

Peru



Solid legal framework backs investment

"The legal system of Peru is one of the most modern and advanced in Latin America," says Dr Jorge Muñiz, founder of Muñiz, Ramirez, Perez-Taiman & Luna Victoria (MRPL), Peru's top corporate law firm. "It has updated legislation in the promotion of foreign investment, a modern contractual system, adapted treatment for infrastructure concessions and public services, a modern framework for the capital market and modern mercantile legislation."

Indeed, Peru's legal framework, which was reformed 15 years ago, was instrumental in the flow of investment into the country throughout the 90s, when it also adhered to two World Bank mechanisms that provide security for investors.

Established in 1981, MRPL is today Peru's top corporate firm, and one of the top ten in Latin America. It has offices in all of Peru's major cities and in various Andean Region countries such as Ecuador.

Priding itself on its client relations, MRPL assigns each client an 'attaché' who maintains direct contact with the client and becomes almost an "in-house lawyer", according to Dr Muñiz. If expertise in more than one specialised area is required, the attaché sets up the appropriate team. ●



Jorge Muñiz
Founder of MRPL
Attorneys at Law

Lighting the way ahead

Since initiating its reform programme at the beginning of the 1990s, Peru has established itself as an emerging country with impressive, and sustained, economic growth. In recent years annual GDP growth has been a steady 7%, demonstrating the great potential of Peru as a commercially viable trade partner, a position strengthened by the signing of a free trade agreement with the US, which will add further dynamism to the country's economy.

For the energy industry, it has been necessary to expand in harmony with the rhythm of the country's economic growth so as not to stem its flow. In the last 13 years, over \$6 billion has been invested in the sector, primarily to increase production capacity in hydroelectrical and thermal plants, to upgrade old fossil fuel plants to enable them to use natural gas and to increase electrical coverage in the country from 45% to 76%.

Mile Cacic, CEO of electricity distributor Luz del Sur, which serves the southern and eastern zones of Lima, says, "Our shareholders, PSEG and Sempra, have found investing in Peru a very satisfactory experience, and they believe that this country represents an excellent business opportunity for foreign investors interested in installing new generation plants."

Demand in Peru is growing at an average 10% annually and for supply to keep pace it will be necessary to install at least 500MW per year. Installed capacity is now 5800MW, of which over 600MW is supplied by obsolete thermal plants in need of modernisation. The need to satisfy growing demand and

the upgrading of these plants represent significant opportunities for investors who have not yet been able to break into the strongly-consolidated sector.

The energy sector is also highly important in Peru's inflow of investment, and in the hands of private companies it is poised to glean the necessary investment to increase energy capacity and thereby meet the burgeoning demand.

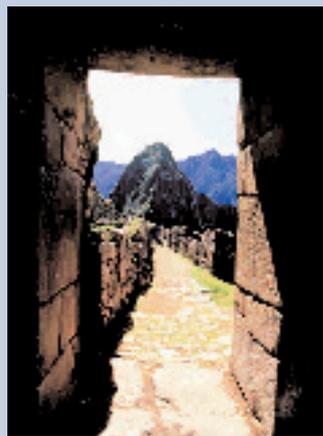
Peru has vast reserves of natural gas, and the gas pipeline has the capacity to deliver large sums to the coast, facilitating the installation of modern generation plants that run on a clean and efficient fuel source. Gas supplier Camisea Consortium is leading the march to expand Peru's petrochemical industry and provide the country with a competitive resource, with a view to regional exports.

"Camisea gas is very important as it has added a source of energy for electricity generation that was not there four years ago," continues Mr Cacic. "The potential for increasing the power supply in Peru is now much greater because of gas."

The energy industry in Peru has advanced significantly over the past 13 years since reforms began, but it still has a long way to go to attract new competitors into generation with gas fired plants, which would balance the current heavy reliance on hydroelectrical potential. Peru's geographical location, natural resource base and rapidly growing economy present an attractive prospect for investors. Luz del Sur, now serving more than 3.5 million people, is committed to the improvement and expansion of its energy sector. ●



Mile Cacic
CEO
Luz del Sur



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BCP

Local banking surpasses high national growth rates

Peru's leading bank for nearly two decades and commanding 32% of market share, Banco de Credito de Peru (BCP) is the main subsidiary of Credicorp Ltd., the country's largest financial group and one of the two Peruvian companies listed on the NY stock exchange. Operating through its subsidiaries - BCP, Atlantic Security Holding Corporation, the Pacifico Peruano Suiza Insurance and Reinsurance Company, and Grupo Credito, Credicorp provides a full range

of financial and insurance services. Banking services include trade finance, corporate finance, leasing services, and consumer, micro-business, and mortgage loans. The group's insurance services include commercial property, transportation and marine hull, automobile, life and pension fund underwriting insurance. Credicorp also offers investment banking services, including brokerage, asset management and trust services, custody and securitization services, and trading and investment.

"Basically, our idea of one holding company that owns the Peruvian bank of BCP, the offshore At-



Raimundo Morales
General Director
BCP

lantic Security bank and 100% of our insurance company is to be able to provide our customers with all the financial services they will need throughout their lives," comments BCP general director Raimundo Morales, adding that BCP is the platform through which most of the group's services are provided. "Through providing all the financial products, we are making life easier for our customers."

Mr Morales concludes, "We think that the growth of the financial sector in the next few years will be between 10% and 15%, and BCP is going to be able to grow at those rates as well." ●



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Giving local assurance to global business



The investment grade from Fitch reflects Pacifico Seguros' adequate capitalization ratios, above average liquidity and solid market share

In today's world, insurance is as ubiquitous as the air we breathe. In Peru, the land made famous by cloud-wreathed Inca city of Machu Picchu, which was recently heralded as one of the new seven wonders of the world, one company stands head and shoulders above the competition – Pacifico Seguros.

The company specialises in three core sectors: property and casualty, life and health insurance. Through its association with American insurance giant AIG, which has a global presence stretching across 130 countries, Pacifico Seguros has seen growth of 25% in the first quarter of 2007, against a wider sectorial growth rate of 3%. During this same period, the company increased its market participation by 5.7 percentage points to 31.9%.

"Our main focus is growth," explains David Saettone, general manager of Pacifico Seguros, "and we

are benefiting from all the investment taking place here. These investments need to be insured, so we are working with our reinsurance and technical staff to provide the services the economic world requires. Increases in employment and personal income are also generating demand for personal insurance products. Furthermore, by developing new products and services, we are ready for the opportunities the free trade agreement with the US will bring."

Pacifico's top classifications, including its recent Investment Grade rating from Fitch, permit the company to function internationally. Its alliance with AIG also serves to benefit both companies, with AIG's know-how being incorporated into Pacifico and its international logistics network helping to manage the risk while Pacifico's presence in Peru affords AIG access to the fertile ground of the country's rapidly expanding insurance sector.

"Peru has some of the most liberal insurance legislation in the world," continues Mr Saettone. "Now that Peruvian companies have generated the capacity



David Saettone
General Manager
Pacifico Seguros

to invest internationally, our business strategy has been to insure the interests of our clients abroad. There are important Peruvian conglomerates investing in many countries overseas and Pacifico is insuring their assets and operations."

The company is convinced its success springs from its five core principles: long-term relationships, superior understanding, pricing and underwriting of customer risks, unrivalled claims service, extraordinary service and financial strength backed by Credicorp, Peru's largest financial conglomerate, and AIG.

One of Pacifico's considerable competitive advantages is its staff. Highly trained professionals who specialise not only in insurance but also in many other fields, and many with MBAs from US universities, are empowered to make decisions on the spot, removing the chain-of-command bureaucracy that hinders so many large companies.

"This is the main factor that differentiates us from the competition," asserts Mr Saettone. "We believe it is very important that we are there when clients suffer a loss, and that we pay claims properly. If you have a car accident, we promise to be there within 15 minutes. We meet that standard in 97% of cases. The level of service you get from Pacifico is very hard to get from our competitors." ●

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Lighting the way in Lima

With over 780,000 clients in Lima and nearly 400 million US dollars invested in bringing the most advanced technology in the world to our electric system, Luz del Sur is one of the most important companies in Peru, and one of the main electricity distributors in all of South America. Southern Lima: the best option for your new industrial or commercial site.



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VIRU

Putting Peru's products on the world's tables

In 2001, Sociedad Agrícola Virú (Virú), Peru's main asparagus producer, was exporting just 2% of its production to the US. Today, it exports more than 50%, employs 5,000 workers and produces 120 million units of canned peppers, artichokes and asparagus per year. A decision to diversify in 1999 is behind this phenomenal growth, says president and CEO Miguel Nicolini, as it led to a contract with American company General Mills, and Virú's subsequent role as supplier for the Green Giant label.

"We have been exporting for 13 years, and our main market was concentrated in Europe with only one product, white asparagus," he explains. "Then we experienced a tough exchange rate against the Euro, and when that happened, we began to think about entering the US market. We needed new products then, and we found that artichokes had growth potential."



Peru's leading asparagus producer

The key to the company's success since then has been in keeping their product base simple — canned vegetables only. "We do not do fresh, we do not do fruits, and we only do those three vegetables in can. This way, we have maximised our efforts to lead the sector," he adds, saying that in the future the company will expand its product base, increasing value added components but always using the same raw materials — peppers, artichokes and asparagus.

Peru's agricultural sector has great potential for investors, according to Mr Nicolini, who estimates that only 5% of the country's cultivatable land is now being used. With its Mediterranean climate and competitive costs, Mr Nicolini says that Peru is ripe for the harvest that modern farming techniques and new investment in farming can bring. He is also an enthusiastic supporter of the upcoming Free Trade Agreement (FTA) with the US.

"Of course, we need the FTA," he states. "I believe the government has done a great job in bringing about this agreement with the US."

Of the company's milestones since 1994, Mr Nicolini says he is particularly satisfied with the wealth the company has been able to generate through employment creation in rural areas. Another contribution of the company has been in its artichoke cultivation, which was previously only grown in Peru's highlands until Virú entered the sector. Lastly, through its growing exports, Virú has been instrumental in promoting Peruvian products abroad. As Mr Nicolini says, "We have put Peru's name on the best tables in the world." ●

CANDENTE

Candente pushes for production at Cañariaco Copper

We like the fact that Peru likes mining, it is a country with a mining tradition and a mining mind, says Canadian CEO of Candente Resource Corp (CRC), Joanne Freeze, P. Geo., who ten years after establishing the company is hoping to see it as a producer by 2010.

CRC was co-founded in 1997 by Ms Freeze and partner Ing. Fredy Huanqui, a Peruvian geologist, after their involvement in the discovery of the Pierina mine. Today CRC has several copper, gold and silver prospects in Peru, of which the most advanced are Cañariaco and Alto Dorado, and a gold-silver project in Mex-



ico. Ms Freeze says that CRC, which currently employs 140 to 200 workers per day at Cañariaco, is working to ensure that the project benefits the local community as much as possible.

"At Cañariaco, we have eight billion pounds of copper but we are still drilling and finding more. We are carrying out feasibility for production with just the starter pit so we can fast track to production but we are confident that the larger part of the deposit will also be economic," she notes. ●

MILPO

Uncovering a wealth of resources



On the heels of its best year to date, Peru's mining companies anticipate an even better 2007 as market prices soar and new mines start up operations

Peruvian mining company MILPO has more than 58 years of experience in developing and operating zinc, copper, lead, silver and gold mines in the country. Revenues in 2006 were up a staggering 400% over the previous year, boosted by the start-up of the company's third operation, the Chapi copper mine in Moquegua. "It was a great year," reports chairman of the board Ivo Ucovich. "We had very strong prices in the market, and we were able to maintain our costs at competitive levels. That is why the company's performance was so strong, and this year looks even better."



Ivo Ucovich
Chairman of the Board MILPO

2007 should be a good year. MILPO will begin operations in a new zinc-lead-copper mine in Ica, Cerro Lindo, which will double its revenues. With the start-up of the new mine, which represents an investment of \$106 million for the company, MILPO will be operating three mines in Peru (Porvenir in Cerro de Pasco, Chapi and Cerro Lindo) and Iván copper mine and refinery in Chile.

Established in 1949, MILPO has seen a number of changes in recent years, including public listing and a management restructuring aimed at improving governance. Mr Ucovich explains, "We were a family business until a few years ago. Then the Board introduced a lot of changes, and we chose corporate governance as the path for us. We are listed in the local stock exchange, and for us, it is very important to be transparent."

does not mean cutting corners on quality, however. Cerro Lindo employs the latest technology and will be completely emission free. It will also use desalinated ocean water instead of nearby river water.

"We are committed to being completely environmentally friendly, to using the best technology and to including our stakeholders in our development," asserts Mr Ucovich. ●



Mining for excellence

With more than half a century of experience, MILPO is a company that actively pursues its operation goals and works responsibly with the communities and the environment. MILPO - a company that truly contributes to development in Peru.



MILPO

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FERREYROS

Keeping the motors running in Peru's critical sectors



The growth of Peru-based machinery supply company Ferreyros reflects a booming economy across the board and marks the beginning of new corporate giants in the country

"Last year was an excellent year for the efficient Peruvian companies," says Oscar Espinosa Bedoya, general manager of Ferreyros. "Our company grew almost three times as much as the Peruvian economy in 2006. Sales reached \$450 million, a really important figure for the Peruvian market, and one that places Ferreyros among the top 20 companies in sales on the Lima Stock Exchange."

As Peru's leading supplier of heavy equipment for the mining, fishing, agriculture, industry, energy and construction sectors, Ferreyros is the distributor for some 20 international brands in the country, including Caterpillar, Ingersoll Rand, Massey Ferguson, Atlas Copco, Iveco and Kenworth.

Although 70% of its revenues is derived from the mining sector, Ferreyros has a dominant presence in various sectors, and its sales last year are a positive reflection of the Peruvian economy, according to Mr Espinosa, who says, "The company's sales are tied to several key productive sectors, and this constitutes an excellent indicator of the evolution of the economy. Our perception is that Peru is on the right path for growth."



Strong partnership with Caterpillar underpins success

Ferreyros has been the main distributor of Caterpillar products in Peru since it formed a partnership with the US company in the 1940s — a defining moment as it changed the course of Ferreyros' business activities, which had previously been in packaged food products. The company began to diversify its activity base, taking on new clients, and in short, redefining its future. By the 1960s, it had become a diversified distributor for various sectors, and began to ambitiously conquer market share. It listed on the Lima Stock Exchange in 1973.

Its partnership with Caterpillar, however, still forms the base of Ferreyros' business. Caterpillar products represent just over 90% of its sales, and this year, the two companies will celebrate the 65th anniversary of their partnership. Mr Espinosa states, "We have a high market share in Peru in spite of

competing with almost all machinery brands, and our relationship with Caterpillar has been sustained more on the results we obtain than on renewable contracts."

One of Ferreyros' greatest strengths lies in its post-sales service. Mr Espinosa says that this is what differentiates the company from its competitors. Although its products may initially represent a higher investment, excellent post-sales service extends the life of the product and cuts down on costly delays in production.

"At the end of the life cycle of the machinery, the benefit that the client has obtained from our machines is very high because operation cost is what really matters," he states. "We have designed post-sales support programmes such as maintaining inventories of components for the larger mining and construction operations. If an engine in a truck breaks down, it is replaced within 24 hours. We have even built a warehouse of components in the jungle of Peru where a highway is being built."

Ferreyros also operates its own repair shops and salvage factories for equipment recovery, and has over 600 on-site mechanics in construction areas and mines all over the country. In addition, its spare parts inventory is unparalleled in Peru. As Mr Espinosa adds, "This is what has allowed us to position ourselves as leaders. We take care of our clients, who are willing to pay a little extra because they know they will fully recover it in operations." ●

With 85 years of experience, and 65 years representing Caterpillar in Peru, Ferreyros is the country's leading heavy machinery company...

Our 85 YEARS of experience shows

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CAMARGO CORREA

Local partnerships key to success

Winner of the concession for a 306km segment of the southern axis of the Peru-Brazil Transoceanic Highway is Brazil's Camargo Correa. One of South America's largest construction companies, employing more than 30,000 people worldwide, Camargo currently has projects in Brazil, Colombia, Peru, Bolivia and Suriname. It is also active in Angola, Mozambique and South Africa.

Camargo has had a presence in Peru for over ten years, and shareholder Fernando de Arruda Botelho says the country is growing in importance as a platform for the international expansion of Brazilian companies. "I think Peru is in a very good position now. Sometimes for Brazilian companies, it is a bit complicated to go to some countries that are far away from Brazil. Alan García has shown that he is constant, that he has learned, and that he is trying to do good things," he comments.

Peru can be a valuable partner for Brazilian companies, Mr Arruda goes on to say, as they have been struggling to expand internationally for the last five years. The global process for these companies has traditionally been to ex-



Marcos de Moura Wanderley
General Manager
Camargo Correa

pand within Latin America first, before moving on to the US, and later Europe and Asia.

Consequently, Camargo is now planning on increasing its operations in Peru. Over the last decade, company activities have been focused primarily on road construction, and in the past three years, on public concessions. Mr Arruda adds that now, however, a broader range of the Group's activities will be moved to Peru. Apart from engineering, construction and infrastructure for energy, oil, transportation and industry, these include sanitation, environmental management, cement production and distribution, footwear, textiles and steel.

Marcos de Moura Wanderley, general manager of Camargo in Peru, remarks, "We have the technology, we have the experience in this country, we have local manpower and local machinery. This makes us competitive. Also, we have been bringing a lot investment in from Brazil in partnership with Peruvian companies for a long time. Today, Camargo Correa has a lot of experience in forming partnerships in the country, and this is important." ●

SAN MARTÍN

International expansion on back burner after growth levels soar at home



Top Peruvian companies are being called abroad but right now Peru is the place to be, according to mining service provider and Peru-based San Martín

With a 2006 turnover of over \$100 million, Peru's San Martín is a prime example of a new breed of capable Peruvian companies that are growing alongside the country. Established in the 1970s as a rental company for heavy machinery, today San Martín is a full service provider to both the mining and construction industries with activities in prospecting, surface and underground mining, construction, transport and geotechnical engineering.

One of the company's strengths is its large fleet. With more than 380 units of the latest generation of heavy equipment at its disposal, San Martín is able to effectively reduce operating times for its clients. The company has capacity to move 50,000mt of limestone per day, and is active in a number of quarries and surface mines throughout the country, where it also performs drilling and blasting and constructs access roads and platforms.



Julián Siucho
President of
San Martín

In underground mining, San Martín's services include excavation, construction and support maintenance. Its construction business is concentrated in public works and road building as well as in the provision of concrete waterways and culverts. Prospecting services include geological evaluation and diamond and geotechnical drilling.

CEO Julián Siucho says that while the company is interested in moving into new markets, having received invitations for projects in Chile, Colombia, Central America and the Caribbean, both the Peruvian mining and construction sectors are registering such growth that expansion plans have had to be postponed.

"The fact that more American and Canadian companies are investing in Peru is a good sign that the country is on the right track," observes Mr Siucho, adding that Peru has initiated conversations with Canada for a FTA, and will begin talks for a commercial agreement with China in September. "The Chinese are in search of raw materials for their industries and are watching Peru with a lot of interest so we must be prepared for this incoming export wave to China, and invest in highways, docks, airports, transport services and logistics, in general," he states. ●

ODEBRECHT

Brazilian company set to stay in Peru

"Odebrecht's success in Peru stems from the fact that we are here to stay. This long-term vision involves a commitment and a strong link with the country, as strong as any Peruvian company may have. If we are committed to staying in this country, we must do what we can to ensure the country gets ahead because that's the only way for the company to grow as well," comments Jorge Barata, general director of Odebrecht Peru.

A 28-year history has established Brazilian-based Odebrecht's presence in Peru. Today, it is the country's largest construction company with investment upwards of \$2 billion in more than 50 large-scale projects since 1979, including hydroelectric dams, nuclear plants, natural gas terminals, highways and water treatment plants.

Odebrecht Peru's obvious commitment to the country was rewarded last year with a part concession for the \$1.3 billion, 2,600 km transcontinental highway that will eventually link the coasts of Peru and Brazil. The highway will give Brazilian exporters access to Pacific ports and Asian



Jorge Barata
General Director of
Odebrecht

markets, and open Brazil's vast consumer market to Peru's manufacturers.

Odebrecht Peru will build three segments of the historic Transoceanic Highway, parts of which pass through the Amazon. Mr Barata says that the positive effect on previously isolated communities in the Peruvian interior is also a significant benefit of the new infrastructure as there are still cities of 80,000 inhabitants in Peru without road access. He also believes that the Public Private Partnership model used in the highway project has been key in its successful development.

The Odebrecht Group is today one of world's top engineering firms with projects on four continents. It has also established a global presence in chemicals and petrochemicals through its subsidiary, Brasken.

Mr Barata comments, "For the future, I'd like to see the company acquire the same level of diversity in Peru as it has in Brazil, developing more the other business branches. We are working quite hard to expand its dimension so that it is comparable." ●

GRAÑA Y MONTERO

Three-quarters of a century building Peru

"Nearly 75 years in business have allowed us to make our name stand for quality and reliability. These qualities have permitted us to participate in many of the most important development projects in Peru, and to establish a leadership position in the sectors in which we participate," says president of Peru's Graña y Montero (GyM), Jose Graña Miró Quesada.

One of Peru's most well known firms, GyM has played a primary role in Lima's development. They have built one of the city's key expressways (the Via Expresa), most of its largest hotels, a significant part of its modern office space and numerous apartment buildings. They have also developed and own Larcomar, an entertainment centre on the coast that gives Machu Pichu a run for its money in terms of visitors. Outside of Peru, they are the constructors of some of Latin America's best hotels, including the LA Sheraton in Chile and the Four Seasons in Mexico, and have current projects in Bolivia, Dominican Republic and Argentina.

A publicly-traded group with a market capitalisation of \$1 billion, GyM operates through subsidiaries, which are leaders in the construction, engineering, oil and gas, infrastructure and information technology sectors. Mr Graña says that now that the economic conditions of Lima's population are improv-



Jose Graña
President
Graña y Montero

ing, the company has begun to focus on the rapidly growing low-income housing segment. Recently awarded a contract to develop a 3,000-unit housing complex, GyM aims to be building 10,000 units per year in the near future.

"Peru is experiencing extraordinary times," he observes, citing the high levels of continuous growth in every sector of the economy. "We are starting to focus on improving our competitiveness by enhancing infrastructure and establishing a more flexible labor regulatory framework. Our country risk premium is at record lows, and investment levels are at all time highs. However, both the private and public sectors need to focus further on making progress in achieving and consolidating social stability by targeting our efforts to the reduction of poverty and the improvement of the quality of life of Peruvians." ●