable for all employees, even if they are not members of the union.

Fringe Benefits

Voluntary and statutory fringe benefits, usually granted to the personnel, are deemed by the employers as an additional cost of employment. In this regard, established fringe benefits are those regarding medical care, vacations, recreational expenses, bonuses, among others.

Additionally, as of May 2009, legal bonuses paid in July and December will not be subject to any social contribution, only being taxed by the corresponding income tax. This legal exemption will be applicable to workers under public and private regimes, until December 31, 2010.

Employer's Payroll Costs in Peru

Salaries

Compensation is commonly paid in the form of wages and salaries or by way of commissions, and may be paid in either Peruvian or foreign currency. Compensations are levied with statutory social contributions and employees' taxes.

The employer may also agree with employees whose monthly compensation is not less than two tax units (equivalent to S/.7,000 or approximately US\$2,600) that their compensation be paid as an annual package computed on an annual basis, including all legal and conventional benefits, with the exception of profit sharing.

Profit sharing

There is a general system of participation in company profits. Employees of companies are entitled to participate in the profits of the company, provided the company has more than 20 employees, and they are subject to the labor regime for private employees.

Employees share the profits of the company through the distribution by the company of a percentage of its net income before taxes. This percentage varies according to the employer's business (from 5% to 10%).

Overtime

Overtime, including work on statutory holidays, is payable at a premium agreed on between the parties, which may not be lower than 25 percent of the ordinary hourly rate for the first two hours, and 35 percent for the following hours.

Normal working hours should not exceed 8 hours per day or 48 hours per week. This workweek of 48 hours applies to any employee with exception of those appointed to management and trust positions.

Night Shift Additional Payment

Employers who have employees who work between 10:00 p.m. and 6:00 a.m. are obliged to pay an additional payment. This additional amount corresponds to an increase of – at least – 35% of the daily working hourly rate.

Vacations

Employees are entitled to paid annual vacations of one month upon completion of each year of service, with a minimum attendance of 260 days if the workweek is six days long and 210 days if five days long.

The employer and the employee may agree to allow up to two years vacation to accumulate. However, at the end of the first year the employee should take a seven-day vacation period. If the employer does not grant vacations to the employee, a payment equivalent to two compensations must be made (one corresponding to the work performed and the other as an indemnity for not having taken vacations).

Termination of employment

The employer may not dismiss an employee for reasons of behavior or qualification without granting the employee a reasonable term of not less than six calendar days to defend him/herself in writing against such charges, unless serious misdemeanor, or a term of thirty calendar days to prove his/her qualification or correct the behavior.

Should the employee be terminated and no fair cause exists (dismissal without grounds), the employee will have the right to receive a severance payment equal to 1.5 monthly salaries for each year of service, up to a maximum of 12 monthly salaries.

Severance indemnity (CTS)

Employees are entitled to a tax-free severance indemnity to be received upon death, retirement, resignation, or dismissal. This indemnity is equivalent to one month's salary plus one-sixth of a salary for each year of service.

Employers are obliged to deposit the CTS on a semi-annual basis in banking or financing institutions and in the currency (national or foreign) chosen by the employee. These deposits must be carried out within the first fifteen (15) days of May and November of each year, on the basis of as many 1/12 of the retribution received by the employee in April and October respectively as whole worked months within the corresponding semester.

Social Security Administration for Health Services (EsSalud)

There is a general state system of social security for health services, which is administered by EsSalud, providing health coverage as established by law. In general, all dependant employees registered on the payroll are covered by EsSalud, being the labor relationship the only requirement for obtaining coverage, regardless of the term of employment or the number of hours worked per day, week or month.

Employers must make contributions for all their employees, including foreign employees registered on the payroll, which are based on the total monthly compensation, including compensation in kind, with certain exceptions such as profit sharing payments and extraordinary bonuses. The rate of this contribution is 9 percent of the compensation.

National Pension Fund

The National Pension Fund, managed by the Oficina de Normalización Previsional-ONP, provides pensions to retired employees of either sex who have reached the age of 65, provided they have fulfilled with their contribution for a minimum of 20 years.

The amount of the pension is determined according to the remuneration earned by the employee and the number of contributions paid into the system.

Private Pension System

Private pension fund administrators, locally known as AFPs, manage an alternative pension system. AFPs guarantee pensions for retirement, handicap and survivorship pensions, and burial expenses.

Contributions form an individual private fund. The employee's contributions and their corresponding interests exclusively finance pensions.

For these purposes employees must contribute 10 percent of their monthly compensation, plus commissions for the AFP and insurance premiums for handicap and burial coverage, making a total contribution of approximately 12.4 percent of the compensation.

Labor Audit System

The labor authority is in charge of supervising that employers fulfill the labor and provisional rulings. Also, this entity is in charge to provide technical assistance to the employers as well as the employees, protecting their corresponding rights.

The labor authority is entitled to impose fines on employers which infringe the labor law.

Work Force and Labor Contributions

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Part I

Macroeconomic Analysis

Other Issues: Financial Accounting
Reporting

Financial Accounting & Reporting

The IFRS and accounting practices in Peru

Accounting practices in Peru have developed significantly when compared to other countries in the region. In fact, Peruvian accounting practices are closer to the International Financial Reporting Standards (IFRS) because Peru was one of the first countries in the region to adopt the International Accounting Standards (IAS) as a basis for its national accounting framework.

As is widely known, IFRS gather together the IFRS and IAS issued by the International Accounting Standards Committee (IASC) and the SIC and IFRIC interpretations. According to the Peruvian General Corporate Law, the financial statements of Peruvian companies must be prepared according to accounting principles generally accepted in Peru (Peruvian GAAP), which comprise:

- a) The legal and regulatory requirements on accounting matters, and
- b) The IFRS made official through resolutions issued by the Peruvian standard-setter, the Consejo Normativo de Contabilidad (CNC). Currently, after the most recent approval of certain standards and pronouncements by the CNC, the major differences between IFRS and Peruvian GAAP are:
 - a) Under Peruvian GAAP until December 31, 2004, it was required that financial statements be adjusted to reflect the effects of inflation based on a methodology approved by the CNC. The balances restated for inflation were considered to be the historical opening balances to prepare the financial statements for 2005. Under IFRS, Peru did not qualify as a hyperinflationary country after 1992; therefore the financial statements starting from that date should not be restated for inflation according to IAS 29 -Financial Reporting in Hyperinflationary Economies.
 - b) For Peruvian GAAP purposes, the CNC approved maintaining the application of the equity method of accounting to investments in subsidiaries presented in separate financial statements of an entity that issues consolidated financial statements. Under IFRS, IAS 27 (modified) - Consolidated and Separate Financial Statements, only permits investments, in subsidiaries presented in separate financial statements, to be accounted for at cost or at fair value, as is indicated in IAS 39.

At December 31, 2007 the Consejo Normativo de Contabilidad has approved IAS 1 to 41, IFRS 1 to 6 and SIC 1 to 33. On March 19, 2008, the Consejo Normativo de Contabilidad under Resolutions No.040-2008-EF/94, made official the application, effective January 1, 2009, of the revised version of IAS 32 and IFRS 7 and IFRS 8 , all amendments of the interpretations committee IFRIC (effective 2008), except for IFRIC 13 and 14 to be effective starting 2009.

Finally, common practice in Peru is that the adoption of new standards approved by the CNC are accounted for prospectively rather than as established by IAS 8 (retrospectively in most cases).

This publication is not intended for specific industries and may not cover differences for companies operating in these industries. This publication mainly covers the differences applicable to companies in general. Users and those who prepare financial statements must consult all the relevant accounting standards, interpretations and pronouncements issued by the regulators for a detailed knowledge of the accounting treatment and financial information reporting requirements.

This summary takes all the standards and interpretations issued and approved by the CNC up to June 30, 2008.

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Part I

Macroeconomic Analysis

Other Issues: Environmental and
Social Aspects

Environmental and Social Aspects

Current Peruvian environmental legislation indicates that all public or private investment projects in Peru must go through the National Environmental Impact Evaluation System, charged with the identification, prevention, supervision, control, and the correction of negative environmental impacts generated by investment projects.

The environmental impact study must evaluate not only the obvious environmental effects of the activity, but also the participation of the local community, to achieve the approval process by the appropriate government bodies. In other words, it embodies a sort of "social contract" in the assessment.

This is of particular interest to extractive industries, such as mining, energy, fishing, etc. due to the nature of their activities.

Despite the local environmental legislation, the latest Social Conflicts Report published by the Office of the Ombudsman (a government institution dedicated to protecting citizens' constitutional rights and supervising the obligations of the public sector), a total of 238 social conflicts were registered as of March 2009 in Peru. Nearly half of these conflicts stem from an environmental problem and 87 of them had as their main cause the perception of a negative impact or environmental risk by the community.

From a regulatory framework perspective, there are three elements that specialists believe contribute to the current situation:

1. Lack of an integrated environmental policy with sufficient power across sectors (ministries), which contributes in turn to the lack of high-level macro-environmental strategies.
2. Lack of specific cross-sector strategies for the control of emissions and effluents.
3. Weak environmental enforcement.

Despite these issues, there seems to be willingness by the current government to amend this situation with several social assistance programs in place and last the creation in 2008 of a Ministry of the Environment. In our view, this sends a loud and clear message of the need for institutional improvements as part of the formula to advance in this arena. There are several matters driving this situation:

Protecting the environment

The General Environmental Law, Peru's main law in this matter, establishes the implementation of the National Environmental Management System. Each pertinent sector or Ministry (i.e., Ministry of Energy and Mines, Ministry of Agriculture, etc.) must establish its environmental policies under a criteria of protection, with the appropriate environmental management tools, environmental boundaries as well as incentives and economic instruments. As a result of the Free Trade Agreement with the United States, local authorities have been forced to rethink Peru's environmental strategies, and are currently strengthening environmental control capabilities. Law No. 29325 Ley del Sistema Nacional de Evaluación y Fiscalización Ambiental, specifically creates a system to control environmental concerns and implements the OEFA or Organismo de Evaluación y Fiscalización Ambiental, which will regulate and oversee the effective implementation of environmental controls by regional and municipal governments. Peru's most pressing environmental issues include deforestation, soil and water pollution, adequate watershed management, and vulnerability to climate change.

International Environmental Agreements

Peru has signed 63 international commitments on environmental matters and natural resource management. 40 of these are global agreements, 19 are regional and 4 are bilateral. The most important commitments include the United Nations Framework Convention on Climate Change (UNFCCC); the Kyoto Protocol; the Montreal Protocol; the Convention on Biological Diversity; The United Nations Convention to Combat Desertification; the Ramsar Convention on Wetlands; the Convention on International Trade in Endangered Species of Wild Fauna and Flora and the Convention on the Conservation of Migratory Species of Wild Animals.

Chapter 18 of the Free Trade Agreement with the United States, on the environment, encourages companies to abide to the local legislation and to access incentive based flexible and voluntary mechanisms that contribute to diminishing the impact of human activity on the environment (i.e., Clean Development Mechanism).

The Addenda to the Agreement points to the strengthening of capabilities in the forestry sector. This requires government bodies to improve their ability to track and record each stage of the wood fibre processing (chain of custody) - from the forest to the end user -including harvesting, transportation, manufacturing and distribution. Likewise, corruption by forestry officials will be highly penalized. Furthermore, Congress has passed a law that will impose jail sentences and treatment equal to that applied to narcotics trafficking to anyone who deals inappropriately in forest resources.

Major legislation and regulations

Every government ministry (or sector) establishes its own environmental and social rules and procedures in their own environmental departments. The most advanced ministry in this respect is the Ministry of Energy and Mines, which has an Environmental Regulation as well as Guidelines and Maximum Permissible Limits. In addition to environmental impact assessments, Mine Closure Plans are also regulated.

The Ministry of Production, with its Vice Ministries of Industry and Fishing, has established Environmental Quality Standards and Maximum Permissible Limits in the following sub-sectors: cement, paper, beer, tanneries and on April 30th, 2008 fish meal and fish oil.

Other Ministries (sectors) are gradually establishing their own Environmental Quality Standards and Maximum Permissible Limits.

Pollution Control

Peru has several control entities that establish control and mitigation policies to which each sector must subscribe. The Organismo Supervisor de Energía y Minas (OSINERGMIN) is the entity in charge of all energy and mining projects, Organismo Supervisor de Transporte (OSITRAN) also exists for the transport sector and Organismo Supervisor de Telecomunicaciones (OSIPTEL) for the telecommunications sector. Other Ministries (sectors) implement inspections through their environmental departments.

Peru has a Solid Waste Management Law and Regulation. All industrial companies must dispose of waste according to the current legislation. For example, a dangerous solid waste manifest, establishing the quantity to be disposed, must be presented during the first half of each month. For Municipal waste collection the opportunity for improvement lies outside of Lima, the capital, where only 23% of solid municipal waste is disposed of adequately (Lima 93%).

Conclusion

Peru has many outstanding social and environmental issues that need to be addressed. The regulatory role played by government agents is key, and they are gradually aiming to comply with best practices. Likewise, the private sector also plays a key role, not only abiding by existing rules and regulations, but also trying to improve their return on investment and diminishing risks by implementing social and environmental best practices.

Particular interest from financial institutions has been noted in the last two years. For leading emerging market financial institutions, sustainability is an increasingly important driver of long term value. The business case for sustainability is built on several components:

- Access to capital: Compliance with International Financial Institutions' (IFC, IDB, FMO, etc.) lending, monitoring, and reporting requirements and access to long term credit;
- Credit and reputational risk management: Ability to assess and manage key environmental and social risks across portfolios i.e. at both client and transaction level;
- Operational effectiveness: Consistent implementation of environmental and social risk management approaches at all levels and relevant operations to align with strategy and sustainability objectives; and
- Differentiation: Demonstrate quality of environmental and social management systems (ESMS), capturing the corporate governance premium available to quality emerging market institutions.

Businesses that demonstrate environmental and social leadership, and share the principles and practices they adopt with their stakeholders, build public trust and strengthen their reputations and brands. While these intangibles are sometimes hard to quantify, forward thinkers understand their value. They recognize that a company's approach to sustainability and corporate responsibility mirrors its approach to business. Companies that postpone dealing with the challenges of sustainable business practices, or minimize the attention they give such issues, put themselves at risk while losing opportunities.

Environmental and Social Aspects

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Part II

Industry Analysis

Financial Services

Financial Industry

Banking deposits and increase in loans

- The banking system has the greatest proportion of deposits (94.2%) and loans (90.8%). In a distant second place are Municipal Savings and Loans (4.8% and 6%, respectively).

Evolution of Deposits (Million of US\$)

	2006	2007	2008	Variation 2008/2007
Full service banks	18,988	23,204	29,528	27.25%
Financial Institutions	245	201	35	-82.59%
Municipal Savings and Loans	1,014	1,213	1,503	23.91%
Rural Savings and Loans	189	238	277	16.39%
Total	20,436	24,856	31,343	26.10%

Source: SBS

Loans Evolution (Million of US\$)

	2006	2007	2008	Variation 2008/2007
Full service banks	15,882	21,509	28,154	30.89%
Financial Institutions	518	325	277	-14.77%
Municipal Savings and Loans (1)	1,166	1,432	1,875	30.94%
Rural Savings and Loans (2)	212	271	344	26.94%
Microfinance Institutions (3)	266	397	357	-10.08%
Total	18,045	23,935	31,007	29.55%

Source: SBS

- (1) Municipal Savings and Loans capture funds from the public and specializes in financing operations primarily to small and micro enterprises that have been unable to obtain access into traditional banking.
- (2) Rural Savings and Loans specializes in grant funding preferentially to medium, small and micro enterprise in rural areas.
- (3) Microfinance Institutions (MFI) focus on funding of businessmen (small and micro enterprises). They don't capture funds from the public.

Banking System

Full Service Banks	Deposits 2007 (Million of US\$)	Deposits 2008 (Million of US\$)	Variation 2008/2007
Banco de Crédito del Perú	8,405	10,773	28.18%
Banco Continental BBVA	5,619	6,552	16.60%
Scotiabank Perú	3,979	4,856	22.05%
Interbank	2,326	3,054	31.30%
Banco Interamericano de Finanzas	744	1,004	34.91%
Citibank	489	577	18.09%
Mibanco	307	572	86.39%
Banco Financiero	459	496	8.16%
HSBC Bank Perú	153	362	136.65%
Banco del Trabajo (CrediScotia)	326	329	1.01%
Banco de Comercio	224	270	20.36%
Falabella Perú S.A	173	219	26.80%
Banco Santander Perú	-	213	-
Banco Ripley	-	148	-
Deutsche Bank Perú	-	57	-
Banco Azteca Perú	-	45	-
Total	23,204	29,528	27.25%

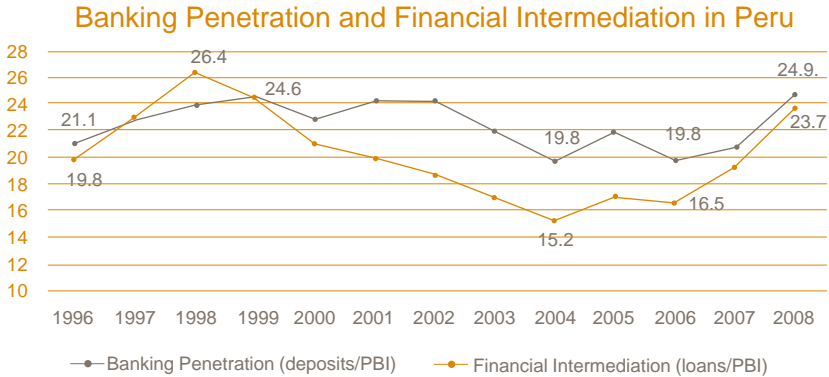
Source: SBS

Full Service Banks	Loans 2007 (Million of US\$)	Loans 2008 (Million of US\$)	Variation 2008/2007
Banco de Crédito del Perú	7,004	8,960	27.92%
Banco Continental	5,665	6,873	21.32%
Scotiabank Perú	3,286	4,617	40.51%
Interbank	2,084	2,990	43.45%
Banco Interamericano de Finanzas	727	872	20.00%
Mibanco	499	781	56.56%
Banco Financiero	537	644	19.94%
Citibank	659	573	-13.09%
HSBC Bank Perú	152	383	151.99%
Banco del Trabajo (CrediScotia)	344	373	8.31%
Falabella Perú S.A	315	371	17.68%
Banco Ripley	-	300	-
Banco de Comercio	204	266	30.18%
Santander Perú S.A.	34	113	231.54%
Banco Azteca Perú	-	40	-
Deutsche Bank Perú	-	-	-
Total	21,509	28,154	30.90%

Source: SBS

Banking Penetration and Financial Intermediation

- In the last three years, both variables have shown growth after 10 years decreasing. Deposits and loans have grown faster than GDP.

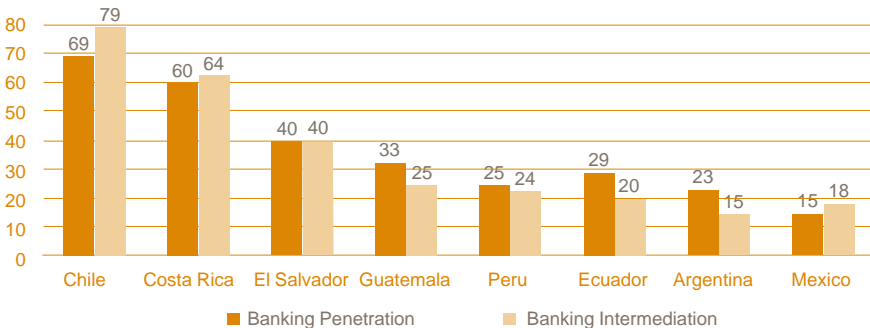


Source: Semana Económica, SBS, BCRP

Banking and Financial Intermediation

- The GDP growth may distort the increase in banking and financial intermediation in Peru.
- While comparing Peru with other Latin American countries, the level of banking penetration and intermediation is still low.

Banking Penetration and Banking Intermediation in the Region



Source: Local Superintendency of Banks and Central Banks

Direct Loans according to type of credit

During 2008, the loans of greatest demand were those of Microenterprises (38.8%) followed by Mortgages (36.0%)

Commercial Loans (Million of US\$)

	2008	Var. 2008/07
Full Service Banks	17,464	29.63 %
Financial Institutions	13	-
Municipal Savings and Loans	427	50.43 %
Rural Savings and Loans	46	34.63 %
Edpymee	37	59.59 %
Total	17,987	30.21 %

Microenterprise Loans (Million of US\$)

	2008	Var. 2008/07
Full Service Banks	1,764	42.95 %
Financial Institutions	183	-
Municipal Savings and Loans	953	32.31 %
Rural Savings and Loans	197	35.88 %
Edpymee	243	-21.39 %
Total	3,339	38.67 %

Consumer Loans (Million of US\$)

	2008	Var. 2008/07
Full Service Banks	5,229	28.63 %
Financial Institutions	41	-85.68 %
Municipal Savings and Loans	426	13.95 %
Rural Savings and Loans	91	10.38 %
Edpymee	65	25.22 %
B. de la Nación	612	-16.20 %
Total	6,464	15.47 %

Mortgage Loans (Million of US\$)

	2008	Var. 2008/07
Full Service Banks	3,697	35.03 %
Financial Institutions	40	-0.21 %
Municipal Savings and Loans	69	29.36 %
Rural Savings and Loans	10	0.36 %
Edpymee	12	-4.43 %
Total	3,828	36.00 %

Source: SBS

Latest Events

- SBS informed that three banks (one from U.S. and two from Europe) are planning to operate in Peru.
- After acquiring 100% of shares of Banco del Trabajo, Scotiabank established CrediScotia, a Financial Institution focused on microenterprises.
- In 2008, Banco Azteca (Mexico) started to operate in Peru as a bank.
- Merrill Lynch said that the Peruvian financial industry is going to be one of the strongest of Latin America.
- The banking system is starting to adequate to the norms of Basel II. For Standard & Poor's the system is mature enough and will not have any problem during the process.

Source: SBS

Insurance System

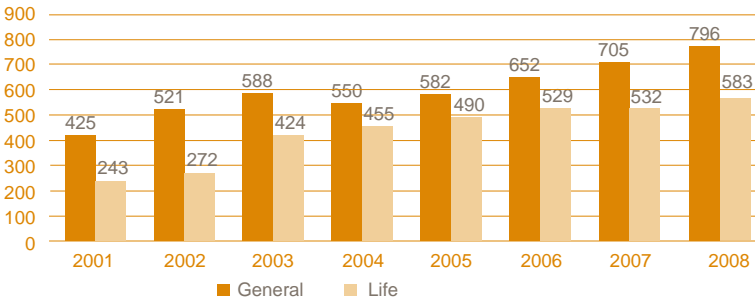
Total Insurance Premiums (Million of US\$)

Insurance Companies	Premiums 2008	Variation 2008/2007
Rímac	470	11.39 %
El Pacífico Peruano Suiza	271	10.65 %
El Pacífico Vida	166	17.88 %
Mapfre Perú	97	-4.37 %
InVita	97	22.19 %
La Positiva	80	14.17 %
Interseguro	67	40.23 %
La Positiva Vida	49	19.49 %
Mapfre Perú Vida	46	16.18 %
Ace	15	-43.18 %
Secrex	9	-33.82 %
Cardif	8	-11.78 %
Protecta	4	271.29 %
Total	1,379	11.60 %

Source: SBS

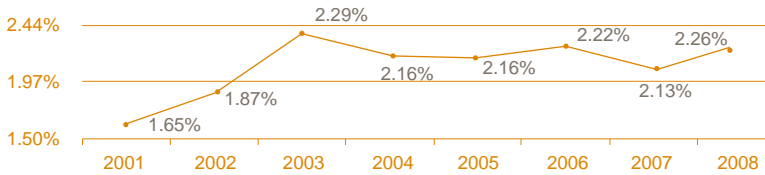
Insurance Premiums: Types and Market Penetration

Evolution of Premiums by Type (Million of US\$)



Source: SBS

Market Penetration % (Total Premiums/GDP)



Source: SBS

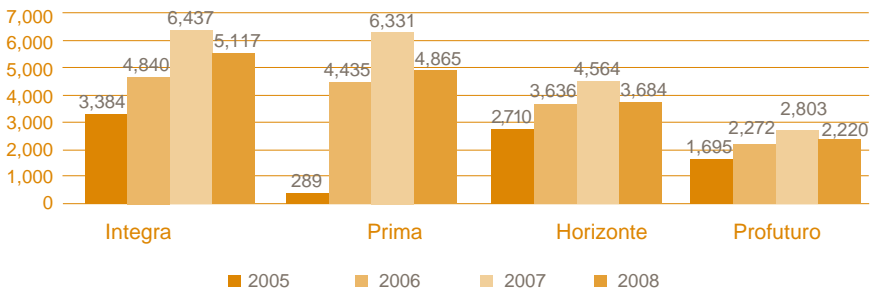
Pension System: Private Pension Funds (PPF)

Assets Managed by Company (Million of US\$)

Company	Total Fund –Dec. '08	Variation 2008/2007
Integra	5,117	-20.50%
Prima	4,865	-23.16%
Horizonte	3,684	-19.28%
Profuturo	2,220	-20.81%
Total	15,886	-21.10%

Source: SBS

Managed Assets Evolution (Million of US\$)



Source: SBS

Latest Events

- In the middle of 2008, Scotiabank Peru paid approximately US\$ 33 millions for 47.5% of ProFuturo shares. After that Scotiabank and a group of peruvian shareholders (Corporación Cervesur, Transacciones Especiales, Latin Invest and Caserta Business Corp.) acquired the 100% of JH Holdings and transferred all their participation to ProFuturo. At the end of 2008, JH Holdings owns 99.5% of Profuturo shares.

Source: Semana Económica, Diario El Comercio

Financial Industry

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Part II

Industry Analysis

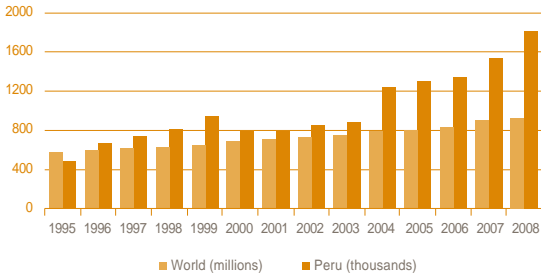
Tourism

Tourism

Context

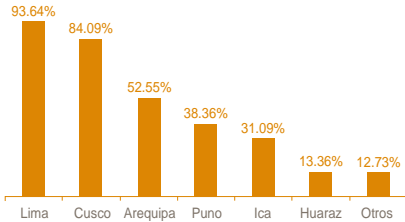
- Between 1995 and 2008, the number of world tourists has grown at an average rate of 3.83%. In Peru, the rate of growth was around 11.75%

Number of Tourists

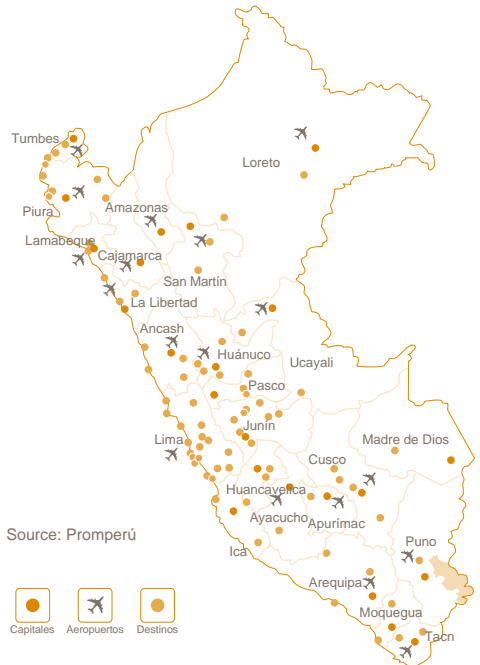


Source: Mincetur, UNWTO

2008 Most visited cities (% of tourists)



Source: BADATUR



Source: Promperú

SWOT

Strengths

Increasing interest of society in recognizing tourism as a priority for development.

Greater investment in value creation and preparation of the tourism areas.

Peru still conserves numerous natural and cultural resources in their original state.

A specific legal framework exists for defense and protection of natural and cultural patrimony of Peru.

New institutions, mainly universities, are specializing students in tourism.

The growth trend is maintained in growing national and international tourism.

Satisfaction of present tourists is showing positive improvement.

Opportunities

Increase in the contribution of sector to GDP.

Several circuits are being created in order to make tourist experience more lasting.

The country has increased its relevance as a world-wide tourism destiny.

Increasing business participation in heritage conservation.

Increased investments in infrastructure and basic services.

Weakness

Many uncoordinated actors in the management and planning of tourist destinies.

Low capacity of regional government authorities to plan and execute investment projects.

No up-to-date statistical information.

Lack of effective control for protection of natural and cultural patrimony.

Insufficient basic infrastructure (light, water, cleaning services and telecommunications) in many of the destinies.

There is only one commercially operative international airport, International Jorge Chávez.

Threats

High degree of competition with other emerging tourist zones.

Use of the Fund of Development and Tourist Promotion is only until 2013.

Insecurity, common delinquency, protests and accidents on highways.

Risk of environmental and cultural degradation persists.

Pollution, depredation and natural disasters.

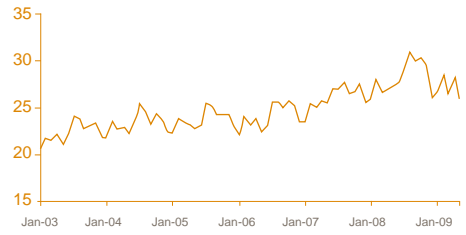
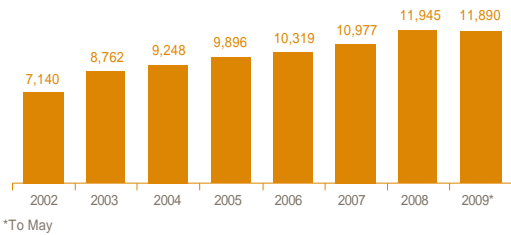
Source: Mincetur

Supply

- The number of lodging establishments has growth progressively from 2002 until 2008 at an annual average rate of 9%. However, it's expected to fell 0.46% this year.
- The net rate of room occupancy always registers its highest numbers in July, due to national holidays. Nevertheless, this year the flow of guests is returning to the level reached in 2007.

Lodging Establishments

Net rate of rooms occupancy



Source: Mincetur

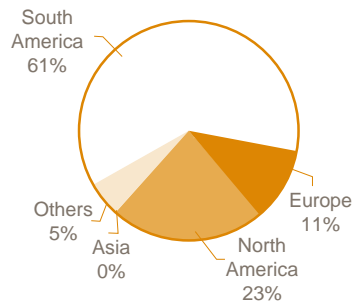
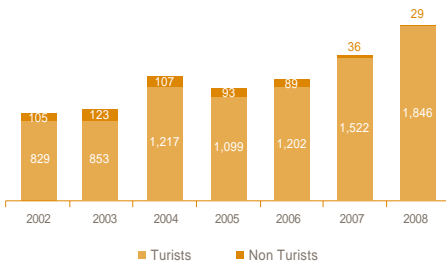
Source: Mincetur

Demand

- Arrival of foreign visitors to Peru has grown progressively, at an annual average rate of 13%. On the other hand, 88% of the total amount of visitors are tourists (98% in 2008).
- In 2008, the largest percentage of tourists came from South America (Chile) with 25.48% followed by North America (United States) with 20.44%.

International Arrivals
(Thousands of people)

International arrivals by
place of residence - 2008

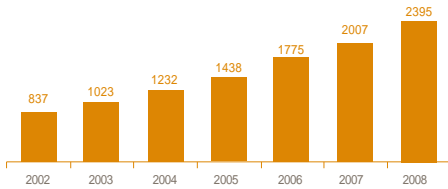


Source: Ministerio del Interior

Source: Ministerio del Interior

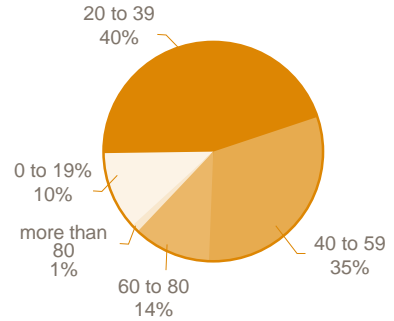
- Foreign exchange earnings has increased steadily since 2002 at an average rate of 19%.
- In Peru, the largest percentage of tourists are between 20 and 39 years (40%) followed by 40 to 59 year-old (35%).

Foreign exchange earnings
(Thousands of people)



Source: Ministerio del Interior

International arrivals by age group
(2008)

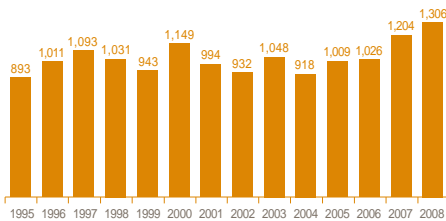


Source: Ministerio del Interior

Market

- Each tourist spent in Peru US\$1,306 in 2008. This per capita expenditure has increased around 42% since 2004, at an average annual rate of 9.36%.

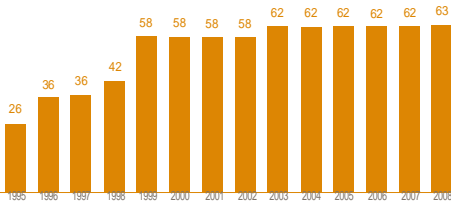
Per Cápita Expenditure (US\$)



Source: : BADATUR, BCRP

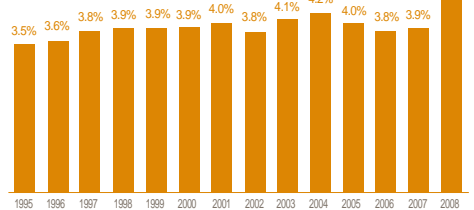
- Foreign Direct Investments (FDI) on tourism in Peru have been stable around US\$ 62 millions.
- This sector represents almost 4% of the country's GDP.

Foreign Direct Investments in Tourism
(Millions of USD)



Source : BADATUR, Proinversion

Tourism Contribution to GDP
(%)



Source : BADATUR, Proinversion

Tourism
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Part II

Industry Analysis

Mining

Mining

Actual market- Mining Production ranking 2008 (Peru)

Element	World	Latin America
Silver (Ag)	1	1
Zinc (Zn)	2	1
Tin (Sn)	3	1
Bismuth (Bi)	3	3
Tellurium (Te)	1	1
Lead (Pb)	4	1
Gold (Au)	6	1
Indium (In)	7	1
Copper (Cu)	3	2
Molybdenum (Mb)	4	2
Selenium (Se)	6	2
Arsenic (As)	4	2
Cadmium (Cd)	13	2
Iron (Hi)	17	5

Source: U.S. Geological Survey-USGS-, The Silver Institute; Gold Fields Minera Services-GFMS-International

Actual market – Exports of mining products

Exports of mining products

Mineral	Exports Jan-Dec (Million of US\$)		Var. %
	2007	2008	
Copper	7,241	7,633	5.8
Gold	4,158	5,588	34.4
Zinc	2,535	1,467	-42.1
Silver	537	595	10.7
Lead	1,033	1,136	9.9
Tin	507	695	36.9
Iron	286	385	34.8
Molybdenum	982	1,079	10
Others	51	48	-5.1
Total	17,328	18,656	7.7

Source: BCRP, SUNAT

Ranking of mining exporting companies

Company	Million of US\$		Var. %
	2007	2008	
Southern	2,972	2,885	-2.92
Antamina	3,013	2,845	-5.57
Cerro Verde	1,622	1,823	12.39
Yanacocha	1,114	1,615	44.96
Barrick	1,123	1,379	22.75
Doe Run	1,259	1,217	-3.28
Cormin	611	1,012	65.45
AYS	352	541	53.57
Procesadora Sud.	461	489	5.41
Xstrata Tintaya	509	424	-16.78
Total	13,037	14,227	9.13

Source: SUNAT

Recent developments

- In 2008, exports increased 7.7%.
- Mining investments increased 11% (US\$ 1,704 Million - 2008).
- Chinese mining companies announced investment commitments of US\$ 7,400 millions for the next five years.
- Peru has 17,674,210 millions of hectares and only 0.67% is used in explorations and 0.56% for operations.
- The mining contribution to the country reached US\$ 52,827,283.69 in 2008.
- The actual investment portfolio is composed of 31 projects in 2008.
- Investment in extension projects reached US\$ 24,693 million in 2008.
- There is high potential in the non-metallic mining industry in: limestone, stone, sand, clays, plaster, puzolana, among others.
- The Junior Mine Segment is establishing itself in the Lima Stock Exchange.

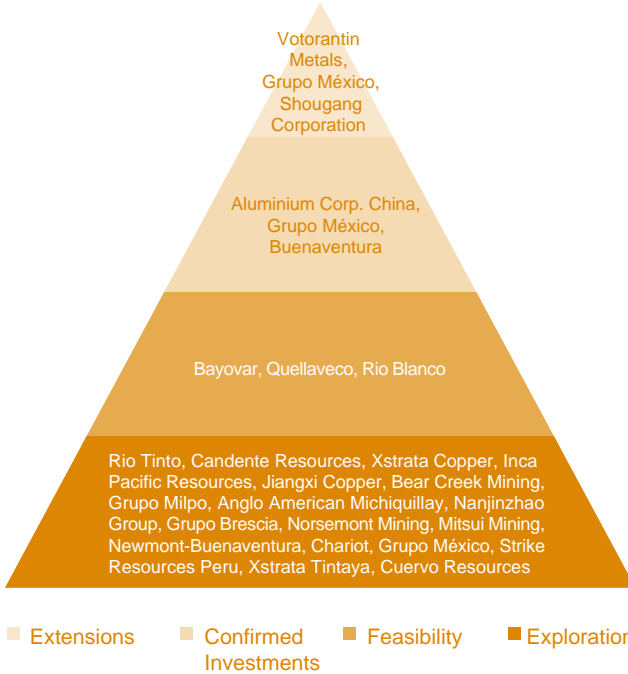
Next steps

Main Mining Projects (2008-2013)

Project	Firm	Investment (Million of US\$)
Galeno Project	Minmetals	US\$2,500
Smelting, Refinery, Toquepala and Cuajone Project	Southern Copper Corp	US\$2,108
Toromocho	Chinalco	US\$2,152
Quellaveco Project	Anglo American Quellaveco	US\$1,700
Rio Blanco	Zijing Mining Group	US\$1,440
Extension Marcona 1,000 Project	Shougang	US\$
Extension Marcona	Shougang	US\$1,000
Refinery of Zinc	Votorantim Metals	US\$ 500
Cajamarquilla-Ext.		

Source: Anual Mining Report 2008. Ministry of Energy and Mines of Peru

Mining enterprises Investing in Peru (Some of the 31 announced)



Source: Anual Mining Report 2008.
Ministry of Energy and Mines of Peru

Mining
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Part II

Industry Analysis

Telecommunications

Telecommunications

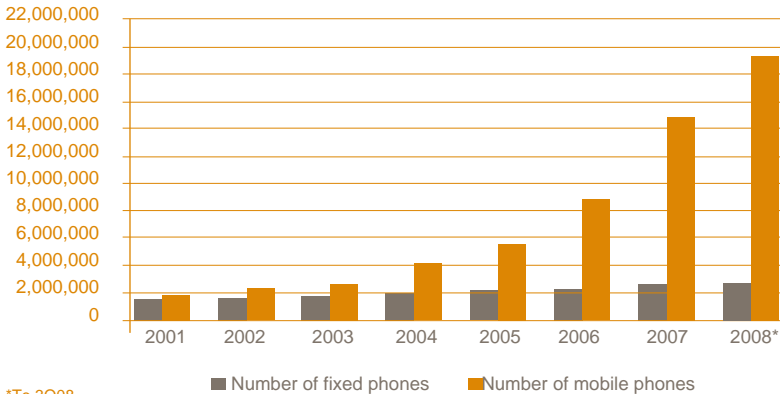
Top Companies – 2008 Net Sales (Million of US\$)

Ranking	Company	2008
1	Telefónica del Perú	2,246.7
2	Movistar	1,065.2
3	América Móvil Perú - Claro	641.8
4	Nextel del Perú	210.6
5	Brightstar Perú	168.9
6	Telefónica Multimedia	146.1
7	Telmex Perú	121.3
8	Telefónica Serv. Compartidos Perú	42.2

Source: A.E. Perú

Telephone Services

Evolution of telephone services



Source: MTC

Fixed Telephone Services by Company

Company	2006	2007	2008*
Telefónica del Perú S.A.A.	2'294,900	2'334,912	2'319,108
Telmex Perú S.A.	21,919	35,486	69,094
Telefónica Móviles	71,981	285,681	399,094
Americatel Perú S.A.	4,796	9,192	15,688
Impsat Perú S.A.	3,623	5,184	5,467
Gilat to Home Perú S.A.	646	828	1,056
Rural Telecom S.A.C.	91	674	879
Nextel del Perú S.A.	55	23	15
Infoductos y Telecomunic. Perú S.A.	2,593	1,372	1,285
Convergencia Perú S.A.	0	0	185
Valtron E.I.R.L.	0	0	85
Total	2'400,604	2'673,352	2'811,956

*To 3Q08

Source: MTC

Mobile Telephone Services by Company

Company	2006	2007	2008*
Telefónica Móviles**	5'058,497	9'436,371	12'239,630
Nextel del Perú S.A.	345,029	472,688	610,647
América Móvil Perú	3'368,628	5'508,188	6'722,326
Total	8'772,154	15'417,247	19'572,603

* To 3Q08

** Includes the merger between Telefónica Móviles and Comunicaciones Móviles del Perú (former Bellsouth) since 2005.

Source: MTC

Investment Opportunities

Project	Estimated Investment (Million of US\$)	Concession Award
Band C 1900 Mhz	150	2Q09
2668-2692 Mhz Band / Telephone and Internet Wireless Broadcasting	110	2Q09
821-824 Mhz and 861-869 Mhz Bands	50	2Q09
Rural Wide Band Service	13	3Q09
Integration of telecommunication services Buenos Aires - Canchaque Piura	10	3Q09
Rural Bandwidth San Gabán - Pto. Maldonado		
Rural Bandwidth Juliaca - San Gabán*	2.85	3Q09
Bandwidth for VRAE development		
Bandwidth Camisea - Lurín Bandwidth*	To be defined	3Q09
Total Estimated Investment (US\$ Million)	335.9	

* Consolidated Process. The estimated investment amount corresponds to San Gabán-Puerto Maldonado section. The investment amount for Juliaca-San Gabán, VRAE and Camisea-Lurín sections to be defined.

Source: Proinversión

Telecommunications

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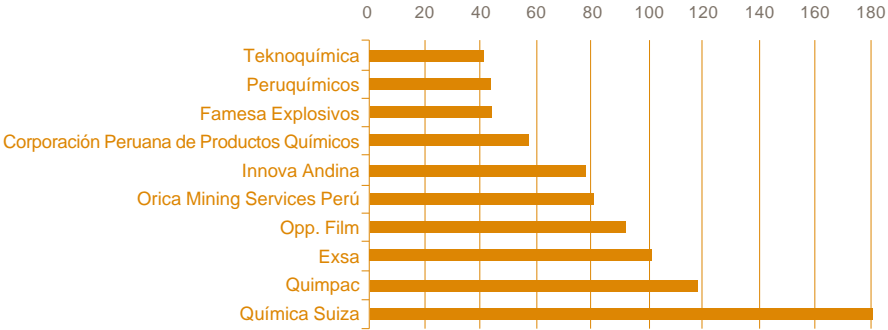
Part II

Industry Analysis

Manufacturing

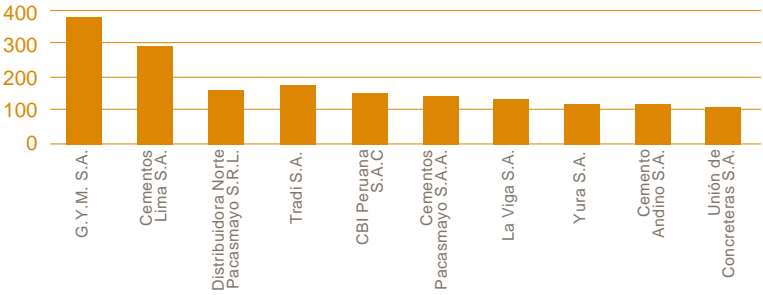
Manufacturing

Top 10 in Sales - Chemicals (Million of US\$ -2007)



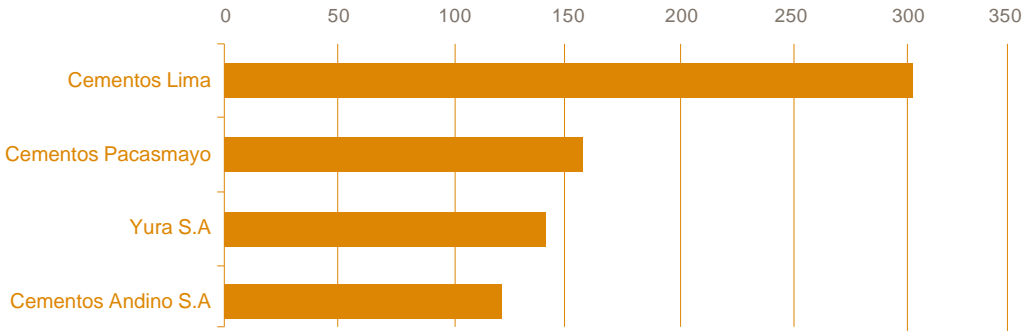
Source: DME

Top 10 in Sales - Construction (Million of US\$ -2007)



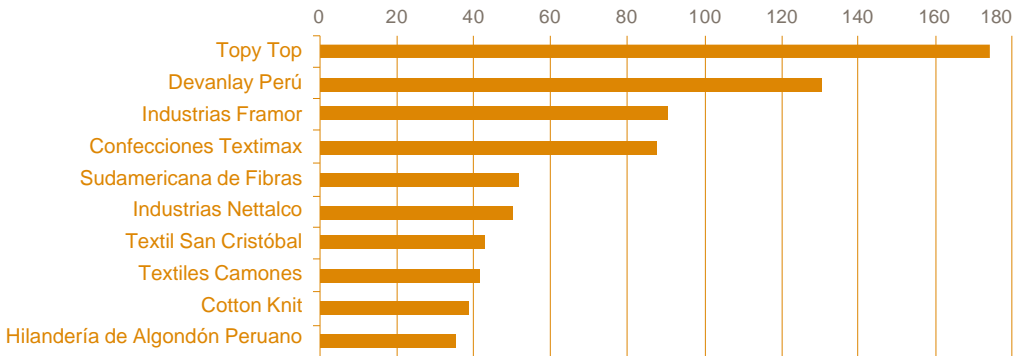
Source: DME

Sales of Cement (Million of US\$ -2008)



Source: Conasev

Top 10 in Sales - Textiles (Million of US\$ -2008)



Source: BCRP

Manufacturing

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Part II

Industry Analysis

Retail

Retail

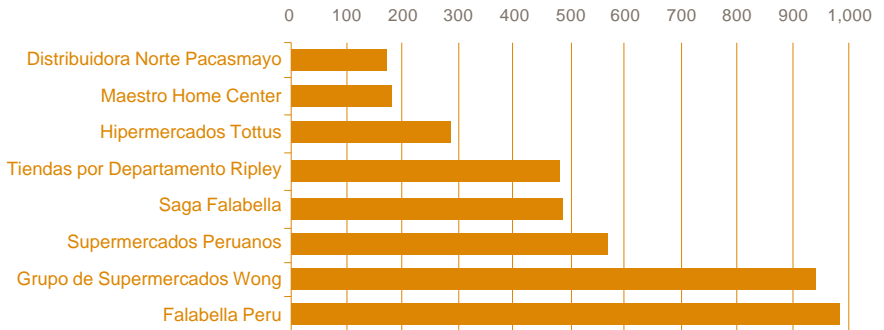
Top 5 Retailers 2008

Company	N°Stores	Sales's Area (m ²)	Net Sales (Million of US\$)	Market Share (%)
Cencosud	59	214,802	725	7.2
Supermercados Peruanos	54	106,123	447	4.5
Falabella	81	328,974	361	3.6
FASA	190	14,630	47	0.5
Repsol YPF	230	11.500	30	0.3
Others	-	-	8,430	83.9
Total			10,039	100.0

Source: Planet Retail

Sales

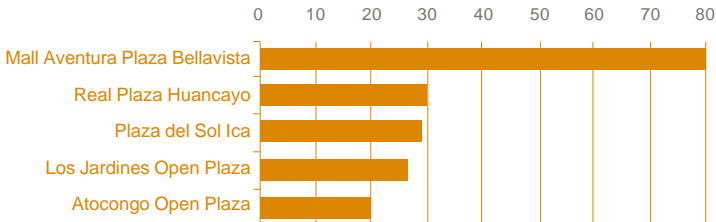
Top 8 in Sales - Retailers (Million of US\$ -



Source: A.E. Perú

Investment

Investment in Malls (Million of US\$ - 2008)



Source: Enterprises

Projects in Portfolio (2009-2010)

Project's Name	City	Company	Type
Plaza del Sol	Piura	Multimercados Zonales	Enlargement
Real Plaza	Chiclayo	Interseguro	Enlargement
Jockey Plaza	Lima	Centros Comerciales del Perú	Enlargement
El Quin-de	Chimbote	Ekimed	Opening
Open Plaza	Lima	Malls Perú	Opening
Plaza Norte	Lima	Corporación EW	Opening
Real Plaza Centro Cívico	Lima	Urbi Propiedades	Opening
Power Center	Chiclayo	Malls Perú	Opening
Power Center	Trujillo	Malls Perú	Opening

Source: Local Newspapers

Latest Events

- Peru's Central Bank informed that construction and enlargement projects of malls that are in execution total approximately US\$ 665.5 million.
- Peruvian Franchise Chamber (PFC) reported that the franchise market has grown 15% in 2008 in some cities, corresponding to the opening of new malls. This market was growing 5% until 2007. Also, CPF estimates that sales would increase by 8.3% in 2009 with respect to 2008.
- 60% of the new Peruvian companies that are going to operate in the next years are related to gastronomy business, while the other 40% to services such as education, health and beauty.
- CCR International Research informed that Trujillo has a 72.4% of retail market penetration, Huancayo 70.8% and Arequipa 58.8%.

Source: MBI

Retail

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Part II

Industry Analysis

Fishing

Fishing

Fishing exports classified by end use

Description	Exports (Thousand MT)		Exports (Million of US\$)	
	2007*	2008*	2007*	2008*
Direct Human Consumption	300	331	396	496
- Tinned	34	34	65	78
- Frozen	265	296	319	407
- Cured	1	1	13	11
Indirect Human Consumption	1,364	1,607	1,266	1,570
- Fish meal	1,095	1,409	1,073	1,285
- Fish Oil	268	198	194	285
Other	35	50	48	87
Total	1,698	1,988	1,710	2,153

*Production: January - October

Source: Ministerio de la Producción - PRODUCE (Peruvian Ministry of Production)

Fishing Advantages

Peru has a wide diversity of hydro-biological resources for direct human consumption. So far there have been identified:

- 750 fish species
- 872 mollusks species
- 412 crustacean species
- 240 algae species

Multiple fish species have not yet been entirely exploited.

There are vast opportunities for expansion: over 2,500km of coastline and several large, deep and rich lakes and lagoons remaining to be exploited.

The aquaculture industry has been strengthened with the reduction of the local income tax rate to 15% and allowing the anticipated recovery of VAT (IGV in Peru) during the productive stage until the 31st of December of 2010.

Peru is the world's leading country in trading fish meal and fish oil, given the large volume of anchovy found within its territorial sea. Some fish-meal and fish-oil producers are already developing new products and diversifying to new markets with fresh, frozen, and Omega-3 products.

Fishery

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Juan Arrarte - Partner

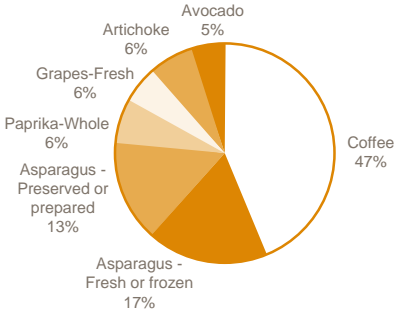
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Part II

Industry Analysis

Agribusiness

Agribusiness



Source: MINAG- DGIA (Peruvian Ministry of Agriculture)

Main agricultural products (tones)

National agricultural production

Ranking	Main products	Thousand tones		Million of Nuevos Soles°	
		2006 *	2007	2008*	2008*
1	Sugar cane	7,246	8,229	9,346	635
2	Alfalfa	5,710	5,732	5,805	962
3	Potato	3,234	3,383	3,588	1,448
4	Paddy Rice	2,357	2,435	2,783	1,001
5	Banana	1,768	1,835	1,790	528
6	Yellow Corn	1,012	1,123	1,229	499
7	Yuca	1,108	1,158	1,153	395
8	Onion	577	634	639	159
9	Maize	361	332	375	157
10	Orange	357	344	373	126
11	Mango	321	294	323	126
12	Asparagus	252	284	317	376
13	Coffee	256	226	267	854
14	Corn	249	245	251	180
15	Palm Oil	232	238	246	40
16	Pineapple	223	212	242	107
17	Grape	192	197	224	218
18	Lemon	251	270	220	72
19	Tomato	159	173	211	73
20	Wheat	191	182	206	102

*Preliminary

° Prices based on 1994

Source: MINAG- DGIA (Peruvian Ministry of Agriculture)

Agricultural imports - Countries

Ranking	Country	(CIF thousand US\$)			%Market Share
		2006	2007	2008	
1	Argentina	511,624	715,928	1,126,482	35%
2	USA	232,514	475,971	509,015	16%
3	Chile	157,019	192,659	268,294	8%
4	Canada	143,335	143,256	172,661	5%
5	Paraguay	128,446	132,506	191,909	6%
6	Colombia	125,487	128,773	122,522	4%
7	Bolivia	91,262	127,687	179,310	6%
8	Brazil	52,199	53,704	87,364	3%
Total Imports		1,713,042	2,340,647	3,224,173	100%

Source: MINAG- DGIA (Peruvian Ministry of Agriculture)

Productivity of most significant national agricultural products

Coffea

Departament	Performance (Kg.ha.)
Loreto	1,269
Ucayali	1,079
Pasco	1,024
Junín	949

Asparagus

Departament	Performance (Kg.ha.)
La Libertad	12,527
Ica	10,904
Lima	8,987
Ancash	5,708

Sugar cane (for alcohol)

Departament	Performance (Kg.ha.)
Arequipa	137,380
Amazonas	62,518
San Martín	62,094
Huánuco	39,111

Source: MINAG- DGIA (Peruvian Ministry of Agriculture)

Agribusiness Advantages

- Peru is aiming to be the new regional leader of high added value food. In only four years it has increased its exports from US\$847 million to US\$1,964 million in 2007. For 2011 Peru plans to export US\$4,000 million annually.
- Peru is the leading world exporter of organic banana.
- It is strategically positioned along the Pacific Ocean shoreline, with privileged access to the main world economies.
- The country receives vertical sun radiation, which allows for an enhanced productivity of most crops.
- There are 5 million hectares of agricultural fields ready to be worked in the medium term.
- The potential of a twice-a-year harvest of several products.
- Access to “Seasonal windows” in major markets (USA, Europe and Asia).
- Peru has the most competitive labor force costs in the region.
- Peru is supportive of foreign investments.
- Law 27360 promotes agro-industrial activities and provides tax shelters and benefits to the industry.
- The country is starting an aggressive external commercial strategy to open its market (Peruvian produce are positioned in more than 130 countries). We have signed Free Trade Agreements (FTAs) with USA, Singapore, Canada, and China. Other FTAs negotiations are in progress: Mexico, and European Union.

Agribusiness

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Part II

Industry Analysis

Energy

Energy

Electricity Generation

- Electricity generation in Peru is provided by several companies belonging to different economic groups. The largest is Edegel (belongs to Endesa), followed by Electroperú (state-owned company).

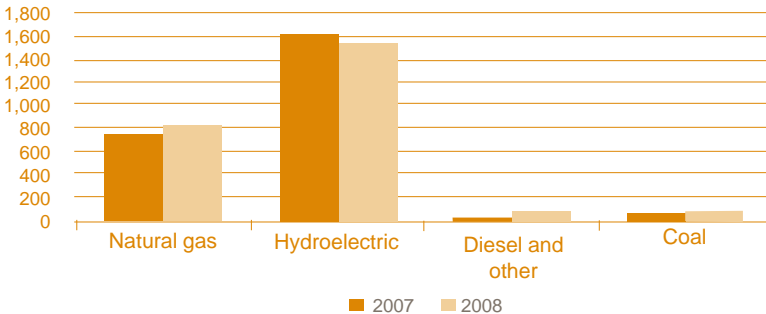
Electrical Generation by Company (MW.h)

Company	2008	Var. %2008/2007
Edegel	8,235,474	6%
Electroperú	6,689,817	-6%
Energía del Sur	4,823,068	25%
Duke Energy - Egenor	2,386,033	9%
Termoselva	1,223,695	7%
Empresa de Generación Eléctrica de Arequipa	915,239	-7%
Empresa de Electricidad de los Andes	1,053,484	12%
Empresa Eléctrica de Piura	685,115	14%
Empresa de Generación Eléctrica Machupicchu	751,411	0%
Empresa de Generación Eléctrica San Gabán	740,898	-3%
Empresa de Generación Eléctrica Cahua	543,807	3%
Others	2,526,530	68%
Total	30,576,579	8%

Source: Minem

- The main variety of electrical generation in Peru is hydroelectric, although natural gas is being used increasingly in recent years, because, since 2004, natural gas from Camisea is available in Lima.

Energy production for the electricity market by power source (GW.h)

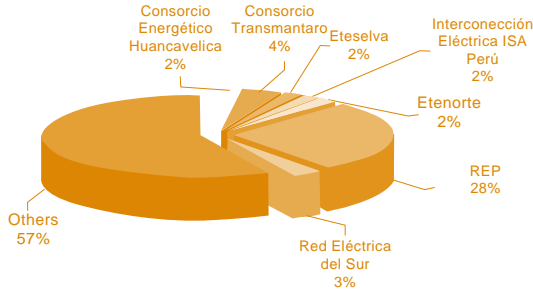


Source: Minem

Electricity Transmission

- In Peru there are 15,712 km of transmission lines, between primary (16%) and secondary (84%) networks, which carry electricity to the north, center and the south of the country.

Market Share per company of total transmission lines in Peru (15,712 km) -2007

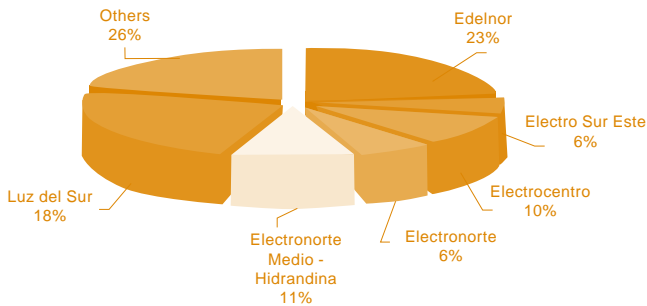


Source: Minem

Electricity Distribution

- In Peru there are 22 distribution companies, with over 4 million customers, between the regulated market and the free market.
- The largest companies are Edelnor and Luz del Sur, which operate in Lima.

Market Share of total number of customers (4,355,862) by company - 2007



Source: Minem

Liquid Hydrocarbons

- The main nationwide producers are Pluspetrol (66%), Petrobras (12%) and Petro-Tech (9%). The first one not only operates the oil concessions IAB and 8, but also the Camisea and Pagoreni gas fields (concessions 88 and 56, respectively) from which it extracts natural gas liquids.

Production of Liquid Hydrocarbons (barrels)

	2008	var.%2008/2007
Pluspetrol*	28,812,730	2%
Petrobras	5,176,659	7%
Petro-Tech	4,020,411	-7%
Sapet	1,013,858	-3%
Aguaytia	976,226	-11%
Olympic	840,292	585%
BPZ	785,168	2631%
Mercantile	753,381	105%
Rio Bravo	599,262	5%
GMP	402,041	9%
Petrolera Monterrico	275,267	20%
Maple	177,167	9%
Unipetro ABC	97,884	0%
Total	43,930,346	6%

* Includes the liquids from natural gas that are extracted from Camisea.

Source: Minem

Hydrocarbons Natural Gas

- The two main nationwide producers of natural gas are Pluspetrol and Aguaytia, which represent 77% and 13% of national production, respectively. Pluspetrol is the operator of the Camisea gas field.

Production of Natural Gas (million cubic feet)

	2008	var.%2008/2007
Pluspetrol	92,090,292	33%
Aguaytia	14,906,174	6%
Petro-Tech	5,159,440	1%
Petrobras	3,982,973	8%
GMP	1,750,276	21%
Sapet	719,785	-4%
Olympic	346,424	-21%
Total	118,955,364	26%

Source: Minem

Energy
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Part II

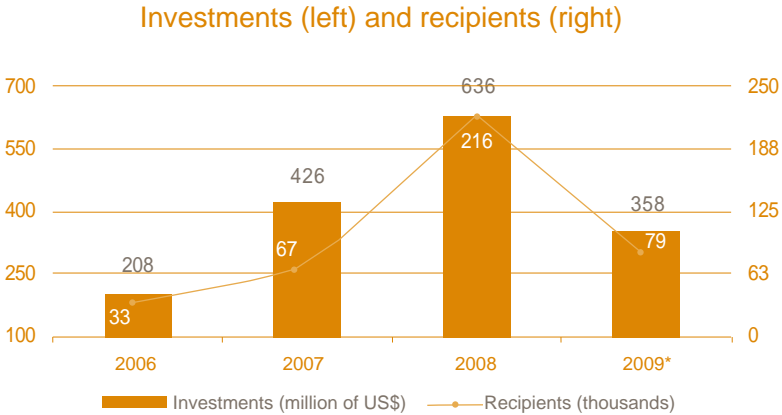
Industry Analysis

Real Estate

Real Estate

Housing

- Housing investments have increased since 2006. However, this year results will be less than last year.
- Number of recipients also increased since 2006. Recipients in 2008 were almost up 222.74% from previous year.



* Up to july, 3rd 2009

Source: Ministerio de Vivienda, Construcción y Saneamiento

Most of the investment this year has been in Callao (32.43%), Ica (16.71%) and La Libertad (13.52%).

Department	Recipients	Implementation (S./.)
Amazonas	475	2,035,930
Ancash	1,477	5,720,942
Apurimac	460	1,878,970
Arequipa	2,140	9,059,253.35
Ayacucho	469	2,175,650
Cajamarca	1,074	5,075,125
Callao	3,767	17,739,652.18
Cusco	634	3,279,678
Huancavelica	379	1,411,126
Huanuco	884	4,204,798.62
Ica	16,148	59,851,604.56
Junin	1,115	6,094,648.6
La Libertad	12,311	48,413,586.8
Lambayeque	1,810	8,236,340.37
Lima	18,826	116,153,999.07
Loreto	1,428	5,408,250
Madre de Dios	123	545,740
Moquegua	518	2,124,450
Pasco	19	74,734
Piura	6,945	29,319,253.5
Puno	841	3,802,700
San Martin	5,246	18,971,001
Tacna	991	3,805,000
Tumbes	339	1,189,718
Ucayali	329	1,590,284
Total	78,748	358,162,435

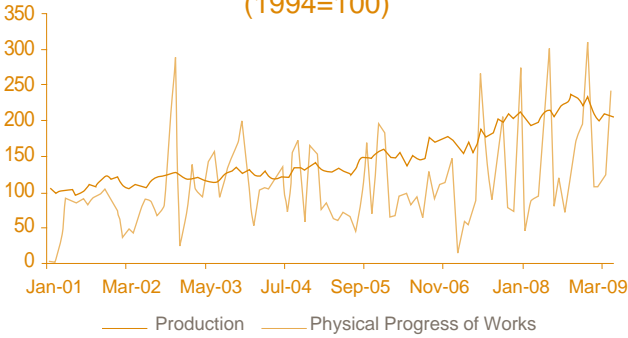
*Up to July, 3rd 2009

Source: Ministerio de Vivienda, Construcción y Saneamiento

Construction

- Despite that the increase in the number of works since 2001, due to the outbreak of the financial crisis (Sep-08) this number has decreased almost 12.52%.
- Construction progress is volatile, possibly due to the high level of informality in this labor sector and uncertainty in the market.

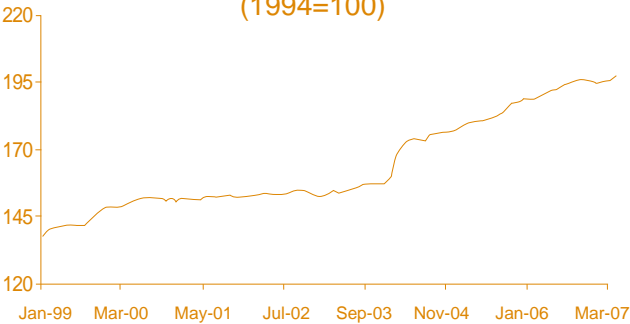
Construction indexes (1994=100)



Source: INEI

- Prices of construction materials´ have increased markedly since May 2004 in 23.62%. Nevertheless, since August 2008 prices have fallen in almost 12%, due to the financial crisis and less expected demand.

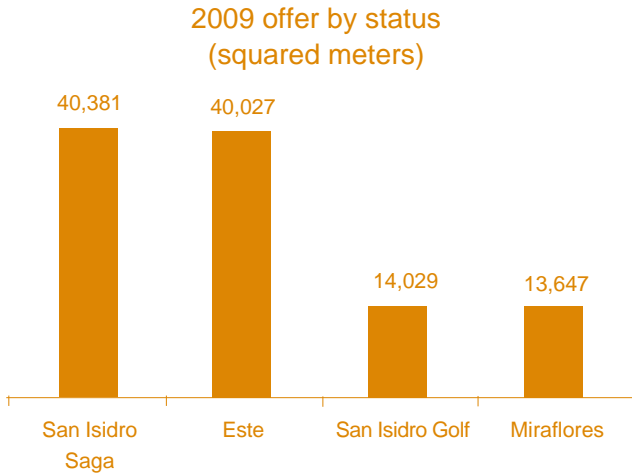
Construction materials price index (1994=100)



Source: INEI

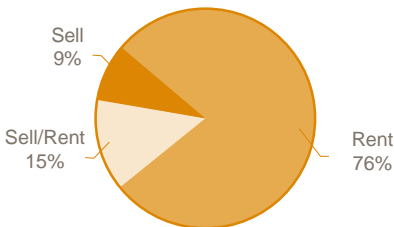
Offices

- From the total of office buildings to be completed this year, only 9% will be for sale.



Source: Colliers

2009 offer by type of commercialization



Source: Colliers

Latest Events

- The Ministry of Housing and Construction, intends to reduce the cost of housing. This is accomplished by negotiations with banks and real estate companies in order to reduce rates and prices, respectively.
- Representation officers of the Peruvian Construction Camera, expect that house prices will fall by 5%, due to material cost reductions, specially for the poorest sectors.
- Company Syasa (Argentina) plans to expand its business in Peru. They are planning to open offices in the country. This comes after they developed the important contract for working with Pluspetrol in the Camisea field.
- Housing and Construction Ministry is completing a new law project, which proposes to streamline the time for obtaining construction licenses.
- DH Mont consortium will invest US\$ 28 million to build 1,008 apartments to be part of the project Las Torres de los Olivos.

Source: Ministerio de Vivienda, Construcción y Saneamiento

Real Estate

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Our Services

For those exploring the possibility
of doing business in Peru

Our Services

For those exploring the possibility of doing business in Peru

1. Structured Finance (Public and Private)
2. Valuation Consulting
3. Mergers & Acquisitions Advisory
4. Transaction Services
5. Financial Reporting Valuations
6. Business Recovery Services

Structured Finance (Public and Private)

We offer advice to companies that require financing of investment and expansion projects, from the structuring of the operation until its execution.

We assist companies which have needs to adapt their processes, risks and cash flow management to the standards required by potential investors.

Likewise, we evaluate the optimal capital structure for each company, determining if this structure is adequate to carry out financings via equity or debt emission. We also maintain close relationships with managerial groups and private and institutional investors, being able to introduce agents with excess of liquidity to projects that offer profitability according to the investors' expectations.

Valuation Consulting

We offer professional assistance in order to evaluate the company's capacity to create economic value and in order to support the management in the strengthening of its competitive profile.

- We carry out valuations of companies, stocks, brands and other intangibles.
- Through in-depth understanding of our clients' industries and through the application of common methodologies across all countries in which we operate, we achieve reliable valuations of our clients' businesses or assets.
- Our leading-edge technical knowledge combined with our in-depth industry knowledge enable us to build financial models and business plans for financial pre-feasibility analysis.

Mergers & Acquisitions

We offer advice in merger, acquisition and alliance processes.

- Our services are designed to help our clients reach their strategic goals by identifying and then implementing opportunities to merge with or acquire other businesses. Our global network enables us to spot opportunities and assemble teams to execute a deal as the need arises.
- We identify appropriate buyers/investors and implement sales in order to generate value for our client.
- In the case of an acquisition, merger or potential alliance, we determine the value to be created as a consequence of the transaction.
- We work in order to ensure that each step of the transaction (valuation, negotiation and close) is successful.
- We carry out post-deal reviews to assess whether objectives are being met and if not, determine how to get them back on track.
- We inform about strategic and regulatory issues that companies should consider in mergers and acquisitions.

Transaction Services

1. Due Diligence: Our Transaction Services team offers our clients a complete comprehension of the variables which are involved in an operation. Our work focus is multidisciplinary: It includes finance and accounting specialists which complement their knowledge with the contributions of tax specialists, legal specialists, labor specialists, information technology specialists, social security specialists and environmental specialists in order to adequately consider the impact of different factors on the transaction value.

2. Dispute, Analysis and Investigation:

Our team consists of specialists in diverse disciplines, enabling us to evaluate all issues related with a dispute or with a corruption and fraud circumstance such as the following:

- Litigations and controversies: Assistance in mediation and judicial processes referred to: interruption of business and nonfulfillment of contracts.
- Investigation of corruption facts: Investigation of illicit acts and generation of important evidence, and assistance in the recovery of assets.
- Regulated markets: Demands for nonfulfillments, advise in arbitration processes and resolution of conflicts in national and international tribunals.

Financial Reporting Valuations

Following local and international accounting standards, we advise our clients on the fair values of their assets and liabilities. Our services include:

1. Purchase Price Allocation under the business combination standard (IFRS 3, SFAS 141). We advise on the valuation of all assets and liabilities (including intangible assets and contingent liabilities not recognized in financial statements).
2. Review of asset and goodwill impairment tests (IAS 36, SFAS 142/144). We advise on the definition of cash generating units and on the development of triple-check financial models for the determination of the amount of recoverable assets.
3. Determination of the fair value of biological assets' (IAS 41) and assistance in the development of financial tools for a better management of such assets.
4. Financial instrument valuation (IAS 39) and independent review of fair values determined by third parties.

Business Recovery Services

We offer assistance in the restructuring process of businesses that face financial and operative difficulties.

Debt Restructuring:

- Identification of opportunities to optimize the generation of funds.
- Redefinition of financing structures.
- Business plan developments.
- Integral assistance in the structuring and negotiation of refinancing proposals.

Operative and financial revision:

- Evaluation of the actual financial situation and of the business's perspectives.
- Installation of measures to stabilize companies undergoing a crisis.
- Design of plans for the reorganization of business units.

Our Services

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