Why invest in Peru?

Business Investment Promotion Board

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1. Macro-economic Strengths

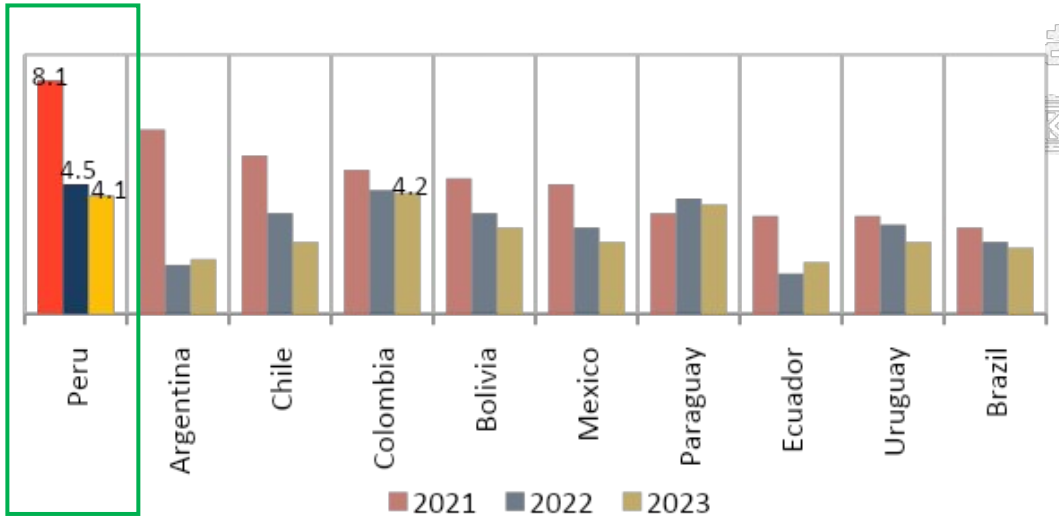
Strong macro-economic fundamentals and growth prospects

- From the entire region, the Peruvian economy has recovered the fastest. In December 2020, our activity index was the first to go back to its pre-pandemic levels.

Current economic activity vs. February 2020

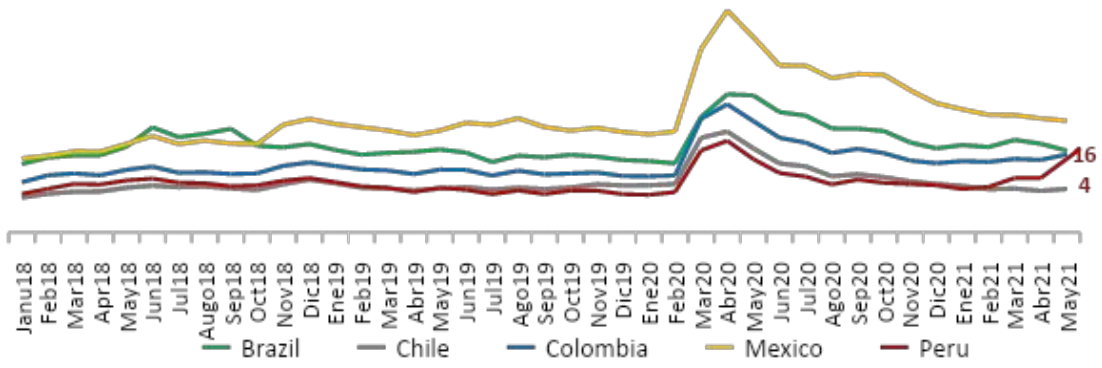
Country	In December 2020	In January 2021
Argentina	97	-
Brazil	99	100
Chile	97	99
Colombia	97	-
Mexico	97	-
Peru	100	100

- The World Bank estimates that in 2021 and 2022, Peru will have the highest growth in South America*. By 2023, they say Peru will be the second fastest growing economy.



Source: Renewing with Growth, March 2021 – World Bank

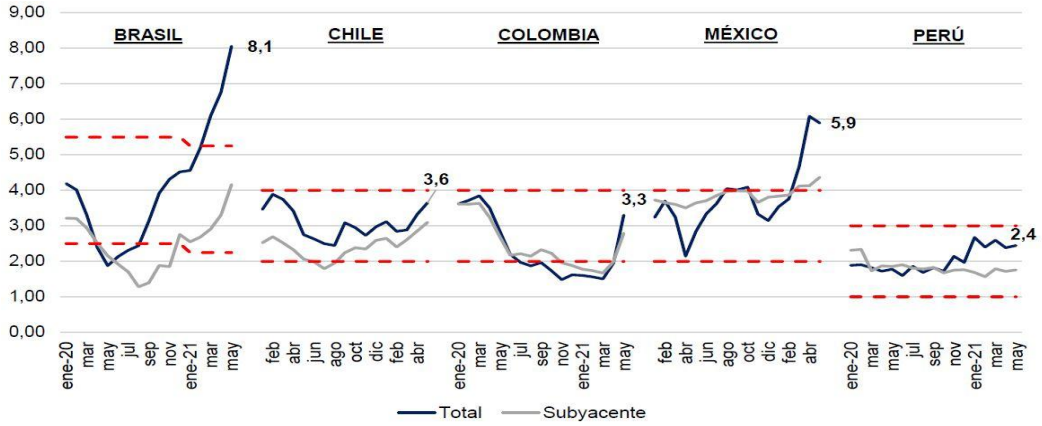
Low Country Risk in the region



Source: Central Reserve Bank of Peru (BCRP)

Peru has the lowest and most stable inflation in the region

Peru will have the second lowest inflation in Latin America from now to 2025

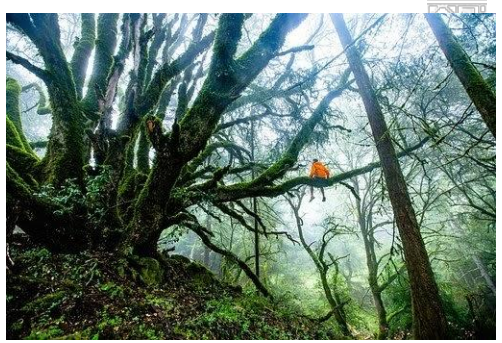


Source: Central Reserve Bank of Peru (BCRP) / Peruvian News Agency - Andina

2. Peru's Competitive Advantages in contrast to the rest of the Region

2.1. Peru: A mega-diverse country

- Peru is among the seven most diverse countries in the world, in terms of ecosystems, species, genetic resources and indigenous cultures with great knowledge.
- Peru has ecological diversity: different climates, ecological zones, production areas and productive ecosystems.
- In terms of forest area, Peru is the second (2nd) largest country in Latin America and the fourth (4th) largest in the world. Peru is home to 13% of the Amazon rainforest.
- Peru has 11 ecoregions.
- Out of the 117 life zones which exist in the world, 84 can be found in Peru.



2.2. Peru's Competitive Advantages in South America

		Peru	South America
1	We **lead the market** in **effectiveness to register a company**	**Average time taken to register a business in Peru:** **7.5 days**	**Average time in South America:** **41.5 days**
2	Second place in **flexibility for determining wages**	**Peru's score:** **5.5* points**	**South America's score:** **4.4* points**
3	Third place in **costs to establish a company**	**Average cost in Peru:** **US$ 591**	**Average cost in South America:** **US$ 1,166**
4	Fourth place for **having the lowest number of procedures to register a company**	**Number of procedures in Peru:** **8 procedures**	**Number of procedures in South America:** **9.1 procedures**

Fuente: fDi *Benchmark*, 24/03/2021

2.3. Competitive Advantages in the High-Tech Sector

- Tax Benefit - Law N°30309: Reduction of up to 215% in Income Tax for companies that make Research, Development and Innovation projects (CONCYTEC).

- Foreign direct investment in Software and in IT Services:
  - For the period 2016-2020: the
  - FDI in the last two years:

2019	USD 59.3 millions	9 projects	549 jobs
2020	USD 20.9 millions	8 projects	268 jobs

- Fintech in Peru:
  - 2019: over 100 Fintechs with a turnover of 4 billion.
  - April 2021: more than 200 Fintechs, with a turnover of between USD 15 and 20 billion.

- Over the last ten years, Peru recorded the highest average annual E-commerce growth rate in the region (+35%).

- Peruvian Internet users are the most active users compared to other countries in the region. On average, they use the Internet more than 5 times a week.

- For the 2017-2020 period, 72% of foreign companies interested in investing in Peru belong to the High Technology sector.

- For the implementation of a Research & Development tech-center, Peru ranks third in South America. We have the lowest labor costs, with an annual average of USD 727,646 (compared to USD 779,777 in South America).

Source: El Peruano 2020 and 2021 / fDi Markets and Benchmark / Finnovista 2019 / CAPECE 2020 / EUROMONITOR 2019.

2.4. Competitive Advantages in the Manufacturing Sector

- Great performance in several industries:
  - Stone cutting, carving and finishing: marble and granite tiles and slabs
  - Wood veneer plate: decorative laminated paper
  - Toiletry and cleaning products: toilet soaps, dishwashers and disinfectants

- Industrial Development Exemptions:
  - Peruvian Amazonia: VAT on imports (machinery and automobiles until 2028)
  - High Andean Zones (over 2,500 meters above sea level): exemption from Value-Added Taxes, income taxes, and import taxes.

- Better business conditions:
  - As of January 2021, the perception of business conditions in the sector has improved, according to the Industrial Confidence Index (INOPI). We enjoy a good score of 52.4.

- The Mining Industry is a sector that helps to develop all types of services:
  - Peru has the lowest **mining services costs, compared to the United States or European countries**. For example, activities like mining operation services, infrastructure inspection with robots, non-destructive testing and laser scanning of crusher mills cost around half in Peru compared to the USA or Europe.
  - For the **2018-2019 period**, Foreign Direct Investment towards Mining Services was registered for USD 226.6 millions, which created 634 jobs.
  - There are nearly **80 companies that provide services to the Mining Industry**, with highly qualified operators.
  - High *expertise* in underground and open-pit mining operations, as well as polymetallic mining. These companies have the following international certifications: ISO9001, 14001, 2600 and OSHAS 18001.

Source: PRODUCE-OGEIEE-OEE (2020), MINJUS-SPIJ, SUNAT (2021), the Subdepartment of Intelligence and Business Foresight at PROMPERU / Avalon Advanced Materials Inc. - MIT

2.5. Competitive Advantages of the Renewable Energy Sector

- Peru ranked 28th amongst the most attractive countries for investment in renewable energy worldwide in 2017. In 2018 and 2019, it ranked 5th in Latin America.

- Peru ranked 9th in the world amongst emerging markets for clean energy use in 2019.

- Regarding the implementation of solar electric power generation facilities, Peru ranks 2nd in South America in terms of lowest labor costs. The country's average annual labor cost is USD 987,942 (USD 2,246,785 is the South American average).

- The capacity of Peru's Renewable Energy Resources (RER) plants almost doubled in 2018. More specifically, the capacity of solar and mini-hydro plants doubled that year. The growth was 196.9% for solar plants and 58.8% for mini-hydro plants, compared to the previous year).

- Peru has enough renewable resources to produce green hydrogen at low costs, supply the local market and sell it abroad at medium or long term.

- In the 2016-2020 period, 16 Foreign Direct Investment projects were executed with an invested capital of USD 2,325.8 million, which created 1,970 jobs.

Fuentes: Renewable Energy Country Attractiveness Index (RECAI), 2017/ Climatescope, 2019 / fDi Benchmark, enero 2021 / OSINERGMIN, 2019 / Perú Energía Digital, octubre 2020 / fDi Markets, 2021

3. Mining Suppliers and Services subsector

3.1. Global mining environment

PERU'S RANKING

MINERAL	MINEM OF 2019		U.S.GEOLOGICAL SURVEY OF 2019	
	SOUTH AMERICA	WORLD	SOUTH AMERICA	WORLD
Gold	1	8	1	-
Silver	2	2	2	-
Copper	2	2	2	2
Zinc	1	2	1	2
Boron	1	2	-	-
Lead	1	3	1	3
Indium	1	7	-	-
Selenium	1	11	-	-
Molybdenum	2	4	2	4
Cadmium	2	9	-	-
Phosphate Rock	2	10	-	-
Tin	1	4	1	4

Source: "Mineral Commodity Summaries 2020" world survey of the U.S.Geological Survey - USGS (United States Geological Survey) / Minerals Yearbook 2019, Peru's Ministry of Mining and Energy (MINEM).

PRODUCTION IN 2019

Copper: 2,455,440 FMT, **12% of global production.**
Silver: 3,800 FMT, **14% of global production.**
Zinc: 1,404,382 FMT, **10% of global production.**

+ INFORMATION

Peru is the main tin and zinc producer in Latin America and the world. Use of new technologies: electric vehicles, robotics, renewable energy, and information technologies.

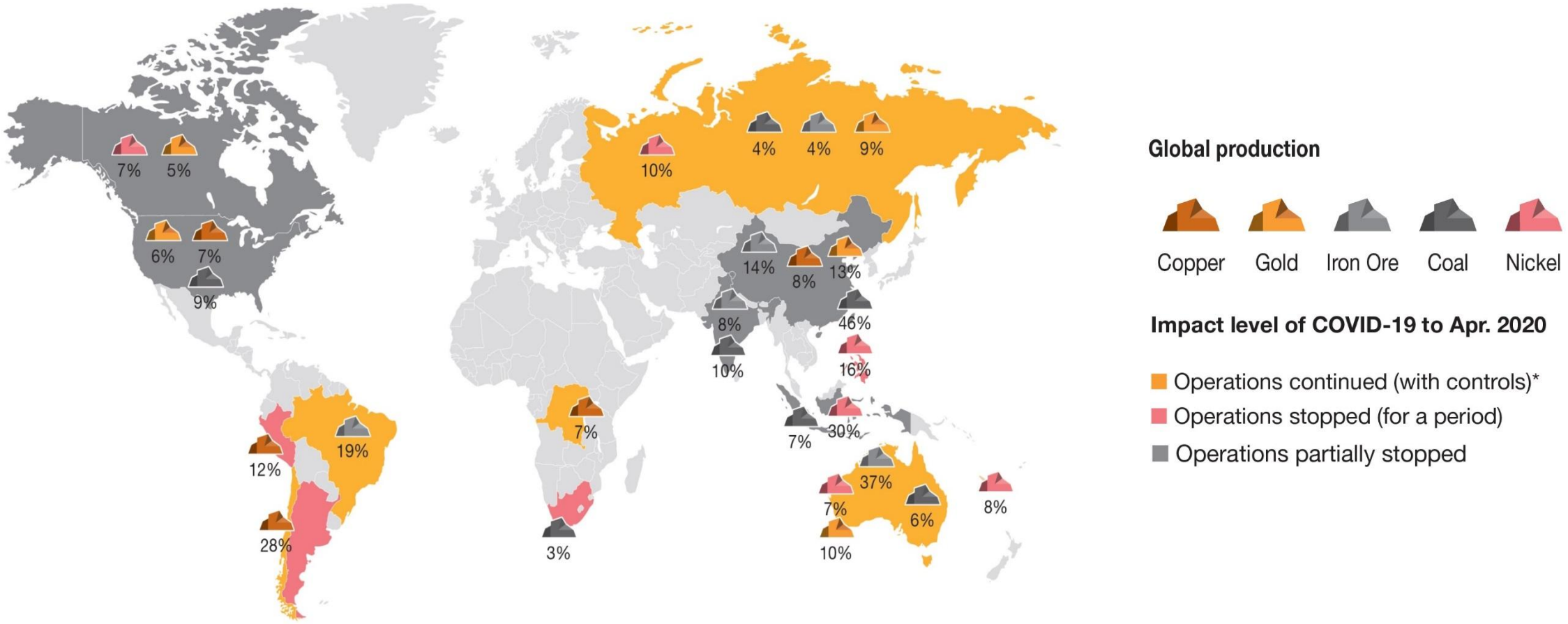
Source: Avalon Advanced Materials Inc. - MIT

Recovery up until September: zinc (+12.1%), iron (+35.9%), tin (+29.4%) and molybdenum (+10.7%), in comparison to 2019.

Source: Monthly Statistical Bulletin (09-2020), Ministry of Mining and Energy

3.2. Mining Suppliers and Services subsector

PRODUCTION AND IMPACT OF COVID-19 IN MINING OPERATIONS



Fuente: Subdirección de Inteligencia y Prospectiva Comercial de PROMPERÚ en base a USGS Mineral Commodity Summaries, 2020; BP Statistical Review of World Energy, 1965–2018

3.2. Mining Suppliers and Services subsector

Mining Services

Exportable supply

Solutions:

- Intelligent control systems
- Intelligent asset management
- Safety and security system
- Data analysis and management software
- Monitoring system

Services:

- System integration
- Detailed engineering
- Maintenance of facilities and equipment
- Strip mining, tunneling and hauling

80 Mining companies providing services

Strengths of the Mining Sector

- Highly qualified operators, with a lot of experience working in difficult conditions (temperature, altitude, rock types, etc.).
- Experience in subway and open pit mining operations as well as polymetallic mining.
- Companies with international certifications ISO9001, 14001, 2600 and OSHAS 18001.

Source: Subdirection of Trade Promotion - PROMPERÚ

3.3. Companies providing services and supplies to the Mining Industry

Companies providing services to the Mining sector

- **Trucks and Dumpers**
  - DIVEMOTORS (Peru)
  - MOTORED (Peru)
  - VOLVO (Sweden)
- **Heavy Machinery**
  - Ferreyros (Peru)
  - IPESA (Peru)
  - Joy Global (USA)
  - SK Rentals (Chile)
  - Resemin (Peru)
  - Ameco Logistics
  - Incimmet (Peru)
  - Sandvik (Sweden)
- **Safety**
  - **Protección VIP** (Peru)
- **Chemicals & Laboratories**
  - BASF (Germany)
  - PLENGE
  - ZINSA (Peru)
  - Industrias Electro Químicas (Peru)
  - CÚPRICA (Peru)

Source: Rumbo Minero Magazine, fDi Markets, Subdepartment of Trade Promotion - PROMPERU

3.4. Foreign Direct Investment (FDI) in Suppliers and Services to the Mining Industry

Competitive Advantages: Mining Services Costs

- Peru has lower costs/fees for mining services, compared to the United States and European countries.

Mining Services	Unit of Measure	Peru	United Stated	Europe
Mineral Operations	US$ / linear meter	400	700	1 000
Infrastructure Inspection with Robots	US$ / year	80,000	150,000	150,000
Non-destructive testing	US$ / day / person	1,700	5,000	5,000
Laser scanning of mill crushers	US$ / day	600	1,800	1,800

Source: Subdepartment of Trade Promotion - PROMPERU

Summary of the main metrics:

- During the period **2018-2019, 12 FDI projects** were registered in the Mining Services sector. **9 are new investments (greenfield) and 3 are expansion projects.**

	2018	2019	TOTAL
Capital Investment (USD million)	151	75.6	**226.6**
Job Positions	404	230	**634**
Projects	8	4	**12**
Average USD per project (USD million)	18.9	18.9	**18.9**

Source: fDi Markets, 01/22/2021

3.4. FDI in Suppliers and Services to the Mining Industry

Investment companies in Peru:

- A total of 12 companies invested in Peru between January 2018-2019. 4 (33.3%) are Spanish companies.

Nº	Name of the company	Country of origin	Number of projects
1	Cuatrecasas	Spain	1
1	Deutsche Post	Germany	1
3	Drillco	Chile	1
4	Evergreen Marine	Taiwan	1
5	La Línea Vertical	Spain	1
6	Larox Flowsys Oy	Finland	1
7	Maxam	Spain	1
8	Minet Lacing Technology	France	1
9	Okra Energy	United States	1
10	Roberto	Spain	1
11	Sika	Switzerland	1
12	Syfra	Russia	1

Source: fDi Markets, 01/22/2021

Classification of companies

- 5 of these 12 foreign companies belong to industrial clusters

Cluster	Number of companies
Industrial sector	5
Transport and storage	2
Physical sciences	2
Energy	1
Construction	1
Professional Services	1
Total	**12**

Source: fDi Markets. Search date (01/21/2021)

4. Success stories of foreign companies in Peru

Success Stories

High Technology Sector

TATA Consultancy Services

Indian company specializing in IT, consultancy and business solutions services. Pioneers in remote work.

- The company has 450,000 consultants in 50 countries.
- Certified as Top Employers in Peru, Top Employers in Latin America and Top Employers Globally.

In Peru:

- Today, they have more than 1,000 workers, 95% of which are Peruvian.
- 20 leading clients in its field (banking, telecommunications, and food).
- Social Responsibility: two thirds of their profitability is invested in health, education and environmental programs.

*"Since TCS arrived in Peru, we have had no doubts about the talented people that live in this country. During the last few years, students from different universities have made it to the final round of CodeVita. This year again 3 universities from Peru will compete in the final round" - **Sangram Sahoo.***

Manufacturing Sector

Subsector: Mining Services

Capital invested	US$ 15.1 millions
Jobs created	60 jobs
Date	November 2018
Country of origin	Switzerland
Type	Expansion

"Thanks to our new site, we have laid the foundations to expand more our activities in Peru and improve our competitive position."
Christoph Ganz, Regional Manager (Americas).

Fuente: TCS Web, 2020 / Top Employers, 2020 / Entrevista Head Country Perú, 2020 / fDi Markets, 2020

Success Stories

Manufacturing Sector

Subsector: Services to the Mining sector

FLOWROX

Capital invested	US$ 2,3 millions
Country of origin	
Jobs created	8 jobs
Type	Greenfield
Date	September, 2019

*"The establishment of a subsidiary in Peru was an important part of our long-term strategic plan to enhance Flowrox's capabilities to help our customers in Peru. The strong support from our Peruvian customers encouraged us to continue with this strategic investment"- **Jukka Koskela**, CEO.*

Source: fDi Markets. Search date (01/21/2021)

Renewable Energy Sector

UNIVERGY SOLAR

Spanish-Japanese company based in Tokyo and Madrid. It specializes in the development of large-scale renewable energy projects. They work at an international level and are present in more than 20 countries.

- The company is developing a 700 MW solar farm with their local partner Proesmin. It will be developed in Tacna, in southern Peru.
- Univergy is developing four other 80 MW Solar PPA projects in Loreto, Iquitos and Santa María de Nanay.
- They have called for tender eight 23MW solar PPA projects in four cities: Lima (2), Arequipa (2), Ica (3) and Piura (1).
- As of 2020, Univergy has been **maintaining an invested capital of USD 991.2 millions. This has created 1,224 jobs.**

*"The Peruvian market has enormous potential for the development of clean energies, making it a strategic country for Univergy. This is the reason why we have developed a series of projects for a total of 800 MW. It has fulfilled the company's development expectations in Latin America. Peru is already the seventh country in the region where Univergy has been implementing its innovation" - **Ignacio Blanco**, Executive President and CEO of UNIVERGY Solar.*

Source: fDi Markets 2021

5. Investment Opportunities

Investment Opportunities

Investment Projects Portfolio

Portfolio of real investment opportunities in different crucial sectors.

We seek to promote this through different promotional activities aimed at potential foreign investors.

87 projects in the portfolio

Tourism: 18 - Food Industry: 6 – Textiles: 9 – Manufacturing: 6 – High Technology: 31– Health: 3– Real Estate: 5 – Forestry: 4 – Renewable Energies: 5

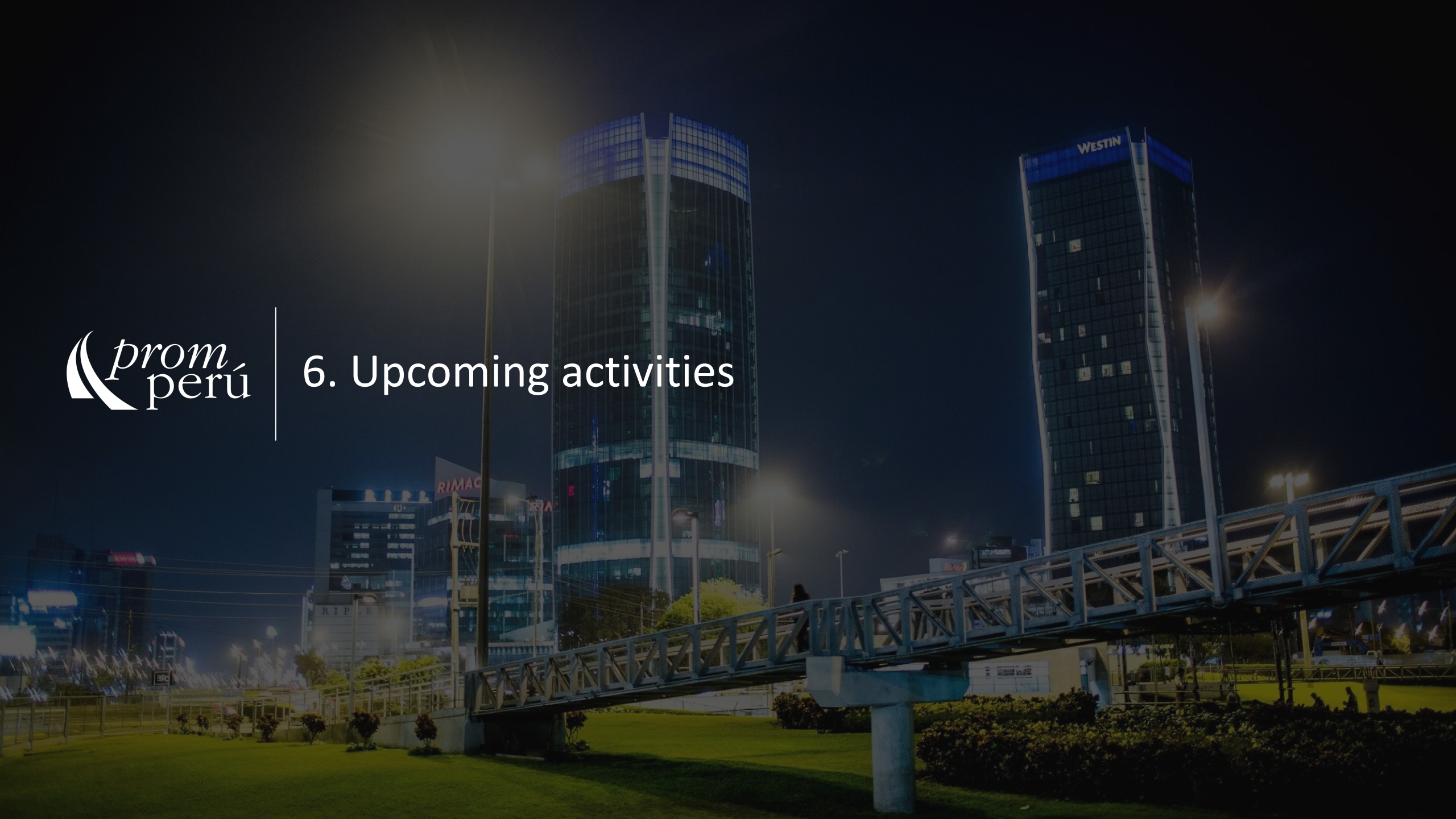
Valuation

Approximately USD 2.5 billion

19 Regions

Ancash, Apurímac, Arequipa, Cajamarca, Callao, Cusco, Huánuco, Ica, Junín, La Libertad, Lambayeque, Lima, Loreto, Madre de Dios, Piura, Puno, San Martín, Tacna, Tumbes, Ucayali

6. Upcoming activities



Events Calendar 2021

March

- ProExplo 2021
- Investment Webinar – Japan
  JETHO
- PDAC
  Canada
- Peru Day
  UK - Event

May

- Investment Webinar
  Germany
- Wisconsin Chamber Gala

Jun

- Forum InverTUR LatAm
- Peru Venture Capital Conference 2021
- Innovation Week
- Webinar - SNMPE - Promperú - MINEM

Jul

- Minergy Scouting 2021
  Peru

Aug

- Investment Forum
  Chile

Sept

- Webinar
  "Peruvian & Bavarian Fintech Meetup"
- NY Investments Webinar
- Hacktaton 2021
  Peru
- Presentation with the CC Alberta - Canada

Oct

- Oceania Forum
- High Tech Forum for Investment
  Peru

Nov

- DUBAI EXPO
- Business Roundtable Germany and Dubai
- Business Roundtable | INVEST PERU

We invite you to participate in our **Business Investors Community**, where you will find a space to interact, exchange ideas and learn about our **2021 Investment Portfolio.**

For more information, please contact us at the following email address:

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