

OFFERING MEMORANDUM



CORPORACIÓN LINDLEY S.A.

US\$320,000,000 6.750% Notes Due 2021

The US\$320,000,000 6.750% notes due 2021 (the "Notes") are being offered by Corporación Lindley S.A. (the "Issuer," the "Company" or "Lindley"). The Notes will mature on November 23, 2021. The Notes will bear interest at a rate of 6.750% per year and will be payable on May 23 and November 23 of each year, or if such date is not a Business Day (as defined herein) on the next succeeding Business Day (without any additional interest being payable as a result of such delay) (each, a "Payment Date"). The first Payment Date will be May 23, 2012.

The principal on the Notes outstanding on May 23, 2020, will be repaid by semi-annual payments made during the two years prior to the final maturity of the Notes. The principal payments will be made in four equal installments on May 23, 2020, November 23, 2020, May 23, 2021, and November 23, 2021. The final maturity date of the Notes will be November 23, 2021.

The Notes will rank at all times equally with all of our existing and future senior unsecured indebtedness (other than obligations preferred by statute or by operation of law).

Lindley may redeem the Notes, in whole or in part, at any time by paying the greater of (1) 100% of the principal amount of the Notes to be redeemed and (2) a "make-whole" amount, plus in each case accrued and unpaid interest to the redemption date, as described under "Description of the Notes - Optional Redemption." Unless previously redeemed or purchased and cancelled as provided below, we will redeem the Notes at their principal amount on November 23, 2021.

The Notes will not be guaranteed by The Coca-Cola Company.

For a more detailed description of the Notes, see "Description of Notes" beginning on page 95.

Investment in the Notes involves risks. See "Risk Factors" beginning on page 12 of this offering memorandum (the "Offering Memorandum").

Issue Price: 100.00% of face amount plus accrued interest, if any, from November 23, 2011.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY ONLY BE OFFERED OR SOLD WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A OR OUTSIDE THE UNITED STATES TO NON-US PERSONS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A OR REGULATION S. FOR CERTAIN RESTRICTIONS ON REALES, SEE "TRANSFER RESTRICTIONS."

ANY OFFER OR SALE OF NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE "EEA") THAT HAS IMPLEMENTED DIRECTIVE 2003/71/EC (THE "PROSPECTUS DIRECTIVE") MUST BE ADDRESSED TO QUALIFIED INVESTORS (AS DEFINED IN THE PROSPECTUS DIRECTIVE).

The Notes are registered with the Foreign Investment and Derivatives Instruments Registry (*Registro de Instrumentos de Inversión y de Operaciones de Cobertura de Riesgo Extranjeros*) of the Peruvian *Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones* ("SBS") for Peruvian private pension fund investment eligibility, as required by Peruvian legislation. The Notes (or beneficial interests therein) may not be offered or sold in Republic of Peru ("Peru") or any other jurisdiction except in compliance with the securities law thereof.

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List and trading on the Euro MTF market. There can be no assurance that such application will be granted as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. This Offering Memorandum can only be used for the purposes for which it was published. This Offering Memorandum constitutes a prospectus for the purposes of the Luxembourg Law on prospectuses for securities, dated July 10, 2005.

The initial purchasers expect to deliver the Notes to purchasers in book-entry form only through the facilities of The Depository Trust Company ("DTC"), Euroclear Bank, S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme Luxembourg ("Clearstream") on or about November 23, 2011.

Joint Lead Managers

Citi

J.P. Morgan

The date of this Offering Memorandum is November 18, 2011.

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In this Offering Memorandum, "Lindley," the "Company," the "Issuer," "we," "us," "our" and "our company" refer to Corporación Lindley S.A., and its wholly-owned consolidated subsidiary Embotelladora La Selva S.A. ("La Selva"), each, a *sociedad anonima* (corporation) incorporated in Peru, unless the context otherwise requires or unless specified otherwise. "The Coca-Cola Company" refers to The Coca-Cola Company and its subsidiaries unless the context otherwise requires or unless specified otherwise. As used in this Offering Memorandum, "Business Day" means any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions are authorized or obligated by law to close in New York City or Lima.

You should only rely on the information contained in this Offering Memorandum. We have not and the initial purchasers have not, authorized anyone to provide you with different information. Neither we nor the initial purchasers are making an offer of the Notes in any jurisdiction where the offer is not permitted.

We, having made all reasonable inquiries, confirm that as of the date on the front cover of this Offering Memorandum the information contained in this Offering Memorandum with regards to our company is true and accurate in all material respects, that the opinions and intentions we express in this Offering Memorandum are honestly held, and that there are no other facts the omission of which would make this Offering Memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We accept responsibility accordingly.

As required under the Peruvian Securities Market Law, Lindley will notify the Peruvian Capital Markets Superintendency (*Superintendencia del Mercado de Valores*) ("SMV") of the offering of the Notes. Such notice will be delivered to the SMV to comply with a legal requirement and for information purposes only; therefore, the delivery to and the receipt by the SMV of such notice does not and will not imply any certification as to the investment quality of the Notes, the solvency of Lindley or the accuracy or completeness of the information included in this Offering Memorandum.

This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or the affairs of our subsidiary or that the information set forth in this Offering Memorandum is correct as of any date subsequent to the date of this Offering Memorandum.

This Offering Memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes. We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered by this Offering Memorandum. Citigroup Global Markets Inc. and J.P. Morgan Securities LLC will act as initial purchasers with respect to the offering of the Notes. This Offering Memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes.

Distribution of this Offering Memorandum by you to any person other than those persons retained to advise you is unauthorized, and any disclosure of any of the contents of this Offering Memorandum without our prior written consent is prohibited. By accepting delivery of this Offering Memorandum you agree to the foregoing and to make no photocopies of this Offering Memorandum.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Offering Memorandum and the purchase, offer or sale of the Notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the Notes under the

laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers or their agents have any responsibility therefor. See "Transfer Restrictions" for information concerning some of the transfer restrictions applicable to the Notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this Offering Memorandum;
- you have not relied on the initial purchasers or their agents or any person affiliated with the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the Notes other than those as set forth in this Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The Notes have not been recommended by the U.S. Securities and Exchange Commission ("SEC"), the SMV or any state or foreign securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

The Notes may not be transferred or resold except as permitted under the Securities Act of 1933, as amended, which we refer to in this Offering Memorandum as the "Securities Act," and related regulations and applicable state securities laws. In making your purchase, you will be deemed to have made certain acknowledgements, representations and agreements set forth in this Offering Memorandum under the caption "Notice to Investors." You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This Offering Memorandum may only be used for the purpose for which it has been published. Neither the initial purchasers nor any of their agents is making any representation or warranty as to the accuracy or completeness of the information contained in this Offering Memorandum, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Neither the initial purchasers nor any of their agents has independently verified any of such information and assumes no responsibility for the accuracy or completeness of the information contained in this Offering Memorandum.

See "Risk Factors," following the "Summary," for a description of certain factors relating to an investment in the Notes, including information about our business. None of us, the initial purchasers or any of our or its representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

Notwithstanding anything in this Offering Memorandum to the contrary, each prospective investor (and each employee, representative or other agent of the prospective investor) may disclose to any and all persons, without limitation of any kind, the US tax treatment and US tax structure of any offering and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such US tax

treatment and US tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

To ensure compliance with Treasury Department Circular 230, holders of the Notes are hereby notified that: (a) any discussion of federal tax issues in this document is not intended or written to be relied upon, and cannot be relied upon, by holders of the Notes for the purpose of avoiding penalties that may be imposed on holders of the Notes under the Internal Revenue Code; (b) such discussion is included herein by Lindley in connection with the promotion or marketing (within the meaning of Circular 230) by the company of the transactions addressed herein; and (c) holders of the Notes should seek advice based on their particular circumstances from an independent tax advisor.

NOTICE TO INVESTORS

The distribution of this Offering Memorandum and the offering of the Notes (and beneficial interests therein) in certain jurisdictions may be restricted by law. Persons who come into possession of this Offering Memorandum are required by the Issuer, the Trustee and the initial purchasers to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Notes (or beneficial interests therein) in any jurisdiction in which such offer or solicitation is unlawful. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer and sale of the Notes (or beneficial interests therein) in Peru, the European Economic Area, the United Kingdom and the United States. See "Transfer Restrictions."

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A NOTE IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A NOTE OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, NOTE, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO RESIDENTS OF PERU

The Notes are registered with the Foreign Investment and Derivatives Instruments Registry (*Registro de Instrumentos de Inversión y de Operaciones de Cobertura de Riesgo Extranjeros*) of the SBS for Peruvian private pension fund investment eligibility, as required by Peruvian legislation.

No offer of or invitation to subscribe for or buy or sell the Notes or beneficial interests therein may be made in Peru except in compliance with the laws of Peru.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with resales of Notes, we will be required under the Indenture under which the Notes are issued (the "Indenture"), upon the request of a holder, for so long as the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, to furnish to the holder or beneficial owner of such restricted securities and any prospective purchaser of such restricted securities designated by such holder or beneficial owner the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request we are neither a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act ("Rule 12g3-2(b)"). As long as we maintain this exemption, we will not be required under the Indenture to deliver information otherwise required to be delivered under Rule 144A(d)(4) under the Securities Act.

We are a *sociedad anonima* (corporation) organized under the laws of Peru. Our investment shares and our corporate bonds issued under our US\$150 million bond program are registered with the Public Registry of Securities (*Registro Publico del Mercado de Valores*) of the SMV and are listed on the Lima Stock Exchange (*Bolsa de Valores de Lima*). See "Shareholders." Accordingly, for as long as the foregoing securities are registered and listed therein, we are required to furnish certain information including quarterly and annual reports, and notices of material events (*hechos de importancia*) to the SMV and the Lima Stock Exchange. All such reports and notices are published in Spanish and are available at www.smv.gob.pe and www.bvl.com.pe. These reports and notices are not incorporated by reference in, and do not constitute part of, this Offering Memorandum.

The Indenture further requires that we furnish to the Trustee (as defined herein) all notices of meetings of the holders of Notes and other reports and communications that are generally made available to holders of the Notes. At our request, the Trustee will be required under the Indenture to mail these notices, reports and communications received by it from us to all record holders of the Notes promptly upon receipt. See "Description of Notes."

We will make available to the holders of the Notes, at the corporate trust office of the Trustee at no cost, copies of the Indenture as well as of our Offering Memorandum, our Annual Audited Consolidated Financial Statements (as defined herein) in English and our Interim Unaudited Financial Statements (as defined herein) in English, prepared in accordance with accounting principles generally accepted in Peru ("Peruvian GAAP"). For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and to trading on the Luxembourg Stock Exchange's Euro MTF market, you can also obtain a copy of the Indenture and our articles of association at the office of the paying agent at 388 Greenwich Street, 14th Floor, New York, New York 10013, USA. We will also make available at the office of the Trustee our unaudited quarterly Consolidated Financial Statements in English prepared in accordance with Peruvian GAAP.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

Lindley is a corporation (*sociedad anónima*) with limited liability organized under the laws of Peru. All of Lindley's directors and officers reside in Peru or elsewhere outside the United States, and substantially all or a significant portion of Lindley's assets and the assets of its directors and officers are located outside the United States. As a result, it may not be possible for investors in the Notes to: (a) effect service of process upon Lindley or any such persons outside Peru, (b) enforce against any of them, in courts of jurisdictions other than Peru, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions, or (c) enforce against any of them, in Peruvian courts, judgments obtained in jurisdictions other than Peru, including judgments obtained in respect of the Notes or the Indenture in New York courts, unless such judgments fulfill with the requirements described below.

The choice of New York law as the law governing the Indenture and the Notes is a valid choice under Peruvian law to govern such documents. Under the laws of Peru, the irrevocable submission of Lindley to the non-exclusive jurisdiction of the federal and state courts in New York City (each a "New York Court"), the waiver by Lindley of any right to jurisdiction to which it may be entitled on account of place of residence or domicile, the waiver by Lindley of any objection to the venue of a proceeding in a New York Court, and the agreement of Lindley that the agreements referred to above shall be governed by and construed in accordance with the laws of New York are legal, valid and binding upon and enforceable against Lindley. Service of process effected in the manner set forth in the Indenture will be effective, insofar as Peruvian law is concerned, to confer valid personal jurisdiction over Lindley. Any judgment obtained in a New York Court arising out of or in relation to the obligations of Lindley in connection with the agreements and obligations under the Indenture and the Notes or the transactions contemplated thereby would be enforceable against Lindley in the courts of Peru as described hereunder.

Lindley has been advised by Rodrigo, Elías & Medrano Abogados, its Peruvian counsel, that final and conclusive judgments for a fixed and definitive sum obtained against Lindley in any foreign court having jurisdiction in respect of any suit, action or proceeding against Lindley for the enforcement of any obligation of Lindley under the Indenture and the Notes that are governed by New York law will, upon request, be deemed valid and enforceable in Peru, through an exequatur judiciary proceeding, which does not involve the reopening or reexamining the case, reviewing the merits of the cause of action in respect to which such judgment was given or re-litigating the merits adjudicated upon; provided that:

- the judgment does not resolve matters under the exclusive jurisdiction of Peruvian courts (and matters contemplated in respect of this Offering Memorandum or the Notes are not matters under the exclusive jurisdiction on Peruvian courts);
- such court had jurisdiction under its own conflicts of law rules and under general principles of international procedural jurisdiction;
- Lindley was served in accordance with the laws of the place where the proceeding took place, was granted a reasonable opportunity to appear before such foreign court and was guaranteed due process rights;
- the judgment has the status of *res judicata* as defined in the jurisdiction of the court rendering such judgment;
- there is no pending litigation in Peru between the same parties for the same dispute, which shall have been initiated before the commencement of the proceeding that concluded with the foreign judgment;
- the judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Peruvian law unless such foreign judgment was rendered first;

- the judgment is not contrary to public policy or good morals;
- it is not proven that such foreign court denies enforcement of Peruvian judgments or engages in a review of the merits thereof;
- such final judgment has been duly authenticated by a Peruvian consulate in the country in which it was issued and is accompanied by a certified, sworn translation of such judgment in Spanish; and
- there is in effect a treaty between the country where said foreign courts sits and Peru regarding the recognition and enforcement of foreign judgments. In the absence of such a treaty, the reciprocity rule is applicable (such reciprocity rule being presumed), under which a judgment given by a foreign court of competent jurisdiction will be admissible in the Peruvian courts and will be enforced, unless according to such foreign law: (a) judgments issued by Peruvian courts are not admissible in such foreign country or (b) judgments issued by Peruvian courts are subject to re-examination by such court of competent jurisdiction of the issues considered therein.

We have no reason to believe that any such judgment would be under the exclusive jurisdiction of Peruvian courts or that any of Lindley's obligations under the Indenture and the Notes, which are governed by the laws of the State of New York, would be contrary to Peruvian public policy and international treaties binding upon Peru or generally accepted principles of international law. No treaty exists between the United States and Peru for the reciprocal enforcement of foreign judgments. Peruvian courts, however, have enforced judgments rendered in the United States based on legal principles of reciprocity and comity.

In connection with the Indenture (including the issuance of the Notes), Lindley will appoint CT Corporation System, at its registered office in 111 Eighth Avenue, New York, N.Y. 10011, USA, as its authorized agent for the service of process in New York.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, as amended. Our estimates and forward-looking statements are based on our current expectations and projections of future events and trends, which affect or may affect our business and results of operations. Words such as "believe," "anticipate," "plan," "expect," "target," "estimate," "project," "predict," "forecast," "guideline," "should," "aim," "continue," "could," "guidance," "may," "potential," "will," as well as similar expressions and the negative of such expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Examples of forward-looking statements include statements regarding the intent, belief or current expectations of Lindley, its officers or its management with respect to:

- projections of revenues, net income (loss), earnings per share, capital expenditures, dividends, capital structure, other financial items or ratios, taxes, and projections related to a business and results of operations;
- statements of our plans, objectives or goals, including those relating to anticipated trends, competition, regulation and financing plans;
- statements about expectations regarding our relationship and agreements with The Coca-Cola Company;
- statements about the availability and cost of materials required for the production of our products;
- statements about expected or anticipated supply and demand for our products;
- statements about anticipated changes to accounting policies;
- statements about exchange controls and fluctuations in interest rates;
- statements about the risks associated with the Notes, the Indenture, payments of any judgments against us, and any bankruptcy of our Company;
- explanations about the transferability of the Notes and any trading market for the Notes;
- statements about our future economic performance or that of Peru (including any depreciation or appreciation of the Nuevo Sol) or other countries;
- statements about anticipated political events in Peru;
- statements about changes in existing and about future regulations;
- statements about changes in Peruvian governmental policies, legislation or regulation; and
- statements of assumptions underlying these statements.

You should not place undue reliance on forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. Because of the risks and uncertainties involved, you should not make any investment decision based on the estimates and forward-looking statements. All forward-looking statements and risk factors included in this Offering Memorandum are made as of the date on the front cover of this Offering Memorandum, based on information available to us as of such date, and we assume no obligation to update any forward-looking statement or risk factor.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

This Offering Memorandum includes (i) our audited consolidated financial statements and related auditors' reports and notes as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010 (the "Annual Audited Financial Statements") and (ii) our unaudited consolidated financial statements as of September 30, 2011, and for the nine-month periods ended September 30, 2010 and 2011 (the "Interim Unaudited Financial Statements" and, together with the Annual Audited Financial Statements, the "Consolidated Financial Statements").

Our Consolidated Financial Statements have been prepared in Nuevos Soles in accordance with Peruvian GAAP, issued by the Peruvian Consejo Normativo de Contabilidad ("CNC"), which differs in certain significant respects from International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board, or "IASB," and from accounting principles generally accepted in the United States of America ("US GAAP"). No reconciliation to IFRS or US GAAP of the Consolidated Financial Statements or of any other financial information presented herein has been prepared. There can be no assurance that a reconciliation would not identify material quantitative differences between such financial statements or information prepared on the basis of Peruvian GAAP and as prepared on the basis of IFRS or US GAAP. See "Description of Certain Differences between Peruvian GAAP and IFRS, and Peruvian GAAP and US GAAP."

Because the Notes have not been registered and will not be registered with the SEC, our Consolidated Financial Statements contained elsewhere in this Offering Memorandum do not and are not required to comply with the applicable registration requirements, rules and regulations adopted by the SEC, which would apply if the Notes had been registered with the SEC.

Adoption of IFRS

On August 31, 2010, the CNC issued Resolution No. 044-2010-EF-94 and on October 14, 2010, the former Peruvian securities exchange commission, *Comisión Nacional Supervisora de Empresas y Valores* (CONASEV) (now the SMV), issued Resolution No. 102-2010-EF/94.01.1, which requires that companies under the supervision of SMV, such as us, prepare their financial statements in accordance with IFRS for fiscal periods beginning on or after January 1, 2011 including comparative information for earlier periods. We are required to release our first set of consolidated financial statements in compliance with IFRS as of and for the year ending December 31, 2011.

IFRS 1, First Time Adoption of International Financial Reporting Standards, is the guidance that is applied during preparation of a company's first IFRS-based financial statements. IFRS 1 was created to help companies transition to IFRS and provides practical accommodations intended to make first-time adoption cost-effective. It also provides application guidance for addressing difficult conversion topics.

With certain exceptions, the key principle of IFRS 1 is full retrospective application of all IFRS standards that are effective as of the closing balance sheet or reporting date of the first IFRS financial statements. IFRS 1 requires companies to (i) identify the first IFRS financial statements; (ii) prepare an opening balance sheet at the date of transition to IFRS; (iii) select accounting policies that comply with IFRS and to apply those policies retrospectively to all of the periods presented in the first IFRS financial statements; (iv) consider whether to apply any of the optional exemptions from retrospective application; (v) apply the mandatory exceptions from retrospective application; and (vi) make extensive disclosures to explain the transition to IFRS. Exemptions provide limited relief for first-time adopters, mainly in areas where the information needed to apply IFRS retrospectively may be most challenging to obtain.

In 2010 we hired a consultant specializing in IFRS implementation to assist us in the assessment of the potential impacts of IFRS on our financial statements and results of operations.

For more information in respect of the implementation of IFRS, see "Description of Certain Differences between Peruvian GAAP and IFRS, and Peruvian GAAP and US GAAP."

Currency Information

Unless otherwise indicated, financial information appearing in this Offering Memorandum is presented in Peruvian nuevos soles. In this Offering Memorandum, references to "Nuevos Soles" or "S/." are to Peruvian nuevos soles and references to "US dollars," "dollars," "US\$" or "\$" are to United States dollars.

This Offering Memorandum contains certain figures that have been converted from Nuevos Soles amounts into US dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, US dollar amounts have been converted from Nuevos Soles at an exchange rate of S/.2.772 per US dollar, the interbank buying exchange rate published by the Peruvian Central Bank on September 30, 2011. The exchange rate conversions contained in this Offering Memorandum should not be construed as representations that the Nuevos Soles amounts actually represent the US dollar amounts presented or that they could be converted into US dollars at the rate indicated. See "Exchange Rates" for information regarding the rates of exchange between the Nuevo Sol and the US dollar for the periods specified therein.

Effect of Rounding

Certain percentages and amounts in this Offering Memorandum have been rounded for ease of presentation. Certain percentages and amounts in this Offering Memorandum may not sum due to rounding.

Certain Non-GAAP Measures

As used in this Offering Memorandum, "Adjusted EBITDA" means our net income plus (i) income tax, (ii) loss/gains from derivative financial instruments, (iii) net financial expense/income, (iv) other expenses, (v) employee participation and (vi) depreciation from cost of sales, administrative expenses and selling expenses and amortization, minus (vi) other operating income (excluding contributions from The Coca-Cola Company and sales of returnable bottles). For a reconciliation of our Adjusted EBITDA, see "Summary—Summary Consolidated Financial Information and Operating Data".

Additionally, as it is used in this Offering Memorandum, "Net Debt" means our total debt less cash and cash equivalents. For a reconciliation of our Net Debt, see "Summary—Summary Consolidated Financial Information and Operating Data".

Adjusted EBITDA and Net Debt are not financial measures under Peruvian GAAP or IFRS. Adjusted EBITDA and Net Debt are included in this Offering Memorandum because we believe certain investors may consider these useful as additional measures of our financial performance and ability to service our debt and fund capital expenditures. Adjusted EBITDA and Net Debt are not and should not be considered as substitutes for net income, cash flow provided by operations or other measures of financial performance or liquidity under Peruvian GAAP or IFRS.

Because Adjusted EBITDA and Net Debt are not Peruvian GAAP nor IFRS measures and not all companies calculate EBITDA and Net Debt in the same manner, our presentation of Adjusted EBITDA and Net Debt may not be comparable to other EBITDA, adjusted EBITDA, Net Debt or similarly titled measures reported by other companies.

Industry and Market Data

Market data and other statistical information used throughout this Offering Memorandum are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data are also based on our estimates, which are derived from our review of internal surveys, as well as independent sources. Market share information for twelve month periods used throughout this Offering Memorandum was calculated by adding the average of the market share for each month within such twelve month period.

Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness.

In addition, in many cases, we have based certain statements contained in this Offering Memorandum regarding our industry and our position in the industry on certain assumptions concerning our customers and competitors. These assumptions are based on our experience in the industry, conversations with our principal distributors and consumers, and our own investigation of market conditions. We cannot assure you as to the accuracy of any such assumptions, and such assumptions may not be indicative of our position in our industry.

SUMMARY

This summary highlights selected information from this Offering Memorandum and is qualified in its entirety by, and is subject to, the more detailed information and Consolidated Financial Statements appearing elsewhere in this Offering Memorandum. You should read this entire Offering Memorandum carefully, including the risk factors and Consolidated Financial Statements contained herein, before making an investment decision.

Overview

We are the only authorized bottlers and distributors of trademarked beverages of The Coca-Cola Company throughout Peru, which include, among others, *Coca-Cola* and *Inca Kola*. We offer a wide range of non-alcoholic beverages consisting of carbonated soft drinks ("CSD") and non-carbonated beverages ("NCB"). Our CSD product portfolio is comprised of market-leading products such as *Coca-Cola*, one of the world's most recognized beverage brands, and *Inca Kola*, the leading CSD in Peru according to The Retail Audit Company ("TRAC") and a source of Peruvian national pride according to a study conducted by Millward Brown in July 2011. Our NCB products can be divided into four product categories: fruit-juice based beverages, bottled water (sparkling and still), isotonic and energy drinks. In addition, we are a leading manufacturer of fruit pulp in Peru used for the production of our own fruit-juice based beverages and for export. In 2010 and in the nine-month period ended September 30, 2011, we sold approximately 236,472,414 and 190,425,221 Unit Cases (as defined below), respectively, of CSD and NCB products, generating net sales revenue of S/1,538.1 million (approximately US\$554.9 million) and S/1,271.0 million (approximately US\$458.5 million), respectively. Our operating margin for 2010 and the nine-month period ended September 30, 2011, was 6.5% and 5.5%, respectively. The average price per Unit Case (as defined below) for all of our products taken together in 2010 and the nine-month period ended September 30, 2011, was S/6.50 (approximately US\$2.34) and S/6.67 (approximately US\$2.41), respectively. We measure our sales volume in unit cases, which is the typical volume measurement in our industry and equals 5.678 liters ("Unit Cases").

We are the market leader in the non-alcoholic beverage industry in Peru, leading in sales value and volume in CSD, bottled water and fruit-juice based beverages categories, which together represent approximately 97% of the total non-alcoholic beverage category. For the twelve month period ended September 30, 2011, we had 65.6% market share based on sales volume in the CSD category in Peru, according to TRAC. For the twelve month period ended September 30, 2011, our key products, *Inca Kola* and *Coca-Cola*, represented 25.6%, and 23.3%, respectively, of the Peruvian CSD category based on sales volume. In addition, for the same period, *Coca-Cola* and *Inca Kola* trademarked beverages, together with their brand extensions such as *Coca-Cola Zero* and *Inca Kola Diet*, accounted for 50.0% of the Peruvian CSD category based on sales volume. In 2010, our *Inca Kola*, *Coca-Cola*, *Coca-Cola Zero* and *Inca Kola Diet* sales accounted for approximately 44.2%, 34.8%, 0.7% and 0.7%, respectively, of our total sales volume of CSD products. In the nine-month period ended September 30, 2011, our *Inca Kola*, *Coca-Cola*, *Coca-Cola Zero* and *Inca Kola Diet* sales accounted for approximately 45.9%, 32.8%, 0.8% and 0.7%, respectively, of our total sales volume of CSD products. We also bottle and distribute smaller niche brands such as *Fanta*, *Sprite*, *Sprite Zero*, *Crush* and *Kola Inglesa*, which together accounted for 18.9% of our total sales volume of CSD products for the year ended December 31, 2010, and 19.4% for the nine-month period ended September 30, 2011. In addition, such brands represented approximately 15.6% of the Peruvian CSD category based on volume for the twelve month period ended September 30, 2011, according to TRAC.

According to TRAC, during the twelve month period ended September 30, 2011: (i) in the NCB segment, *Frugos*, our fruit-juice based beverages, accounted for approximately 45.9% of the Peruvian fruit-juice based beverage category based on volume; (ii) our bottled water products, *Aquarius* (flavored water) and *San Luis* (still and sparkling water), accounted for approximately 41.1% of the Peruvian bottled water category based on volume; (iii) our isotonic product, *Powerade*, accounted for approximately 22.8% of the Peruvian isotonic beverage category based on volume; and (iv) our energy drink, *Burn*, accounted for approximately 21.7% of the Peruvian energy drink category based on volume. In 2010 and in the nine-month period ended September 30, 2011, our bottled water sales accounted for approximately 16.0% and 17.0%, respectively, of our total sales volume; sales of fruit-juice based beverages accounted for 4.1% and 4.3%, respectively, of our total sales volume; sales of isotonic drinks for 1.3% of our total sales volume in both periods; and the energy drinks for 0.02% of our total sales volume for both periods.

As part of our strategic relationship with The Coca-Cola Company, we continue to improve our product portfolio to meet changing customer preferences and we are committed to exploring new growth opportunities by introducing new products and package options that satisfy the changing demands and preferences of consumers in the markets in which we operate. We monitor and analyze our product portfolio to (i) extract greater value from our products, (ii) bottle and distribute market leading products, (iii) adapt to the consumer's changing preferences, and (iv) apply market-leading practices for production, distribution and execution at the point of sale.

Our Strengths

Lindley's main competitive strengths include the following:

Strong Ownership and Experienced Management Team

The Company is owned by two experienced and established groups in the non-alcoholic beverage industry in the world and in Peru: Johnny Lindley Taboada and the family of Johnny Lindley Taboada (Johnny Lindley Taboada and his family collectively, the "Lindley Group") own 59.07% of the shares of Lindley, and the Coca-Cola Company owns 38.52% of the shares of Lindley and has the right to appoint three out of eight members of the board of directors of the Company as well as its chief financial officer. The Lindley Group has the right to appoint the remaining five members of the board of directors and the chief executive officer. Jose R. Lindley founded the Company in 1910 and the Lindley Group has managed the Company since then. The Lindley Group also established the *Inca Kola* brand as a leading brand in Peru before selling it to a subsidiary of The Coca-Cola Company.

In addition, our senior management team has extensive experience in the non-alcoholic beverages industry. The experienced management team provides the Company with a strong knowledge of the industry, familiarity with our customers, and understanding of the development, manufacture and sale of our products. The Company's senior managers have an average of 20 years of experience in the beverage industry in Peru and internationally. During 2010, the Company received several distinctions commemorating 100 years of existence and our role in Peru. The most important distinctions received in 2010 are the "Great Cross Grade Award for Distinguished Services" (*Orden al Mérito por Servicios Distinguidos en el Grado de Gran Cruz*) from the President of Peru, the "Great Cross Grade Award Medal of Honor" (*Medalla de Honor en Grado de Gran Cruz*) from the Peruvian Congress and the "Medal of Lima" (*Medalla de Lima*) from the Municipality of Lima.

Relationship with The Coca-Cola Company

We benefit from our strategic relationship with The Coca-Cola Company in ways that improve various aspects of our business and operations. In particular, we work with The Coca-Cola Company to develop a business model that allows us to continue exploring and participating in new lines of beverages, improving our bottling operations, extending existing product lines, implementing selective packaging strategies designed to increase consumer demand and creating effective local advertising and marketing campaigns for our products. In addition, we benefit from the international marketing efforts of The Coca-Cola Company. We also have access to an extensive and evolving portfolio of The Coca-Cola Company products, which allows us to keep up with customers' changing preferences.

In addition, as a result of being part of The Coca-Cola Company network of bottlers, we benefit from the know-how of The Coca-Cola Company, as well as from some of the favorable pricing terms available to it for raw materials used in our production process. We work closely with The Coca-Cola Company to adopt best practices in order to streamline our production, bottling and distribution process. In addition, The Coca-Cola Company advises Lindley on commodity prices and assists with negotiations with suppliers to obtain better terms and conditions.

Distributor of Leading Brands with Significant Consumer Loyalty

We manufacture, bottle and distribute two of the most widely recognized CSD brands in Peru, *Coca-Cola* and *Inca Kola*. These brands enjoy high levels of consumer awareness and loyalty, according to a report from Arellano Investigación de Marketing S.A., which help secure their market position. Our largest product in terms of

sales volume, *Inca Kola*, is a source of Peruvian national pride. Likewise, *Coca-Cola* is one of the world's most recognized beverage brands. For the twelve month period ended September 30, 2011, *Coca-Cola* and *Inca Kola* trademarked beverages, together with their brand extensions such as *Coca-Cola Zero* and *Inca Kola Diet*, accounted for 50.0% of the Peruvian CSD category based on sales volume. The other products in our product portfolio, such as *Sprite* and *Crush*, are also among the most recognized brands in their market niches. *Sprite* and *Crush* represented 4.1% and 4.6%, respectively, of the Peruvian CSD category based on sales volume during the twelve-month period ended September 30, 2011.

High Growth Potential

Peru is an emerging market country with expected growth in terms of GDP of 6.5% for 2011 and 2012 according to the Peruvian Central Bank. We believe the CSD and NCB categories in Peru are underdeveloped in terms of per capita consumption (we measure per capita consumption through servings per capita, and each serving equals 237 ml). In 2010, for example, Peru had a weighted average annual consumption of Coca-Cola trademarked beverages of approximately 191 servings per capita, compared to 205 in Brazil, 315 in Argentina, 426 in Chile and 665 in Mexico, according to The Coca-Cola Company. In particular, in 2010, while the region of Lima had a consumption per capita of 318.8, the consumption per capita in the southern part of Peru was 207.0, in the northern part of Peru the consumption per capita was 102.6, in the central region of Peru the consumption per capita was 82.2 and in the eastern part of Peru the consumption per capita was 63.0. We expect these levels of consumption per capita to increase in the future as economic conditions in Peru continue to improve. As the choice of beverages for Peruvian consumers continues to evolve, especially outside of the region of Lima, from tap water and homemade drinks to branded CSD and NCB, we believe we are well positioned to capture a substantial share of this market growth.

Strong Revenue Growth and Strong Cash Flow

The strong brand recognition of our products and extensive product portfolio has enabled us to generate strong net revenue growth. For 2010, 2009 and 2008, the annual compounded growth rate of our net revenue was 11.0%. This revenue growth has delivered strong cash flows. For 2010, 2009, and 2008, our operating cash flow was S/.142.9 million, S/.135.9 million and S/.166.8 million, respectively. These cash flows have been used exclusively to invest in our business.

Extensive Distribution Network and Skilled Sales Force

We have an extensive distribution network, which covers approximately 290,000 points of sale with three visits a week on average and operates in every province of Peru. This distribution network is well equipped to cater to the unique non-alcoholic beverage distribution market in Peru, consisting mainly of local "mom & pop" shops (which are small businesses and the traditional distribution channel in Peru for non-alcoholic beverages). In 2010 and for the nine-month period ended September 30, 2011, "mom & pop" shops represented approximately 87% of the Company's revenues.

We also believe that we have the largest and best-trained sales force in the non-alcoholic beverages industry in Peru. This allows us to work closely and develop strong relationships with our customers. It also allows us to have and maintain real time information regarding the business of each of the approximately 290,000 points of sale.

Business Strategy

Lindley's business strategy is based on maximizing growth and profitability to create value for our shareholders. The key elements of our business strategy include the following:

Expanding markets by focusing on increasing regional coverage and consumption of our products

We believe the Peruvian market is underserved and as a result we are focused on expanding the Peruvian CSD category, especially outside Lima, by increasing our coverage through our distribution network and increasing consumption of our products.

We are focused on driving growth by implementing well-planned product, packaging and pricing strategies. Through the collection and analysis of real-time information from each one of our approximately 290,000 points of sale, we have developed multi-segmentation strategies to target customers based on consumption occasion, competitive intensity, location of particular points of sale, purchasing power of our customers and socioeconomic levels. According to the information we collect and following the example of our most successful points of sale, we are able to establish a profile of each point of sale and make recommendations to less successful points of sale regarding the product and package combinations that should be offered at that particular point of sale in order to better capture the existing sale opportunities. For example, when a point of sale is close to a soccer field, we will recommend that they offer more isotonic products. In addition, we intend to improve the availability and visibility of our products by, among other strategies, increasing the placement of coolers at various points of sale and providing promotional displays and other materials tailored to the local markets in which we operate.

Broadening our product portfolio

Consumer preferences and demands are constantly evolving. In order to satisfy customers' demand, we continue to build on our strong portfolio of products, introducing new flavors and packages, and re-launching or strengthening existing brands as appropriate. Our objective is to have an attractive product mix, with the appropriate packaging options at the right time and in the right place. Also, the access to The Coca-Cola Company's broad product portfolio provides us with the possibility of being authorized to introduce new products with high growth potential that have been established elsewhere by The Coca-Cola Company in response to changing consumer preferences and demands. Such access is based on strong commercial relations through the bottler agreements. The introduction of new products and new presentations will help us increase demand for our products, respond to changing consumer preferences, provide different options to consumers, and increase new consumption opportunities.

Improving efficiency and optimizing use of capital

We continuously seek to increase productivity and efficiency in our facilities and in the route-to-market through infrastructure investments and process reengineering. In recent years, we have invested in returnable packages, cooling equipment, increases to plant capacity and the implementation of best practices, which have allowed us to improve our sales and distribution system. For example, in 2010, we invested S/.276.9 million (approximately US\$99.9 million) in these types of capital expenditures. We aim to keep the Company's structure and processes aligned with consumer growth and demands, optimizing the utilization of our capital. We also expect to continue to modernize our production and distribution infrastructure and invest in upgrading IT systems to enhance our productivity. We expect to continue to manage our capital expenditure carefully by focusing our investment on more profitable areas of our business such as the more than 290,000 "mom & pop" shops throughout Peru, which give us better returns than established retailers.

SUMMARY OF THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Notes, see "Description of Notes" in this Offering Memorandum.

Issuer	Corporación Lindley S.A.
Notes Offered	US\$320,000,000 aggregate principal amount of 6.750% Notes due November 23, 2021.
Issue Price	6.750%, plus accrued interest, if any, from November 23, 2011.
Maturity	The principal on the Notes outstanding on May 23, 2020, will be repaid by semi-annual payments made during the two years prior to the final maturity of the Notes. The principal payments will be made in four equal installments on May 23, 2020, November 23, 2020, May 23, 2021, and November 23, 2021. The final maturity date of the Notes will be November 23, 2021.
Interest	The Notes will bear interest at a rate of 6.750% per year. Interest will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the issue date of the Notes.
Interest Payment Dates	Interest on the Notes will be payable semi-annually on May 23 and November 23 of each year, beginning on May 23, 2012.
Ranking	The Notes will rank equally with all of our existing and future senior unsecured indebtedness (other than obligations preferred by statute or by operation of law). As of September 30, 2011, we had approximately S/.672.7 million (approximately US\$242.7 million) of financial debt, of which S/.422.2 million (approximately US\$152.3 million) was secured indebtedness, including financial leases. After giving pro forma effect to the issuance of the Notes and the use of the net proceeds of this offering, we will have approximately S/.1,072.5 million of financial debt, of which S/.185.5 million (approximately US\$66.9 million) will be secured indebtedness (all of which will be comprised of financial leases).
Optional Redemption	We may redeem the Notes, in whole or in part, at any time by paying the greater of (1) 100% of the principal amount of the Notes to be redeemed and (2) a "make-whole" amount, plus in each case accrued and unpaid interest to the redemption date, as described under "Description of the Notes-Optional Redemption."
Certain Covenants	<p>The Indenture governing the Notes limits what we may do. The Indenture limits our ability to, among other things:</p> <ul style="list-style-type: none">• incur additional indebtedness;• permit our Subsidiaries to create or permit to exist any restriction on the ability of any Subsidiary to pay dividends or pay indebtedness owed to us or any Subsidiary Guarantor;• permit our Subsidiaries that are not Subsidiary Guarantors to guarantee

indebtedness of the Company or any Subsidiary Guarantor;

- transfer any property or assets to the Company or any Subsidiary Guarantor;
- create liens;
- consolidate, merge or sell or transfer assets;
- engage in transactions with affiliates; and
- change the types of business that we are engaged in.

If (i) the Notes obtain investment grade ratings from at least two Rating Agencies (as defined in "Description of the Notes") and (ii) at the time the Notes have achieved investment grade ratings from at least two Rating Agencies no event of default has occurred and is continuing, the foregoing covenants will cease to be in effect (with the exception of covenants that contain limitations on liens, limitations on changes in conduct of business, and limitations on, among other things, certain consolidations, mergers and transfers of assets) for so long as each of the two Rating Agencies maintains its investment grade rating.

Change of Control

For a discussion of certain events that will permit each holder of Notes to require that we purchase all or a portion of the holder's Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon through the date of purchase, see "Description of Notes—Change of Control."

Events of Default

For a discussion of certain events of default that will permit acceleration of the principal of the Notes plus accrued interest, and any other amounts due with respect to the Notes, see "Description of Notes—Events of Default."

Additional Amounts

All payments by us in respect of the Notes, whether of principal or interest, will be made without withholding or deduction for or on account of any Peruvian taxes, unless required by law, in which case, subject to specified exceptions and limitations, we will pay such additional amounts as may be required so that the net amount received by the holders of the Notes in respect of principal, interest or other payments on the Notes, after any such withholding or deduction, will not be less than the amount that would have been received in the absence of any such withholding or deduction. See "Description of Notes—Additional Amounts."

Redemption for Changes in Peruvian Withholding Taxes

In the event that, as a result of certain changes in Peruvian tax laws applicable to payments under the Notes, we become obligated to pay additional amounts under the Notes, in excess of those attributable to a Peruvian withholding tax rate of 4.99%, the Notes will be redeemable, in whole but not in part, at our option, at any time upon notice, at 100% of their principal amount plus accrued and unpaid interest and any additional amounts due thereon. See "Description of Notes—Additional Amounts."

Book Entry; Form and Denominations

The Notes will be issued in the form of one or more global notes without coupons, registered in the name of a nominee of DTC, as depositary, for the accounts of its participants including Euroclear, and Clearstream. The Notes will be issued in minimum denominations of US\$2,000 and integral

multiples of US\$1,000 in excess thereof. See "Description of Notes."

Listing and Trading

We expect the Notes will be eligible for trading on the Euro MTF market of the Luxembourg Stock Exchange. Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market of the Luxembourg Stock Exchange.

Transfer Restrictions

We have not registered the Notes under the Securities Act. The Notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See "Transfer Restrictions."

Use of Proceeds

The estimated net proceeds from the sale of the Notes, after payment of applicable fees and expenses, are expected to be approximately US\$317 million. The Company intends to use the net proceeds from the sale of Notes (i) to prepay principal and accrued interest on five different bonds issued in the Peruvian market in Nuevos Soles and US dollars in an aggregate amount of S/.168,410,000 and US\$40,000,000, respectively, (ii) to prepay certain swap agreements entered into to hedge the exposure of the Company to the variation of interest rate on two syndicated loans in an aggregate amount of approximately US\$2.5 million, (iii) to prepay approximately S/.241.1 million (US\$87 million) in short-term debt that was used as part of our capital expenditures plan for 2011, and (iv) for general corporate purposes. The five bonds we intend to prepay are S/.81,690,000 6.75% notes due 2018, S/.56,720,000 8.53% notes due 2018, S/.30,000,000 7.25% notes due 2014, and US\$20,000,000 7.03% notes due 2014 and US\$20,000,000 7.72% notes due 2020 and applicable penalties and any other payments related thereto. See "Use of Proceeds."

Risk Factors

Investing in the Notes involves certain risks. See "Risk Factors."

Governing Law

State of New York.

Trustee, Registrar and Paying Agent

Citibank, N.A.

Luxembourg Listing Agent and Luxembourg Paying Agent and Transfer Agent

Dexia Banque Internationale à Luxembourg.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA

The following table sets forth our summary consolidated financial data for each of the periods presented. The selected financial data set forth below as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010 have been derived from our audited Consolidated Financial Statements and notes thereto included elsewhere in this Offering Memorandum. The selected financial data as of September 30, 2011, and for the nine-month periods ended September 30, 2010 and 2011, have been derived from our unaudited Consolidated Financial Statements and notes thereto included elsewhere in this Offering Memorandum. This information should be read in conjunction with the sections entitled "Presentation of Financial Information and Other Information," "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The exchange rate used in converting Nuevos Soles into US dollars solely for the convenience of the reader included in the following charts is determined by reference to the interbank buying exchange rate on September 30, 2011, which was 2.772 Nuevos Soles per US dollar. The exchange rate conversions contained in this Offering Memorandum should not be construed as representations that the Nuevos Soles amounts actually represent the US dollar amounts presented or that they could be converted into US dollars at the rate indicated.

Our consolidated financial statements have been prepared in accordance with Peruvian GAAP, which differs in certain respects from IFRS and US GAAP. For a description of certain significant differences among Peruvian GAAP, IFRS and US GAAP, see "Description of Certain Differences between Peruvian GAAP and IFRS, and Peruvian GAAP and US GAAP."

	Nine Months Ended September 30,			Year Ended December 31,			
	2010	2011	2011	2008	2009	2010	2010
	(S/.)	(S/.)	(US\$)	(S/.)	(S/.)	(S/.)	(US\$)
	(in millions)						
Income Statement Data:							
Net sales	1,116.9	1,271.0	458.5	1,258.4	1,428.8	1,538.1	554.9
Other operating income	62.3	52.2	18.8	43.4	54.4	69.2	25.0
Costs of sales	(790.8)	(934.9)	(337.3)	(867.6)	(989.8)	(1,089.6)	(393.1)
Gross profit	388.4	388.3	140.1	434.3	493.3	517.6	186.7
Selling expenses	(187.9)	(221.1)	(79.8)	(207.3)	(235.3)	(257.3)	(92.8)
Administrative expenses	(47.2)	(51.3)	(18.5)	(52.0)	(60.7)	(65.5)	(23.6)
Other expenses	(70.1)	(46.5)	16.8	(68.1)	(81.1)	(94.4)	(34.1)
Operating income	83.2	69.3	25.0	106.9	116.2	100.4	36.2
Financial income	22.4	25.1	9.0	36.1	44.7	25.9	9.3
Financial expenses	(36.3)	(48.4)	(17.5)	(75.5)	(52.6)	(54.9)	(19.8)
Loss from derivative financial instruments	(3.8)	(6.8)	(2.4)	(9.7)	(0.6)	(1.5)	(0.5)
Income before income tax	65.6	39.2	14.2	57.8	107.7	70.0	25.3
Income taxes	(23.0)	(21.6)	(7.8)	(28.1)	(45.5)	(32.3)	(11.7)
Net income	42.6	17.6	6.4	29.6	62.2	37.7	13.6

	As of September 30,		As of December 31,		
	2011	2011	2009	2010	2010
	(S/.)	(US\$)	(S/.)	(S/.)	(US\$)
	(in millions)				
Balance Sheet Data:					
Cash and cash equivalents	29.5	10.6	35.4	42.4	15.3
Trade accounts receivable, net	138.3	49.9	71.8	96.7	34.9
Accounts receivable from related parties	70.6	25.5	44.5	71.3	25.7
Current portion of other accounts receivable, net	36.7	13.2	33.2	63.5	22.9
Inventories, net	224.1	80.7	147.3	204.8	73.9
Total current assets	503.7	181.7	333.7	480.3	173.3
Total assets	1,753.5	632.6	1,311.4	1,573.2	567.5
Short-term debt ⁽¹⁾	291.0	105.0	92.6	129.2	46.6
Trade accounts payable	223.7	80.7	154.7	228.7	82.5
Accounts payable to related parties	78.6	28.4	26.4	72.2	26.0
Other accounts payable	137.8	49.7	103.8	114.9	41.5
Total current liabilities	741.7	267.6	408.1	556.8	200.9
Long-term debt	381.7	137.7	343.7	398.0	143.6
Total liabilities	1,156.0	417.0	783.5	987.1	356.1
Majority stockholders' equity	596.9	215.3	527.4	585.5	211.2
Minority stockholders' equity	0.7	0.2	0.5	0.7	0.3
Total stockholders' equity	597.5	215.6	527.9	586.2	211.5

	Nine Months Ended September 30,			Year Ended December 31,			
	2010	2011	2011	2008	2009	2010	2010
	(S/.)	(S/.)	(US\$)	(S/.)	(S/.)	(S/.)	(US\$)
	(in millions except for ratios or percentages)						
Other Financial Information:							
Adjusted EBITDA ⁽²⁾	184.6	183.5	66.2	229.1	252.4	250.5	90.4
Total debt ⁽⁴⁾	538.2	672.7	242.7	354.6	436.3	527.1	190.2
Net debt ⁽⁵⁾	507.7	643.2	232.0	333.2	400.9	484.8	174.9
CAPEX ⁽⁶⁾	197.2	249.9	90.2	176.0	219.1	276.9	99.9
Working capital ⁽⁷⁾	(56.8)	(238.1)	(85.9)	(110.2)	(74.4)	(76.6)	(27.6)
Cash flow from operations	32.0	79.1	28.5	166.8	135.9	142.9	51.6
Cash flow from investing activities	(76.5)	(164.0)	(59.2)	(155.0)	(134.7)	(120.9)	(43.6)
Cash flow from financing activities	39.5	72.0	26.0	(20.9)	12.8	(15.1)	(5.4)
Cash flow ⁽⁸⁾	30.5	29.5	10.6	21.4	35.4	42.4	15.3
Adjusted EBITDA margin ^{(2) (9)}	16.5%	14.4%		18.2%	17.7%	16.3%	
Total debt/LTM Adjusted EBITDA ⁽²⁾⁽³⁾⁽⁴⁾	2.00	2.70		1.55	1.73	2.10	
Net debt/Adjusted EBITDA ⁽⁵⁾	1.89	2.58		1.45	1.59	1.93	
Interest coverage ratio ⁽¹⁰⁾	7.07	6.04		6.85	6.96	6.03	

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2011	2008	2009	2010
	(in millions)				
Other Data					
Unit cases sold.....	172.1	190.4	211.0	227.2	236.5

- (1) Includes financial obligations and current portion of long-term debt.
- (2) Adjusted EBITDA represents net income plus (i) income tax, (ii) loss/gains from derivative financial instruments, (iii) net financial expense/income, (iv) other expenses, (v) employee participation and (vi) depreciation from cost of sales, administrative expenses and selling expenses and amortization, minus (vi) other operating income (excluding contributions from The Coca-Cola Company and sales of returnable bottles). Adjusted EBITDA is not a financial measure under Peruvian GAAP or IFRS. Adjusted EBITDA is included in this Offering Memorandum because we believe certain investors may consider this useful as an additional measure of our financial performance and ability to service our debt and fund capital expenditures. Adjusted EBITDA is not and should not be considered as substitute for net income, cash flow provided by operations or other measures of financial performance or liquidity under Peruvian GAAP or IFRS. Because Adjusted EBITDA is neither a Peruvian GAAP nor IFRS measure and not all companies calculate EBITDA in the same manner, our presentation of Adjusted EBITDA may not be comparable to other EBITDA, adjusted EBITDA or similarly titled measures reported by other companies. Reconciliation of Adjusted EBITDA is as follows:

	Nine Months Ended September 30,			Year Ended December 31,			
	2010	2011	2011	2008	2009	2010	2010
	(S/.)	(S/.)	(US\$)	(S/.)	(S/.)	(S/.)	(US\$)
	(in millions)						
Net income	42.6	17.6	6.4	29.6	62.2	37.7	13.6
Income tax	23.0	21.6	7.8	28.1	45.5	32.3	11.7
Loss/gains from derivative financial instruments.....	3.8	6.8	2.4	9.7	0.6	1.5	0.5
Net financial expense/income	13.8	23.3	8.4	39.4	7.9	29.0	10.5
Plus: other expenses	70.1	46.6	16.8	68.1	81.1	94.4	34.1
Less: other operating income (excluding contributions from The Coca-Cola Company and sales of returnable bottles)	41.7	21.0	7.6	(21.5)	(30.1)	(43.6)	(15.7)
Plus: employee participation	6.9	10.9	3.9	12.1	16.0	10.8	3.9
Plus: depreciation from cost of sales, administrative expenses and selling expenses	64.5	77.3	27.9	62.2	67.7	86.3	31.1
Plus: amortization.....	1.6	0.9	0.3	1.4	1.6	2.1	0.8
Adjusted EBITDA.....	<u>184.6</u>	<u>184.0</u>	<u>66.4</u>	<u>229.1</u>	<u>252.4</u>	<u>250.5</u>	<u>90.4</u>

- (3) Results of operations for the nine-month period ended September 30, 2011, are not necessarily indicative of results of operations to be expected for the full year 2011 or any other period.
- (4) Total debt represents the sum of short-term and long-term debt.
- (5) Net debt represents total debt less cash and cash equivalents. Net debt is not a financial measure under Peruvian GAAP or IFRS. Net debt is included in this Offering Memorandum because we believe certain investors may consider this useful as an additional measure of our financial performance and ability to service our debt and fund capital expenditures. Net debt is not and should not be considered as substitute for net income, cash flow provided by operations or other measures of financial performance or liquidity under Peruvian GAAP or IFRS. Because net debt is neither a Peruvian GAAP nor IFRS measure and not all companies calculate net debt in the same manner, our presentation of net debt may not be comparable to other similarly titled measures reported by other companies. Reconciliation of net debt is as follows:

	Nine Months Ended September 30,		Year Ended December 31,		
	2011 (S/.)	2011 (US\$)	2009 (S/.)	2010 (S/.)	2010 (US\$)
			(in millions)		
Long-term debt.....	381.7	137.7	343.7	398.0	143.6
Plus: short-term debt	291.0	105.0	92.6	129.2	46.6
Total debt.....	672.7	242.7	436.3	527.1	190.2
Less: Cash and cash equivalents ...	29.5	10.6	35.4	42.4	15.3
Net debt	643.2	232.0	400.9	484.8	174.9

- (6) CAPEX means investments in fixed assets and capital expenditure.
- (7) Working capital is current assets minus current liabilities.
- (8) Cash flow is the sum of (i) cash flow from operations, (ii) cash flow from investing activities, (iii) cash flow from financing activities and (iv) cash and cash equivalent at the beginning of the period.
- (9) Adjusted EBITDA margin is the ratio of Adjusted EBITDA to net sales.
- (10) Interest coverage ratio is the ratio of Adjusted EBITDA to interest and expenses from long-term financial obligations, loans and others.

RISK FACTORS

The following section does not describe all the risks of an investment in the Notes, but describes the principal perceived risks from an investment in the Notes. Before making any investment decision, prospective investors should carefully read this Offering Memorandum in its entirety, including the risk factors set forth below. The order of presentation of the risk factors below does not indicate the likelihood or the scope of any potential impairment that these risks might cause to the Company's business. These risks could occur individually or cumulatively, if at all.

Risks Related to Our Company

Our business depends on our relationship with The Coca-Cola Company and adverse changes in this relationship may adversely affect our results of operations and financial condition.

Substantially all of our sales volume in 2010 and the nine-month period ended September 30, 2011, were derived from sales of trademarked products of The Coca-Cola Company. Through standard bottler agreements, we are currently the only authorized bottler to produce, bottle, market, distribute and sell the trademarked products of The Coca-Cola Company in the specific containers that we are authorized to distribute in Peru. Pursuant to our bottler agreements with The Coca-Cola Company and as the second largest shareholder of Lindley, The Coca-Cola Company has the ability to exercise substantial influence over the conduct of our business.

Pursuant to our bottler agreements with The Coca-Cola Company, The Coca-Cola Company has the right to approve our suppliers of certain packaging and other raw materials and may unilaterally set the price paid by Lindley for the concentrate used in the production process of trademarked products of The Coca-Cola Company, including carbonated soft drinks and fruit juice based beverages ("Concentrate"). The Coca-Cola Company's right to set our Concentrate prices could give The Coca-Cola Company considerable influence over our profit margins and the result of our operations. We cannot assure you that The Coca-Cola Company's objective to maximize revenues from sale of Concentrates will in all cases be fully aligned with our objective to generate profitable volume growth.

We depend on The Coca-Cola Company to renew our bottler agreements. As of the date of this Offering Memorandum, all of our bottler agreements have a term of five years and are set to expire on April 30, 2015, renewable for another five-year term, at The Coca-Cola Company's sole discretion, subject to the fulfillment of certain conditions. No assurances can be made that The Coca-Cola Company will renew any of these agreements or that the conditions for renewal specified therein will be fulfilled by us. Moreover, these agreements generally may be terminated in the case of material breach or in the event of a change of control of Lindley (in each case, as defined in the specific bottler agreement). Termination would prevent us from selling trademarked products of The Coca-Cola Company in Peru and would have an adverse effect on our business, results of operation, financial condition and ability to repay the Notes. The bottler agreements also prevent us from distributing The Coca-Cola Company products outside Peru without prior authorization of The Coca-Cola Company. In addition, we are prohibited from bottling or distributing any other beverages without The Coca-Cola Company's authorization or consent, and we may not transfer the bottler rights without the prior consent of The Coca-Cola Company.

We prepare an annual general business plan, which is submitted to our board of directors for approval. The Coca-Cola Company, which appoints three out of eight members of our board of directors, may require that we demonstrate our financial ability to meet our business plan. In addition, the commercial and marketing teams of Lindley and The Coca-Cola Company, acting through its wholly owned subsidiary Coca-Cola Servicios del Perú S.A., work together to develop and implement the marketing strategies for the sale of trademarked products of The Coca-Cola Company. The Coca-Cola Company, acting through its wholly owned subsidiary Coca-Cola Servicios del Perú S.A., also makes significant contributions to our marketing expenses, although it is not required to contribute a particular amount and may discontinue or reduce such contributions at any time. No assurances can be made that The Coca-Cola Company will continue to assist us with the development and implementation of our marketing strategies or that they will continue to contribute to our marketing expenses in the future.

We cannot assure you that there will be no changes to our relationship with The Coca-Cola Company in the future. In the event there is an adverse change in our relationship with The Coca-Cola Company, such change may have a material adverse affect on our business, results of operation, financial condition and ability to repay the Notes.

The Coca-Cola Company may produce, bottle and distribute Coca-Cola trademarked products in Peru, directly or through third parties, provided that the combination of beverages and containers used are different from those authorized for our use under our bottler agreements. This could result in direct competition with our products and could have a material adverse affect on our results of operations and financial condition.

Under our bottler agreements, The Coca-Cola Company reserves the right to produce, bottle, distribute and sell directly or through third parties Coca-Cola trademarked products within Peru; provided that, it may not produce, bottle, distribute or sell, directly or through third parties, Coca-Cola trademarked products in Peru using the same combination of beverages and containers as those authorized for our use under our bottler agreements. We can provide no assurance that The Coca-Cola Company will not enter into bottler agreements with other parties to service the same markets in which the Company currently operates. In the event that The Coca-Cola Company produces, bottles, or distributes Coca-Cola trademarked products in Peru, directly or through third parties, this could result in direct competition with our products and could have a material adverse affect on our business, results of operation, financial condition and ability to repay the Notes.

The Lindley Group and The Coca-Cola Company have substantial influence on the conduct of our business, which may result in us taking actions contrary to the interests of holders of the Notes.

The Lindley Group and The Coca-Cola Company have substantial influence on the conduct of our business. The Lindley Group owns 53.12% of the Company, and has the right to appoint five out of the eight members of our board and the Chief Executive Officer. The Coca-Cola Company, through its wholly-owned subsidiary Peru Beverage Limitada S.R.L., is the second largest shareholder of Lindley with 38.52% of the shares of the Company. This allows The Coca-Cola Company to appoint the remaining three of the eight members of our board of directors and the Chief Financial Officer. The Lindley Group and The Coca-Cola Company together, or the Lindley Group acting alone in certain circumstances, have the power to determine the outcome of all actions requiring approval by our board of directors, and the Lindley Group and The Coca-Cola Company together, or the Lindley Group acting alone in certain circumstances, have the power to determine the outcome of all actions requiring approval of our shareholders. The interests of the Lindley Group and The Coca-Cola Company may be different from the interests of creditors, including holders of the Notes, which may result in us taking actions contrary to the interests of holders of the Notes.

We have significant transactions with affiliates, particularly The Coca-Cola Company, which may create the potential for conflicts of interest and could result in less favorable terms to us.

We engage in transactions with various affiliates, including The Coca-Cola Company and its subsidiaries. We are a party to a number of bottler agreements with The Coca-Cola Company and its affiliates. We purchase all of our Concentrate requirements for trademarked products of The Coca-Cola Company from The Coca-Cola Company. The total costs for Concentrate incurred by us were approximately S/.350.7 million, S/.333.0 million and S/.290.0 million for the years of 2010, 2009 and 2008, respectively. In addition, as of September 30, 2011, we have granted a loan to Latin America Finance LLC ("Latin America Finance"), a company owned by the Lindley Group, in US dollars in an amount equal to S/.39.3 million, in order to finance the acquisition of shares of Construcciones e Inmuebles Pucusana S.A.C., a Peruvian corporation that owns approximately 66.7 hectares of land located 50 kilometers south of Lima. Our transactions with related parties may create the potential for conflicts of interest, which could result in terms less favorable to us than could be obtained from an unaffiliated third party. See "Related Party Transactions."

Our success depends in part on The Coca-Cola Company's success in marketing and product development activities.

We derive the majority of our revenues from the production, sale and distribution of the trademarked beverages of The Coca-Cola Company. Historically, we and The Coca-Cola Company, acting through its wholly-

owned subsidiary Coca-Cola Servicios del Perú S.A., have jointly prepared marketing plans and have generally agreed to divide marketing expenses equally between us. In addition, The Coca-Cola Company, acting through its wholly owned subsidiary Coca-Cola Servicios del Perú S.A., has historically made contributions to certain product development activities, however, they are under no obligation to continue to do so or to continue to make the same level of contributions made in the past. If The Coca-Cola Company were to reduce its marketing activities, reduce the amounts of marketing expenses it pays or reduce the level of its contributions to certain product developments activities, these reductions could lead to decreased consumption of trademarked beverages of The Coca-Cola Company in Peru. This may lead to a decline in our share of the non-alcoholic beverages market and sales volume and adversely affect our growth prospects.

We depend on The Coca-Cola Company to protect its trademarks.

Brand recognition is critical in attracting consumers to our products. The Coca-Cola Company owns the trademarks of all of its products that we produce, distribute and sell. We rely on The Coca-Cola Company to protect its trademarks in Peru. If The Coca-Cola Company fails to protect its proprietary rights against infringement or misappropriation, this could undermine the competitive position of the products of The Coca-Cola Company and could lead to a significant decrease in the volume of products of The Coca-Cola Company that we sell. Since trademarked beverages of The Coca-Cola Company represent substantially all of our total sales volume, this would materially and adversely affect our results of operations.

Competition could adversely affect our financial performance.

The non-alcoholic beverage industry in Peru is highly competitive. We face competition from other bottlers of carbonated soft drinks such as Pepsi products, as well as from producers and bottlers of low-cost carbonated soft drinks. We also compete in beverage categories other than the carbonated soft drinks category, such as bottled water, fruit-juice based beverages, isotonic and energy drinks.

In the CSD category, we compete with the bottler of Pepsico products as well as face intense price competition from local producers of non-premium brands or "B brands," which typically produce, market and sell carbonated soft drinks at prices below ours. In this category, our principal competitors are local bottler Ajegroup S.A., a Peruvian bottler with operations in the Americas, Southeast Asia and India, and Compañía Cervecería Ambev Peru S.A.C., the local subsidiary of InBev, the authorized bottler of Pepsico products in Peru. In the bottled water category, our principal competitors are Ajegroup S.A. and Union de Cervecerías Peruanas Backus y Johnston S.A.A., the local subsidiary of SAB Miller. In the fruit-juice based beverage category, our principal competitors are Ajegroup S.A. and local group Gloria S.A. In the isotonic category, our main competitors are Ajegroup S.A. and Pepsico, and in the energy drink category, our main competitor is Compañía Cervecería Ambev Peru S.A.C. See "Description of the Company – Competition and Market Position."

Although competitive conditions are different in each of our products' categories, we compete principally on price, packaging, consumer sales promotions, customer service and product innovation. See "Description of the Company – Competition and Market Position." There can be no assurances that we will be able to avoid lower pricing as a result of competitive pressure. Lower pricing, changes made in response to competition and changes in consumer preferences may have an adverse effect on our financial performance.

Changes in consumer preference as a result of environmental and health concerns could reduce demand for some of our products.

The non-alcoholic beverage industry is rapidly evolving as a result of, among other things, changes in consumer preferences. Dietary guidelines, health advocates and researchers are encouraging consumers to reduce their consumption of certain types of beverages sweetened with sugar and high fructose corn syrup, which could reduce demand for certain of our products. A reduction in consumer demand would adversely affect our results of operations. In addition, consumers are becoming increasingly more aware of and concerned about environmental issues. Concerns over the environmental impact of plastic may reduce the consumption of our products sold in plastic bottles or result in additional taxes that would adversely affect consumer demand and therefore may have a material adverse effect on our business, results of operation, financial condition and ability to repay the Notes.

Water shortages or any failure to maintain existing licenses for water rights could adversely affect our business.

Water is an essential component of all of our products. We obtain the vast majority of the water used in our production pursuant to licenses granted to us by the Peruvian Water National Authority (*Autoridad Nacional de Agua*) ("ANA") to exploit wells owned by us, which are generally granted based on studies of the existing and projected groundwater supply. These licenses generally do not have an expiration date.

Water rights, including licenses, may be terminated by government authorities or courts under certain circumstances, including: (i) titleholder's resignation; (ii) nullification of the resolution approving the corresponding permit, authorization and/or license, declared by the ANA based on certain infringements to the Law of Water Resources ("LWR"), Law No. 29338 and its regulations enacted by Supreme Decree 001-2010-AG; or (iii) failure to pay applicable water rights fee. According to Peruvian law, authorities may grant temporary water rights, as well as rights for indefinite periods such as those licenses granted to Lindley as of the date hereof, subject to the compliance of certain legal conditions related to the permitted use of the water. Peruvian law establishes that water rights must be used efficiently without adversely affecting its quality or the environment, and taking into account primary use (such as water for food preparation, human direct consumption, agricultural activities and personal hygiene) and rights for the use of water previously granted.

The available water supply may be adversely affected by shortages or changes in governmental regulations. We cannot assure you that water will be available in sufficient quantities to meet our future production needs or will prove sufficient to meet our water supply needs. In addition, we cannot assure you that our existing licenses related to water rights will be maintained. If our water supply is reduced, this could adversely affect our business, results of operation, financial condition and ability to repay the Notes. See "Description of the Company – Regulation – Water Supply Law."

Increases in the prices and shortages in the availability of the most significant raw materials used by Lindley in the bottling process would increase our cost of goods sold and may adversely affect our results of operations.

The most significant raw materials used in our bottling process are (i) Concentrate, which we acquire from affiliates of The Coca-Cola Company, (ii) sugar, (iii) resin, which is used to produce plastic bottles and polyethylene terephthalate ("PET") preforms, (iv) treated water, and (v) carbon dioxide. Prices for Concentrate are established by The Coca-Cola Company and are usually determined based on our revenue in local currency. Such prices are determined by The Coca-Cola Company pursuant to the bottler agreements, and may vary from time to time at The Coca-Cola Company's discretion. The prices for our remaining raw materials are driven by market prices and local availability as well as fluctuations in exchange rates and the imposition of import duties in the case of sugar. In addition, we are required to meet all of our supply needs from suppliers approved by The Coca-Cola Company, which may limit the number of suppliers available to us. Our sales prices are denominated in Nuevos Soles, while the prices of certain raw materials, including those used in the bottling of our products and sugar, are paid in or determined with reference to the US dollar, and therefore may increase if the US dollar appreciates against the Nuevo Sol.

We purchase sugar domestically and internationally (from sugar mills approved by The Coca-Cola Company) under long term supply contracts where the prices are set based on the London commodity market. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Quantitative and Qualitative Disclosure about Market Risk - Commodity Price Risk." Additionally increases in sugar prices may occur in the event that import duties or import restrictions on sugar are imposed. Because sugar prices are volatile, we use derivative products to partially hedge risks relating to an increase in sugar prices. The average price of sugar paid by Lindley in 2009 and 2010, net of any costs derived from the derivative agreements entered into during those years and including any premium paid to the sugar mills and cost of transportation, was approximately US\$386.6 per ton and US\$540.5 per ton, respectively, while the average price of sugar based on the London commodity market has been approximately US\$507.5 per ton and US\$614.7 per ton for 2009 and 2010, respectively. The average price of sugar paid by Lindley in the nine-month periods ended September 30, 2010 and 2011, net of any costs derived from the derivative agreements entered into during such corresponding periods and including any premium paid to the sugar mills and cost of transportation, was approximately US\$613 per ton and US\$668 per ton, respectively, while the average price of sugar based on the London commodity market has been approximately US\$574 per ton and US\$723 per ton for the nine-month periods ended September 30, 2010 and 2011, respectively.

In the case of resin, used for the production of plastic bottles and PET preforms, the prices are tied to crude oil prices and global resin supply. See "Description of the Company – Production – Raw Materials."

We cannot assure you that prices of our raw material will not further increase in the future. Increases in the prices of raw materials, or an adverse change in their availability or in the availability of suppliers that meet the standard of The Coca-Cola Company, would increase our cost of goods sold and could adversely affect our financial performance.

Changes in tax law and regulation could adversely affect our business.

Peru may adopt new tax laws or modify existing laws to increase taxes applicable to our business. For example, an increase in the value added tax ("VAT") or the Specific Consumption Tax (*Impuesto Selectivo al Consumo*) rate might affect demand for, and consumption of, our products and, consequently, our financial performance. As of the date of this Offering Memorandum, the rate for VAT is 18% and the rate for the Specific Consumption Tax ("ISC") is 17% for all of our products except for fruit-juice based beverages and bottled water, which are not taxed with ISC.

We cannot assure you that Peru will not impose new taxes or increase taxes on our products in the future. The imposition of new taxes or increases in taxes on our products may have a material adverse effect on our business, results of operation, financial condition and ability to repay the Notes.

Environmental regulation may adversely affect our business.

We are subject to a broad range of environmental laws and regulations which require us to incur costs and capital expenditures on an ongoing basis and expose us to substantial liabilities in the event of non-compliance. These laws and regulations also require us to obtain and maintain environmental permits, licenses and authorizations for the construction of new facilities or the installation and operation of new equipment required for our activities. Such permits, licenses and authorizations are subject to periodic renewal. In this regard government environmental agencies could take enforcement actions against us for any failure to comply with applicable laws and regulations. Such enforcement actions could include the imposition of fines, revocation of permits, licenses and authorizations, suspension of operations or imposition of criminal liability for non-compliance.

In addition, any change to environmental regulations will likely include environmental compliance costs. Compliance with new or modified environmental regulations could require us to make significant capital investments in additional pollution controls or process modifications. These expenditures may not be recoverable and may consequently divert funds away from planned investments in a manner that could adversely affect our business, results of operation, financial condition and ability to repay the Notes. See "Description of the Company – Regulation – Environmental Matters."

Changes in regulation or the interpretation of regulations may adversely affect our business, financial condition and result of operations.

We are subject to extensive regulation in Peru, including, among others, relating to environmental, labor, health, tax and antitrust, compliance with which may require us to incur costs and capital expenditures on an ongoing basis. Such regulations may require us to obtain and maintain authorizations, permits and licenses for, among other things, the construction of new facilities, the installation and operation of new equipment used in our operations. Such authorizations, permits and licenses may be subject to periodic renewal and challenge from third parties. In this regard regulatory agencies may take enforcement actions against us for any failure to comply with applicable laws and regulations. Such enforcement actions could include the imposition of fines, revocation of licenses, suspension of operations or imposition of criminal liability for non-compliance.

In addition, the adoption of new laws or regulations or a stricter interpretation or enforcement thereof may increase our operating costs or impose restrictions on our operations which, in turn, may adversely affect our business, results of operation, financial condition and ability to repay the Notes. Further changes in current regulations may result in an increase in compliance costs, and could require us to make significant capital

investments. These expenditures may not be recoverable and may consequently divert funds away from planned investments in a manner that could adversely affect our business, results of operation, financial condition and ability to repay the Notes.

Our facilities are located near known earthquake fault zones and the occurrence of an earthquake or other natural disasters and accidents or other similar events could cause damage to our facilities and equipment which could require us to cease or curtail operations.

Peru has experienced severe earthquakes in the past, which have caused significant damages to buildings and to the country's infrastructure, interrupting commerce. Most recently, in 2007 an earthquake measuring 7.5 on the Richter scale affected a large zone on the coast of Peru near the region of Ica, approximately 250 km south of Lima. All of our plants are located in Peru and could be adversely affected or disrupted by an earthquake or other natural disasters.

We are also vulnerable to damage from other types of natural disasters, including fires, floods, severe weather and other events that could interrupt our business such as power losses, industrial accidents. There can be no assurance that such events or natural disasters may not occur in the future and, if they do occur, that our manufacturing ability and capacity would not be materially and adversely impacted. In addition, our existing insurance policies may not be adequate to cover all of our losses resulting from such disasters or other business interruptions.

Our facilities may also be subject to mechanical failure and equipment shutdowns. In such situations, undamaged manufacturing units may be dependent on or interact with damaged sections of our facilities and, accordingly, are also subject to being shut down. If such events occur, our manufacturing capacity may be materially and adversely impacted. In the event that we are forced to shut down any of our manufacturing facilities for a significant period of time, it would have a material adverse effect on our business, results of operation, financial condition and ability to repay the Notes.

We also require power for our manufacturing facilities. Industrial accidents, natural disasters or other factors may affect our ability to procure the necessary power to operate our manufacturing facilities. This could have a material adverse effect on our business, results of operation, financial condition and ability to repay the Notes.

The changes in Peruvian GAAP for conversion into IFRS and the requirement for the release of IFRS financial statements may adversely impact our financial results.

The enactment of Resolution No. 044-2010-EF-94 by the CNC and Resolution No. 102-2010-EF/94.01.1 by CONASEV (now, the SMV), required the adoption by Peruvian companies of IFRS. The new accounting standards may impact our individual and consolidated financial results, because of the changes in, among others, treatment of returnable bottles, combination of businesses, fixed assets, valuation, financing costs and deferred taxes. In addition, we are required to release our first set of consolidated financial statements in compliance with IFRS as of and for the year ending December 31, 2011. Further changes in the accounting standards or new accounting standards and the application of IFRS may have a significant impact on our financial statements, with possible effects on our accounting results.

Climatic events such as El Niño or La Niña could reduce demand for some of our products.

Our sales levels generally increase during the warmer months. Peru's three main geographic regions, the coast, the mountains and the jungle, have different seasons of warm temperatures. The periods for warm weather in the coast are usually January, February and March, while July and August are usually the warmer months in the mountains and in the jungle. Unseasonably cool weather and climatic events that affect typical weather patterns such as *El Niño* or *La Niña*, may reduce the warmer periods and as a consequence adversely affect our sales volume in the CSD and bottled water categories.

A dispute with one or more of our labor unions could have an adverse effect on our results of operations.

As of September 30, 2011, approximately 30.5% of our employees were affiliated with at least one of the five unions represented within our Company. Work slowdowns, stoppages, strikes or other labor-related developments affecting us could have an adverse effect on our business, implementation of potential headcount reductions, results of operation, financial condition and ability to repay the Notes. See "Description of the Company—Employees."

Risks Related to Peru

Economic conditions in Peru could adversely affect our operations.

All of our operations and customers are located in Peru. As a result, our business, financial position and results of operations are dependent upon the condition of the Peruvian economy, including price instability, inflation, interest rates, regulation, taxation, social instability, political unrest and other developments in or affecting Peru, over which we have no control.

Our business is significantly dependent upon our customers' purchasing power. Declining economic activity in the Peruvian economy, the devaluation of the Nuevo Sol and increases in inflation or domestic interest rates may reduce our customers' ability to purchase our products. In the past, Peru has experienced periods of weak economic activity and deterioration in economic conditions. We cannot assure you that such conditions will not return or that such conditions will not have a material and adverse effect on our business, results of operation, financial condition and ability to repay the Notes.

Political developments in Peru could adversely affect our operations.

Our financial condition and results of operations may be adversely affected by changes in Peru's political climate to the extent that such changes affect the nation's economic policies, growth, stability, outlook or regulatory environment.

Presidential elections in Peru occur every five years, and the most recent election occurred on June 5, 2011. Ollanta Humala, a leftist former army officer, won and took office as President on July 28, 2011. The election of President Humala caused a climate of political and economic uncertainty. The new administration has recently ratified Mr. Julio Velarde as president of the Peruvian Central Bank who served in the same position under the previous administration. In addition, President Humala has appointed Mr. Luis Castilla, former Vice-Minister of Treasury under the previous administration, as Minister of Economy and Finance. We cannot assure you the new administration will pursue similar economic policies to those implemented by the predecessor governments of Alejandro Toledo and Alan García, which promoted business-friendly and open-market economic policies. In addition, we cannot assure you that the new administration will not pursue significant changes in the country's economic policies and regulations, including tax increases, price controls, higher minimum wages and pension requirements, expropriations of private assets, and stricter environmental standards, among others. This could have a material adverse effect on our business, results of operation, financial condition and ability to repay the Notes.

In addition, because in the most recent election for congress, which occurred on April 10, 2011, no single party obtained a clear majority, government gridlock and political uncertainty may occur. We cannot provide any assurances that political or social developments in Peru, over which we have no control, will not have an adverse effect on Peru's economic situation and on our business, results of operation, financial condition and ability to repay the Notes.

A slowdown in the global economy could adversely affect our operations.

The extent to which the Peruvian economy is affected by a slowdown in the global economy and the rate of recovery of the global economy for such slowdown could affect the economic situation in Peru and have an adverse

effect on Lindley and its customers. The current global economic situation could lead to reduced economic activity among Peru's major trading partners, increased volatility as to the prices and demand of commodities and decrease demand for Peruvian exports which in turn may limit the growth of the Peruvian economy and adversely affect the disposable income of our customers. This could have a material adverse effect on our business, results of operations and financial condition.

Depreciation of the Nuevo Sol relative to the US dollar could adversely affect our financial condition and results of operations.

Depreciation of the Nuevo Sol relative to the US dollar increases the cost of some of the raw materials we acquire, the price of which is paid in or determined with reference to US dollars, and of our debt obligations denominated in US dollars and thereby may negatively affect our results of operations and financial position. In addition, the devaluation of Nuevo Sol against the US Dollar could increase our financial expenses and certain other operating costs, as well as adversely affect our ability to meet our foreign currency obligations. As a result, the devaluation of the Nuevo Sol against the US Dollar may reduce our ability to satisfy our debt service obligation, including those with respect to the Notes. As of September 30, 2011, the exchange rate was S/.2.772 to US\$1.00.

A devaluation of the Nuevo Sol against the US dollar could have a material adverse effect on our business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Quantitative and Qualitative Disclosure about Market Risk – Exchange Rate Risk."

The re-implementation of certain laws by the Peruvian government, most notably restrictive exchange rate policies, could have an adverse effect on our business, financial condition and results of operations.

Since 1991, the Peruvian economy has undergone a major transformation from a highly protected and regulated system to a free-market economy. During this period, protectionist and interventionist laws and policies have been gradually dismantled to create a liberal economy dominated by private sector and market forces. The Peruvian economy has, in general, responded well to this transformation, growing at an average annual rate of over 6.8% during the period from 1994 to 2010, according to the Peruvian Central Bank. Exchange controls and restrictions on remittances of profits, dividends and royalties have ceased. Prior to 1991, Peru exercised control over the foreign exchange markets by imposing multiple exchange rates and placing restrictions on the possession and use of foreign currencies. In 1991, the Fujimori administration eliminated all foreign exchange controls and unified exchange rates. Currently, foreign exchange rates are determined by market conditions, with regular operations by the Central Bank in the foreign exchange market in order to reduce volatility in the value of Peru's currency against the US dollar.

The Peruvian government may institute restrictive exchange rate policies in the future. Any such restrictive exchange rate policy could affect our ability to engage in foreign exchange activities, and could also have a material adverse effect on our business, results of operation, financial condition and ability to repay the Notes.

Inflation could adversely affect our financial condition and results of operations.

As a result of reforms begun in the early 1990s, Peruvian inflation has decreased significantly in recent years from triple-digit inflation during the 1980s. Over the five-year period ended on December 31, 2010, the Peruvian economy experienced annual inflation averaging approximately 2.8% per year as measured by the Peruvian Consumer Price Index. This index is calculated by the Instituto Nacional de Estadística e Informática (the National Institute of Statistics and Information, or "INEI") and it measures variations in prices of a selected group of goods and services typically consumed by Peruvian families. We cannot assure you, however, that inflation will remain at these levels.

The Peruvian Central Bank establishes a target inflation rate for each fiscal year and announces this target rate in order to shape market expectations. The target annual inflation rate since 2007 has been 2.0%, plus or minus 1.0%. If Peru experiences substantial inflation in the future, our costs may increase, and, if not accompanied by a corresponding increase in the price of our products, our operating and net margins may decrease, which may adversely affect our business and results of operations.

Inflationary pressures may also curtail our ability to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Peruvian economy. Our operating results and the value of our securities, including the Notes, may be adversely affected by higher inflation.

The imposition of price controls could adversely affect our financial condition and results of operations.

Statutory price controls have been imposed in Peru in the past, however, they have never affected any of the products we sell. Since 1990, no price controls have been imposed in Peru. We cannot assure you that Peru will not impose statutory price controls in the future. The imposition of price controls on our products may have an adverse effect on our results of operations and financial position.

The perception of higher risk in other countries, especially in emerging economies, may adversely affect the Peruvian economy, our business and the market price of Peruvian securities issued by Peruvian issuers, including the Notes.

Emerging markets like Peru are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Peru and adversely affect the price of the Notes. Moreover, financial turmoil in any important emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Peru and adversely affect the Peruvian economy in general, and the interest of investors in our Notes, in particular. We cannot assure you that investors' interest in Peru, and in our Notes, will not be adversely affected by events in other emerging markets or the global economy in general.

Risk Factors Relating to an Investment in the Notes

Our obligations under the Notes will be subordinated to certain statutory liabilities.

Under Peruvian bankruptcy law, our obligations under the Notes are subordinated to certain statutory preferences. In the event of our liquidation, such statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses related thereto, will have preference over any other claims, including claims by any investor in respect of the Notes.

The Notes will be effectively subordinated to our secured debt and certain claims preferred by statute.

The Notes will be unsecured unsubordinated obligations of the Company and will rank equal in right of payment with all of the other existing and future unsecured unsubordinated indebtedness of the Company. The payment of principal and interest on the Notes will be effectively subordinated in right of payment upon our bankruptcy to all of our secured indebtedness, which as of September 30, 2011, was S/.422.2 million (approximately US\$152.3 million). As of September 30, 2011, after giving pro forma effect to this offering and the application of a portion of the net proceeds to repay certain debt, including certain secured indebtedness, our secured indebtedness would be S/.185.5 million (approximately US\$66.9 million) all of which will be comprised of financial leases. If we become insolvent or are liquidated, or if payment in respect of our secured indebtedness is accelerated, our secured lenders will be entitled to exercise the remedies available to a secured lender under applicable law, in addition to any remedies that may be available under the financing arrangements relating to that secured indebtedness, and we cannot assure you that there will be sufficient assets remaining to pay amounts due on the Notes. As a result, you may receive less, ratably, than the lenders of our secured indebtedness.

Structural Subordination of the Notes

Claims of creditors of our wholly-owned subsidiary, La Selva, or any future subsidiary we may incorporate, including their trade creditors, banks and other lenders, will have priority over our creditors, including holders of the Notes, with respect to the assets and cash flow of La Selva. Any right of the Company to receive assets of any of its subsidiaries upon their liquidation or reorganization (and the consequent right of the holders of

Notes to participate in those assets) will be effectively subordinated to the claims of that subsidiary's creditors. See "Description of the Notes" for a description of the limitations on the Company's ability to incur indebtedness.

There is no existing market for the trading of the Notes, and we cannot assure you that you will be able to sell your Notes in the future.

There is no existing market for trading of the Notes, and we cannot assure you that in the future a market for the Notes will develop, or that you will be able to sell any Notes you have purchased, or that any such Notes may be sold for any particular price. Although application has been made for the Notes to be listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market, the Notes have not yet been listed nor accepted for trading and we cannot assure you that a trading market will develop. The initial purchasers have advised us that they currently intend to make a market in the Notes but they are not under any obligation to do so, and any market-making with respect to the Notes may be discontinued at any time without notice at the sole discretion of the initial purchasers.

In addition, trading or resale of the Notes (or beneficial interests therein) may be negatively affected by other factors described in this Offering Memorandum arising from this transaction or the market for securities of Peruvian issuers generally. As a result, we cannot assure you the level of liquidity of any trading market for the Notes and, as a result, you may be required to bear the financial risk of your investment in the Notes indefinitely.

We cannot assure you that the credit ratings for the Notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the Notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Notes.

Enforcing your rights as a noteholder in Peru may prove difficult.

Your rights under the Notes will be subject to the insolvency and administrative laws of Peru, and we cannot assure that you will be able to effectively enforce your rights in such bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of Peru may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and other third-party and related-party creditors, ability to obtain post-bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of Peru may not be as favorable to your interests as the laws of those jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question what and how Peruvian laws should apply. Such issues may adversely affect your ability to enforce your rights under the Notes in Peru or limit any amounts that you may receive.

The Indenture and the terms of our other indebtedness could adversely affect our financial condition, results of operations and the guarantees.

As of September 30, 2011, we and our subsidiaries had outstanding consolidated indebtedness in the aggregate amount of S/.672.7 million (approximately US\$242.7 million). Our leverage may constrain our ability to raise incremental financing or increase the cost at which we could raise any such financing. We have entered into agreements with certain banks and financial institutions for short-term and long-term borrowings and financial lease agreements for the acquisition of equipment. The terms of the Indenture and certain of those financings and financial lease agreements contain financial and other restrictive covenants that, among other things, restrict our ability and require lender consent for the incurrence of additional indebtedness, the making of investments, the granting of guarantees, payment of dividends and the making of certain restricted payments, consummation of certain asset sales, incurrence of liens, mergers, consolidations and disposals of assets. There can be no assurance that we will be able to comply with these financial covenants or other covenants or that we will be able to obtain the

consents required to take the actions we believe are necessary or appropriate to operate and grow our business. In addition, the occurrence of a default under one financing document may trigger cross-defaults under other financing documents. An event of default under any financing document, if not cured or waived, could result in the acceleration of all or part of our financial indebtedness and the enforcement by their creditors of any security interests created in connection with such financing. In addition, an event of default under any financing agreement could also have a material adverse effect on our business, results of operation, financial condition and ability to repay the Notes.

In addition, we may be able to incur additional indebtedness in the future, including in connection with any future acquisition. The terms of the Indenture will limit, but not prohibit us from doing so. If we incur additional indebtedness, the related risks that we may face could become more significant.

We cannot provide any assurance that our business will generate cash in an amount sufficient to enable it to service its debt or to fund its other liquidity needs, including any payment related to the Notes. We may need to refinance all or a portion of our other debt, on or before maturity. We cannot provide any assurance that we will be able to refinance any of our debt on commercially reasonable terms, or at all.

Breaches under certain of our financial leases could adversely affect our financial results and result in a default under the indenture governing the Notes if such breaches are not waived or the relevant covenants are not amended.

We have obtained waivers from each of Banco Internacional del Perú S.A.A. – Interbank ("Interbank") and BBVA Continental for the breach of certain financial covenants contained in the following financial leases based on our financial results as of and for the nine-month period ended September 30, 2011: (i) financial lease, dated May 31, 2010, between Lindley and Interbank (Op.16804082); (ii) financial lease, dated May 14, 2010, between Lindley and Interbank (Op.16804188); (iii) financial lease, dated July 19, 2010, between Lindley and BBVA Continental (Op.8100335750); and (iv) financial lease, dated July 19, 2010, between Lindley and BBVA Continental (Op.8100335734) ((i) through (iv) collectively, the "Applicable Financial Leases"). As of the date of this Offering Memorandum, it is unknown whether we will be in default of the financial covenants contained in any Applicable Financial Lease as of December 31, 2011. In the event of any such default, we expect that we would seek a waiver of such breaches and/or to amend the relevant financial covenants in the Applicable Financial Leases. No assurance can be made that we would receive such waivers or that such amendments to any or all of the relevant Applicable Financial Leases would be executed. In the event of a breach of a financial covenant contained in any Applicable Financial Lease based on our financial results as of and for the nine month period ended September 30, 2011, and in the event that we do not receive a waiver for such breach or execute an amendment to the relevant Applicable Financial Lease, the principal amounts due under such Applicable Financial Leases could be accelerated. In the event the principal amounts outstanding under any or all of the Applicable Financial Leases are accelerated, such an event could adversely affect our results of operations and result in a default under the indenture governing the Notes. As of September 30, 2011, the principal amount outstanding under each of the Applicable Financial Leases is as follows: (i) S/.6.7 million (US\$2.4 million) outstanding under the financial lease dated May 31, 2010, between Lindley and Interbank (Op.16804082); (ii) S/.18.0 million (US\$6.5 million) outstanding under the financial lease dated May 14, 2010, between Lindley and Interbank (Op.16804188); (iii) S/.42.1 million (US\$15.2 million) outstanding under the financial lease, dated July 19, 2010, between Lindley and BBVA Continental (Op.8100335750); and (iv) S./24.4 million (US\$8.8 million) outstanding under the financial lease, dated July 19, 2010, between Lindley and BBVA Continental (Op.8100335734). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Summary of Significant Debt Instruments" and "Description of the Notes – Events of Default."

The Notes are subject to certain restrictions on transfer.

The Notes have not been and will not be registered under the Securities Act or any US state securities laws. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "Notice to Investors."

The ability of investors to enforce civil liabilities under U.S. securities laws may be limited.

None of our directors or executive officers are residents of the United States. Substantially all or a significant portion of our assets and those of our directors and executive officers are located outside the United States. As a result, it may not be possible for investors in our securities to effect service of process within the United States upon such persons or to enforce in U.S. courts or outside the United States judgments obtained against such persons outside the United States.

We are a company organized and existing under the laws of Peru and there is no existing treaty between the United States and Peru for the reciprocal enforcement of foreign judgments. It is not clear whether a foreign court would accept jurisdiction and impose civil liability if proceedings were commenced in a foreign jurisdiction predicated solely upon US federal securities laws. See "Service of Process and Enforcement of Civil Liabilities."

USE OF PROCEEDS

The estimated net proceeds from the sale of the Notes, after payment of applicable fees and expenses, are expected to be approximately US\$317 million. The Company intends to use the net proceeds from the sale of Notes (i) to prepay principal and accrued interest on five different bonds issued in the Peruvian market in Nuevos Soles and US dollars in an aggregate amount of S/.168,410,000 and US\$40,000,000, respectively, (ii) to prepay certain swap agreements entered into to hedge the exposure of the Company to the variation of interest rate on two syndicated loans in an aggregate amount of approximately US\$2.5 million, (iii) to prepay approximately S/.241.1 million (US\$87 million) in short-term debt that was used as part of our capital expenditures plan for 2011, and (iv) for general corporate purposes. The five bonds we intend to prepay are S/.81,690,000 6.75% notes due 2018, S/.56,720,000 8.53% notes due 2018, S/.30,000,000 7.25% notes due 2014, and US\$20,000,000 7.03% notes due 2014 and US\$20,000,000 7.72% notes due 2020 and applicable penalties and any other payments related thereto.

CAPITALIZATION

The following table sets forth the capitalization and indebtedness of Lindley in accordance with Peruvian GAAP, on a consolidated basis, as of September 30, 2011, on an actual basis, and as adjusted to give effect to receipt of approximately US\$317 million in estimated net proceeds, from the sale of the Notes as if such sale had occurred on September 30, 2011. This table should be read in conjunction with the information in "Management's Discussion and Analysis of Financial Condition and Results of Operation," "Use of Proceeds," and our Consolidated Financial Statements, included elsewhere in this Offering Memorandum:

	As of September 30, 2011			
	Actual (unaudited)		As Adjusted For This Offering ⁽¹⁾ (unaudited)	
	(S/.)	(US\$) ⁽²⁾	(S/.)	(US\$) ⁽²⁾
	(in millions)			
Cash and cash equivalents	29.5	10.6	421.1	151.9
Short-term debt and current portion of long-term debt: ^{(a)(3)}				
Short-term debt	242.2	87.7	-	-
Current portion of long-term debt:	48.8	17.6	32.4	11.7
Long-term debt, excluding current portion ^(b)				
Financial Leases	153.1	55.2	153.1	55.2
Corporate Bonds	224.0	80.8	-	-
Financial Instruments	4.5	1.6	-	-
Notes offered hereby	-	-	887.0	320.0
Total stockholders' equity ^(c)	597.5	215.5	597.5	215.5
Total capitalization ⁽⁴⁾	1,270.1	458.2	1,670.0	602.5

(1) As adjusted to give effect to the application of the net proceeds of this offering as described under "Use of Proceeds."

(2) Nuevos Soles amounts have been converted into US dollars, solely for the convenience of the reader, at the rate of 2.772 Nuevos Soles per US dollar as of September 30, 2011.

(3) Net current liabilities increased to S/.248.1 million as of October 31, 2011, from S/.238.1 million as of September 30, 2011.

(4) Total Capitalization is equal to (a) + (b) + (c).

EXCHANGE RATE

Exchange rates for the Nuevo Sol have been relatively stable in recent years. The following table sets forth the Central Bank's period average and period end buying rates for Dollars for the indicated dates and periods.

Year Ended December 31,	S/. per US\$			
	High	Low	Average ⁽¹⁾	Period End
2007	3.199	2.968	3.128	2.995
2008	3.141	2.690	2.922	3.139
2009	3.258	2.852	3.010	2.888
2010	2.880	2.786	2.824	2.806
2011				
January	2.805	2.771	2.786	2.771
February	2.789	2.765	2.770	2.774
March	2.813	2.766	2.779	2.803
April	2.831	2.797	2.815	2.820
May	2.829	2.747	2.774	2.768
June	2.790	2.748	2.763	2.748
July	2.749	2.735	2.741	2.737
August	2.753	2.341	2.720	2.725
September	2.780	2.724	2.744	2.772
October	2.777	2.706	2.729	2.706
November (through November 7, 2011)	2.710	2.703	2.707	2.703

Source: Peruvian Central Bank: Interbank Buying Exchange Rate

(1) Calculated using daily averages.

Unless otherwise stated, any balance sheet or income statement data in US dollars derived from the Consolidated Financial Statements have been converted from Nuevos Soles into Dollars at the rate of S/.2.772 = US\$1.00 (being the interbank buying exchange rate published by the Peruvian Central Bank on September 30, 2011). The interbank buying exchange rate published by the Peruvian Central Bank on November 7, 2011, was 2.703 Nuevos Soles per US dollar. No representation is made that the Nuevo Sol or US dollar amounts in this Offering Memorandum could have been or could be converted into US dollar or Nuevos Soles, as the case may be, at any particular rate or at all.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER INFORMATION AND OPERATING DATA

The following table sets forth our summary consolidated financial data for each of the periods presented. The selected financial data set forth below as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010 have been derived from our Annual Audited Financial Statements and notes thereto included elsewhere in this Offering Memorandum. The selected financial data as of September 30, 2011, and for the nine-month periods ended September 30, 2010 and 2011, have been derived from our Interim Unaudited Financial Statements and notes thereto included elsewhere in this Offering Memorandum. This information should be read in conjunction with the sections entitled "Presentation of Financial Information and Other Information," "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The exchange rate used in converting Nuevos Soles into US dollars solely for the convenience of the reader included in the following charts is determined by reference to the interbank buying exchange rate on September 30, 2011, which was 2.772 Nuevos Soles per US dollar. The exchange rate conversions contained in this Offering Memorandum should not be construed as representations that the Nuevos Soles amounts actually represent the US dollar amounts presented or that they could be converted into US dollars at the rate indicated.

Our Consolidated Financial Statements have been prepared in accordance with Peruvian GAAP, which differs in certain respects from IFRS and US GAAP. For a description of certain significant differences among Peruvian GAAP, IFRS and US GAAP, see "Description of Certain Differences between Peruvian GAAP and IFRS, and Peruvian GAAP and US GAAP."

	Nine Months Ended September 30,			Year Ended December 31,			
	2010	2011	2011	2008	2009	2010	2010
	(S/.)	(S/.)	(US\$)	(S/.)	(S/.)	(S/.)	(US\$)
	(in millions)						
Income Statement Data:							
Net sales	1,116.9	1,271.0	458.5	1,258.4	1,428.8	1,538.1	554.9
Other operating income.....	62.3	52.2	18.8	43.4	54.4	69.2	25.0
Costs of sales.....	(790.8)	(934.9)	(337.3)	(867.6)	(989.8)	(1,089.6)	(393.1)
Gross profit.....	388.4	388.3	140.1	434.3	493.3	517.6	186.7
Selling expenses	(187.9)	(221.1)	(79.8)	(207.3)	(235.3)	(257.3)	(92.8)
Administrative expenses	(47.2)	(51.3)	(18.5)	(52.0)	(60.7)	(65.5)	(23.6)
Other expenses	(70.1)	(46.5)	16.8	(68.1)	(81.1)	(94.4)	(34.1)
Operating income	83.2	69.3	25.0	106.9	116.2	100.4	36.2
Financial income	22.4	25.1	9.0	36.1	44.7	25.9	9.3
Financial expenses.....	(36.3)	(48.4)	(17.5)	(75.5)	(52.6)	(54.9)	(19.8)
Loss from derivative financial instruments.....	(3.8)	(6.8)	(2.4)	(9.7)	(0.6)	(1.5)	(0.5)
Income before income tax	65.6	39.2	14.2	57.8	107.7	70.0	25.3
Income taxes.....	(23.0)	(21.6)	(7.8)	(28.1)	(45.5)	(32.3)	(11.7)
Net income	42.6	17.6	6.4	29.6	62.2	37.7	13.6

	As of September 30,		As of December 31,		
	2011	2011	2009	2010	2010
	(S/.)	(US\$)	(S/.)	(S/.)	(US\$)
	(in millions)				
Balance Sheet Data:					
Cash and cash equivalents	29.5	10.6	35.4	42.4	15.3
Trade accounts receivable, net	138.3	49.9	71.8	96.7	34.9
Accounts receivable from related parties	70.6	25.5	44.5	71.3	25.7
Current portion of other accounts receivable, net	36.7	13.2	33.2	63.5	22.9
Inventories, net	224.1	80.7	147.3	204.8	73.9
Total current assets	503.7	181.7	333.7	480.3	173.3
Total assets	1,753.5	632.6	1,311.4	1,573.2	567.5
Short-term debt ⁽¹⁾	291.0	105.0	92.6	129.2	46.6
Trade accounts payable	223.7	80.7	154.7	228.7	82.5
Accounts payable to related parties	78.6	28.4	26.4	72.2	26.0
Other accounts payable	137.8	49.7	103.8	114.9	41.5
Total current liabilities	741.7	267.6	408.1	556.8	200.9
Long-term debt	381.7	137.7	343.7	398.0	143.6
Total liabilities	1,156.0	417.0	783.5	987.1	356.1
Majority stockholders' equity	596.9	215.3	527.4	585.5	211.2
Minority stockholders' equity	0.7	0.2	0.5	0.7	0.3
Total stockholders' equity	597.5	215.6	527.9	586.2	211.5

	Nine Months Ended September 30,			Year Ended December 31,			
	2010	2011	2011	2008	2009	2010	2010
	(S/.)	(S/.)	(US\$)	(S/.)	(S/.)	(S/.)	(US\$)
	(in millions except for ratios or percentages)						
Other Financial Information:							
Adjusted EBITDA ⁽²⁾	184.6	183.5	66.2	229.1	252.4	250.5	90.4
Total debt ⁽⁴⁾	538.2	672.7	242.7	354.6	436.3	527.1	190.2
Net debt ⁽⁵⁾	507.7	643.2	232.0	333.2	400.9	484.8	174.9
CAPEX ⁽⁶⁾	197.2	249.9	90.2	176.0	219.1	276.9	99.9
Working capital ⁽⁷⁾	(56.8)	(238.1)	(85.9)	(110.2)	(74.4)	(76.6)	(27.6)
Cash flow from operations	32.0	79.1	28.5	166.8	135.9	142.9	51.6
Cash flow from investing activities	(76.5)	(164.0)	(59.2)	(155.0)	(134.7)	(120.9)	(43.6)
Cash flow from financing activities	39.5	72.0	26.0	(20.9)	12.8	(15.1)	(5.4)
Cash flow ⁽⁸⁾	30.5	29.5	10.6	21.4	35.4	42.4	15.3
Adjusted EBITDA margin ⁽²⁾⁽⁹⁾	16.5%	14.4%		18.2%	17.7%	16.3%	
Total debt/LTM Adjusted EBITDA ⁽²⁾⁽³⁾⁽⁴⁾	2.00	2.70		1.55	1.73	2.10	
Net debt/Adjusted EBITDA ⁽⁵⁾	1.89	2.58		1.45	1.59	1.93	
Interest coverage ratio ⁽¹⁰⁾	7.07	6.04		6.85	6.96	6.03	

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2011	2008	2009	2010
	(in millions)				
Other Data					
Unit cases sold.....	172.1	190.4	211.0	227.2	236.5

- (1) Includes financial obligations and current portion of long-term debt.
- (2) Adjusted EBITDA represents net income plus (i) income tax, (ii) loss/gains from derivative financial instruments, (iii) net financial expense/income, (iv) other expenses, (v) employee participation and (vi) depreciation from cost of sales, administrative expenses and selling expenses and amortization, minus (vi) other operating income (excluding contributions from The Coca-Cola Company and sales of returnable bottles). Adjusted EBITDA is not a financial measure under Peruvian GAAP or IFRS. Adjusted EBITDA is included in this Offering Memorandum because we believe certain investors may consider this useful as an additional measure of our financial performance and ability to service our debt and fund capital expenditures. Adjusted EBITDA is not and should not be considered as substitute for net income, cash flow provided by operations or other measures of financial performance or liquidity under Peruvian GAAP or IFRS. Because Adjusted EBITDA is neither a Peruvian GAAP nor IFRS measure and not all companies calculate EBITDA in the same manner, our presentation of Adjusted EBITDA may not be comparable to other EBITDA, adjusted EBITDA or similarly titled measures reported by other companies. Reconciliation of Adjusted EBITDA is as follows:

	Nine Months Ended September 30,			Year Ended December 31,			
	2010	2011	2011	2008	2009	2010	2010
	(S/.)	(S/.)	(US\$)	(S/.)	(S/.)	(S/.)	(US\$)
	(in millions)						
Net income	42.6	17.6	6.4	29.6	62.2	37.7	13.6
Income tax	23.0	21.6	7.8	28.1	45.5	32.3	11.7
Loss/gains from derivative financial instruments.....	3.8	6.8	2.4	9.7	0.6	1.5	0.5
Net financial expense/income	13.8	23.3	8.4	39.4	7.9	29.0	10.5
Plus: other expenses	70.1	46.6	16.8	68.1	81.1	94.4	34.1
Less: other operating income (excluding contributions from The Coca-Cola Company and sales of returnable bottles)	41.7	21.0	7.6	(21.5)	(30.1)	(43.6)	(15.7)
Plus: employee participation	6.9	10.9	3.9	12.1	16.0	10.8	3.9
Plus: depreciation from cost of sales, administrative expenses and selling expenses	64.5	77.3	27.9	62.2	67.7	86.3	31.1
Plus: amortization.....	1.6	0.9	0.3	1.4	1.6	2.1	0.8
Adjusted EBITDA.....	<u>184.6</u>	<u>184.0</u>	<u>66.4</u>	<u>229.1</u>	<u>252.4</u>	<u>250.5</u>	<u>90.4</u>

- (3) Results of operations for the nine-month period ended September 30, 2011, are not necessarily indicative of results of operations to be expected for the full year 2011 or any other period.
- (4) Total debt represents the sum of short-term and long-term debt.
- (5) Net debt represents total debt less cash and cash equivalents. Net debt is not a financial measure under Peruvian GAAP or IFRS. Net debt is included in this Offering Memorandum because we believe certain investors may consider this useful as an additional measure of our financial performance and ability to service our debt and fund capital expenditures. Net debt is not and should not be considered as substitute for net income, cash flow provided by operations or other measures of financial performance or liquidity under Peruvian GAAP or IFRS. Because net debt is neither a Peruvian GAAP nor IFRS measure and not all companies calculate net debt in the same manner, our presentation of net debt may not be comparable to other similarly titled measures reported by other companies. Reconciliation of net debt is as follows:

	Nine Months Ended September 30,		Year Ended December 31,		
	2011 (S/.)	2011 (US\$)	2009 (S/.)	2010 (S/.)	2010 (US\$)
			(in millions)		
Long-term debt.....	381.7	137.7	343.7	398.0	143.6
Plus: short-term debt	291.0	105.0	92.6	129.2	46.6
Total debt.....	672.7	242.7	436.3	527.1	190.2
Less: Cash and cash equivalents	29.5	10.6	35.4	42.4	15.3
Net debt	643.2	232.0	400.9	484.8	174.9

- (6) CAPEX means investments in fixed assets and capital expenditure.
- (7) Working capital is current assets minus current liabilities.
- (8) Cash flow is the sum of (i) cash flow from operations, (ii) cash flow from investing activities, (iii) cash flow from financing activities and (iv) cash and cash equivalent at the beginning of the period.
- (9) Adjusted EBITDA margin is the ratio of Adjusted EBITDA to net sales.
- (10) Interest coverage ratio is the ratio of Adjusted EBITDA to interest and expenses from long-term financial obligations, loans and others.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Consolidated Financial Statements and notes thereto included elsewhere in this Offering Memorandum. The Consolidated Financial Statements have been prepared in accordance with Peruvian GAAP. See "Risk Factors" and "Description of Certain Differences between Peruvian GAAP and IFRS, and Peruvian GAAP and US GAAP."

This Offering Memorandum contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly in "Forward-Looking Statements" and "Risk Factors."

Overview of our business

We are engaged in the production, bottling, distribution and sale of trademarked beverages of The Coca-Cola Company in Peru. We offer a wide range of non-alcoholic beverages consisting of CSD and NCB, including fruit-juice based beverages, bottled water (sparkling and still), isotonic and energy drinks.

Our product portfolio consists of CSD category leading brands such as *Coca-Cola*, one of the world's most recognized carbonated non-alcoholic beverage brands, and *Inca Kola*, one of the most recognized brands in Peru for non-alcoholic beverages, as well as smaller niche brands such as *Fanta*, *Sprite*, *Sprite Zero*, *Crush* and *Kola Inglesa*. In the CSD category, *Coca-Cola* and *Inca Kola* with their brand extensions such as *Coca-Cola Zero* and *Inca Kola Diet*, accounted for 63.4% of our total sales volume for the year ended December 31, 2010, and 62.1% for the nine-month period ended September 30, 2011, and represented approximately 50.0% of the Peruvian CSD category based on sales volume during the twelve month period ended September 30, 2011, according to TRAC. In 2010, our *Inca Kola*, *Coca-Cola*, *Coca-Cola Zero* and *Inca Kola Diet* sales accounted for approximately 44.2%, 34.8%, 0.7% and 0.7%, respectively, of our total sales volume of CSD products. In the nine-month period ended September 30, 2011, our *Inca Kola*, *Coca-Cola*, *Coca-Cola Zero* and *Inca Kola Diet* sales accounted for approximately 45.9%, 32.8%, 0.8% and 0.7%, respectively, of our total sales volume of CSD products. *Fanta*, *Sprite*, *Sprite Zero*, *Crush* and *Kola Inglesa*, collectively, accounted for 18.9% of our total sales volume of CSD products for the year ended December 31, 2010, and 19.4% for the nine-month period ended September 30, 2011, and approximately 15.6% of the Peruvian CSD category based on sales volume during the twelve month period ended September 30, 2011, according to TRAC.

In the NCB segment, our product portfolio includes brands such as *Frugos*, our fruit-juice based beverages; *Aquarius*, our flavored bottled water product; *San Luis*, our still and sparkling bottled water products; *Powerade*, our isotonic beverage; and *Burn*, our energy drink. In 2010 and in the nine-month period ended September 30, 2011, the bottled water business accounted for approximately 16.0% and 17.0%, respectively, of our total sales volume; the fruit-juice based beverages for 4.1% and 4.3%, respectively, of our total sales volume, the isotonic drinks for 1.3% of our total sales volume for both periods, and the energy drinks for 0.02% of our total sales volume for both periods.

Sales volume for all of our products for the nine-month period ended September 30, 2011, increased by 10.6% over the same period in 2010. In 2010, our sales volume increased by 4% over 2009. The increases in sales volume were driven by the improvements at the points of sale through the introduction of promotional materials and the application of a segmentation strategy to categorize the consumption of our products and our consumers. These increases were also due to favorable economic conditions in Peru. The Peruvian economy grew 8.8% in 2010 and 7.6% in the eight-month period ended August 31, 2011, according to the Banco Central de Reserva del Peru.

As of September 30, 2011, we had assets valued at S/.1,753.5 million. For the year ended December 31, 2010, and for the nine-month period ended September 30, 2011, we had consolidated sales of S/.1,538.1 million and S/.1,271.0 million, respectively, net income of S/.37.7 million and S/.17.6 million, respectively, and Adjusted EBITDA of S/.250.5 million and S/.183.5 million, respectively.

Factors Affecting our Results of Operations

Our relationship with The Coca-Cola Company

We are a producer, bottler, distributor and seller of certain non-alcoholic beverages of The Coca-Cola Company in Peru. The Coca-Cola Company controls the global product development and marketing of its brands. The Coca-Cola Company's ability to perform these functions successfully has a direct effect on our sales volume and results of operations. Our business relationship with The Coca-Cola Company is mainly governed by bottler's agreements entered into between The Coca-Cola Company (or some of its subsidiaries) and us. You should read "Description of the Company – The Coca-Cola Company Bottler Agreements" for additional information on our relationship with The Coca-Cola Company and a detailed description of the terms of the bottler's agreements.

Under our bottler's agreements, we are required to purchase Concentrate for all trademarked beverages of The Coca-Cola Company that we produce from suppliers authorized by The Coca-Cola Company. The Coca-Cola Company is entitled under the bottler's agreements to determine the price we pay for Concentrates. The price Lindley pays for Concentrate is determined by The Coca-Cola Company and, historically, it has been determined after discussions with Lindley and after taking in consideration trading conditions in the market and the marketing plan developed by Lindley and The Coca-Cola Company. Expenditures for Concentrates constitute our largest individual raw material cost. Our total cost of Concentrates for 2010 amounted to S/.350.7 million and S/.333.0 million in 2009, and S/.305.4 million for the nine-month period ended September 30, 2011, and S/.264.9 million for the same period in 2010. Concentrates represented approximately 32.2% of our total cost of goods sold in 2010, as compared to 33.6% in 2009, and 32.7% for the nine-month period ended September 30, 2011, as compared to 33.5% for the same period in 2010.

We expect amounts of Concentrate purchased from The Coca-Cola Company to track our sales volume growth. The price of Concentrate is determined based on our revenue by product and has not been modified for any of our products in the last five years except for prices for Concentrate for certain products, such as *Kola Inglesa* and *Powerade*, which were reduced in 2010. We expect that payments for Concentrate will increase in the future in line with the implementation of retail price increases.

Historically, we and The Coca-Cola Company, through its wholly owned subsidiary Coca-Cola Servicios del Perú S.A., have jointly prepared annual marketing plans and have generally agreed to divide expenses equally between us. In addition, The Coca-Cola Company, acting through its wholly owned subsidiary Coca-Cola Servicios del Perú S.A., has historically made contributions to certain product development activities such as the introduction of bottles and coolers, however they are under no obligation to continue the same level of contributions made in the past. The total contributions for the introduction of new bottles and coolers made by The Coca-Cola Company in 2008, 2009, and 2010 were S/.7.1 million, S/.6.4 million and S/.25.5 million, respectively, and the total contributions made in the first nine months of 2011 were S/.18.7 million. Typically, all these contributions were received at the end of the fiscal year. However, in 2011, these contributions were received by us at the beginning of the year. As of September 30, 2011, the Company has recognized three quarters of such contributions as other operating income and the other quarter as a liability. This support for capital expenditure and marketing and promotional plans is not binding to The Coca-Cola Company, and they are under no obligation to continue past levels of funding into the future.

Seasonality

Sales of our products are seasonal, as our sales levels generally increase during the warmer months. Peru's three main geographic regions, the coast, the mountains and the jungle, have different seasons of warm temperatures. The months for warm weather in the coast are usually January, February and March, while July and August are usually the warmer months in the mountains and in the jungle.

Because of population density, we have higher sales on the coast than in the mountains or the jungle. In 2008, 2009 and 2010, the coast represented 77.1%, 76.1% and 74.5%, respectively, of our total sales while the regions in the mountains and the jungle represented 22.9%, 23.9% and 25.5%, respectively, of our total sales. We typically achieve our highest sales during the summer months of January through April, which are the warmer months for the coast, as well as during the Christmas holidays in December. In each of 2009 and 2010, approximately 28% of our sales volume came in the first quarter, approximately 23% in the second quarter, approximately 23% in the third quarter and approximately 27% in the fourth quarter.

Weather conditions

Weather conditions directly affect the consumption of all our products. High temperatures and prolonged periods of warm weather increase consumption of CSDs and waters, while unseasonably cool weather adversely affects our sales volume of CSDs and waters but increases the sale of juice based beverages.

Net Sales

Net sales consists of sales of CSD and NCB products less discounts. We have three different types of discounts, which include commercial discounts, distribution discounts and bottle discounts.

- Commercial discounts are those used to incentivize the sale of our products and strategically to obtain specific results in the market for certain territories or products. As an internal policy our commercial discounts cannot be higher than 3% of our gross sales.
- Distribution discounts are those used to compensate our exclusive distributors for selling and distributing our products in the territories assigned to them. These discounts are equivalent to a distribution fee or expense. Before 2010, the distribution discount was a percentage of the sale price so any increase in the sale price generated an increase in the nominal fee of the distribution discount. Our distributors cover all Peruvian territory and service our principal distribution channels. They are only allowed to sell and distribute our products. They do not have any right to establish prices, packages, discounts or promotions but only follow our instructions. The commercial strategy and the collection of information, including sales records, placement of orders and the relationship with the customers, is managed by us directly. See "Description of the Company – Product Distribution."
- Bottle discounts are those given to distributors in order to introduce new returnable bottles into the market. The returnable bottles are key in our marketing strategy in order to offer our products at competitive prices.

Raw material and other significant cost of goods

The materials that represent the most significant part of our total cost of goods are (i) Concentrates, (ii) sugar and (iii) resin, which is used to produce plastic bottles and PET preforms. Water, which is an essential component in our products, represented less than 1% of our total cost of goods sold in 2009, 2010 and for the nine-month periods ended September 30, 2010 and 2011. Concentrate represented 32.2% of our total cost of goods sold in 2010, as compared to 33.6% in 2009, and 32.7% for the nine-month period ended September 30, 2011, as compared to 33.5% for the same period in 2010. Sugar represented 18.4% of our total cost of goods sold in 2010, as compared to 17.2% in 2009, and 19.5% for the nine-month period ended September 30, 2011, as compared to 19.0% for the same period in 2010. Plastic bottles and PET preforms represented 16.4% of our total cost of goods sold in 2010, as compared to 15.6% in 2009 and 21.0% for the nine-month period ended September 30, 2011 as compared to 18.9% for the same period in 2010.

The price of sugar is highly volatile, and during the last two years, it has suffered a significant increase. In 2009, the price of sugar on the London commodities market varied between US\$324.6 (S/.899.8) and US\$710.2 (S/.1,968.7) per metric ton, in 2010 the variation was between US\$437.8 (S/.1,213.6) and US\$826.4 (S/.2,290.8) and in the first three quarters of 2011 the variation was between US\$582.0 (S/.1,613.3) and US\$876.3 (S/.2,429.1).

Lindley follows certain policies to hedge its exposure to the variation in the price of sugar. The current policy is to hedge a substantial portion of the sugar purchase price for the following year before the end of the current year. That allows us to design a sales plan in advance and to determine our price strategy for the following year. It also allows us to avoid significant changes and expect a stable cash flow according to our projections. As a result of our strategy, the average price of sugar paid by Lindley in 2009 and 2010, net of any derivative transactions entered into during those years and including any premium paid to the sugar mills and cost of transportation, was approximately US\$386.6 per ton and US\$540.5 per ton, respectively, while the average price of sugar based on the London commodity market has been approximately US\$507.5 per ton and US\$614.7 per ton for 2009 and 2010, respectively. The average price of sugar paid by Lindley in the nine-month periods ended September 30, 2010 and 2011, net of any costs derived from the derivative agreements entered into during such corresponding periods and including any premium paid to the sugar mills and cost of transportation, was approximately US\$613 per ton and US\$668 per ton, respectively, while the average price of sugar based on the London commodity market has been approximately US\$574 per ton and US\$723 per ton for the nine-month periods ended September 30, 2010 and 2011, respectively.

See "Description of the Company – Production – Raw Materials" and " – Quantitative and Qualitative Disclosure about Market Risk."

We participate in a cross-enterprise procurement group ("CEPG") along with certain bottlers of The Coca-Cola Company in order to acquire resin on better terms and conditions. Pursuant to an agreement entered into with San Miguel Industrial S.A. ("SMI"), our main plastic bottle supplier, SMI acquires the resin directly through CEPG and charges us the cost of the resin plus a fixed margin for processing the resin into plastic bottles. The total cost of plastic bottles and PET preforms for 2010 amounted to S/.179.0 million and S/.154.3 million in 2009, and S/.196.1 million for the nine-month period ended September 30, 2011, and S/.149.8 million for the same period in 2010.

Foreign currency

Since all our revenues are in Nuevos Soles, except for sales from exporting pulp, which accounted for US\$4.5 million (S/.12.5 million) and US\$3.6 million (S/.10.0 million) in 2009 and 2010, respectively, our results of operations are affected by exchange exposures, which arise from an adverse fluctuation in the exchange rate between Nuevos Soles and US dollars. In particular:

- Raw materials purchased in US dollars can lead to higher cost of goods which, if not recovered through price increases, will lead, in turn, to reduced gross profit margins. Imported sugar, which represents approximately 44% of our annual purchases, is paid for in US dollars. Sugar purchased from Peruvian producers may be paid for in Nuevos Soles or US dollars depending on each arrangement. Purchases of plastic bottles and PET preforms, which are made from resin, are paid for in US dollars.
- Currency fluctuation between Nuevos Soles and US dollars impacts our foreign currency denominated balances, such as interest expense on borrowings denominated in foreign currencies. To reduce our exposure we have entered into cross currency swaps and forward agreements. In 2010, we hedged US\$20.0 million of our US Dollar debt, which represented approximately 13% of our exposure in such year and for 2011 we hedged US\$27.2 million which represents approximately 18% of our exposure for this year. See " – Quantitative and Qualitative Disclosure about Market Risk."

We expect to hedge our exposure to currency fluctuation in respect of the Notes by entering into several short term and medium term financial derivatives in order to hedge all the interest payments and a majority of the notional amount of the Notes.

Hedge agreements

In 2006, we entered into two interest rate swaps with Citibank, N.A. and J.P. Morgan to hedge the interest rate risk related to a syndicated loan agreement entered into with Standard Chartered and Citibank, N.A., in January

2006 (the "Interest Rate Swaps"). The Interest Rate Swaps were never considered a hedging instrument for accounting purposes, so any variation on the mark-to-market valuation of the Interest Rate Swaps has been recognized as a loss from derivative financial instruments in the income statement.

In addition, in April 2009, we entered into a cross currency swap with BBVA Continental to hedge the exposure of the Company to the variation of the exchange rate and the interest rate on a second syndicated loan entered into with Banco de Crédito del Perú in 2007 (the "Cross Currency Swap"). Due to the partial prepayment of such syndicated loan on March 31, 2011, the Cross Currency Swap is no longer considered a hedging instrument and any variation on the mark-to-market valuation of the Cross Currency Swap has been recognized as a loss from derivative financial instruments in the income statement.

Profit sharing

We are required by law to pay our employees, in addition to their agreed compensation and benefits, profit sharing in an aggregate amount equal to 10% of our pre-tax profits, which is recorded as a labor expense in cost of sales, administrative expenses or sale expenses, depending on the work performed by each employee.

Adoption of IFRS

On August 31, 2010, the CNC issued Resolution No. 044-2010-EF-94 and on October 14, 2010, the SMV issued Resolution No. 102-2010-EF/94.01.1, which require that companies under the supervision of SMV, such as us, prepare their financial statements in accordance with IFRS for fiscal periods beginning on or after January 1, 2011 including comparative information for earlier periods. We are required to release our first set of consolidated financial statements in compliance with IFRS as of and for the year ending December 31, 2011.

IFRS 1, "First Time Adoption of International Financial Reporting Standards," is the guidance that is applied during preparation of a company's first IFRS-based financial statements. IFRS 1 was created to assist companies transition to IFRS and provides practical accommodations intended to make first-time adoption cost-effective. It also provides application guidance for addressing difficult conversion topics.

With certain exceptions, the key principle of IFRS 1 is full retrospective application of all IFRS standards that are effective as of the closing balance sheet or reporting date of the first IFRS financial statements. IFRS 1 requires companies to (i) identify the first IFRS financial statements; (ii) prepare an opening balance sheet at the date of transition to IFRS; (iii) select accounting policies that comply with IFRS and to apply those policies retrospectively to all of the periods presented in the first IFRS financial statements; (iv) consider whether to apply any of the optional exemptions from retrospective application; (v) apply the mandatory exceptions from retrospective application; and (vi) make extensive disclosures to explain the transition to IFRS. Exemptions provide limited relief for first-time adopters, mainly in areas where the information needed to apply IFRS retrospectively may be most challenging to obtain.

At the end of 2010, we hired a consultant specialized in IFRS implementation to assist us in the assessment of the potential impacts of IFRS on our financial statements and results of operations. The new accounting standards may impact our individual and consolidated financial results, because of the changes in, among others, treatment of returnable bottles, combination of businesses, fixed assets, valuation, financing costs and deferred taxes.

For more information in respect of the implementation of IFRS, see "Description of Certain Differences between Peruvian GAAP and IFRS, and Peruvian GAAP and US GAAP."

Critical Accounting Policies

Our significant accounting policies are described in note two of our Annual Audited Financial Statements, included elsewhere in this Offering Memorandum. In preparing our Consolidated Financial Statements, we relied on estimates and assumptions derived from historical experience and various other factors that we deemed reasonable and relevant. Critical accounting policies are those that are important to the presentation of our

consolidated financial position and results of operations and require management's subjective and complex judgments, estimates and assumptions. The application of these critical accounting policies often requires judgments made by management regarding the material effects of these provisions that are inherently uncertain with respect to our results of operations and the carrying value of our assets and liabilities. Our results of operations and financial position may differ from those set forth in our Consolidated Financial Statements if our actual experience differs from management's assumptions and estimates. In order to provide an understanding of our critical accounting policies, including some of the variables and assumptions underlying the estimates, and the sensitivity of those assumptions and estimates to different parameters and conditions, we set forth below a discussion of our critical accounting policies relating to:

- derivatives financial instruments and hedge accounting;
- allowance for doubtful accounts;
- depreciation of property, plant and equipment;
- impairment of non-financial assets;
- deferred income tax; and
- provisions and contingencies.

Derivatives financial instruments and hedge accounting

We use derivative financial instruments, such as interest rate swaps, commodity price forwards and swaps, cross currency swaps, and currency forwards, to hedge risks associated with interest rate, commodity prices and foreign currency fluctuations. Derivative contracts are recognized at fair value upon being signed. The fair value of derivatives is carried as an asset when it is positive and as a liability when it is negative. Any gains or losses arising from changes in fair value of derivatives are recognized directly in the consolidated income statement, except for the effective portion of cash flow hedges, which is recognized directly as equity.

For the purposes of hedge accounting, hedges are classified as fair value or cash flow hedges. At the inception of a hedge relationship, we formally designate and document the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation identifies the hedging instrument, and described the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine whether they have been effective throughout the financial reporting periods for which they were designated.

Hedges that meet the specified criteria for hedge accounting are accounted for as follows:

- *Fair value hedges* - Changes in the fair value of the hedged item attributable to the hedged risk are adjusted to the carrying value of the hedged item and are recognized as gain or loss in the consolidated statement of income. For fair value hedges relating to items carried at amortized cost, the adjustment to the carrying amount is amortized against the results of the year according to the maturity of the hedged items. Amortization may begin as soon as the adjustment is made and must begin no later than the hedged item ceases to be adjusted for changes in fair value attributable to the risk being covered.

If the hedged item ceases to be recognized as such, the unamortized fair value is recognized immediately as income or expense. When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in its fair value that is attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the consolidated statement of income; and

- *Cash flow hedges* - The effective portion of the gain or loss on the hedging derivative instrument is recognized in the equity and consolidated statement of changes in equity respectively, and the gain or loss related to the ineffective portion is immediately recognized in the consolidated statement of income. The accumulated amounts in equity for cash flow hedges are carried out to the consolidated statement of income in the periods when the hedge item affects the profit and loss, for example, when the finance income or expense is recognized or when the forecast sale occurs. Where the hedged item is the cost of non-financial assets or financial liabilities, the amounts recognized in equity are transferred to the initial cost of the asset or non-financial liability. If it is expected that the forecasted transaction or firm commitment does not occur, the cumulative gain or loss previously recognized in equity is transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in equity remains in equity until the forecasted transaction or firm commitment occurs.

Allowance for doubtful accounts

An allowance for doubtful accounts is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of the receivable. For this effect, we periodically assess the allowance recorded, through the aging analysis of its account receivables and the collection of indicators concluding that all past due accounts over 90 days must be provisioned, except those where there is sufficient evidence of collection. The allowance for doubtful accounts is recorded in the income statement of the respective year. This procedure permits a reasonable estimation of the allowance for doubtful accounts, with the objective of covering the loss risk related to the account receivables in accordance with the market condition where the Company develops its operations.

Depreciation of property, plant and equipment

The depreciation of assets is calculated following the straight-line method, using an estimated useful life per asset type. The useful lives and selected depreciation method of the assets are reviewed in order to ensure that the method and the period of depreciation are consistent with the economic benefit and the life expectations of the items of property, plant and equipment.

Plastic bottles and returnable glass bottles introduced to the market by the launch of new presentations to the market in order to meet the growing demand, are presented at cost and are classified as bottles in the item "Net property, plant and equipment." The depreciation of these items is calculated following the straight-line method, using 2.5 years as the useful life for returnable plastic bottles and using four years as the useful life for returnable glass bottles. The depreciation of the bottles attached to the packaging plant, and the losses for destruction of these are recognized as expenses when they occur and are included in the Consolidated Statement of Income in "Other operating income" or "Other operating expenses" caption.

Impairment of non-financial assets

At the end of each period, we evaluate if there are indicators that a non-financial asset could be impaired. We prepare an estimate of the recoverable amount of the asset when events or economic changes occur that indicate that the value of non-financial assets may be impaired, or when it is required to perform the annual asset impairment test.

The recoverable amount of a non-financial asset is the greater of the fair value of the unit cash of production less the costs to sell and its value in use, and it is determined for an individual asset, unless the asset does not generate cash flows in an independent manner. When the book value of a non-financial asset exceeds its recoverable value, a non-financial asset is considered impaired and it is reduced to its recoverable value. When determining the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the actual market conditions and risks specific to the asset. The impairment losses are recognized in the Consolidated Statement of Income.

The Company performs an evaluation at each closing date in order to determine if there are indicators that the impairment losses previously recognized no longer exist or have diminished. If such indicators exist, the recoverable amount is estimated. The impairment losses previously recognized are reverted only if there has been a change in the estimates used to determine the recoverable amount of the asset since the date that the impairment loss was last recognized. If this is the case, the book value of the asset is increased to its recoverable amount. The increased amount cannot exceed the book value that would have been determined, net of depreciation, if an impairment loss had not been recognized for the asset in previous years. The reversion is recognized in the year's results unless the asset is brought to its revalued value, in which case the reversion is treated as an increase of the revaluation. After the reversion has been performed, the depreciation charge is adjusted in future periods distributing the book value of the asset throughout its remaining useful life.

Deferred Income tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at closing date.

Deferred income tax asset is recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and unused tax losses can be utilized.

Deferred income tax liability is recognized for all taxable temporary differences, except for the taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each closing date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax asset is reassessed at each closing date and is recognized to the extent that it is probable future taxable profit will allow it to be recovered.

The deferred asset and liability are recognized without taking into consideration the estimated moment in which the temporal differences are eliminated.

Deferred income tax asset and liability are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on the rates and laws that have been enacted or substantively enacted at the closing date.

Deferred income tax asset and deferred income tax liability are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

We determine the deferred tax based on the tax rate on undistributed profits, recognizing any additional tax on dividends on the date the liability is recognized.

Provisions and contingencies

Provisions are recognized when the Company has a present or imminent obligation as a result of a past event and it is probable that such obligation requires resources to cancel said obligation and the amount so required can be reliably measured. Provisions are reviewed each period and are adjusted to reflect the best estimate at closing date. When the effect of the value of money over time is important, the amount of the provision is the amount necessary to cancel the present value of the expected expenditures. The contingent liabilities are not recognized in the Consolidated Financial Statements. These are disclosed in the notes to the Consolidated Financial Statements unless the possibility of a disbursement is remote. A contingent asset is not recognized in the Consolidated Financial Statements but it is disclosed when its degree of contingency is probable.

Results of Operations

The following table sets forth selected data for the periods discussed in this section, expressed in Nuevos Soles as a percentage of our total net sales:

	Nine Months Ended September 30,			
	2010		2011	
	(S/.) (in millions)	%	(S/.) (in millions)	%
Net sales.....	1,116.9	100.0	1,271.0	100.0
Other operating income	62.3	5.6	52.2	4.1
Cost of sales.....	(790.8)	(70.8)	(934.9)	(73.6)
Gross profit.....	388.4	34.8	388.3	30.6
Selling expenses.....	(187.9)	(16.8)	(221.1)	(17.4)
Administrative expenses	(47.2)	(4.2)	(51.3)	(4.0)
Other expenses.....	(70.1)	(6.3)	(46.5)	(3.7)
Operating income.....	83.2	7.5	69.3	5.5
Financial income.....	22.4	2.0	25.1	2.0
Financial expenses	(36.3)	(3.3)	(48.4)	(3.8)
Loss from derivative financial instruments.....	(3.8)	(0.3)	(6.8)	(0.5)
Income before income tax.....	65.6	5.9	39.2	3.1
Income tax	(23.0)	(2.1)	(21.6)	(1.7)
Net income.....	42.6	3.8	17.6	1.4

	Years Ended December 31,					
	2008		2009		2010	
	(S/.) (in millions)	%	(S/.) (in millions)	%	(S/.) (in millions)	%
Net sales.....	1,258.4	100.0	1,428.8	100.0	1,538.1	100.0
Other operating income	43.4	3.4	54.4	3.8	69.2	4.5
Cost of sales.....	(867.6)	(68.9)	(989.8)	(69.3)	(1,089.6)	(70.8)
Gross profit.....	434.3	34.5	493.3	34.5	517.6	33.7
Selling expenses.....	(207.3)	(16.5)	(235.3)	(16.5)	(257.3)	(16.7)
Administrative expenses	(52.0)	(4.1)	(60.7)	(4.2)	(65.5)	(4.3)
Other expenses.....	(68.1)	(5.4)	(81.1)	(5.7)	(94.4)	(6.1)
Operating income.....	106.9	8.5	116.2	8.1	100.4	6.5
Financial income.....	36.1	2.9	44.7	3.1	25.9	1.7
Financial expenses	(75.5)	(6.0)	(52.6)	(3.7)	(54.9)	(3.6)
Loss from derivative financial instruments.....	(9.7)	(0.8)	(0.6)	(0.0)	(1.5)	(0.1)
Income before income tax.....	57.8	4.6	107.7	7.5	70.0	4.6
Income tax	(28.1)	(2.2)	(45.5)	(3.2)	(32.3)	(2.1)
Net income.....	29.6	2.4	62.2	4.4	37.7	2.5

We measure total sales in terms of Unit Cases. The following table illustrates our historical sales for our main categories in Unit Cases for the periods presented:

	Nine Months Ended September 30,		Years Ended December 31,		
	2010	2011	2008	2009	2010
	(in thousand Unit Cases)				
Carbonated soft drinks	135,348.6	147,352.6	170,940.9	180,807.7	185,717.4
Bottled water.....	27,358.4	32,428.6	28,528.0	32,865.7	37,802.7
Fruit-juice based beverages.....	7,092.4	8,110.6	10,032.3	10,963.9	9,799.7
Isotonics.....	2,298.3	2,498.4	1,440.2	2,517.2	3,096.6
Energy Drinks.....	41.2	35.0	50.4	67.7	56.0
TOTAL ⁽¹⁾	172,138.9	190,425.2	210,991.8	227,195.1	236,472.4

(1) Numbers may not sum due to rounding.

Nine Months Ended September 30, 2011, Compared to Nine Months Ended September 30, 2010

Net sales

Net sales consists of sales of CSD and NCB products less discounts. We have three different types of discounts, which include commercial discounts, distribution discounts and bottle discounts.

A detailed composition of our net sales for the nine-month period ended September 30, 2010, and September 30, 2011, is shown in the following table.

	Nine months ended September 30,		% change	Nine months ended September 30,	
	2010	2011		2010	2011
	(Unaudited)			% of Gross Sales	
	(in millions of Nuevos Soles)				
Carbonated soft drinks	1,065.8	1,181.7	10.9	79.2	78.5
Bottled water.....	142.0	164.6	15.9	10.6	10.9
Non carbonated beverages (other than bottled water).....	133.9	154.6	15.5	10.0	10.3
Others	4.3	5.3	23.3	0.3	0.4
Gross sales.....	1,345.9	1,506.2	11.9		
Less: discounts.....	(229.0)	(235.2)	2.7	17.0	15.6
Net sales	<u>1,116.9</u>	<u>1,271.0</u>	13.8	83.0	84.4

Gross sales, which consist of sales free of any discount, increased by S/.160.3 million, or 11.9%, to S/.1,506.2 million in the first nine months of 2011 from S/.1,345.9 million in the same period in 2010. The increase was principally attributable to higher sales volume in the CSD category, which increased by 10.9% to S/.1,181.7 million in the first nine months of 2011 from S/.1,065.8 million in the same period in 2010, higher sales in the NCB category (other than bottled water), which increased by 15.9% to S/.164.6 million in the first nine months of 2011 from S/.142.0 million in the same period in 2010, and higher sales in the bottled-water category, which increased by 15.5% to S/.154.6 million in the first nine months of 2011 from S/.133.9 million in the same period in 2010. In the first nine months of 2011, approximately 190 million Unit Cases were sold compared to approximately 172 million Unit Cases in the same period in 2010. The average price of a Unit Case increased 2.9% to S/.6.67 in the first nine months of 2011 from S/.6.49 in the same period in 2010.

Discounts increased by S/.6.2 million, or 2.7%, to S/.235.2 million in the first nine months of 2011 from S/.229.0 million in the same period of 2010. This increase was principally attributable to a higher volume of sales during the first nine months of 2011 when compared to the same period in 2010, which offset a decrease in the average distribution discounts per Unit Case and the average commercial discounts per Unit Case during the period.

Total net sales increased by S/.154.1 million, or 13.8%, to S/.1,271.0 million in the first nine months of 2011 from S/.1,116.9 million in the same period in 2010. This increase was principally attributable to an increase in gross sales, which more than offset the increase in discounts.

Other operating income

Other operating income consists mainly of revenues from sales of bottles and boxes, sales of property, plant and equipment, and sale of services, raw materials and advertising materials. This includes contributions made by The Coca-Cola Company, through its wholly owned subsidiary Coca-Cola Servicios del Perú S.A., to fund the mutually agreed annual plans for the development of the non-alcoholic beverage category in Peru and other reimbursements from The Coca-Cola Company through the acquisition of new bottles and coolers.

A detailed composition of other operating income for the nine-month period ended September 30, 2010, and September 30, 2011, is shown in the following table.

	Nine months ended September 30,			Nine months ended September 30,	
	2010	2011		2010	2011
	(Unaudited)			% of Other Operating Income	
	(in millions of Nuevos Soles)		% change		
Sale of bottles and boxes	28.1	22.7	(19.2)	45.1	43.5
Sale of property, plant and equipment	20.3	6.0	(70.4)	32.6	11.5
Sale of services, raw materials, advertising material and others ⁽¹⁾	12.4	20.7	66.9	20.0	39.7
Services provided by third parties and similar ⁽²⁾	0.6	2.0	233.3	1.0	3.8
Various	0.9	0.8	(11.1)	1.5	1.5
Other operating income	<u>62.3</u>	<u>52.2</u>	(16.2)		

(1) This includes marketing contributions received from The Coca-Cola Company.

(2) This item includes gains for recouping bad debt collection and provisions.

Other operating income decreased by S/.10.1 million, or 16.2%, to S/.52.2 million in the first nine months of 2011 from S/.62.3 million in the same period in 2010. This decrease was principally attributable to lower sales of property during the period, and a decrease in the sales of bottles and boxes, which was partially offset by the allocation of marketing contributions made by The Coca-Cola Company in the first nine months of 2011 in an amount of S/.14.0 million as part of the expansion of placement of coolers at the points of sale.

Cost of sales

Cost of sales consists mainly of the consumption of raw materials and the purchase of goods, labor expenses, third-party services (such as fuel supply, maintenance, power, among others), taxes, depreciation and other items related to the production of CSD and NCB.

Cost of sales increased by S/.144.1 million, or 18.2%, to S/.934.9 million during the first nine months of 2011 from S/.790.8 million in the same period in 2010. This increase mainly reflects higher production volumes and an increase in raw materials expenses which are attributable to an increase in the prices of sugar and resin (which is

used to produce plastic bottles and PET preforms). See "Description of the Company – Production – Raw Materials." Costs relating to Concentrates increased by S/40.5 million, or 15.3%, to S/305.4 million during the first nine months of 2011 from S/264.9 million in the same period in 2010. The cost of concentrates increased more than gross sales primarily due to change in the value of our product mix in order to capitalize on products that generate higher sales, which led us to purchase higher quantities of concentrate for inventory since these higher sales products require a proportionately higher amount of concentrate than our previous product mix. Labor expenses increased by S/10.7 million, or 17.5%, to S/71.8 million during the first nine months of 2011 from S/61.1 million in the same period in 2010. This increase was principally attributable to an increase in wages and an increase in the number of employees employed at our plants due to an increase in sales volume.

A detailed composition of our cost of sales for the nine-month periods ended September 30, 2010, and September 30, 2011, are shown in the following table.

	Nine months ended September 30,			Nine months ended September 30,	
	2010	2011		2010	2011
	(Unaudited)				
	(in millions of Nuevos Soles)		% change	% of Cost of Sales	
Opening balance of finished goods, products in process and goods	32.6	48.3	48.2	4.1	5.2
Consumption of raw materials and other and purchase of goods					
Concentrates	264.9	305.4	15.3	33.5	32.7
Sugar	150.4	182.0	21.0	19.0	19.5
Plastic bottles.....	131.8	162.7	23.5	16.7	17.4
Caps.....	36.2	41.3	14.1	4.6	4.4
PET preforms	18.0	33.3	85.0	2.3	3.6
Other goods	5.7	6.9	21.1	0.7	0.7
Others	46.3	49.7	7.3	5.9	5.3
Total	653.1	781.4	19.7	82.6	83.6
Labor expenses	61.1	71.8	17.5	7.7	7.7
Third-party services provided	48.6	54.8	12.8	6.1	5.9
Taxes and others	1.1	1.1	0.0	0.1	0.1
Depreciation.....	42.6	48.8	14.6	5.4	5.2
Other provisions.....	3.3	3.5	6.1	0.4	0.4
Less: Ending balance of finished goods, product in process and goods	(51.6)	(74.7)	44.8	6.5	8.0
Cost of sales	790.8	934.9	18.2		

Gross profit

Gross profit remained stable at S/388.3 million in the first nine months of 2011, compared to S/388.4 million during the same period in 2010. Our gross profit margin decreased to 30.6% in the first nine months of 2011 from 34.8% in the same period in 2010. This decrease is primarily due to an increase in cost of sales and the fact that such increase in cost of sales was not completely offset by the increase in sales volume and in prices of our products during the period.

Selling expenses

Selling expenses consist mainly of labor expenses related to sales, third-party services, advertising and promotion, labor taxes, depreciation and amortization related to the selling of our products.

Selling expenses increased by S/.33.2 million, or 17.7%, to S/.221.1 million in the first nine months of 2011 from S/.187.9 million during the same period in 2010. The ratio of selling expenses to net sales increased to 17.3% during the first nine months of 2011, compared with 16.8% in the same period in 2010. This increase is primarily due to an increase in labor expenses, expenses related to third-party services, as well as an increase in depreciation expenses.

Labor expenses increased by S/.8.1 million, or 24.0%, to S/.41.8 million in the first nine months of 2011 from S/.33.7 million during the same period in 2010. This increase was principally attributable to efforts to improve our sales growth rate by increasing the number of sale agents, account developers and merchandisers focused in certain market niches.

In the first nine months of 2011, third-party services consisted primarily of costs for leasing and operation of warehouses, as well as fees charged by third-party shipping agents. Third-party services increased by S/.14.6 million, or 17.6%, to S/.97.6 million in the first nine months of 2011 from S/.83.0 million in the same period in 2010. This increase was mainly due to higher costs related to transportation of our products, primarily as a result of an increase in sales volumes during such period and due to the relocation of the returnable bottles bottling line from Cuzco to Arequipa, which resulted in higher shipping costs. In addition, investment in warehouses generated a higher amount of depreciation expenses for 2011. Depreciation expenses related to the selling of our products increased by S/.6.9 million, or 37.1%, to S/.25.5 million in the first nine months of 2011 from S/.18.6 million in the same period in 2010.

A detailed composition of our selling expenses for the nine-month periods ended September 30, 2010, and September 30, 2011, are shown in the following table.

	Nine months ended September 30,		% change	Nine months ended September 30,	
	2010	2011		2010	2011
	(Unaudited)			% Selling Expenses	
	(in millions of Nuevos Soles)				
Labor expenses	33.7	41.8	24.0	17.9	18.9
Third-party services provided	83.0	97.6	17.6	44.2	44.1
Advertising and promotion	49.7	52.8	6.2	26.5	23.9
Taxes and others	0.8	1.0	25.0	0.4	0.5
Depreciation.....	18.6	25.5	37.1	9.9	11.5
Amortization.....	0.2	0.2	0.0	0.1	0.0
Other provisions.....	2.0	2.3	-	-	-
Selling expenses	<u>187.9</u>	<u>221.1</u>	17.7		

Administrative expenses

Administrative expenses consist mainly of administrative labor expenses, certain third-party services (such as financial, business and legal consultant services), administrative taxes and related expenses such as property taxes and license fees, and depreciation costs and amortization costs related to the management and administration of our business.

Administrative expenses increased by S/.4.1 million, or 8.7%, to S/.51.3 million in the first nine months of 2011 from S/.47.2 million during the same period in 2010. This increase was mainly due to an increase in the wages of our administrative employees and higher expenses for consultants. The ratio of administrative expenses to net sales was reduced to 4.0% during the first nine months of 2011 compared with 4.2% in the same period in 2010.

A detailed composition of our administrative expenses for the nine-month periods ended September 30, 2010, and September 30, 2011, are shown in the following table.

	Nine months ended September 30,		% change	Nine months ended September 30,	
	2010	2011		2010	2011
	(Unaudited) (in millions of Nuevos Soles)			% of Administrative Expenses	
Labor expenses	20.5	23.9	16.6	43.4	46.6
Third-party services provided	20.5	21.2	3.4	43.4	41.3
Taxes and others	0.3	1.2	300.0	0.6	2.3
Depreciation.....	3.3	3.0	(9.1)	7.0	5.9
Amortization.....	1.4	0.7	(50.0)	3.0	1.4
Other provisions.....	1.2	1.3	8.3	2.5	2.5
Administrative expenses.....	<u>47.2</u>	<u>51.3</u>	8.7		

Other expenses

Other expenses consist mainly of expenses related to the depreciation of packaging and other materials, including and inventory, bottles and plastic transport boxes write-offs (such as write-offs due to broken glass bottles or plastic transport boxes), provisions for contingencies or termination of labor contracts, costs related to the disposal of properties, plant or equipment and costs relating to the sale of raw materials and advertising materials sold in this period.

Other expenses decreased by S/.23.5 million, or 33.3%, to S/.46.6 million in the first nine months of 2011 from S/.70.1 million during the same period in 2010. This decrease was mainly due to a decrease in depreciation expenses related to packaging and bottles and plastic transport containers boxes write-offs during that period as well as a decrease in costs relating to the sale of properties sold during the first nine months of 2011. The ratio of other expenses to net sales was reduced to 3.7% during the first nine months of 2011 compared with 6.3% in the same period in 2010.

A detailed composition of other expenses for the nine-month periods ended September 30, 2010, and September 30, 2011, are shown in the following table.

	Nine months ended September 30,		% change	Nine months ended September 30,	
	2010	2011		2010	2011
	(Unaudited) (in millions of Nuevos Soles)			% of Other Expenses	
Depreciation of packaging and others.....	23.0	20.1	(12.6)	32.8	43.1
Write-offs of inventories, bottles and boxes	18.0	14.9	(17.2)	25.7	32.0
Provision for contingencies, termination of personnel and others	13.7	7.8	(43.1)	19.5	16.7
Net cost of disposal of properties, plant and equipment	13.5	2.4	(82.2)	19.3	5.2
Cost of sale of services, raw materials, advertising material and others	2.2	1.4	(36.4)	3.1	3.0
Other expenses	<u>70.1</u>	<u>46.6</u>	(33.3)		

Financial income

Financial income consists of income from deposits in banks, interest discounts on supplier invoices and others and exchange rate gains.

Financial income increased by S/.2.7 million, or 12.1%, to S/.25.1 million in the first nine months of 2011 from S/.22.4 million in the same period in 2010. This was mainly due to gains from positive exchange rate variations in the value in Nuevos Soles of obligations assumed in US dollars. See "Exchange Rate."

A detailed composition of financial income for the nine-month periods ended September 30, 2010, and September 30, 2011, is shown in the following table.

	Nine months ended September 30,		% change	Nine months ended September 30,	
	2010	2011		2010	2011
	(Unaudited) (in millions of Nuevos Soles)			% of Financial Income	
Income from deposits in bank and others	3.5	3.5	0.0	15.6	13.9
Exchange gain.....	18.9	21.6	14.3	84.4	86.1
Financial income	22.4	25.1	12.1		

Financial expenses

Financial expenses consist of interest and expenses from long term financial obligations, loans, and realized losses from derivatives used to hedge risks (interest rate, exchange rate the and price of sugar). See " – Financial Obligations."

Financial expenses increased by S/.12.1 million, or 33.3%, to S/.48.4 million in the first nine months of 2011 from S/.36.3 million in the same period in 2010. This was mainly due to higher interest expenses as a result of an increase in total debt and higher losses from variations in the value in Nuevos Soles of payments to be received in US dollars following a variation in the exchange rate. See "Exchange Rate."

A detailed composition of financial expenses for the nine-month periods ended September 30, 2010, and September 30, 2011, are shown in the following table.

	Nine months ended September 30,		% change	Nine months ended September 30,	
	2010	2011		2010	2011
	(Unaudited) (in millions of Nuevos Soles)			% of Financial Expenses	
Interest and expenses from long term obligations, loans and others	26.1	30.4	16.5	71.9	62.8
Exchange loss	9.4	17.8	89.4	25.9	36.8
Others	0.7	0.2	(71.4)	1.9	0.4
Financial expenses.....	36.3	48.4	33.3		

Loss from derivative financial instruments

Loss from derivative financial instruments recognizes the variation of the mark-to-market valuation of the financial instruments and the settled cash payments associated thereto that are not considered hedging instruments. See " - Factors Affecting our Results of Operations - Hedge Agreements."

Losses from financial instruments increased by S/.3.0 million, or 79.0%, to S/.6.8 million in the first nine months of 2011 from S/.3.8 million in the same period in 2010. This was mainly due to the reclassification of the Cross Currency Swap from the item "Financial expenses" to the item "Loss from derivative financial instruments," and the valuation of the Interest Rate Swaps since the value of these instruments decreases over time.

Income tax

Income tax is calculated at the rate of 30%. Income tax payments decreased by S/.1.4 million, or 6.1%, to S/.21.6 million in the first nine months of 2011 from S/.23.0 million in the same period in 2010. Income taxes paid in 2010 were lower than income taxes paid in 2009 which resulted in a lower tax base for calculating income tax for 2011 than the tax base used for 2010.

The effective tax rate in the first nine months of 2011 was 55.1% compared to 35.1% in the same period in 2010. This increase was principally attributable to the fact that gains and losses from our derivative financial instruments are considered taxable as soon as they are terminated for income tax purposes, while such gains and losses are recognized as equity in our financial statements.

Net income

Net income decreased by S/.25.0 million, or 58.7% in the first nine months of 2011 to S/.17.6 million from S/.42.6 million in the same period in 2010 as a result of the factors described above.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net sales

Gross sales increased by S/.166.2 million, or 9.8%, to S/.1,865.5 million in 2010 from S/.1,699.3 million in 2009. The increase was principally attributable to higher sales in the CSD category which increased by 6.5% to S/.1,457.1 million in 2010 from S/.1,362.3 million in 2009, and higher sales in the bottled water category which increased by 26.4% to S/.197.0 million in 2010 from S/.155.8 million in 2009.

Discounts increased by S/.57.0 million, or 21.1%, to S/.327.5 million in 2010 from S/.270.5 million in 2009. This increase was principally attributable to higher sales volume in 2010 when compared to 2009 and intense price competition during 2010 that forced us to increase our commercial discounts in order to keep our market share, as well as due to a higher number of bottles introduced to the market as part of our marketing strategy.

Net sales increased by S/.109.3 million, or 7.6%, to S/.1,538.1 million in 2010 from S/.1,428.8 million in 2009. This increase was principally to an increase in gross sales which more than offset the increase in discounts.

A detailed composition of our net sales for the years ended December 31, 2010 and 2009, are shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2010</u>		<u>2009</u>	<u>2010</u>
	<u>(Audited)</u>			<u>% of Gross Sales</u>	
	<u>(in millions of Nuevos Soles)</u>				
Carbonated soft drinks	1,362.3	1,457.4	7.0	80.2	78.1
Bottled water.....	155.8	197.0	26.4	9.2	10.6
Non carbonated beverages (other than bottled water).....	177.3	180.0	1.5	10.4	9.6
Others	3.9	31.2	700.0	0.2	1.7
	<u>1,699.3</u>	<u>1,865.5</u>	9.8		
Less: discounts.....	<u>(270.5)</u>	<u>(327.5)</u>	21.1	(18.9)	(21.3)
Net sales	<u><u>1,428.8</u></u>	<u><u>1,538.1</u></u>	7.6		

Other operating income

Other operating income increased by S/.14.8 million, or 27.2%, to S/.69.2 million in 2010 from S/.54.4 million in 2009. This increase was principally attributable to an increase in sales of glass bottles and plastic transport boxes and sale of property, plant and equipment and a decrease in sales of services and sale of raw materials and advertising material no longer needed by Lindley, when compared to 2009. Due to our marketing strategy to introduce new returnable bottles, sales of glass bottles and plastic transport boxes increased by S/.10.7 million, or 44.8%, to S/.34.6 million in 2010 from S/.23.9 million in 2009. In addition, during 2010, we sold property for S/.14.6 million and entered into a leaseback agreement for coolers for S/.7.8 million. As a consequence of such sale and leaseback agreement, sale of property, plant and equipment increased by S/.22.7 million to S/.22.8 million in 2010, from S/.0.1 million in 2009. The sale of services, raw material and advertising material decreased S/.16.3 million, or 60.6%, to S/.10.5 million in 2010 from S/.26.9 million in 2009.

A detailed composition of other operating income for the years ended December 31, 2010 and 2009, is shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2010</u>		<u>2009</u>	<u>2010</u>
	<u>(Audited)</u>			<u>% of Other Operating Income</u>	
	<u>(in millions of Nuevos Soles)</u>				
Sale of bottles and boxes	23.9	34.6	44.8	43.9	50.0
Sale of property, plant and equipment	0.1	22.8	22,700.0	0.2	32.9
Sale of services, raw materials, advertising material and others ⁽¹⁾	26.9	10.5	(61.0)	49.4	15.2
Rentals	0.6	1.0	66.7	1.1	1.4
Tax devolutions	1.7	-	(100.0)	3.1	
Others	<u>1.1</u>	<u>0.3</u>	(72.7)	2.0	0.4
Other operating income	<u><u>54.4</u></u>	<u><u>69.2</u></u>	27.2		

(1) This includes marketing contributions received from The Coca-Cola Company.

Cost of sales

Cost of sales increased by S/.99.8 million, or 10.1%, to S/.1,089.6 million in 2010 from S/.989.8 million in 2009. This increase is primarily due to an increase in production volumes and an increase in prices for raw materials, specifically higher prices of sugar and resin (which is used to produce plastic bottles and PET preforms). See "Description of the Company – Production – Raw Materials."

A detailed composition of our cost of sales for the years ended December 31, 2010 and 2009, are shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2010</u>		<u>2009</u>	<u>2010</u>
	<u>(Audited)</u>			<u>% of Cost of Sales</u>	
	<u>(in millions of Nuevos Soles)</u>				
Opening balance of finished goods, products in process and goods	29.7	32.6	9.8	3.0	3.0
Consumption of raw materials and other and purchase of goods					
Concentrates	333.0	350.7	5.3	33.6	32.2
Sugar	170.0	200.2	17.8	17.2	18.4
Plastic bottles.....	122.9	144.9	17.9	12.4	13.3
Caps.....	48.0	49.3	2.7	4.8	4.5
PET preforms	31.4	34.1	8.6	3.2	3.1
Other goods	2.0	1.7	(15.0)	0.2	0.2
Others	87.5	112.3	28.3	8.8	10.3
TOTAL	794.8	893.0	12.4	80.3	82.0
Labor expenses	85.9	83.2	(3.1)	8.8	7.6
Third-party services provided	58.3	65.6	12.5	5.9	6.0
Taxes and others	1.3	1.4	7.7	0.1	0.1
Depreciation.....	47.6	56.9	19.5	4.8	5.2
Other provisions.....	4.8	5.3	10.4	0.5	0.5
Less: Ending balance of finished goods, product in process and goods	(32.6)	(48.3)	48.2	(3.3)	(4.4)
Cost of sales	<u>989.8</u>	<u>1,089.6</u>	10.1		

Gross profit

Gross profit increased by S/.24.3 million, or 4.9%, to S/.517.6 million in 2010 from S/.493.3 million in 2009. Our gross profit margin decreased to 33.7% in 2010 from 34.5% in 2009. This decrease is primarily due to an increase in prices in raw materials which was partially offset by an increase in sales volume and an increase in prices of our products.

Selling expenses

Selling expenses increased by S/.22.0 million, or 9.3%, to S/.257.3 million in 2010 from S/.235.3 million in 2009. This increase was mainly due to an increase in sales volume and higher costs of transportation because of an increase in the price of oil. The ratio of selling expenses to net sales increased to 16.7% during 2010 compared with 16.5% in 2009.

In 2010, third-party services consisted primarily of the cost of leasing and operating warehouses as well as fees charged by third-party shipping agents. Third-party services increased by S/.6.1 million, or 5.4%, to S/.119.4 million in 2010 from S/.113.3 million in 2009. This increase was mainly due to an increase in sales volumes, which increased the cost of transportation of our products. In addition, investment in warehouses generated a higher amount of depreciation expenses for 2011. Depreciation related to the selling of our products increased by S/.9.2 million, or 58.2%, to S/.25.0 million in 2010 from S/.15.8 million in 2009. Advertising and promotion increased by S/.8.1 million, or 14.6%, to S/.63.6 million in 2010 from S/.55.5 million in 2009. This increase was mainly due to more investments in advertisement and promotion as part of our marketing strategy for the year 2010.

A detailed composition of our selling expenses for the years ended December 31, 2010 and 2009, are shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2010</u>		<u>2009</u>	<u>2010</u>
	<u>(Audited)</u>			<u>% of Selling Expenses</u>	
	<u>(in millions of Nuevos Soles)</u>				
Labor expenses	45.3	44.8	(1.1)	19.3	17.4
Third-party services provided	113.2	119.4	5.5	48.1	46.4
Advertising and promotion	55.5	63.6	14.6	23.6	24.7
Taxes and others	1.1	1.0	(9.1)	0.5	0.4
Depreciation.....	15.8	25.0	58.2	6.7	9.7
Amortization.....	0.3	0.3	0.0	0.1	0.1
Other provisions.....	4.1	3.3	(19.5)	1.7	1.3
Selling expenses	<u>235.3</u>	<u>257.3</u>	9.3		

Administrative expenses

Administrative expenses increased by S/.4.8 million, or 7.9%, to S/.65.5 million in 2010 from S/.60.7 million in 2009. This increase was mainly due to S/.5.2 million expenses related to the celebration of the 100 year anniversary of the founding of the Company and the 75 year anniversary of the creation of *Inca Kola*, as well as certain expenses related to projects on improvement of efficiencies in management carried out by external consultants which charged us S/.4.1 million. The ratio of administrative expenses to net sales increased to 4.3% during 2010 compared with 4.2% in 2009.

A detailed composition of our administrative expenses for the years ended December 31, 2010 and 2009, are shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2010</u>		<u>2009</u>	<u>2010</u>
	<u>(Audited)</u>			<u>% of Administrative Expenses</u>	
	<u>(in millions of Nuevos Soles)</u>				
Labor expenses	27.7	26.7	(3.6)	45.6	40.8
Third-party services provided	25.1	30.4	21.1	41.4	46.4
Taxes and others	0.5	0.4	(20.0)	0.8	0.6
Depreciation.....	4.3	4.5	4.7	7.1	6.9
Amortization.....	1.3	1.8	38.5	2.1	2.7
Other provisions.....	1.9	1.7	(10.5)	3.1	2.6
Administrative expenses.....	<u>60.7</u>	<u>65.5</u>	7.9		

Other expenses

Other expenses increased by S/.13.3 million, or 16.4%, to S/.94.4 million in 2010 from S/.81.1 million in 2009. This increase was mainly due to the cost of property and equipment sold in 2010 and depreciation of new returnable bottles introduced in the market in 2010. The cost of the property sold was S/.8.7 million and the cost of the equipment sold was S/.5.4 million. The depreciation of packaging and other materials, increased by S/.9.0 million, or 43.7%, to S/.29.6 million in 2010 from S/.20.6 million in 2009, primarily due to an increase in the depreciation expenses related to returnable bottles. The ratio of other expenses to net sales increased to 6.1% during 2010 compared with 5.7% in 2009.

A detailed composition of other expenses for the years ended December 31, 2010 and 2009, are shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2010</u>		<u>2009</u>	<u>2010</u>
	<u>(Audited)</u>			<u>% of Other Expenses</u>	
	<u>(in millions of Nuevos Soles)</u>				
Depreciation of packaging and others.....	20.6	29.6	43.7	25.4	31.4
Write-offs of inventories, bottles and boxes	23.4	26.5	13.2	28.9	28.1
Provision for contingencies, termination of personnel and others	21.7	19.9	(8.3)	26.8	21.1
Net cost of disposal of properties, plant and equipment	1.4	15.6	1,014.3	1.7	16.5
Cost of sale of services, raw materials, advertising material and others	14.0	2.8	(80.0)	17.3	3.0
Other expenses	<u>81.1</u>	<u>94.4</u>	16.4		

Financial income

Financial income decreased by S/.18.8 million, or 42.1%, to S/.25.9 million in 2010 from S/.44.7 million in 2009. This decrease was mainly due to lower gains from variation in the exchange rate which decreased in 2010 to S/.21.1 million from S/.41.6 million in 2009. See "Exchange Rate."

A detailed composition of financial income for the years ended December 31, 2010 and 2009, is shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2010</u>		<u>2009</u>	<u>2010</u>
	<u>(Audited)</u>			<u>% of Financial Income</u>	
	<u>(in millions of Nuevos Soles)</u>				
Income from deposits in bank and others	3.1	4.9	58.1	6.9	18.8
Exchange gain.....	41.6	21.1	(49.3)	93.1	81.2
Financial income	<u>44.7</u>	<u>25.9</u>	(42.1)		

Financial expenses

Financial expenses increased by S/.2.3 million, or 4.4%, to S/.54.9 million in 2010 from S/.52.6 million in 2009. This increase was mainly due to an increase in interest expenses related to an increase in the total amount of financial debt which was used to fund capital expenditures and higher payments under the Cross Currency Swap. These increases were partially offset by lower losses from variation on the exchange rate, which decreased in 2010 to S/.13.4 million from S/.16.3 million in 2009. See "Exchange Rate."

A detailed composition of financial expenses for the years ended December 31, 2010 and 2009, are shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2010</u>		<u>2009</u>	<u>2010</u>
	<u>(Audited)</u>			<u>% of Financial Expenses</u>	
	<u>(in millions of Nuevos Soles)</u>				
Interest from loan and others	11.4	14.0	22.8	21.7	25.5
Exchange loss	16.3	13.4	(17.8)	31.0	24.4
Realized loss from derivative and hedge agreements	1.7	4.5	164.7	3.2	8.2
Interest from related parties	1.0	0.8	(20.0)	1.9	1.5
Interest and expenses from long term financial obligations	22.1	22.3	0.9	42.0	40.6
Financial expenses.....	<u>52.6</u>	<u>54.9</u>	4.4		

Loss from derivative financial instruments

Loss from derivative financial instruments increased by S/.0.9 million, or 150%, to S/.1.5 million in 2010 from S/.0.6 million in 2009. This increase was mainly due to an increase in losses related to the Interest Rate Swaps.

Income tax

Income tax decreased by S/.13.2 million, or 29.0%, to S/.32.4 million in 2010 from S/.45.5 million in 2009 mainly because of the decrease in income before taxes.

The effective tax rate in 2010 was 46.2% compared to 42.2% in 2009.

Net income

Net income decreased by S/.24.5 million, or 39.4% in 2010 to S/.37.7 million from S/.62.2 million in 2009 as a result of the factors described above.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Net sales

Gross sales increased by S/.212.8 million, or 14.3%, to 1,699.3 million in 2009 from S/.1,486.5 million in 2008. The increase was principally attributable to higher sales in the CSD category, which increased by 12.0% to S/.1,362.3 million in 2009 from S/.1,215.8 million in 2008, and higher sales in the non-carbonated beverages category (other than bottled water), which increased by 45.1% to S/.177.3 million in 2009 from S/.122.2 million in 2008.

Discounts increased by S/.42.4 million, or 18.6%, to S/.270.5 million in 2009 from S/.228.1 million in 2008. This increase was principally attributable to the higher sales volume and the increase in the average sale price of our products, as well as due to an increase in higher discounts introduced in order to maintain our market share and a higher amount of returnable bottles introduced into the market.

Net sales increased by S/.170.4 million, or 13.5%, to S/.1,428.8 million in 2009 from S/.1,258.8 million in 2008. This increase was principally to an increase in gross sales which more than offset the increase in discounts.

A detailed composition of our net sales for the years ended December 31, 2009 and 2008, is shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2009</u>		<u>2008</u>	<u>2009</u>
	<u>(Audited)</u>			<u>% of Gross Sales</u>	
	<u>(in millions of Nuevos Soles)</u>				
Carbonated soft drinks	1,215.8	1,362.3	12.0	81.8	80.2
Bottled water.....	147.6	155.8	5.6	9.9	9.2
Non carbonated beverages (other than bottled water).....	122.2	177.3	45.1	8.2	10.4
Others	0.8	3.9	387.5	0.1	0.2
	<u>1,486.5</u>	<u>1,699.3</u>	14.3		
Less: discounts.....	<u>(228.1)</u>	<u>(270.5)</u>	18.6	15.3	15.9
Net sales	<u>1,258.4</u>	<u>1,428.8</u>	13.5		

Other operating income

Other operating income increased by S/.11.0 million, or 25.4%, to S/.54.4 million in 2009 from S/.43.4 million in 2008. This increase was principally attributable to an increase in sales of advertising material and returnable bottles and the sale of sugar to third parties that did not comply with our quality standards, as part of our arrangement with our supplier of sugar.

A detailed composition of other operating income for the years ended December 31, 2009 and 2008, is shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2009</u>		<u>2008</u>	<u>2009</u>
	<u>(Audited)</u>			<u>% of Other Operating Income</u>	
	<u>(in millions of Nuevos Soles)</u>				
Sale of bottles and boxes	21.1	23.9	13.3	48.6	43.9
Sale of property, plant and equipment	0.6	0.1	(83.3)	1.4	0.2
Sale of services, raw materials, advertising material and others ⁽¹⁾	17.7	26.9	52.0	40.8	49.4
Rentals	0.5	0.6	20.0	1.2	1.1
Tax devolutions	0.9	1.7	88.9	2.1	3.1
Others	2.6	1.1	(57.7)	6.0	2.0
Other operating income	<u>43.4</u>	<u>54.4</u>	25.3		

(1) This includes marketing contributions received from The Coca-Cola Company.

Cost of sales

Costs increased by S/.122.3 million, or 14.1%, to S/.989.8 million in 2009 from S/.867.5 million in 2008. This increase is primarily due to an increase in production volumes as well as higher prices paid for our raw materials, particularly for sugar and resin, and an increase in labor expenses. See "Description of the Company – Production – Raw Materials." Labor expenses increased by S/.10.4 million, or 13.8%, to S/.85.9 million in 2009 from S/.75.5 million in 2008. This increase was principally attributable to an increase on wages and an increase on higher sales volume which required more employees for our plants.

A detailed composition of our cost of sales for the years ended December 31, 2009 and 2008, are shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2009</u>		<u>2008</u>	<u>2009</u>
	<u>(Audited)</u>			<u>% of Cost of Sales</u>	
	<u>(in millions of Nuevos Soles)</u>				
Opening balance of finished goods, products in process and goods	17.8	29.7	66.9	2.1	3.0
Consumption of raw materials and other and purchase of goods					
Concentrates	289.6	333.0	15.0	33.4	33.6
Sugar	139.4	170.0	22.0	16.1	17.2
Plastic bottles.....	103.6	122.9	18.6	11.9	12.4
Caps.....	42.0	48.0	14.3	4.8	4.8
PET preforms	47.8	31.4	(34.3)	5.5	3.2
Other goods	1.0	2.0	100.0	0.1	0.2
Others	82.4	87.5	6.2	9.5	8.8
TOTAL	705.8	794.8	12.6	81.4	80.3
Labor expenses	75.5	85.9	13.8	8.7	8.7
Third-party services provided	50.1	58.3	16.4	5.8	5.9
Taxes and others	1.1	1.3	18.2	0.1	0.1
Depreciation.....	42.8	47.6	11.2	4.9	4.8
Other provisions.....	4.3	4.8	11.6	0.5	0.5
Less: Ending balance of finished goods, product in process and goods	(29.7)	(32.6)	9.8	3.4	3.3
Cost of sales	<u>867.5</u>	<u>989.8</u>	14.1		

Gross profit

Gross profit increased by S/.59.0 million, or 13.6%, to S/.493.3 million in 2009 from S/.434.3 million in 2008. Our gross profit margin remained the same at 34.5% during 2009 and 2008. Although there was an increase in production costs in 2009, this was partially offset with higher sales volume and higher prices for our products.

Selling expenses

Selling expenses increased by S/.28.0 million, or 13.5%, to S/.235.3 million in 2009 from S/.207.3 million in 2008. This increase was mainly due to an increase in sales volume and an increase in transportation costs, primarily due to an increase in the price of oil and labor expenses. The ratio of selling expenses to net sales remained the same at 16.5% during 2009 and 2008.

A detailed composition of our selling expenses for the years ended December 31, 2009 and 2008, are shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2009</u>		<u>2008</u>	<u>2009</u>
	(Audited)			% of Selling Expenses	
	(in millions of Nuevos Soles)				
Labor expenses	39.5	45.3	14.7	19.1	19.3
Third-party services provided	99.8	113.2	13.4	48.1	48.1
Advertising and promotion	48.0	55.5	15.6	23.2	23.6
Taxes and others	1.2	1.1	(8.3)	0.6	0.5
Depreciation.....	15.8	15.8	-	7.6	6.7
Amortization.....	0.3	0.3	-	0.1	0.1
Other provisions.....	2.8	4.1	46.4	1.4	1.7
Selling expenses	<u>207.3</u>	<u>235.3</u>	13.5		

Administrative expenses

Administrative expenses increased by S/.8.7 million, or 16.7%, to S/.60.7 million in 2009 from S/.52.0 million in 2008. This increase was mainly due to higher labor expenses and an increase in depreciation. The ratio of administrative expenses to net sales increased to 4.2% during 2009 compared with 4.1% in 2008.

A detailed composition of our administrative expenses is shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2009</u>		<u>2008</u>	<u>2009</u>
	(Audited)			% of Administrative Expenses	
	(in millions of Nuevos Soles)				
Labor expenses	25.5	27.7	8.6	49.0	45.6
Third-party services provided	19.5	25.1	28.7	37.5	41.4
Taxes and others	0.7	0.5	(28.6)	1.3	0.8
Depreciation.....	3.6	4.3	19.4	6.9	7.1
Amortization.....	1.1	1.3	18.2	2.1	2.1
Other provisions.....	1.6	1.9	18.8	3.1	3.1
Administrative expenses.....	<u>52.0</u>	<u>60.7</u>	16.7		

Other expenses

Other expenses increased by S/.13.0 million, or 19.1%, to S/.81.1 million in 2009 from S/.68.1 million in 2008. This increase was mainly due to expenses related to the sale of sugar that did not comply with our quality standards, which was sold as part of our arrangement with our sugar supplier, and advertising material no longer used by Lindley. The ratio of other expenses to net sales increased to 5.7% during 2009 compared with 5.4% in 2008.

A detailed composition of other expenses for the years ended December 31, 2009 and 2008, are shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2009</u>		<u>2008</u>	<u>2009</u>
	<u>(Audited)</u>			<u>% of Other Expenses</u>	
	<u>(in millions of Nuevos Soles)</u>				
Depreciation of packaging and others.....	18.0	20.6	14.4	26.4	25.4
Write-offs of inventories, bottles and boxes	21.3	23.4	9.9	31.3	28.9
Provision for contingencies, termination of personnel and others	20.0	21.7	8.5	29.4	26.8
Net cost of disposal of properties, plant and equipment	6.2	1.4	(77.4)	9.1	1.7
Cost of sale of services, raw materials, advertising material and others	2.7	14.0	418.5	4.0	17.3
Other expenses	<u>68.1</u>	<u>81.1</u>	19.1		

Financial income

Financial income increased by S/.8.6 million, or 23.8%, to S/.44.7 million in 2010 from S/.36.1 million in 2009. This increase was mainly due to higher gains from variation in the exchange rate and higher interest income from bank deposits. See "Exchange Rate."

A detailed composition of financial income for the years ended December 31, 2009 and 2008, is shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2009</u>		<u>2008</u>	<u>2009</u>
	<u>(Audited)</u>			<u>% of Financial Income</u>	
	<u>(in millions of Nuevos Soles)</u>				
Income from deposits in bank and others	1.3	3.1	138.5	3.6	6.9
Exchange gain.....	<u>34.8</u>	<u>41.6</u>	19.5	96.4	93.1
Financial income	<u>36.1</u>	<u>44.7</u>	23.8		

Financial expenses

Financial expenses decreased by S/.22.9 million, or 30.3%, to S/.52.6 million in 2010 from S/.75.5 million in 2009. This decrease was mainly due to a decrease in losses attributable to variation in the exchange rate, which was offset by higher interest payments. See "Exchange Rate."

A detailed composition of financial expenses for the years ended December 31, 2009 and 2008, are shown in the following table.

	<u>Year Ended December 31,</u>		<u>% change</u>	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2009</u>		<u>2008</u>	<u>2009</u>
	<u>(Audited)</u>			<u>% of Financial Expenses</u>	
	<u>(in millions of Nuevos Soles)</u>				
Interest from loan and others	17.8	11.4	(36.0)	23.6	21.7
Exchange loss	42.0	16.3	(61.2)	55.6	31.0
Realized loss from derivative and hedge agreements	-	1.7	-		3.2
Interest from related parties	1.0	1.0	0.0	1.3	1.9
Interest and expenses from long term financial obligations	14.6	22.1	(51.4)	19.3	42.0
Financial expenses.....	<u>75.5</u>	<u>52.6</u>	(30.3)		

Loss from derivative financial instruments

Losses from financial instruments decreased by S/.9.1 million, or 93.8%, to S/.0.6 million in 2009 from S/.9.7 million in 2008. This reduction was mainly due to a decrease in levels of interest rate variations in 2009. See " – Quantitative and Qualitative Disclosure about Market Risk."

Income tax

Income tax increased by S/.17.4 million, or 61.9%, to S/.45.5 million in 2009 from S/.28.1 million in 2008. This is primarily due to an increase in income before taxes.

The effective tax rate in 2009 was 42.3% compared to 48.6% in 2008.

Net income

Net income increased by S/.32.6 million, or 110.1% in 2009 to S/.62.2 million from S/.29.6 million in 2008 as a result of the factors described above.

Liquidity and Capital Resources

Liquidity

We have experienced, and expect to continue to experience, substantial liquidity and capital resource requirements, primarily in order to finance the construction of new plants, increase the capacity of existing plants and to acquire bottling and cooler equipment.

The principal source of our liquidity is cash generated from operations. A significant majority of our sales are on a cash basis (approximately 89% of total gross sales as of September 30, 2011) with the remainder on a short-term credit basis (approximately 11% of total gross sales as of September 30, 2011). We have traditionally relied mainly on cash generated from operations to fund our working capital requirements and capital expenditures. We have also used a combination of borrowings from Peruvian and international banks and debt issuances in the Peruvian capital markets. As of September 30, 2011, we had S/.622.0 million in undrawn credit lines available. These credit lines are used for funding working capital and capital expenditures.

As of September 30, 2011, we had negative working capital (current assets less current liabilities) of S/.238.1 million, as compared to a negative working capital of S/.76.6 million at December 31, 2010. At December

31, 2009, we had negative working capital of S/.74.4 million. The primary reason for the increase in the negative working capital at September 30, 2011 compared to December 31, 2010 and 2009, was the use of cash and short-term loans to fund capital expenditure investments made in 2011. The capital investments projected for 2011 are S/.409.5 million, which are comprised mainly of purchasing new returnable bottles, infrastructure and coolers. It is expected that S/.241.1 million in short term debt will be repaid with part of the proceeds of the sale of the Notes, and as a consequence we expect to have positive levels of working capital. Our historical working capital deficit is not unusual for us and should not be considered to indicate lack of liquidity since it only reflects the use of short term funds to fund long-term investments.

We review our cash requirements and financial resources on a monthly basis for a rolling 12-month period. We continue to maintain adequate current assets to satisfy current liabilities when they are due and have sufficient liquidity and financial resources to manage our day-to-day cash requirements. Taking into consideration our established borrowing facilities, operating cash flows and access to capital markets, we believe that we have sufficient liquidity and working capital to meet our present and budgeted requirements.

Sources and Uses of Cash

The table below reflects our consolidated cash and cash equivalents as of the periods indicated and the net cash provided by (or used in) operating, investing, and financing activities during such periods.

	For Nine Months Ended September 30,		For Year Ended December 31,		
	2010	2011	2008	2009	2010
	(in millions of S/.)				
Cash, cash equivalents and restricted cash at beginning of period.....	35.4	42.4	30.4	21.4	35.4
Cash or cash equivalent provided by operating activities.....	32.0	79.1	166.8	135.9	142.9
Cash or cash equivalent used in investing activities...	(76.5)	(164.0)	(155.0)	(134.7)	(120.9)
Cash or cash equivalent provided by financing activities.....	39.5	72.0	(20.9)	12.8	(15.1)
Cash, cash equivalents and restricted cash at end of period	<u>30.5</u>	<u>29.5</u>	<u>21.4</u>	<u>35.4</u>	<u>42.4</u>

Note: Figures may not sum due to rounding.

During the first nine months of 2011, our cash and cash equivalents from operating activities was S/.79.1 million compared to S/.32.0 million during the same period in 2010. This increase was mainly due to higher sales and the extension of the maturity of new accounts payable. During the first nine months of 2011, our cash and cash equivalents used in investing activities was S/.164.0 million compared to S/.76.5 million during the same period in 2010. This increase was mainly due to more investments in property and equipment as part of capital expenditures. See " – Financial Obligations." During the first nine months of 2011, our cash and cash equivalents provided by financing activities was S/.72.0 million compared to S/.39.5 million generated during the same period in 2010. This increase was mainly due to the payment of short term loans and a syndicated loan in the amount of S/.359.5 million, which was offset by an increase in borrowing of S/.447.4 million used in capital expenditures. During the first nine months of 2011, our cash and cash equivalents decreased by S/.12.9 million compared to a decrease of S/.4.9 million during the same period in 2010, as a result of the factors described before.

In 2010 our cash and cash equivalents from operating activities was S/.142.9 million compared to S/.135.9 million in 2009. This increase was mainly due to higher sales and an improvement in the management of our working capital since we are getting paid for the sale of our products before any payment is made to our suppliers. The cash conversion cycle was shortened by nine days to eight days in 2010 from 17 days in 2009. In 2010 our cash and cash equivalents used in investing activities was S/.120.9 million compared to S/.134.7 million used in 2009. In 2010, our cash and cash equivalents used in financing activities was S/.15.1 million compared to S/.12.8 million provided in 2009. This variation in investing and financing activities was mainly due to more investments in

property and equipment made through financial leases instead of acquiring those assets directly. In 2010 our cash and cash equivalents increased by S/.6.9 million compared to an increase of S/.14.0 million in 2009, as a result of the factors described before.

In 2009 our cash and cash equivalents from operating activities was S/.135.9 million compared to S/.166.8 million in 2008. This decrease was mainly due to higher sales and a more flexible management of our working capital which allowed us to extend the cash conversion cycle by 16 days to 17 days in 2009 from one day in 2008. In 2009 our cash and cash equivalents used in investing activities was S/.134.7 million compared to S/.155.0 million used in 2008. This decrease was mainly due to a delay in the execution time of the projected capital investments for 2009. In 2009 our cash and cash equivalents from financing activities was S/.12.8 million compared to S/.20.9 million used in 2008. This increase was mainly due to the partial prepayment of a syndicated loan in 2008. In 2009 our cash and cash equivalents increased by S/.14.0 million compared to a decrease of S/.9.0 million in 2008, as a result of the factors described before.

As of September 30, 2011, cash and cash equivalents were S/.29.5 million, as compared to S/.42.4 million as of December 31, 2010. As of September 30, 2010, our cash and cash equivalents were comprised of 97% Nuevos Soles and 3% US dollars. These funds, in addition to the cash generated by our operations, are sufficient to meet our operating requirements.

Financial Obligations

The following table sets forth our financial obligations as of September 30, 2011:

	Maturity				Total ⁽¹⁾
	(in millions of S/.)				
	Less than 1 year	1 – 3 years	4 – 5 years	In excess of 5 years	
Debt					
Promissory Note – Citibank, N.A.	55.5	-	-	-	55.5
Promissory Note – Banco de Crédito del Perú	50.8	-	-	-	50.8
Promissory Note – Interbank	41.6	-	-	-	41.6
Promissory Note – BBVA Continental	27.7	-	-	-	27.7
Promissory Note – Scotiabank Peru	30.6	-	-	-	30.6
Promissory Note – Santander	36.1	-	-	-	36.1
	242.2	-	-	-	242.2
Financial Leases					
Banco de Crédito del Perú (Op. 19588AFB)	0.2	-	-	-	0.2
Banco de Crédito del Perú (Op. 21727AFB)	-	-	-	-	0.0
Banco de Crédito del Perú (Op. 29296AFB)	3.5	6.7	4.0	3.6	17.8
Interbank (Op.16803677)	9.1	-	-	-	9.1
Interbank (Op.16802928)	-	12.2	1.0	-	13.3
Interbank (Op.16802953)	1.0	16.1	-	-	17.2
Interbank (Op.16804082)	1.5	3.5	1.7	-	6.7
Interbank (Op.16804188)	3.9	9.5	4.6	-	18.0
Scotiabank Peru (Op.1443)	1.3	-	-	-	1.3
BBVA Continental (Op.8100316314) ...	2.0	4.8	1.8	-	8.6
BBVA Continental (Op.8100335750) ...	3.9	8.3	9.8	20.1	42.1
BBVA Continental (Op.8100337087) ...	0.2	0.2	-	-	0.4
BBVA Continental (Op.8100340290) ...	2.2	4.7	5.6	11.4	23.9
BBVA Continental (Op.8100335734) ...	2.2	4.8	5.7	11.7	24.4
BBVA Continental (Op.8100344202) ...	0.5	0.1	0.3	0.6	1.5
	31.4	71.0	34.5	47.5	184.4
Corporate Bonds					
First Issuance.	8.2	20.2	16.5	12.4	57.3
Second Issuance.	5.7	11.2	11.4	11.4	39.7
Third Issuance.	-	55.5	-	-	55.5
Fourth Issuance.	-	30.0	-	-	30.0
Sixth Issuance.	-	-	-	55.5	55.5
	13.8	116.8	27.9	79.2	238.0
Financial Instruments					
Cross Currency Swap	-	4.5	-	-	4.5
Interest rate swap – Citibank	1.1	-	-	-	1.1
Interest rate swap – JP Morgan	0.8	-	-	-	0.8
	1.9	4.5	-	-	6.4
Other	1.6	-	-	-	1.7
TOTAL⁽¹⁾	291.0	192.3	62.5	126.7	672.7

(1) Numbers may not sum due to rounding.

Our total indebtedness was S/.672.7 million as of September 30, 2011, compared to S/.527.2 million as of December 31, 2010. Short-term debt and long-term debt were S/.290.9 million and S/.381.8 million, respectively, as of September 30, 2011, compared to S/.129.2 million and S/.398.0 million, respectively, as of December 31, 2010. Total debt increased by S/.145.6 million in the first nine months of 2011 and net debt increased by S/.145.5 million in 2010 mainly as a result of the higher amount of short term debt incurred by Lindley to fund capital expenditures.

Our total indebtedness was S/.527.2 million as of December 31, 2010, compared to S/.436.3 million as of December 31, 2009. Short-term debt and long-term debt were S/.129.2 million and S/.398.0 million, respectively, as of December 31, 2010, as compared to S/.92.6 million and S/.343.7 million, respectively, as of December 31, 2009. Total debt increased S/.90.9 million in 2010 and net debt increased S/.83.9 million in 2010 mainly as a result of new investments in accordance to our investment plan.

As of September 30, 2011, 55.4% of our total indebtedness was denominated in Nuevos Soles and 44.6% in US dollars. As of December 31, 2010 and 2009, 57.4% and 55.8%, respectively, of our total indebtedness was denominated in Nuevos Soles and 42.6% and 44.2%, respectively, in US dollars.

As of September 30, 2011, all of our total indebtedness bore interest at fixed rates. As of December 31, 2010 and 2009, 83.7% and 71.7%, respectively, of our total indebtedness bore interest at fixed rates and 16.3% and 28.3%, respectively, bore interest at variable rates, determined by reference to LIBOR.

As of September 30, 2011, we have 15 financial leases for the acquisition of equipment outstanding. As of September 30, 2010, the debt related to those financial leases was equal to S/.184.4 million. Due to the tax benefits generated by the accelerated depreciation of the assets subject to financial leases, these type of transactions are part of our financing strategy.

We expect estimated net proceeds from the sale of the Notes will be approximately US\$317 million. The Company intends to use the net proceeds from the sale of Notes (i) to prepay principal and accrued interest on five different bonds issued in the Peruvian market in Nuevos Soles and US dollars in an aggregate amount of S/.168,410,000 and US\$40,000,000, respectively, (ii) to prepay certain swap agreements entered into to hedge the exposure of the Company to the variation of interest rate on two syndicated loans in an aggregate amount of approximately US\$2.5 million, (iii) to prepay approximately S/.241.1 million (US\$87 million) in short-term debt that was used as part of our capital expenditures plan for 2011, and (iv) for general corporate purposes. The five bonds we intend to prepay are S/.81,690,000 6.75% notes due 2018, S/.56,720,000 8.53% notes due 2018, S/.30,000,000 7.25% notes due 2014, and US\$20,000,000 7.03% notes due 2014 and US\$20,000,000 7.72% notes due 2020 and applicable penalties and any other payments related thereto. See "Use of Proceeds."

We have not paid dividends since 1996. The shareholders of Lindley agreed on March 31, 2011, to pay dividends once the accumulated losses on the balance sheet are compensated provided that the Company has sufficient liquidity to provide for its financial obligations and investments in a given year.

Summary of Significant Debt Instruments

The following table sets forth financial leases outstanding as of September 30, 2011, that would not be paid off from the proceeds of the offering of the Notes:

Financial Leases	Outstanding Debt (in millions of S/.)	Interest Rate
Banco de Crédito del Perú (Op. 19588AFB) ...	0.2	7.8%
Banco de Crédito del Perú (Op. 21727AFB) ...	0.0	8.8%
Banco de Crédito del Perú (Op. 29296AFB) ...	17.8	3.9%
Interbank (Op.16803677).....	9.1	9.8%
Interbank (Op.16802928).....	13.3	10.1%
Interbank (Op.16802953).....	17.2	10.1%
Interbank (Op.16804082).....	6.7	5.2%
Interbank (Op.16804188).....	18.0	5.2%
Scotiabank Peru (Op.1443).....	1.3	7.7%
BBVA Continental (Op.8100316314)	8.5	5.6%
BBVA Continental (Op.8100335750)	42.1	6.8%
BBVA Continental (Op.8100337087)	0.4	4.5%
BBVA Continental (Op.8100340290)	24.0	6.8%
BBVA Continental (Op.8100335734)	24.4	6.8%
BBVA Continental (Op.8100344202)	1.5	4.5%
TOTAL	184.4	

The terms of some of Lindley's financial leases (a) prevent a change of control of Lindley, (b) contain cross default provisions, (c) contain provisions limiting the sale of assets over certain thresholds, (d) limit our ability to consolidate, merge or transfer assets, (e) limit our ability to create new liens, and (f) contain financial covenants that if breached could eventually accelerate payment of such debt.

We have obtained waivers from each of Interbank and BBVA Continental for the breach of certain financial covenants contained in the Applicable Financial Leases. As of the date of this Offering Memorandum, it is unknown whether we will be in default of the financial covenants contained in any Applicable Financial Lease as of December 31, 2011. In the event of any such default, we expect that we would seek a waiver of such breaches and/or to amend the relevant financial covenants in the Applicable Financial Leases. No assurance can be made that we would receive such waivers or that such amendments to any or all of the relevant Applicable Financial Leases would be executed. In the event of a breach of a financial covenant contained in any Applicable Financial Lease based on our financial results as of and for the nine month period ended September 30, 2011, and in the event that we do not receive a waiver for such breach or execute an amendment to the relevant Applicable Financial Lease, the principal amounts due under such Applicable Financial Leases could be accelerated. As of September 30, 2011, the principal amount outstanding under each of the Applicable Financial Leases is as follows: (i) S/.6.7 million (US\$2.4 million) outstanding under the financial lease dated May 31, 2010, between Lindley and Interbank (Op.16804082); (ii) S/.18.0 million (US\$6.5 million) outstanding under the financial lease dated May 14, 2010, between Lindley and Interbank (Op.16804188); (iii) S/.42.1 million (US\$15.2 million) outstanding under the financial lease, dated July 19, 2010, between Lindley and BBVA Continental (Op.8100335750); and (iv) S/.24.4 million (US\$8.8 million) outstanding under the financial lease, dated July 19, 2010, between Lindley and BBVA Continental (Op.8100335734).

We expect to prepay all the corporate bonds outstanding in an aggregate amount of S/.238.0 million, short term debt in an aggregate amount of S/.241.2 million and certain swap agreements in an aggregate amount of S/.6.4 million as of September 30, 2011, with a portion of the net proceeds from the sale of the Notes.

Capital Expenditures

Our operations require substantial capital expenditures related to investments in new manufacturing lines, returnable bottles and cases, marketing investments (primarily for the placement of coolers), warehouse infrastructure throughout our distribution network and investments in information technology. We are also expecting to build three new mega-plants over the next five years, which will be one-time investments in order to improve the infrastructure and operations of the Company and cover the growing demand of the Peruvian market in the long term. Our management expects to incur approximately S/.579.0 million (approximately US\$208.9 million) of capital expenditures for growth and renovation of equipment during the remainder of 2011 and 2012. We believe that internally generated funds and the proceeds from the sale of the Notes will be sufficient to meet our budgeted capital expenditure for the remainder of 2011 and 2012. Once all these investments are executed, we expect to operate with approximately S/.162.1 million (approximately US\$58.5 million) of capital expenditures per year.

By introducing new returnable bottles into the market, we expect to capture a bigger share of the CSD category outside Lima, especially among low-income customers. Returnable bottles allow us to compete through lower prices, since a single bottle can be used 30 times on average. In addition, returnable bottles give us a higher sales margin if compared to PET bottles. See "Business—Packaging Mix."

Based on our own research in Peru, "mom & pop" shops with coolers increase their total sales by approximately 24% when compared to "mom & pop" shops in the same region without coolers. In addition, each cooler is installed in each "mom & pop" shop with advertising material for our products. By investing in more coolers we expect to increase our sales at each "mom & pop" shop. As of September 30, 2011, 51%, 33% and 29% of the "mom & pop" shops in Lima, in the northern region and in the southern region, respectively, had coolers installed by us.

Regarding the investments in new manufacturing lines, we are currently building a new plant, and expect to build two more plants in the following four years, that will replace all of our existing plants except for the plants located in the jungle (Iquitos, Loreto) and Callao. Through these investments we expect to increase our installed capacity. See "Description of the Company – Description of Property, Plant and Equipment."

The following table sets forth our capital expenditures, including investments in property, plant and equipment, deferred charges and other investments for the periods indicated on a consolidated and by segment basis:

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2011	2008	2009	2010
	(in millions of S/.)				
Land.....	-	0.4	18.9	10.3	-
Buildings and other constructions.....	2.4	0.9	2.2	2.2	2.6
Machinery and equipment	12.2	7.9	6.2	7.1	14.0
Furniture and fixtures.....	3.0	0.2	1.5	1.2	6.1
Transport units.....	0	1.0	4.8	1.3	-
Bottles and boxes.....	32.9	25.2	51.7	42.8	49.3
Computer equipment and others.....	15.3	18.0	26.1	13.1	15.8
Replacement units.....	-	-	0.3	1.8	-
Work in progress.....	89.5	46.7	53.8	75.0	66.3
Units in transit.....	41.9	149.5	10.6	65.1	122.7
Total⁽¹⁾.....	197.2	249.9	176.0	220.0	276.9

(1) Numbers may not sum due to rounding.

Quantitative and Qualitative Disclosure about Market Risk

We hold or issue derivative instruments to partially hedge our exposure to market risks related to changes in interest rates, foreign currency exchange rates and commodity price risk.

The following table provides a summary of the fair value of derivative instruments for the periods presented below. The fair market value is estimated using market prices that would apply to terminate the contracts at the end of the period and are confirmed by external sources, which are also our counterparties to the relevant contracts.

	For the Nine Months Ended September 30,		For the Years Ended December 31,		
	2010	2011	2008	2009	2010
	(Fair Value)				
	(in millions of S/.)				
Interest Rate Swaps					
Citibank	(2.7)	(1.1)	(6.0)	(3.8)	(2.2)
J.P. Morgan	(2.2)	(0.9)	(4.8)	(3.1)	(1.8)
Total.....	(4.9)	(2.0)	(10.9)	(6.9)	(4.0)
Cross Currency Swaps					
Nuevos Soles to US dollars	(6.0)	(4.5)	-	(6.8)	(5.3)
Commodity Hedge Contracts					
LIFEE.....	8.4	2.9	-	4.2	15.0
ICE	5.8	1.9	-	1.4	14.5
BNP Paribas OTC	0.0	(0.7)	-	-	-
Citibank	3.0	0.1	-	-	4.9
Total.....	17.2	4.2	-	5.6	34.4
Forward Contracts					
US dollars	(3.0)	-	-	-	(1.5)

The following table provides a summary of the notional amount and maturities of our interest rate swaps and the Cross Currency Swap:

	Notional Amount (in millions of US\$)	Maturity
J.P. Morgan.....	7.2	January 2013
Citibank, N.A.....	7.2	January 2013
Cross Currency Swap	9.6	July 2014

Interest Rate Risk

In connection with our business activities, we have entered into financial instruments that currently expose us to market risks related to changes in interest rates. We entered into two syndicated loans which bore interest at variable rates determined by reference to the three-month US dollar LIBOR. LIBOR increases would, consequently, increase our interest payments. To reduce our exposure to the fluctuation of LIBOR from those loans, we entered into the Cross Currency Swap and two interest rate swaps with Citibank N.A. and J.P. Morgan, with a notional amount of US\$24.0 million as of October 31, 2011. As of the date of this Offering Memorandum, both of the syndicated loans have already been prepaid, and we expect to use a portion of the net proceeds from the sale of the Notes to prepay US\$87 million in short-term debt, the Cross Currency Swap and the two interest rate swaps.

At September 30, 2011, and December 31, 2010, we had outstanding indebtedness of S/.672.7 million (approximately US\$242.7 million) and S/.527.1 million (approximately US\$190.2 million), respectively, the majority of which bore interest at fixed rates.

Exchange Rate Risk

As of September 30, 2011, and December 31, 2010, we had approximately US\$29.5 million and US\$29.0 million, respectively, in foreign currency denominated assets and approximately US\$201.9 million and US\$159.4 million, respectively in foreign currency denominated liabilities.

To reduce our exposure to currency fluctuation we entered into the Cross Currency Swap, with a notional amount of approximately US\$9.6 million as of October 31, 2011, and several forward agreements. The Company believes it is exposed to approximately US\$150 million each year of exchange rate risk. In 2010, we hedged US\$20 million, which represented approximately 13% of our exposure to US dollars at that time, and for 2011, we hedged US\$27 million, which represents approximately 18% of our exposure for this year to US dollars. We expect to hedge our exposure to currency fluctuation in respect of the Notes by entering into several short and medium-term financial derivatives.

Commodity Price Risk

We are exposed to changes in the price of sugar. We purchase sugar pursuant to annual supply contracts where the prices are set based on the London commodity market. Sugar prices are volatile, and as a result we have entered into several hedge agreements to reduce our exposure to the fluctuation in the price of sugar. The average price of sugar paid by Lindley in 2009 and 2010, net of any derivative entered into during those years and including any premium paid to the sugar mills and cost of transportation, was approximately US\$493 per ton and US\$598 per ton, respectively, while the average price of sugar based on the London commodity market has been US\$507 per ton and US\$614 per ton for 2009 and 2010, respectively. The average price of sugar paid by Lindley in the nine-month periods ended September 30, 2010 and 2011, net of any costs derived from the derivative agreements entered into during such corresponding periods and including any premium paid to the sugar mills and cost of transportation, was approximately US\$613 per ton and US\$668 per ton, respectively, while the average price of sugar based on the London commodity market has been approximately US\$574 per ton and US\$723 per ton for the nine-month periods ended September 30, 2010 and 2011, respectively. As of the date of this Offering Memorandum, the current policy is to hedge a substantial portion of the sugar purchase price for the following year before the end of the current year.

In addition, we are exposed to price fluctuations in resin, in particular in respect of resin used in the production of PETs. Although we do not hedge our exposure to oil prices, in order to acquire resin on better terms and conditions, we participate in a cross-enterprise procurement group along with certain bottlers of The Coca-Cola Company.

Commitments

We have guaranteed certain financial obligations of some of our distributors. As of September 30, 2011, we have guaranteed US\$12.3 million corresponding to the obligations of 31 distributors in 86 financial leases.

Other than the transactions described in the paragraph above, as of September 30, 2011, we did not have any material off-balance sheet obligations that were not reflected in our Consolidated Financial Statements at such date.

DESCRIPTION OF THE COMPANY

History

Lindley is one of the oldest companies in Peru, with more than 100 years of experience in the non-alcoholic beverage industry. Founded by Jose R. Lindley and Martha Stoppanie de Lindley, Lindley began its operations in 1910, under the name "Fábrica de Aguas Gasificadas Santa Rosa." It was started as, and it still is, a family-owned business. The company was incorporated under the laws of Peru on February 22, 1960. In 1996, after merging with certain companies owned by the Lindley Group, the company was renamed Corporación José R. Lindley S.A.

In 1999, The Coca-Cola Company, through its subsidiary Peru Beverage Limitada S.R.L., entered into a strategic alliance with the Lindley Group in which The Coca-Cola Company acquired a 19.9% interest in the Company. See "Shareholders - Bylaws." As part of this alliance, The Coca-Cola Company also acquired all the equity interests (*participaciones*) of Corporación Inca Kola S.R.L., owner of the *Inca Kola* brand, the most popular CSD in Peru, which has been produced and distributed by Lindley since 1935. As a result of these transactions, there were two authorized bottlers and distributors of *Inca Kola* and *Coca-Cola* beverages in Peru: the Lindley Group through Corporación José R. Lindley S.A. and Embonor group through Embotelladora Latinoamericana S.A. ("ELSA").

On January 29, 2004, the Company acquired from Embonor group a majority interest in ELSA and began to consolidate the operations in Peru. In November 2005, the Company absorbed ELSA and other subsidiaries pursuant to a merger. As a consequence of this merger, the Lindley Group received 59.07% of the shares of Lindley and The Coca-Cola Company, through its subsidiary Peru Beverage Limitada S.R.L., received 38.52% of the shares of Lindley. The remaining 2.41% of the shares of ELSA not owned by Lindley or The Coca-Cola Company were converted into Series C shares of Lindley. See "Shareholders." The acquisition of ELSA by Lindley resulted in the consolidation of the bottling and distribution of *Coca-Cola* and *Inca Kola* beverages in Peru into one entity and provided the Company with the ability to capitalize on the synergies created through the consolidation of the bottling and distribution processes. In addition, the acquisition of ELSA granted the Company the exclusive right to produce, bottle, distribute and sell in Peru certain trademarked products of The Coca-Cola Company such as *Inca Kola*, *Coca-Cola* and others.

In 2010, Corporación José R. Lindley S.A. was renamed Corporación Lindley S.A. Lindley is a *sociedad anónima* (corporation) organized under the laws of the Republic of Peru and registered under Electronic Entry No. 11010787 of the Register for Legal Entities of the Lima and Callao Public Registry. Our investment shares are listed on the Lima Stock Exchange. Our principal executive offices are located at Jirón Cajamarca No. 371, Rímac, Lima, Peru. Our telephone number at this location is (51) 1 319 4000. Our website is www.lindley.com.pe.

Overview

We are the only authorized bottlers and distributors of trademarked beverages of The Coca-Cola Company throughout Peru, which include, among others, *Coca-Cola* and *Inca Kola*. We offer a wide range of non-alcoholic beverages consisting of CSD and NCB. Our CSD product portfolio is comprised of market-leading brands such as *Coca-Cola*, one of the world's most recognized beverage brands, and *Inca Kola*, the leading CSD in Peru according to TRAC, and a source of Peruvian national pride according to a study conducted by Millward Brown in July 2011. Our NCB products can be divided into four product categories: fruit-juice based beverages, bottled water (sparkling and still), isotonic and energy drinks. In addition, we are a leading manufacturer of fruit pulp in Peru used for the production of our own fruit-juice based beverages and for export. In 2010 and the nine-month period ended September 30, 2011, we sold approximately 236,472,414 and 190,425,221 Unit Cases, respectively, of CSD and NCB products, generating net sales revenue of S/.1,538.1 million (approximately US\$554.9 million) and S/.1,271.0 million (approximately US\$458.5 million), respectively. Our operating margin for 2010 and the nine-month period ended September 30, 2011, was 6.5% and 5.5%, respectively. The average price per Unit Case for all of our products taken together in 2010 and the nine-month period ended September 30, 2011, was S/.6.50 (approximately US\$2.34) and S/.6.67 (approximately US\$2.41), respectively. We measure our sales volume in unit cases, which is the typical volume measurement in our industry and equals 5.678 liters.

We are the market leader in the non-alcoholic beverage industry in Peru, leading in sales value and volume in CSD, bottled water and fruit-juice based beverages categories, which together represent approximately 97% of the total non-alcoholic beverage category. For the twelve month period ended September 30, 2011, we had 65.6% market share based on sales volume in the CSD category in Peru, according to TRAC. For the twelve month period ended September 30, 2011, our key beverage products, *Inca Kola* and *Coca-Cola*, represented 25.6%, and 23.3%, respectively, of the Peruvian CSD category based on sales volume. In addition, for the same period, *Coca-Cola* and *Inca Kola* trademarked beverages, together with their brand extensions such as *Coca-Cola Zero* and *Inca Kola Diet*, accounted for 50.0% of the Peruvian CSD category based on sales volume. In 2010, our *Inca Kola*, *Coca-Cola*, *Coca-Cola Zero* and *Inca Kola Diet* sales accounted for approximately 44.2%, 34.8%, 0.7% and 0.7%, respectively, of our total sales volume of CSD products. In the nine-month period ended September 30, 2011, our *Inca Kola*, *Coca-Cola*, *Coca-Cola Zero* and *Inca Kola Diet* sales accounted for approximately 45.9%, 32.8%, 0.8% and 0.7%, respectively, of our total sales volume of CSD products. We also bottle and distribute smaller niche brands such as *Fanta*, *Sprite*, *Sprite Zero*, *Crush* and *Kola Inglesa*, which together accounted for 18.9% of our total sales volume of CSD products for the year ended December 31, 2010, and 19.4% for the nine-month period ended September 30, 2011. In addition, such brands represented approximately 15.6% of the Peruvian CSD category based on volume for the twelve month period ended September 30, 2011, according to TRAC.

According to TRAC, during the twelve month period ended September 30, 2011: (i) in the NCB segment, *Frugos*, our fruit-juice based beverages, accounted for approximately 45.9% of the Peruvian fruit-juice based beverage category based on volume; (ii) our bottled water products, *Aquarius* (flavored water) and *San Luis* (still and sparkling water), accounted for approximately 41.1% of the Peruvian bottled water category based on volume; (iii) our isotonic beverage, *Powerade*, accounted for approximately 22.8% of the Peruvian isotonic beverage category based on volume; and (iv) our energy drink, *Burn*, accounted for approximately 21.7% of the Peruvian energy drink category based on volume. In 2010 and in the nine-month period ended September 30, 2011, our bottled water sales accounted for approximately 16.0% and 17.0%, respectively, of our total sales volume; sales of fruit-juice based beverages accounted for 4.1% and 4.3%, respectively, of our total sales volume; sales of isotonic drinks accounted for approximately 1.3% of our total sales volume in both periods; and sales of energy drinks accounted for approximately 0.02% of our total sales volume in both periods.

As part of our strategic relationship with The Coca-Cola Company, we continue to improve our product portfolio to meet changing customer preferences and we are committed to exploring new growth opportunities by introducing new products and package options that satisfy the changing demands and preferences of consumers in the markets in which we operate. We monitor and analyze our product portfolio to (i) extract greater value from our products, (ii) bottle and distribute market leading products, (iii) adapt to the consumer's changing preferences, and (iv) apply market-leading practices for production, distribution and execution at the point of sale.

Our Strengths

Lindley's main competitive strengths include the following:

Strong Ownership and Experienced Management Team

The Company is owned by two experienced and established groups in the non-alcoholic beverage industry in the world and in Peru: The Lindley Group owns 59.07% of the shares of Lindley, and the Coca-Cola Company owns 38.52% of the shares of Lindley and has the right to appoint three out of eight members of the board of directors of the Company as well as its chief financial officer. The Lindley Group has the right to appoint the remaining five members of the board of directors and the chief executive officer. Jose R. Lindley founded the Company in 1910 and the Lindley Group has managed the Company since then. The Lindley Group also established the *Inca Kola* brand as a leading brand in Peru before selling it to a subsidiary of The Coca-Cola Company.

In addition, our senior management team has extensive experience in the non-alcoholic beverages industry. The experienced management team provides the Company with a strong knowledge of the industry, familiarity with our customers, and understanding of the development, manufacture and sale of our products. The Company's senior managers have an average of 20 years of experience in the beverage industry in Peru and internationally. During 2010, the Company received several distinctions commemorating 100 years of existence and our role in Peru. The

most important distinctions received in 2010 are the "Great Cross Grade Award for Distinguished Services" (*Orden al Mérito por Servicios Distinguidos en el Grado de Gran Cruz*) from the President of Peru, the "Great Cross Grade Award Medal of Honor" (*Medalla de Honor en Grado de Gran Cruz*) from the Peruvian Congress and the "Medal of Lima" (*Medalla de Lima*) from the Municipality of Lima.

Relationship with The Coca-Cola Company

We benefit from our strategic relationship with The Coca-Cola Company in ways that improve various aspects of our business and operations. In particular, we work with The Coca-Cola Company to develop a business model that allows us to continue exploring and participating in new lines of beverages, improving our bottling operations, extending existing product lines, implementing selective packaging strategies designed to increase consumer demand and creating effective local advertising and marketing campaigns for our products. In addition, we benefit from the international marketing efforts of The Coca-Cola Company. We also have access to an extensive and evolving portfolio of The Coca-Cola Company products, which allows us to keep up with customers' changing preferences.

In addition, as a result of being part of The Coca-Cola Company network of bottlers, we benefit from the know-how of The Coca-Cola Company, as well as from some of the favorable pricing terms available to it for raw materials used in our production process. We work closely with The Coca-Cola Company to adopt best practices in order to streamline our production, bottling and distribution process. In addition, The Coca-Cola Company advises Lindley on commodity prices and assists with negotiations with suppliers to obtain better terms and conditions.

Distributor of Leading Brands with Significant Consumer Loyalty

We manufacture, bottle and distribute two of the most widely recognized CSD brands in Peru, *Coca-Cola* and *Inca Kola*. These brands enjoy high levels of consumer awareness and loyalty, according to a report from Arellano Investigación de Marketing S.A., which help secure their market position. The largest brand in our product portfolio in terms of sales volume, *Inca Kola*, is a source of Peruvian national pride. Likewise, *Coca-Cola* is one of the world's most recognized beverage brands. For the twelve month period ended September 30, 2011, *Coca-Cola* and *Inca Kola* trademarked beverages, together with their brand extensions such as *Coca-Cola Zero* and *Inca Kola Diet*, accounted for 50.0% of the Peruvian CSD category based on sales volume. The other brands in our product portfolio, such as *Sprite* and *Crush*, are also among the most recognized brands in their market niches. *Sprite* and *Crush* represented 4.1% and 4.6%, respectively, of the Peruvian CSD category based on sales volume during the twelve-month period ended September 30, 2011.

High Growth Potential

Peru is an emerging market country with expected growth in terms of GDP of 6.5% for 2011 and 2012 according to the Peruvian Central Bank. We believe the CSD and NCB categories in Peru are underdeveloped in terms of per capita consumption (we measure per capita consumption through servings per capita, and each serving equals 237 ml). In 2010, for example, Peru had a weighted average annual consumption of Coca-Cola trademarked beverages of approximately 196 servings per capita, compared to 205 in Brazil, 315 in Argentina, 426 in Chile and 665 in Mexico, according to The Coca-Cola Company. In particular, according to our internal data, in 2010, while the region of Lima had a consumption per capita of 318.8, the consumption per capita in the southern part of Peru was 207.0, in the northern part of Peru the consumption per capita was 102.6, in the central region of Peru the consumption per capita was 82.2 and in the eastern part of Peru the consumption per capita was 63.0. We expect these levels of consumption per capita to increase in the future as economic conditions in Peru continue to improve. As the choice of beverages for Peruvian consumers continues to evolve, especially outside of the region of Lima, from tap water and homemade drinks to branded CSD and NCB, we believe we are well positioned to capture a substantial share of this market growth.

Strong Revenue Growth and Strong Cash Flow

The strong brand recognition of our products and extensive product portfolio has enabled us to generate strong net revenue growth. For 2010, 2009 and 2008, the annual compounded growth rate of our net revenue was

11.0%. This revenue growth has delivered strong cash flows. For 2010, 2009, and 2008, our operating cash flow was S/.142.9 million, S/.135.9 million and S/.166.8 million, respectively. These cash flows have been used exclusively to invest in our business.

Extensive Distribution Network and Skilled Sales Force

We have an extensive distribution network, which covers approximately 290,000 points of sale with three visits a week on average and operates in every province of Peru. This distribution network is well equipped to cater to the unique non-alcoholic beverage distribution market in Peru, consisting mainly of local "mom & pop" shops (which are small businesses and the traditional distribution channel in Peru for non-alcoholic beverages). In 2010 and for the nine-month period ended September 30, 2011, "mom & pop" shops represented approximately 87% of the Company's revenues.

We also believe that we have the largest and best-trained sales force in the non-alcoholic beverages industry in Peru. This allows us to work closely and develop strong relationships with our customers. It also allows us to have and maintain real time information regarding the business of each of the approximately 290,000 points of sale.

Business Strategy

Lindley's business strategy is based on maximizing growth and profitability to create value for our shareholders. The key elements of our business strategy include the following:

Expanding markets by focusing on increasing regional coverage and consumption of our products

We believe the Peruvian market is underserved and as a result we are focused on expanding the Peruvian CSD category, especially outside Lima, by increasing our coverage through our distribution network and increasing consumption of our products.

We are focused on driving growth by implementing well-planned product, packaging and pricing strategies. Through the collection and analysis of real-time information from each one of our approximately 290,000 points of sale, we have developed multi-segmentation strategies to target customers based on consumption occasion, competitive intensity, location of particular points of sale, purchasing power of our customers and socioeconomic levels. According to the information we collect and following the example of our most successful points of sale, we are able to establish a profile of each point of sale and make recommendations to less successful points of sale regarding the product and package combinations that should be offered at that particular point of sale in order to better capture the existing sale opportunities. For example, when a point of sale is close to a soccer field, we will recommend that they offer more isotonic products. In addition, we intend to improve the availability and visibility of our products by, among other strategies, increasing the placement of coolers at various points of sale and providing promotional displays and other materials tailored to the local markets in which we operate.

Broadening our product portfolio

Consumer preferences and demands are constantly evolving. In order to satisfy customers' demand, we continue to build on our strong portfolio of products, introducing new flavors and packages, and re-launching or strengthening existing brands as appropriate. Our objective is to have an attractive product mix, with the appropriate packaging options at the right time and in the right place. Also, the access to The Coca-Cola Company's broad brand portfolio provides us with the possibility to be authorized to introduce new products with high growth potential that have been established elsewhere by The Coca-Cola Company in response to changing consumer preferences and demands. Such access is based on strong commercial relations through the bottler agreements. The introduction of new products and new presentations will help us increase demand for our products, respond to changing consumer preferences, provide different options to consumers, and increase new consumption opportunities.

Improving efficiency and optimizing use of capital

We continuously seek to increase productivity and efficiency in our facilities and in the route-to-market through infrastructure investments and process reengineering. In recent years, we have invested in returnable packages, cooling equipment, increases to plant capacity and the implementation of best practices, which have allowed us to improve our sales and distribution system. For example, in 2010, we invested S/.276.9 million (approximately US\$99.9 million) in these types of capital expenditures. We aim to keep the Company's structure and processes aligned with consumer growth and demands, optimizing the utilization of our capital. We also expect to continue to modernize our production and distribution infrastructure and invest in upgrading IT systems to enhance our productivity. We expect to continue to manage our capital expenditure carefully by focusing our investment on more profitable areas of our business such as the more than 290,000 "mom & pop" shops throughout Peru, which give us better returns than established retailers.

The Coca-Cola Company Bottler Agreements

The Coca-Cola Company, directly or through subsidiaries, enters into agreements with bottlers of its products. We have five bottler agreements with The Coca-Cola Company and two of its subsidiaries, Corporación Inca Kola Peru S.R.L. and Schweppes Holdings Limited, and La Selva has five bottler agreements with The Coca-Cola Company and two of its subsidiaries, Corporación Inca Kola Peru S.R.L. and Schweppes Holdings Limited. These agreements are substantially on the same terms and subject to the same conditions. All of these bottler agreements are dated May 1, 2010, expiring on April 30, 2015. These agreements may be extended by The Coca-Cola Company, at its sole discretion, for another 5-year term or such other period as mutually agreed, upon the request of Lindley, subject to the fulfillment of certain conditions such as complying with the terms and conditions of the bottler agreements and Lindley being able to promote and develop the business of bottling and selling trademarked products of The Coca-Cola Company in Peru, as specified therein. The products covered by the bottler agreements are "Coca-Cola," "Coke," "Dasani," "Coca-Cola Zero," "Coca-Cola Light," "Sprite," "Fanta," "Burn," "Powerade," "Aquarius," "Inca Kola," "Inca Kola Light," "Kola Inglesa," "R'Fresh by Frugos," "Bimbo," "Frugos," "San Luis" and "Crush."

Pursuant to our bottler agreements, we are authorized to manufacture, sell and distribute trademarked products of The Coca-Cola Company in the specific containers that we are authorized to distribute in Peru, and we are required to purchase Concentrate and artificial sweeteners for all trademarked products of The Coca-Cola Company from companies designated by The Coca-Cola Company.

Pursuant to the bottler agreements, the terms of payment and other terms and conditions as to the sale of Concentrate and the packages we are required to use are determined from time to time by The Coca-Cola Company at its sole discretion. Concentrate prices are determined based on our revenue in local currency. Our bottler agreements do not contain restrictions on The Coca-Cola Company's ability to set the price of Concentrates and do not impose minimum marketing obligations on The Coca-Cola Company. The prices at which we purchase Concentrates under the bottler agreements may vary materially from the prices we have historically paid. Subject to certain price restrictions, pursuant to the bottler agreements we have the ability to set the price of products sold to customers at our discretion. We have the exclusive right to distribute trademarked products of The Coca-Cola Company for sale in Peru in authorized containers of the nature prescribed by the bottler agreements and currently used by the Company. These containers include various configurations of cans and returnable and non-returnable bottles made of glass and plastic and fountain containers.

Notwithstanding our exclusive right to distribute trademarked products of The Coca-Cola Company in Peru in certain packages, The Coca-Cola Company reserves the right to import, export, produce, bottle, distribute and sell directly or through third parties, such products to and from Peru provided that the containers used are different from those authorized for our use under the bottler agreements signed with The Coca-Cola Company.

The Coca-Cola Company has the ability, at its sole discretion, to reformulate any of the trademarked products of The Coca-Cola Company and to discontinue any of such products, subject to certain limitations, provided that all trademarked products of The Coca-Cola Company and distributed by Lindley are not discontinued. The bottler agreements prohibit us from producing, bottling or handling beverages other than trademarked products of The Coca-Cola Company, or other products or packages that would imitate, infringe upon, or cause confusion

with the products, trade dress, containers or trademark of The Coca-Cola Company, except under the authority of, or with the consent of, The Coca-Cola Company. The bottler agreements also prohibit us from acquiring or holding an interest in a party that engages in such restricted activities. The bottler agreements impose restrictions concerning the use of certain trademarks, authorized containers, packaging and labeling of The Coca-Cola Company so as to conform to policies prescribed by The Coca-Cola Company. In particular, we are obligated to:

- maintain plant and equipment, staff and distribution facilities capable of manufacturing, packaging and distributing trademarked products of The Coca-Cola Company in authorized containers in accordance with our bottler agreements and in sufficient quantities to satisfy fully the demand in our territories;
- undertake adequate quality control measures as prescribed by The Coca-Cola Company;
- develop, stimulate and satisfy fully the demand for trademarked products of The Coca-Cola Company using all approved means, which includes the investment in advertising and marketing plans;
- comply with the dispositions prescribed by The Coca-Cola Company regarding the containers to be used for the bottling and sale of the trademarked products of The Coca-Cola Company;
- maintain a sound financial capacity as may be reasonably necessary to assure performance by us and our affiliates of our obligations to The Coca-Cola Company; and
- submit annually to The Coca-Cola Company our marketing, management, promotional and advertising plans for the ensuing year.

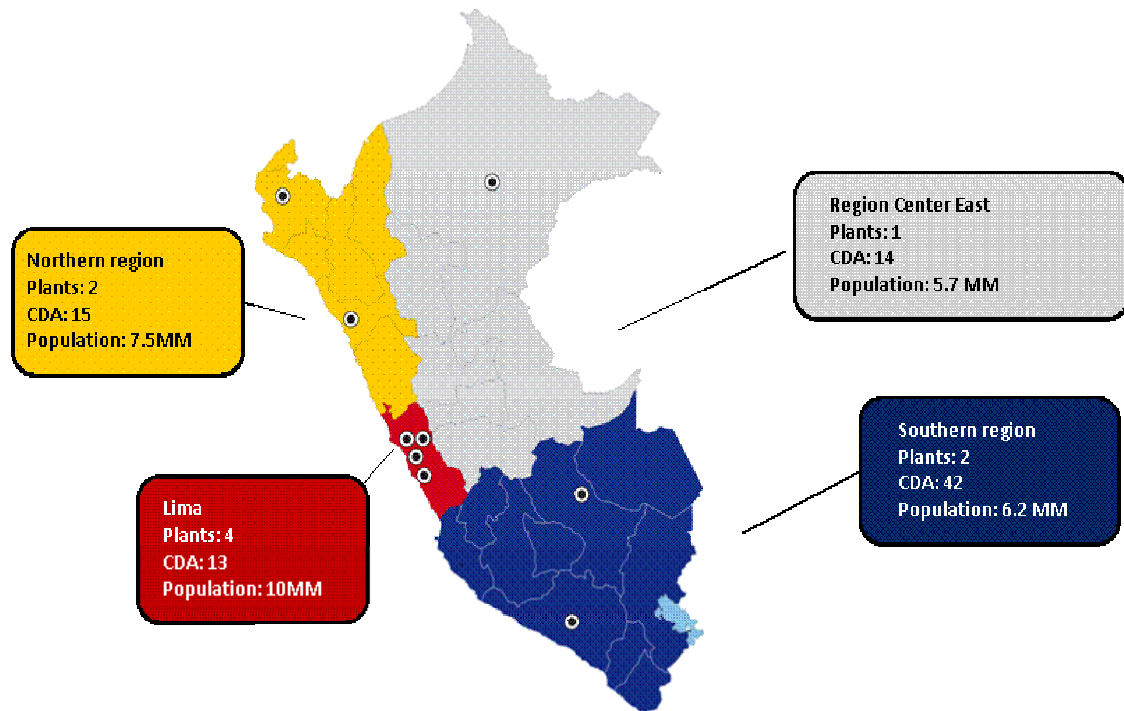
Lindley may request the extension of each of the bottler agreements no earlier than twelve months and no later than 6 months from the date of expiration of such respective agreement.

The bottler agreements are subject to termination by The Coca-Cola Company in the event that we default on the terms thereof or if we are not able to obtain US dollars to make the payments under the bottler agreements. The default provisions include limitations on change in ownership or control of our company and the assignment or transfer of the bottler agreements and are designed to preclude any person not acceptable to The Coca-Cola Company from obtaining an assignment of a bottler agreement or from acquiring our company independently of other rights set forth in the bylaws. The bottler agreements are also subject to termination by us in case of default by The Coca-Cola Company.

We are also obligated under the bottler agreements to obtain written authorization from The Coca-Cola Company or any subsidiaries which are parties to such agreements if we intend to issue bonds or any debt obligation, in connection with such transaction, if we use the business name of The Coca-Cola Company or such subsidiaries or The Coca-Cola Company's trademarks or any description of our business relationship with The Coca-Cola Company in the applicable prospectus or offering memorandum. We have received from The Coca-Cola Company, Corporación Inca Kola Peru S.R.L. and Schweppes Holdings Limited the written authorizations required under the bottler agreements in connection with the offering of the Notes.

Our Territories

We operate throughout all the Peruvian territory. The following map provides information as of the territories in which we operate, giving estimates in each case of the population, the location of our plants (including all our bottling plants and our plant for the production of pulp) and number of distribution centers ("CDA"), as of September 30, 2011:



The territories in which we operate are very diverse and have the following characteristics:

- (1) The region of Lima, which includes the city of Lima, its provinces and the constitutional province of Callao, is the biggest market for Lindley. It is densely populated, with approximately 10,060,547 inhabitants. It has more than 103,000 points of sale. This region represents approximately 56.7% of our sales, in terms of volume as of September 30, 2011.
- (2) The northern region of Peru includes urban cities such as Piura, Trujillo, Cajamarca, Chiclayo, Huaraz and Tumbes; and rural territories in the regions of Piura, Ancash, La Libertad, Cajamarca, Lambayeque and Tumbes. It has approximately 7,562,404 inhabitants, and it has more than 63,000 points of sale. The northern region represents approximately 13.8% of our sales, in terms of volume as of September 30, 2011, and has a significant potential for growth. Our business in the northern region benefits from an improving economy and an emerging middle class.
- (3) The southern region of Peru includes cities such as Arequipa, Cusco, Juliaca, Puno, and Ica; and rural territory in the regions of Puno, Cusco, Arequipa, Ica, Apurimac, Tacna, Moquegua and Madre de Dios. It has approximately 6,181,478 inhabitants and has more than 90,000 points of sale. The southern region represents approximately 22.4% of our sales, in terms of volume as of September 30, 2011, and has a significant potential for growth. Our business in this region also benefits from an improving economy and an emerging middle class.
- (4) The central sierra and jungle region of Peru (region Center-East) includes the regions of Junin, Ancash, Huánuco, Ayacucho, Huancavelica, Pasco, Loreto, San Martin, Ucayali and Amazonas. It has approximately

5,657,504 inhabitants and has more than 33,000 points of sale. The central sierra and jungle region represents approximately 7.2% of our sales, in terms of volume as of September 30, 2011.

Our Products

We bottle, manufacture and distribute CSD and NCB products under The Coca-Cola Company brands in Peru, which include *Coca-Cola* and *Inca Kola* products. *Inca Kola* is a brand that The Coca-Cola Company acquired from the Lindley Group in 1999. See "Description of the Company – The Company – History." Pursuant to various bottler agreements with The Coca-Cola Company or subsidiaries thereof, we have been granted the rights to produce, sell and distribute *Coca-Cola*, *Inca Kola*, *Fanta*, *Sprite*, *Kola Inglesa*, *Bimbo*, *Frugos*, *Powerade*, *Burn*, *San Luis* and *Aquarius*, including extensions thereof such as *Coca-Cola Zero*, *Coca-Cola Light*, *Inca Kola Light* and *Sprite Zero*, in Peru. We also produce, sell and distribute *Crush* which is a brand that The Coca-Cola Company acquired, for certain countries, from Cadbury Schweppes plc in 1999. Schweppes Holdings Limited, a wholly owned subsidiary of The Coca-Cola Company, has granted us the rights to produce, sell and distribute *Crush* in Peru. In addition, we are a leading manufacturer of fruit pulp used for the production of our own fruit-juice based beverages and for exporting to Europe.

The following table sets forth our main products as of September 30, 2011:

<u>PRODUCT</u>	<u>BRANDS</u>
Carbonated Soft Drinks	Coca-Cola Coca-Cola Zero Inca Kola Inca Kola Light Fanta Sprite Sprite Zero Crush Kola Inglesa Bimbo
Non Carbonated Beverages	
Fruit-juice Based Beverages	Frugos
Isotonics.....	Powerade
Energy Drinks.....	Burn
Bottled Water (including sparkling water).....	San Luis Aquarius

The following table shows the position of our products in the categories in which we compete for the 12-month period ending on September 30, 2011:

<u>Category</u>	<u>Position</u>	<u>Market Share (volume)</u>	<u>Gap vs Nearest Competitor (volume)</u>	<u>Market Share (value)</u>
CSD	First	65.6%	+54pp	72.3%
NCB				
Fruit-juice Based Beverages.....	First	45.9%	+18pp	48.8%
Bottled Water.....	First	41.1%	+8pp	44.4%
Isotonics.....	Third	22.8%	-26pp	21.6%
Energy Drinks.....	Second	21.7%	-46pp	18.3%

Source: The Retail Audit Company

Sales Overview

The following table illustrates our historical sales for each of our products in Unit Cases for the period presented:

	Nine Months Ended September 30,			Years Ended December 31,			
	2010	2011	% Change	2008	2009	2010	% Change
(in thousand Unit Cases)							
Carbonated soft drinks							
Inca Kola	60,056.2	67,645.0	12.6	69,805.3	76,430.3	82,140.4	7.5
Coca-Cola.....	47,318.3	48,387.1	2.3	65,511.8	66,396.2	64,702.3	(2.6)
Crush.....	8,246.1	9,012.6	9.3	11,513.7	11,960.5	11,476.9	(4.0)
Sprite.....	6,452.3	7,160.4	11.0	6,994.5	8,619.6	8,924.5	3.5
Fanta.....	5,984.0	7,614.8	27.3	7,446.4	7,836.5	8,442.5	7.7
Kola Inglesa	4,375.1	4,709.7	7.6	4,459.1	5,266.9	6,076.2	15.4
Inca Kola Diet	1,006.9	1,065.9	5.9	1,152.0	1,268.9	1,344.7	6.0
Coca-Cola Zero	939.4	1,126.7	19.9	2,015.6	1,540.5	1,235.4	(19.8)
Refrescos Bimbo	387.6	406.8	4.9	793.0	523.3	556.4	6.3
Bimbo Break	135.3	139.1	2.8	259.8	180.0	191.1	6.2
Coca-Cola Light ⁽¹⁾	346.7	27.6	(92.0)	530.0	550.4	489.2	(11.1)
Sprite Zero.....	100.6	56.9	(43.4)	154.8	172.4	137.9	(20.0)
Total⁽²⁾	135,348.6	147,352.6		179,636.0	180,745.5	185,717.5	
Bottled water							
San Luis	25,569.8	29,823.2	16.6	28,528.0	32,865.7	35,375.0	7.6
Aquarius	1,788.6	2,605.4	45.7	-	-	2,427.1	N/A
Dasani	-	-	N/A	304.3	62.2	-	N/A
Total⁽²⁾	27,358.4	32,428.6		28,832.3	32,927.9	37,802.1	
Fruit-juice based beverages							
Frugos	6,413.1	7,355.1	14.7	8,999.2	9,498.6	8,661.7	(8.8)
Frugos Kids.....	679.2	682.1	0.4	983.1	1,049.4	904.0	(13.9)
Frugos Forte	-	-	N/A	12.3	-	-	N/A
Frugos Pulpa	-	-	N/A	36.2	15.1	-	N/A
Frugos Light.....	-	-	N/A	0.2	-	-	N/A
Frugos Andino.....	-	-	N/A	1.3	4.6	-	N/A
Refresh	-	-	N/A	-	369.2	-	N/A
Hugo ⁽³⁾	-	73.4	N/A	-	-	234.8	N/A
Total⁽²⁾	7,092.4	8,110.6		10,032.3	10,936.9	9,800.5	
Isotonics							
Powerade.....	2,298.3	2,498.4	8.7	1,440.2	2,517.2	3,096.6	23.0
Energy Drinks							
Burn.....	41.2	35.0	(15.1)	50.4	67.7	56.0	(17.3)
Total⁽²⁾	172,138.9	190,425.2		210,991.8	227,195.1	236,472.4	

(1) Lindley stopped producing Coca-Cola Light in March 2011.

(2) Numbers may not sum due to rounding.

(3) Lindley stopped producing Hugo in March 2011.

Per capita consumption data for a territory is determined by dividing products sales volumes within the territory (in bottles, cans, and fountain containers) by the estimated population within the territory, and is expressed on the basis of the number of eight ounce servings of our products consumed annually per capita. In evaluating the development of local volume sales in our territories and to determine product potential, we measure, among other factors, the per capita consumption of the products we distribute.

The consumption and competitive landscape of our territories are very diverse. Lima is densely populated and has a large number of competing CSD brands as compared to the rest of Peru. The northern and southern regions of Peru have lower per capita consumption of CSD products as compared to Lima. The central sierra region is large and mountainous and has lower population density, lower per capita income and lower per capita consumption of CSD. In the jungle, there is also a lower population density, lower per capita income and lower per capita consumption of CSD.

The following analysis highlights historical sales volume:

– Carbonated Soft Drinks (CSD):

In 2010 and for the nine-month period ended September 30, 2011, our most popular CSD products were *Coca-Cola* and *Inca Kola*, which together with their respective brand extensions, accounted for 63.4% and 62.1%, respectively, of our total sales in terms of volume, and represented approximately 50.0% of the Peruvian CSD category based on sales volume during the twelve month period ended September 30, 2011, according to TRAC. Our next largest products, *Fanta*, *Crush* and *Sprite*, together with their respective brand extensions, accounted for 3.6%, 4.9% and 3.8%, respectively, of total sales volume in 2010 and 4.0%, 4.7%, and 3.8%, for the nine-month period ended September 30, 2011.

In 2010 and for the nine-month period ended September 30, 2011, the region of Lima accounted for 56.0% and 55.9%, respectively, of our CSD sales in terms of volume, which is approximately 104.0 and 82.3 million Unit Cases sold. The southern region represented 23.0% and 22.9%, respectively, the northern region represented 14.0% and 14.2%, respectively, while the jungle and the central sierra region represented 7.0% during both periods.

In 2010, our CSD products decreased as a percentage of our total sales volume from 79% in 2009 to 78% in 2010, mainly due to customer preferences shifting toward other product categories such as bottled water. Total sales volume reached 186 million Unit Cases in 2010, an increase of 2.8% compared to 181 million Unit Cases in 2009.

In the nine-month periods ended September 30, 2011 and 2010, our CSD products accounted for 77.4% and 78.6%, respectively, of our total sales in terms of volume. Total sales volume reached 190.4 million Unit Cases in the nine-month period ended September 30, 2011, an increase of 10.6% compared to 172.1 million Unit Cases in the nine-month period ended September 30, 2010. CSD sales volume increased to 147.4 million Unit Cases, an increase of 8.9% compared to 135.3 million Unit Cases in the nine-month period ended September 30, 2010.

– Non-Carbonated Beverages (NCB):

Bottled water: We distribute bottled water under the brands San Luis and Aquarius, which accounted for 43.1% of market share in terms of volume as of September 30, 2011, according to TRAC. In 2010, bottled water volume sales represented 16.0% of the volume sales of the Company. Bottled water is the second most important category in the non-alcoholic beverage category in Peru. It was also the second fastest growing segment in Peru in 2010 after isotonic drinks. This category is characterized by low brand loyalty and high price sensitivity among consumers. In 2010, the total volume sales of our bottled water products reached 38 million Unit Cases.

Fruit-juice based beverages: Despite being leaders in the fruit based beverage category with 47.4% of market share in terms of volume as of September 30, 2011, according to TRAC, the consumption of fruit-

juice based beverages remains low in Peru, as compared to other beverage categories. In 2010, the region of Lima represented 70% of our sales in the fruit-juice based beverage category, the southern region represented 16% of our sales, the northern region represented 10% of our sales and central sierra and jungle region together represented 4% of our sales.

Isotonic and energy drinks: The isotonic and energy drink product categories are relatively new in Peru. We have been selling isotonic drinks under the Powerade brand since 2004 and the energy drink under the brand Burns since September 2008. These categories, together, represented 1.3% of our total sales volume in 2010, with a total of 3.2 million Unit Cases sold.

In 2010, the isotonic drinks represented 1.3% of our total sales volume, with approximately 3.1 million Unit Cases sold. As of September 30, 2011, Powerade had 23.5% of the isotonic category according to TRAC.

In 2010, the energy drinks represented 0.02% of our total sales volume, with approximately 56 thousand Unit Cases sold.

Production

We produce our CSDs by mixing treated water, Concentrate and sugar. We carbonate the mixture and package it in returnable or non-returnable containers on automated bottling lines, and then package the containers into plastic cases or cardboard cartons on automated packaging lines. The energy drinks we produce follow the same process.

Our bottled water consists of processed water to which we add a certain mix of minerals supplied by The Coca-Cola Company as part of the bottling process. The juice based beverages are processed by mixing treated water with fruit pulp and Concentrate.

Sealed bottles are imprinted with date codes that permit us to monitor and replace inventory in order to provide fresh products. We purchase the bottles for our products from third parties.

Quality Control

Ensuring high quality products is critical to the success of our business. We are fully committed to maintaining the highest standards with respect to the purity of the water we use, the quality of the other raw materials and ingredients used in our products and the integrity of our packaging in each of our facilities. We have obtained the following international certifications: ISO 22000:2005; ISO 14001:2004; ISO 9001:2008; and, OSHAS 18001:2007.

We continuously monitor the production process for compliance with these standards and we are audited by The Coca-Cola Company on a regular basis. With sophisticated control equipment we regularly monitor key areas of our production processes to ensure that we comply with applicable specifications. Audits are also performed regularly on all the key parameters of our processes to assure that there is independent validation of all our key control points.

We maintain a quality control laboratory at each production facility for testing raw materials, packaging and finished products. Our bottler's agreements with The Coca-Cola Company specify strict quality standards to which we must adhere and which cover the entire value chain. We are also required to obtain supplies of raw materials (ingredients and packaging) from suppliers approved by The Coca-Cola Company.

In addition, we regularly undertake quality audits in the distribution channels to check compliance with package and product specifications. This process involves taking regular random samples of beverages from the various channels and testing them against established quality criteria.

Raw Materials

Our raw material requirements are divided between the ingredients required for production of beverages and material required for packaging and labeling the beverages. The main ingredients required for production of beverages include Concentrate, our principal raw material, sugar, treated water and carbon dioxide. Packaging material includes returnable and non-returnable glass bottles, PET, labels, caps, crowns, cardboard and plastic films.

The price of Concentrates for all trademarked products of The Coca-Cola Company is based on our revenue in the local currency. Although The Coca-Cola Company has the right to unilaterally set the price of the Concentrates, in practice, Concentrate prices have remained stable in line with our revenue and are established after discussions with us to reflect trading conditions and to ensure that such prices are in line with our annual marketing plan. Expenditure for Concentrates constitutes our largest single raw material cost, representing, approximately, 41.9% and 39.3% of our total raw material cost in 2009 and 2010, respectively, and approximately 39.1% in the nine-month period ended September 30, 2011.

Another important raw material required for the production of our products is sugar. Sugar is combined with water to produce basic syrup, which is then added to the Concentrate for the CSDs. Pursuant to our bottler agreements with The Coca-Cola Company, we may purchase refined sugar only from suppliers approved by The Coca-Cola Company. We do not separately purchase low-calorie sweeteners because sweeteners for our low-calorie beverage products are contained in the Concentrates that we purchase from The Coca-Cola Company. We purchase sugar domestically and internationally under long-term supply contracts in which prices are set based on the London commodity market. Our main suppliers for sugar are Empresa Agroindustrial Laredo S.A.A. through the trade houses Sucden Peru in Peru, and Rio-Paila Castilla in Colombia.

Sugar prices are volatile and vary from time to time, so we seek to hedge our exposure to any price increase by using derivative products. For these purposes, we have established a department that is tasked with identifying, measuring and controlling the risk of an increase in the price of sugar. This department is divided into two groups: the risk committee and the execution team. The risk committee meets regularly to review the results of the hedging agreements executed by us, analyze the market trends and determine a short-term strategy. This committee is formed by the Chief Financial Officer, the Chief Production Officer, the financial planner, the procurement manager and the treasurer of the Company. Another team is in charge of the daily trading based on the risk committee's instructions. The average price of sugar paid by the Company has been approximately US\$493 per ton and US\$598 per ton in 2009 and 2010, respectively, and US\$613 per ton and US\$662 per ton in the first nine months of 2010 and 2011, respectively, representing approximately 21.4% and 22.4% of our total raw material cost in 2009 and 2010 and 23.0% and 23.3% of our total raw material cost in the first nine months of 2010 and 2011, respectively. In 2010 and 2009, approximately 80% of our sugar purchase prices were hedged and in the first nine months of 2010 and 2011, approximately 78% and 77%, respectively, of our sugar purchase prices were hedged. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

For the production of our packaging the main raw materials are PET, a plastic resin obtained from oil, glass and tetrapack. In order to acquire PET resin on better terms and conditions, we participate in a cross-enterprise procurement program along with certain other bottlers of The Coca-Cola Company pursuant to which we purchase PET resin. The prices of the PET resin are tied to crude oil prices and global resin supply. In recent years we have experienced volatility in the prices we pay for these materials. Once we receive the PET resin, it needs to go through a process of blowing and molding in order to become a plastic bottle. We have two main suppliers for this process: San Miguel Industrial S.A. and Amcor Rigid S.A. The cost of the plastic bottle (including the cost of the PET resin and the industrial process) in our cost structure represented 19.4% and 22.5% in 2009 and 2010, respectively. Our supplier for glass bottles is Owen Illinois. The cost of the glass bottles in our cost structure represented 0.5% and 0.2% in 2009 and 2010, respectively.

Packaging Mix

We offer our beverages in a range of flavors and packages designed to meet the demands of our consumers. The containers consist of a variety of returnable and non-returnable presentations in the form of tetra packages, cans, glass bottles, and plastic bottles made of PET. We use the term presentation to refer to the packaging unit in which we sell our products. Presentation sizes for our CSD products range from a 192 ml personal size to a 3-liter multiple

serving size. Presentation sizes for our NCB products (including sparkling water) range from a 192 ml personal size to a 2-liter multiple serving size. In general, personal sizes have a higher price per Unit Case as compared to multiple serving sizes.

We also offer our products in returnable and non-returnable presentations. Returnable means that for each returnable bottle we sell we receive from our clients an empty returnable bottle in exchange, while non-returnable means that the consumer discards the bottle after consuming our product. Returnable bottles are glass and REFPET bottles. Returnable presentations allow us to offer lower prices to our customers since the cost of the bottle is not included in the price of the final product. The use of the same presentation several times means that the cost per use of one bottle is significantly smaller for returnable presentations than non-returnable presentations although the cost to produce returnable presentations is higher than non-returnable presentations. On average, each returnable presentation is used 30 times. The returnable and non-returnable presentations allow us to offer different combinations of convenience and price to implement revenue management strategies and to target specific distribution channels and population segments in our territories.

We also sell bottled water products in bulk sizes, which refer to presentations equal to seven, 19 and 20 liters, which have a much lower average price per Unit Case than our other beverage products.

In addition, when selling our products to fast food restaurants and other immediate consumption outlets we use "fountain" products. Fountains consist of dispensing equipment that mixes the Concentrate with carbonated or still water, enabling fountain retailers to sell finished CSDs or NCBs to consumers in cups or glasses.

Seasonality

Sales of our products are seasonal, as our sales levels generally increase during the warmer months. Peru has three main geographic regions: the coast, the mountains and the jungle. Each of these regions has a different peak season for warm temperatures. The period for warm weather on the coast is usually January, February and March while July and August are usually the warmer months in the mountains and in the jungle.

Because of population density, we have higher sales on the coast than in the mountains or the jungle. In 2008, 2009 and 2010, the coast represented 77.1%, 76.1% and 74.5%, respectively, of our total sales while the regions in the mountains and the jungle represented 22.9%, 23.9% and 25.5%, respectively, of our total sales. We typically achieve our highest sales during the summer months of January through April, which are the warmer months for the coast, as well as during the Christmas holidays in December. In each of 2009 and 2010, approximately 28% of our sales volume came in the first quarter, approximately 23% in the second quarter, approximately 23% in the third quarter and approximately 27% in the fourth quarter.

Marketing

Our main goal is to differentiate our products from others by marketing them in an appealing and relevant way. We rely extensively on advertising, sales promotions and retailer support programs to target the particular preferences of our consumers. We, in conjunction with The Coca-Cola Company, have developed specially tailored marketing strategies for each of our products in order to promote the sale and consumption of our products. Historically, we and The Coca-Cola Company, through its wholly-owned subsidiary Coca-Cola Servicios del Perú S.A., have jointly prepared annual marketing plans and have generally agreed to divide expenses equally between us. In addition, we benefit from The Coca-Cola Company's international marketing efforts to promote the consumption of the same beverages produced by us in Peru.

The Coca-Cola Company's marketing efforts in Peru focus on consumer marketing, building of the brand identity, analyzing consumer preferences and formulating the brand marketing strategy and media advertising design. We are primarily responsible for the development and placement of advertisements in each point-of-sale. We focus on executing marketing activities at the customer level with an emphasis in developing the customer's relationship with our products, involving the development of the relationship with customer, occasion-based marketing, and carrying out promotional activities at each point of sale to expand our presence in the marketplace.

Our advertising and promotion expenses in 2008, 2009, 2010 and the first nine months of 2011 were S/.48.0 million, S/.55.5 million, S/.63.6 million and S/.52.8 million, respectively. These amounts do not include any marketing expense directly assumed by The Coca-Cola Company.

Through the use of advanced information technology, focus groups and real time information gathered from each of our points of sale, we have collected valuable consumer information that allows us to tailor our marketing strategies targeting the different types of consumers located in each of the regions in which we operate and meeting the specific needs of each of those markets.

Retailer Support Programs. In addition, we have various support programs which provide retailers with point of sale display materials and consumer sales promotions, such as contests, sweepstakes and the giveaway of product samples.

Coolers. We distribute coolers among retailers in order to increase visibility and consumption of our products and to ensure that they are sold at the proper temperature. This is an important marketing tool as many local "mom & pop" shops do not have properly operating coolers.

Advertising. The Coca-Cola Company's local affiliates advertise in all major communications media including television, radio and printed media. They focus their advertising efforts on increasing brand recognition by consumers and improving our customer relations. National advertising campaigns are designed and proposed by The Coca-Cola Company's local affiliates.

Channel Marketing. In order to have more dynamic and specialized marketing campaigns for our products, our strategy is to classify our markets and develop targeted efforts for each consumer segment or distribution channel. Our principal channels are small retailers, such as "mom & pop" shops, on-trade consumption sites, such as restaurants and bars and other key accounts, supermarkets and third party wholesale distributors. Presence in these channels entails a comprehensive and detailed analysis of the purchasing patterns and preferences of various groups of beverage consumers in each of the different types of locations or distribution channels. In response to this analysis, we tailor our product, price, packaging and distribution strategies to meet the particular needs of and exploit the potential of each channel.

Multi-segmentation. We have been implementing a multi-segmentation strategy in the majority of our markets. This strategy consists of the implementation of different product/price/package portfolios by market cluster. These clusters are defined based on consumption occasion, competitive intensity and socioeconomic levels, rather than solely on the types of distribution channels.

Product Distribution

We continuously evaluate our distribution model in order to adjust to the changing dynamics of the local marketplace. We review and analyze our distribution channels on an ongoing basis and routinely visit our points of sale to identify new service needs and new possible efficiencies in our distribution model. As part of this strategy, we routinely roll out new distribution models looking for improvements in our distribution network.

We have nine production plants all in close proximity to the territories in which we operate. In addition, we have a distribution center in Lima. We have signed agreements with each of our distributors and independent logistic operators. All the fleets of vehicles are owned by the logistic operator in the case of the "primary distribution" or the authorized distributor in the case of the "secondary distribution."

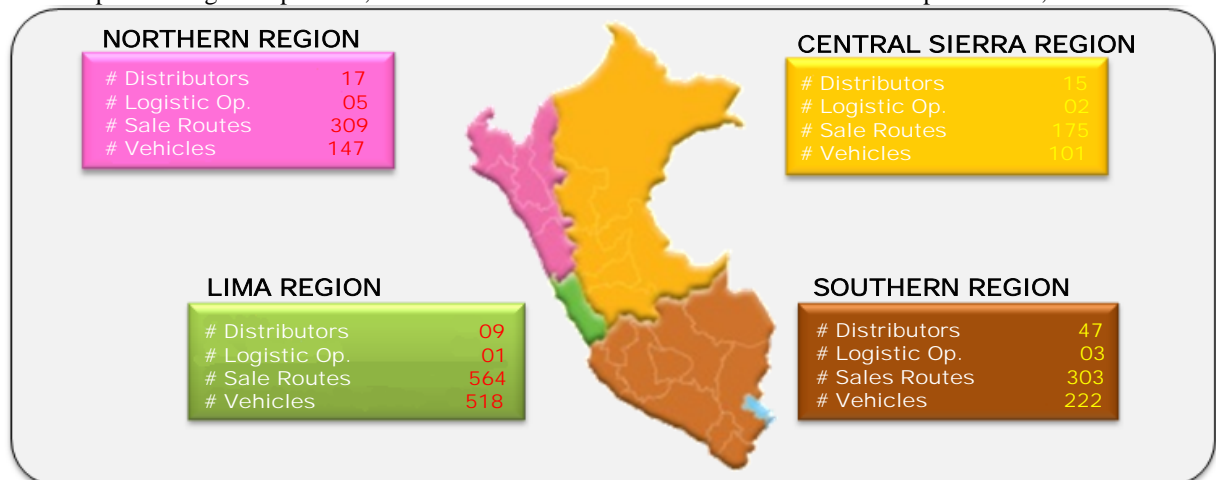
Our distribution channels are specialized to meet the particular needs and challenges for each of our clients in each of the territories in which we operate. We use mainly three channels to distribute our products depending on the type of client our products are being distributed to:

- a) *Small Retailers and Wholesalers:* We distribute our products to small retailers, which are mainly local "mom & pop" shops, and wholesalers through "primary distribution" and "secondary distribution." "Primary distribution" refers to the transportation of our products from our plants to the warehouses of our

authorized distributors through an independent logistic operator. The independent logistic operator is a company that owns a fleet of vehicles and that transports the products following our instructions. "Secondary distribution" refers to the transportation of our products from the warehouses of our authorized distributors to each point of sale. Each authorized distributor is responsible for warehousing and delivering the products to the point of sale following the orders given by us. In addition, each distributor is only authorized to operate within a certain jurisdiction in order to avoid competition among our distributors. As of September 30, 2011, we had approximately 88 distributors: nine in the region of Lima, 17 in the northern region, 45 in the southern region and 15 in the central sierra and the jungle region, covering approximately 290,000 small retailers or points of sale. In 2010 and the nine-month period ended September 30, 2011, approximately 87% of our sales were done through this distribution channel. No distributor individually represents a significant percentage of our sales and any of them can be easily replaced within days in case of breach of the distribution agreement.

For purposes of "secondary distribution," the distribution and sale of our products to each small retailer and wholesaler is coordinated through our pre-sale system. Based on those orders, we deliver the products to the distributor, which is responsible for warehousing and delivering the products to the point of sale that placed the order following the instructions given by us. Depending on certain circumstances, the delivery of the products may be done through a direct sale (approximately 20% on average) or through consignment agreements (approximately 80% on average). The pre-sale system separates the sales and delivery functions and allows sales personnel to place the products prior to delivery and trucks to be loaded with the mix of products that our clients have previously ordered, thereby increasing distribution efficiency. This system also allows us to have complete control of the distribution process and the commercial information.

The following map provides information of the number of small retailers, volume of sale, distributors, independent logistic operators, sale routes and vehicles used in this channel as of September 30, 2011:



- b) *Retailers*: Retailers are mainly supermarket chains. The distribution of our products to the retailers is done through "primary distribution." Distribution and sale of our products to supermarkets are coordinated by our personnel. As of September 30, 2011, we had four retailer chains in Peru. In 2010 and the nine-month period ended September 30, 2011, approximately 5.3% and 6.0% of our sales volume, respectively, were done through this channel.
- c) *Key Accounts*: Key accounts are restaurants chains, cinemas and gas stations, among others. The distribution of our products to key accounts is done directly through "primary distribution." Distribution and sales of our products to key accounts are coordinated by our personnel. As of September 30, 2011, we

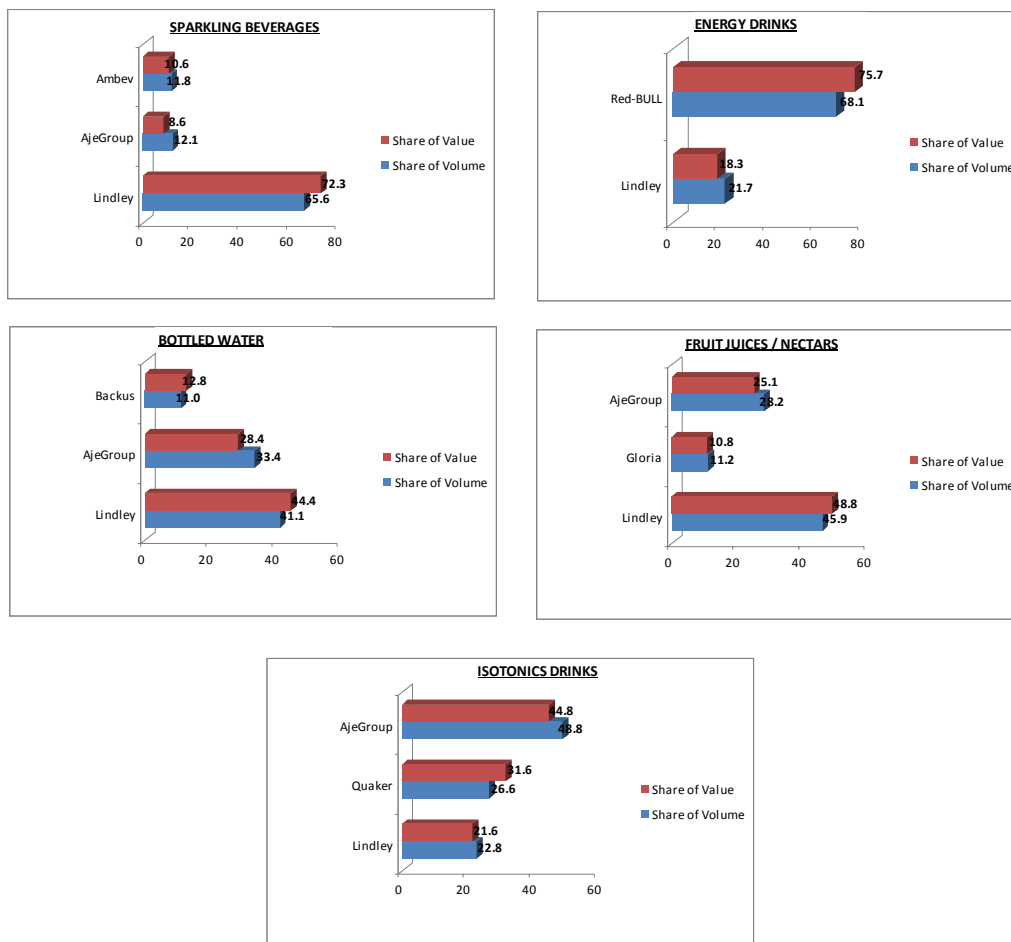
had approximately 2,866 key accounts in Peru. In 2010 and the nine-month period ended September 30, 2011, approximately 3.4% and 3.8% of our sales, respectively, were done through this method.

Competition and Market Position

Although we believe that our products enjoy greater customer recognition and consumer loyalty than those of our principal competitors, the non-alcoholic beverages industry is highly competitive in Peru.

In the CSD category, we compete with the bottler of Pepsico products as well as face intense price competition from local producers of non-premium brands, or "B brands," which typically produce, market and sell CSD at prices below than ours. In this category our principal competitors are local bottler AjeGroup S.A., a Peruvian bottler with operations in the Americas, south east Asia and India, and Compañía Cervecería Ambev Peru S.A.C., the local subsidiary of InBev, that is the authorized bottler of Pepsico products in Peru. In the water category our principal competitors are AjeGroup S.A. and Union de Cervecerías Peruanas Backus y Johnston S.A.A., the local subsidiary of SAB Miller. In the fruit-juice based beverage category our principal competitors are AjeGroup S.A. and local group Gloria S.A. In the isotonic category our main competitors are AjeGroup S.A. and Quaker, and in the energy drink category our main competitor is Compañía Cervecería Ambev Peru S.A.C.

The following charts show the market position of the main players in the five most important categories of the non-alcoholic beverage category during the twelve-month period ended September 30, 2011, according to TRAC:



Recently, price discounting and packaging, coupled with consumer sales promotions, customer service and non-price retailer incentives are the primary means of competition among bottlers. We compete by offering products at attractive prices in the different segments in our markets and by building up on the existing value of the brands we manufacture, bottle and distribute. We believe that the introduction of new products and new presentations has been a significant competitive technique that allows us to increase demand for our products responding to changing consumer preferences, to provide different options to consumers, and increase new consumption opportunities. In addition, by offering returnable and non-returnable packages we are able to offer competitive prices in the CSD category.

We are leaders in sales value and volume in CSD, bottled water and fruit-juice based beverages categories which together represent approximately 97% of the total non-alcoholic beverage category. We face greater competition in the bottled water, fruit-juice based beverages, isotonic and energy drinks categories than in the CSD category, because in those categories our competitors have more established brands and a stronger market position.

Employees

As of September 30, 2011, we have 3,335 employees:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>September 30, 2011</u>
Management / Administrative positions.....	932	968	962	1,049
Employees.....	2,168	2,116	2,170	2,286
TOTAL.....	<u>3,100</u>	<u>3,084</u>	<u>3,132</u>	<u>3,335</u>

As of September 30, 2011, 52% of our employees were employed under fixed term contracts, of which approximately 98% are for six month terms, which may be extended at our discretion for another six-month term.

As of September 30, 2011, there are 1,017 unionized employees, which represents approximately 30.5% of the total number of employees. Below is a list of the five unions with which our employees are affiliated:

<u>Union</u>	<u>Percentage of Total Employees</u>	<u>Number of Employees</u>
Sitracjorlind SA.....	8.5%	285
Sinatrel.....	19.3%	643
Sindicato Unico de Trabajadores.....	0.7%	25
Sintraclin.....	0.7%	25
Sindicato de Embotelladora La Selva.....	1.2%	39
TOTAL.....	<u>30.5%</u>	<u>1,017</u>

We have not experienced any significant labor disputes or strikes since 2004. On November 17, 2011, we were made aware of a strike involving approximately 500 employees, or 15% of our employees, which will commence on November 28, 2011. We are still assessing the potential impact of the strike on our operations, but as of the date hereof, we do not believe that the strike would have a material adverse effect on us, our operations or our financial condition. We negotiate a collective bargaining agreement with each of the five unions in which our workers participate yearly. We extend to all our personnel, whether unionized or not, any concession granted to the members of the unions.

Awards

During 2008 we received the National Award for Quality from the National Industry Society (*Sociedad Nacional de Industrias*), an award for the best commercial operation with the Coca-Cola system in our region from The Coca-Cola South Latin American Business, the Worldwide Marketing & Commercial Excellence Award under "Shopper" category from The Coca-Cola Company and the International Gold Star Quality from the American Recognition of Efficiency.

During 2010, we received several distinctions commemorating 100 years of existence. The most important distinctions we received are the "Great Cross Grade Award for Distinguished Services" (*Orden al Mérito por Servicios Distinguidos en el Grado de Gran Cruz*) from the President of Peru, the "Great Cross Grade Award Medal of Honor" (*Medalla de Honor en Grado de Gran Cruz*) from the Peruvian Congress, and the "Medal of Lima" (*Medalla de Lima*) from the Municipality of Lima.

Regulation

Tax

Sales of our products are subject to the valued added-tax and a specific consumption tax (*Impuesto Selectivo al Consumo*). As of the date of this Offering Memorandum, the rate of the value added-tax in Peru is 18% and the rate of the specific consumption tax (*Impuesto Selectivo al Consumo*) applicable to most of our products is 17 %. Fruit-juice based beverages and bottled water are not subject to the specific consumption tax (*Impuesto Selectivo al Consumo*). This specific consumption tax (*Impuesto Selectivo al Consumo*) is only applicable on the sale made by the producer of the products.

Custom Duties

Importation of sugar in Peru is subject to various duties and taxes payable by the importer, including but not limited to *ad valorem* duties, value added tax and prepayment of sale taxes (*regimen de percepciones*). As of the date of this Offering Memorandum, the rate of *ad valorem* duties for the importation of sugar is 0%, the value-added tax is 18% and the prepayment of sale taxes (*regimen de percepciones*) rate is 3.5%. In addition, specific duties are payable by importers on sugar imported from countries that are not members of the Andean Community. As of the date of this Offering Memorandum, our sugar suppliers are companies based in Peru or countries that are part of the Andean Community.

Water Supply Law

According to the LWR and its regulations enacted by Supreme Decree 001-2010-AG, water resources are the inalienable and non-prescriptive property of the Peruvian state. However, rights for the use of water may be granted by the ANA based on certain criteria and in the manner discussed below, provided that such use is conducted in accordance with the order of priority established by the LWR.

ANA is the competent authority to grant the following:

- permits, which are issued exclusively over excess water resources, subject to the availability of water from time to time and, in the case of water for agricultural use, only for certain crops;
- authorizations, which are granted for a fixed term when water is going to be used to perform studies or works; and/ or, for other temporary and special tasks; and
- licenses, which are granted for the permanent use of water for a determined purpose.

According to Peruvian law, authorizations are typically granted for a two-year period, subject to renewal for an additional two-year period, while licenses and permits are granted for an indefinite period of time subject to the compliance of certain legal conditions established for the use of the water resource. However, the use of water is subject to its availability.

Peruvian law establishes that the use of water must be exercised efficiently without affecting its quality or the environment, giving priority to primary water uses (such as water for food preparation, direct consumption, agricultural activities and personal hygiene) and rights for the use of water previously granted. The LWR recognizes three types of water uses and establishes a priority criterion for its use. According to these uses and priorities, ANA provides the appropriate user rights to use water resources. The types of uses and priorities established by the LWR are the following:

- primary use: Implies the use of water for food preparation, direct consumption and personal hygiene as well as its use in cultural ceremonies, religious rituals;
- population use: Implies the obtaining of water from a fountain or public network, properly treated, in order to meet basic human needs; and
- productive use: Entails the use of water in productive processes and precursor steps, including agricultural activities.

Except for primary use, the use of water resources requires obtaining the corresponding water right – license, authorization or permit – granted by the ANA. The permanent use of water without obtaining the corresponding operating title is punishable with a fine between 2 to 10,000 tax units for each non-authorized point of water extraction. As of the date of this Offering Memorandum, a tax unit is equal to S/.3,600. Likewise, if improper use of water is proven, the authority may declare the cancellation of the corresponding operating title. All of the licenses granted by the ANA to Lindley are for productive use.

Water rights, including licenses, may be terminated by government authorities or courts under certain circumstances, including: (i) titleholder's resignation; (ii) nullification of the resolution approving the corresponding permit, authorization and/or license, declared by the ANA based on certain infringement to the LWR and its regulations; or (iii) failure to pay applicable water rights fee.

The LWR also provides that the use of water is subject to availability. Therefore, the holder of a water use right shall permanently evidence to the ANA their need and volume of water required.

We obtain the vast majority of the water used in our production pursuant to licenses granted by the ANA to exploit wells owned by us. As of the date of this Offering Memorandum, all of our bottling plants that use ground and/or surface water have the corresponding water use licenses for our own wells.

Environmental Matters

We are subject to a broad range of environmental laws and regulations, which require us to incur costs and capital expenditures on an ongoing basis and expose us to substantial liabilities in the event of non-compliance. These laws and regulations also require us to obtain and maintain environmental permits, licenses and authorizations for the construction of new facilities or the installation and operation of new equipment required for our activities. Such permits, licenses and approvals are subject to periodic renewal and challenge from third parties. In this regard government environmental agencies could take enforcement actions against us for any failure to comply with applicable laws and regulations. Such enforcement actions could include the imposition of fines, revocation of licenses, suspension of operations or imposition of criminal liability for non-compliance. These laws and regulations require us, among other things, to minimize risks to the natural and social environment while maintaining the quality, safety and efficiency of our facilities.

We are obliged to comply with, or be liable for, the following Peruvian environmental regulations:

- environmental remediation of spills and discharges of hazardous materials and wastes. In addition, we are required to indemnify or reimburse third parties for environmental damages;
- environmental license for each of our facilities which include: (i) Environmental Impact Assessments; (ii) Environmental Impact Declarations; (iii) Preliminary Environmental Assessment; (iv) Closure Plans; (v) Abandonment Plans, among others. The environmental authority may provide the execution of an environmental audit, without previous notice, in order to assess the fulfillment of the environmental obligations;
- certain authorizations, permits and licenses that allows us to obtain water from groundwater wells and discharge treated sewage waters into the sewer system;

- certain obligations regarding the management of hazardous solid wastes;
- certain obligations regarding the emissions generated from our activities;
- a license in order to build and operate hydrocarbon storages;
- certain authorizations for the use of radioactive material; and
- certain authorizations for the use of certain Chemical Inputs and Supervised Products;

As of the date of this Offering Memorandum, we have complied in all material respects with the obligations and obtained the authorizations, permits and licenses we deem necessary for our business.

We are committed to the reliable, responsible, efficient and safe operations of our activities with a disciplined focus on high operating, health, safety and environmental standards. We have environmental policies and procedures in place, which we have based on the requirements of the following international certifications: ISO 22000:2005; ISO 14001:2004; ISO 9001:2008; and, OSHAS 18001:2007.

Any change to environmental regulations will likely include environmental compliance costs. Compliance with new or modified environmental regulations could require us to make significant capital investments in additional pollution controls or process modifications.

Health Matters

We have complied in all material respects with the obligations generated from the applicable health laws and regulations we deem necessary to our business. Specifically, we have complied with obtaining a Validation and Verification of Hazard Analysis and Critical Control Points Plan pursuant to Supreme Decree 007-1998-SA for our facilities located in Cusco, Zarate, Iquitos, Sullana and Trujillo. In respect with the other facilities, as of the date of this Offering Memorandum, we are in process of renewal.

In addition, we have requested sanitary authorizations for our facilities located in Huacho, Rímac and Callao, which, as of the date of this Offering Memorandum, are being renewed at this time. Also, we have complied with obtaining the Sanitary Registry for all of our products.

Information Technology

Information technology systems are critical to manage our business. Our information technology systems enable us to coordinate our operations, from production scheduling and raw material ordering to truck routing and loading and customer delivery and invoicing. Our principal information systems are the following:

Prevail is a weekly demand planning application that allows us to generate operational forecasts based on sound mathematical models. *Prevail* also allows us to manage campaigns and promotional activities;

Marquee is a tactical demand planning application through which we manage the long term plans of the Company. This application allows users to manage price, volume and product mix for long term planning;

Avail is an enterprise wide supply chain planning software composed by multiple modules to manage production, procurement and deployment tasks under one platform. Using *Marquee's* business plan and *Prevail's* weekly demand sales requirements, this software produces production and distribution plans considering capacity and transportation restrictions generating more accurate production plans and lower safety stocks, while aiming for better service levels.

SAP Business Information Warehouse ("SAP BW") is a system that provides flexible reporting and analysis tools to support us in evaluating and interpreting data, as well as facilitating its distribution. Reporting, analysis, and interpretation of business data is very important to us in order to guarantee our competitive edge, optimize

processes, and allow us to react quickly and in line with the market. SAP BW allows us to make well-founded decisions and determine target-oriented activities on the basis of this analysis.

Right Execution Daily (RED) is an application that measures the execution in the points of sale based on parameters such as availability, activation and coolers and vending machines management.

OROS (Online Real Time Ordering for Sales People) is an online application form that sellers use to take the pre-sale orders through cell phones.

We also work together with The Coca-Cola Company on improving existing communication services and introducing new communications services and technologies within the Coca-Cola system.

In 2009 and 2010 we spent S/.5.3 million and S/.3.3 million, respectively, on information technology.

Description of Property, Plant and Equipment

As of September 30, 2011, we own eight bottling plants across Peru and one distribution center in Lima. The following table sets forth our bottling plants, installed capacity and percentage of utilization during peak production:

<u>Plant</u>	<u>Number of Bottling Lines</u>	<u>Capacity (million liters per month) ⁽¹⁾</u>	<u>Percentage of utilization ⁽¹⁾</u>	<u>Region</u>
Trujillo	3	12.1	100%	Northern Region
Sullana.....	2	6.0	89%	Northern Region
Iquitos	2	4.7	66%	Jungle Region
Rimac	7	35.3	97%	Region of Lima
Callao	6	48.0	100%	Region of Lima
Zarate	8	26.4	-	Region of Lima
Arequipa.....	5	18.8	99%	Southern Region
Cuzco	2	6.1	99%	Southern Region

(1) Percentage calculated for the month of December 2010.

We have also a plant in Huacho for the production of pulp and, as of September 30, 2011, it was at 100% of utilization at peak of production.

In recent years, we have made substantial investments in developing modern, highly automated production facilities. In certain cases, this has also entailed to establish plants on greenfield sites and to install our own infrastructure where necessary to ensure consistency and quality of supply of electricity and raw materials, such as water. For instance, in 2010, we invested S/.48.8 million (approximately US\$17.6 million) to increase the capacity of our plant in Callao from 48.0 million liters to 60.9 million liters per month.

In addition, we have plans to replace all of our existing plants (except for our plants in Callao (Lima) and Iquitos (Loreto – jungle region)), with the following three new mega-plants to be built in the following areas:

- (i) In the Northern Region of Peru, we have commenced construction of a mega-plant in the city of Trujillo that will replace current plants in Trujillo and Sullana. We have budgeted S/.280 million (approximately US\$101 million) for the construction of this mega-plant, and as of September 30, 2011, we have invested approximately S/.147.2 million (approximately US\$53.1 million). It is expected to have five bottling lines with a capacity to produce 66.8 million liters of CSD per month. We expect that this plant will begin operation in December 2011, and will be fully operational in August 2012.
- (ii) In the Central Region of Peru, in Pucusana, approximately 50 km to the south of Lima, we expect to begin construction of a mega-plant in 2013. It is expected to have a capacity to produce 160

million liters of CSD per month and will replace a plant in Rimac. We have budgeted S/.496.2 million (approximately US\$179.0 million) for the construction of this mega-plant, and as of September 30, 2011, we have invested S/.39.3 million on the acquisition of land for the construction of this plant through our related party Latin America Finance LLC (See "Related Party Transactions").

- (iii) In the Southern Region of Peru, a mega-plant is expect to be constructed on the outskirts of Arequipa in 2014. We have budgeted S/.48 million (approximately US\$17 million) for the construction of this mega-plant. It is expected to have a capacity to produce 78.8 million liters of CSD per month and replace current plants in Arequipa and Cuzco.

We believe that we have a modern and technologically advanced mix of production facilities and equipment. We aim to continually improve the utilization of our asset base and carefully manage our capital expenditure.

Insurance

We maintain an "all risk" insurance policy covering our properties (owned and leased), machinery and equipment and inventories as well as losses due to business interruptions. This policy covers damages caused by natural disaster, including hurricane, hail, earthquake and damages caused by human acts, including explosion, fire, vandalism, riot and losses incurred in connection with goods in transit. In addition, we maintain an "all risk" liability insurance policy that covers product liability. We purchase our insurance coverage through an insurance broker. In all cases the insurance policies are issued by Rimac Internacional Compañía de Seguros y Reaseguros S.A.

Subsidiaries

Embotelladora La Selva S.A. is our only subsidiary and it is wholly owned by Lindley. In 2010, La Selva sold 5.6 million Unit Cases which represented 2.4% of our total sales volume. It is focused on the bottling, manufacturing, distribution and sale of our products. It is located in Iquitos, Loreto, in the jungle region of Peru, in order to benefit from the tax exemptions granted to companies located in the jungle region set forth below.

Pursuant to the "Law for the Promotion of Investments in the Amazon Region" (*Ley de Promoción de la Inversión en la Amazonía*), Law No. 27037, sales of goods by La Selva are exempted from VAT until December 31, 2048, provided that the sales are made within the jungle region (as defined in such Law) and that the goods are consumed therein. The jungle region includes Loreto, where La Selva is located, and other areas in Peru's rainforest.

According to the same law, importation of goods within the jungle region is also exempted from VAT. This benefit will be in force until December 31, 2015.

In addition to the above and in accordance with the Supreme Decree 055-99-EF, or the VAT Law, La Selva is entitled to request reimbursement of VAT paid upon acquisition of certain goods subject to the same tax, provided that the goods are consumed within the jungle region. This benefit will be in force until December 31, 2012.

Legal Proceedings

We are not subject to any litigation, arbitration, regulatory actions or other disputes that, individually or in the aggregate, involve potential liabilities that could have a material adverse effect on the results of our operations, cash flow or financial condition, nor are we aware that any such disputes are pending or threatened against us or any of our subsidiaries. See "General Information."

SHAREHOLDERS

Our capital stock consists of three classes of shares: Series A Shares, which are held by Peru Beverage Limitada S.R.L., a subsidiary of the Coca-Cola Company, Series B Shares, which are held by Johnny Lindley Taboada and Maria Martha Lindley de Arredondo, and Series C Shares, which are held by third parties. Each series of shares have different rights, including, but not being limited to, voting rights at the shareholders meeting, rights related to the appointment of directors, the approval of certain matters and the transfer of shares, as set forth in our bylaws. Even though Series B and Series C Shares grant equal rights to their holders, the restrictions on share transfers established in Articles 50 to 56 of our bylaws are not applicable to Series C Shares.

We also issued investment shares, which provide the holders thereof, as a group, the right to 11.02% of the Company's profits. Investment shares, formerly named labor shares, were legally required from the 1970s through 1991. The relevant law provided for the participation of workers in the profits of the enterprises for which they worked but such interest is not considered as part of the capital stock and do not provide voting rights. As of September 30, 2011, we have 71,965,514 Investment Shares. These Investment Shares are listed on the Lima Stock Exchange.

The following table sets forth our main shareholders as of September 30, 2011, all of which shares are fully subscribed and paid in:

Owner	Number of Shares	Percentage of Ownership
Peru Beverage Limitada S.R.L. (Series A Shares)	223,774,704	38.52%
Johnny Lindley Taboada (Series B and Series C Shares)	308,606,994	53.12%
Maria Martha Lindley de Arredondo (Series B and Series C Shares)	34,579,400	5.95%
Other shareholders (Series C Shares)	14,020,361	2.41%
Total	580,981,459	100.00%

Bylaws

Our current bylaws were approved by the General Shareholders Meeting held on December 30, 2004. The main provisions of the bylaws in force as of the date of this Offering Memorandum are the following:

- a) The shares issued by the Company are separated in three classes: Series A, Series B and Series C, each of them granting different rights to its holders, mainly in connection with the voting right at the Shareholders Meeting, the appointment of directors, the approvals of certain matters and the transfer of shares. Series B and Series C shares grant equal rights, except with respect to the restrictions on share transfers contained in Articles 50° to 56° of the bylaws, which are not applicable to Series C shares.
- b) Each share grants to its owner the right to one vote at the General Shareholders Meeting, except for the election of directors as described in paragraph d) below.
- c) The General Shareholders Meeting is the highest authority of the Company and its decisions are mandatory to all shareholders, even to those that voted against the decision or did not assist to the meeting in which the decision was taken. The Shareholders Meeting consists of all holders of shares with a right to vote.

The Shareholders Meetings may be Annual Mandatory Shareholders Meetings or simply General Meetings. The first of them has to take place within the first 90 days of each year, and has to deal with the following matters: (i) approval or disapproval of the management, the accounts and the balance sheet of the foregoing year; (ii) decide on the allocation of profits; (iii) appoint the members of the Board and determine their compensations; (iv) appoint or delegate to the Board of Directors the appointment of the external auditors; and (v) resolve on other aspects to which it is entitled by virtue of the bylaws and/or applicable laws.

The General Meetings have to deal with following matters: (i) issuance of bonds or other debt instruments; (ii) amendments and interpretation of the bylaws of the Company; (iii) capital increases or reductions; (iv) transfer of all or of a substantial part of the Company's assets; (v) merger, spin-off, transformation, reorganization, dissolution and liquidation of the Company; (vi) removal of the members of the Board of Directors and appoint the new members; (vii) order special investigations and audits; and (viii) cases for which the bylaws or the law foresee its intervention or the corporate interest requires.

In order to adopt the agreements mentioned in (i) to (v) of the preceding paragraph, the required quorum and majorities are higher than those needed for the adoption of other resolutions. In addition, as long as the Series A shares represent at least 20% of the subscribed shares with voting rights, the absolute majority of the owners of the Series A shares shall be present at the Shareholders Meetings in which "Strategic Matters" ("Materias Estratégicas," as defined in the bylaws), are discussed and vote in favor of the adoption of any resolution related to such Strategic Matters.

- d) The Board of Directors is the body in charge of the administration of the Company and of all matters that are not expressly reserved to the Shareholders Meeting. The Board consists of no less than seven and no more than 11 members, all of them elected by the Shareholders, who shall determine the exact number. The Board shall be renewed every year, but the directors may be reelected.

Each shareholder is entitled to as many votes as directors are to be elected, and may accumulate its votes in favor of one person or distribute them among several persons. As long as the Series A shares represent at least 18% of the subscribed and paid shares with voting rights, the number of directors should allow the holders of Series A shares to appoint at least two directors and two alternate directors. The persons obtaining the highest number of votes shall be proclaimed directors. This election proceeding is not applicable in case the directors are elected unanimously in the General Shareholders Meeting.

The required quorum for any Board meeting is at least half plus one of its members. However, as long as the Series A Shares represent at least 20% of the subscribed shares with voting rights, the Board may discuss matters related to a "Strategic Matter" ("Materia Estratégica" as defined in the bylaws) only if at least one of the directors appointed by the Series A shares is present. The resolutions shall be adopted by absolute majority of the attending directors, except in case of resolutions related to Strategic Matters, in which event the favorable vote of at least one of the directors appointed by the Series A shares is required, provided the Series A shares represent at least 20% of the subscribed shares with voting right. In case of a tie, the Chairman has a casting vote.

The Board shall meet at least one time in every three-month period, and at any moment when requested by any director or by the general manager of the Company.

- e) The Management of the Company consists of the Chief Executive Officer (CEO), the Deputy Chief Executive Officer (Deputy CEO), the Chief Operating Officer (COO), the Chief Financial Officer (CFO) and one or more other managers. The managers are appointed by the Board. As long as the Series A Shares represent at least 20% of the subscribed shares with voting rights, the CFO will be appointed by the directors elected by the Class A Shares.

The Company will be managed in accordance with annual business plans, which shall be approved and amended by the Board, subject to the approval rights of Series A shareholders and Series A directors in connection with Strategic Matters.

- f) The transfer or encumbrance of Series A and Series B shares is subject to several restrictions detailed in Articles 50° to 55° of the bylaws. The restrictions are not applicable to "Exonerated Transactions" ("Transacciones Exoneradas," as defined in the bylaws), mainly referred to transfers or encumbrances of shares among shareholders or in favor of subsidiaries or related parties.

RELATED PARTY TRANSACTIONS

The Lindley Group

Johnny Lindley Taboada, Johnny Lindley Suarez, Julie Lindley Suarez and Jenny Lindley Suarez are the owners of 100% of the shares of Real Estate Investment Limited, a real estate company incorporated in the British Virgin Islands. This company is the owner of 100% of the shares of Latin America Finance LLC ("Latin America Finance"), a real estate company incorporated in the United States of America. In 2009 Latin America Finance acquired 100% shares of Construcciones e Inmuebles Pucusana S.A.C., a Peruvian corporation, which owns 66.7 Ha of land 50km south of Lima. We have given a loan to Latin America Finance for US\$12.6 million in order to fund the acquisition of Construcciones e Inmuebles Pucusana S.A.C. shares. We expect to use the land owned by Construcciones e Inmuebles Pucusana S.A.C. to build our second mega plant. See "Description of the Company – Description of Property, Plant and Equipment." The loan bears an annual interest rate of 7% and it matures on December 31, 2011. Mr. Johnny Lindley Suarez is personal guarantor of Latin America Finance's obligation under the loan agreement.

The Coca-Cola Company

We regularly engage in transactions with The Coca-Cola Company and its affiliates. We purchase all of our Concentrate requirements for trademarked products of The Coca-Cola Company from The Coca-Cola Company. The total costs for Concentrate incurred by us were approximately S/.350.7 million, S/.333.0 million and S/.290.0 million for the years of 2010, 2009 and 2008, respectively. In addition, historically, we and The Coca-Cola Company, acting through its wholly owned subsidiary Coca-Cola Servicios del Perú S.A., have jointly prepared marketing plans and have generally agreed to divide marketing expenses equally between us. See "Description of the Company – The Coca-Cola Company Bottler Agreements."

DIRECTORS AND SENIOR MANAGEMENT

Directors

Management of our business is vested in our Board of Directors and Senior Management. Our bylaws provide that our Board of Directors will consist of between seven and eleven directors elected at the annual ordinary shareholders meeting for renewable terms of one year. Our Board of Directors currently consists of eight directors and three alternate directors. Although all the shareholders vote as a single class, in practice, under our current shareholder structure, the directors are elected as follows: three directors and their respective alternate directors are elected with the votes of holders of the Series A Shares, and five directors and their respective alternate directors are elected with the votes of holders of the Series B Shares and Series C shares. A director cannot be removed if the votes against his removal were enough to appoint such director, on a cumulative basis, in an election of directors. The attendance of the majority of directors (half plus one of the members of the board of directors) at a meeting of the Board of Directors is necessary to form the quorum required for the Board of Directors to adopt valid agreements. As long as the Class A shares represent at least 20% of all the subscribed shares with voting rights, in meetings in which matters defined by our bylaws as "Strategic Matters" (*"Materia Estratégica"*) shall be discussed, at least one of the directors appointed by the Series A shares shall be present. Adoption of agreements requires the favorable vote of half plus one of the directors present at the session. It is also required that, as long as the Series A shares represent at least 20% of all the subscribed shares with voting rights, at least one of the directors appointed by the Series A shares should vote in favor of the adoption of resolutions defined by our bylaws as "Strategic Matters" (*"Materia Estratégica"*). Lindley's executive officers are appointed by the board of directors, except for the chief financial officer, who is appointed by The Coca-Cola Company's representatives on our board of directors, who are the directors elected with the votes of the holders of Series A Shares. The Lindley Group has the right to appoint the remaining five members of the board of directors and the chief executive officer.

The number of directors must be fixed by the shareholders' meeting so as to allow the holders of the Series A Shares to elect at least two directors and their respective alternate directors if they accumulate their votes as permitted in the bylaws and so long as Series A Shares account for at least 18% of the Company's capital. As of the date of this Offering Memorandum, two members of our Board of Directors, Luis Augusto Paredes Stagnaro and César Emilio Rodríguez Larraín, are neither members of the Lindley Group nor The Coca-Cola Company.

Our bylaws provide that the Board of Directors shall meet at least four times a year, and whenever requested by any member of the board of directors or the general manager.

As of the date of this Offering Memorandum, the Directors of our company were:

Name	Position	Years as Director	Business Address
Johnny Lindley Taboada	Chairman of the Board of Directors	22	Jr Cajamarca 371, Rimac Lima - Peru
Xiemar Zarazua López	Director	2	Praia de Botafogo 374 Botafogo 22250-040 Rio de Janeiro, Brasil
José Luis Carmona Nava	Director	3	Ruben Dario 115 Bosque de Chapultepec 11580 Mexico DF, Mexico
Francisco Crespo Benítez	Director	2	Paraguay 733 C1057 - AAI Buenos Aires, Argentina
Luis Alfredo Arredondo Lindley	Director	6	Jr Cajamarca 371, Rimac Lima - Peru
Luis Augusto Paredes Stagnaro	Director	11	Av. Jorge Basadre 1110 Dpt. 301 San Isidro Lima - Peru
César Emilio Rodríguez Larraín Salinas	Director	14	Choquehuanca 770 San Isidro Lima - Peru
Johnny Lindley Suárez	Chief Executive Officer & Director	7	Jr Cajamarca 371, Rimac Lima - Peru
Rubén José Marturet Nogueira	Alternate Director	5	
Martín Franzini Acosta	Alternate Director	7	
Gerardo Beramendi Rosconi	Alternate Director	5	

Johnny Lindley Taboada, Chairman of the Board of Directors

Mr. Johnny Lindley Taboada has been Chairman of the Board of Directors since October 1989. He holds a degree in Business Administration from Escuela Superior de Administración de Negocios (ESAN). He is the father of Johnny Lindley Suarez and uncle of Luis Alfredo Arredondo Lindley.

Xiemar Zarazua López, Director (Appointed by the Coca-Cola Company)

Mr. Xiemar Zarazua López has been a Director since April 2010. Mr. Xiemar Zarazua López is also currently the President of the Brazil Business Unit of The Coca-Cola Company. He holds the title of Economist from the Universidad Autónoma de Monterrey and a post-graduate degree in Finance from the Tecnológico de Monterrey. He holds a degree in Business from University of Chicago.

José Luis Carmona Nava, Director (Appointed by the Coca-Cola Company)

Mr. José Luis Carmona has been a Director since 2008. Mr. José Luis Carmona is also currently the Vice President of Strategic Planning for the Latin America Group of The Coca-Cola Company and director of SIAAGSA (Mexico), an indirect subsidiary of The Coca-Cola Company. He holds a Licensure in Public Accounting from the Universidad de EBC de la Ciudad de México.

Francisco Crespo Benítez, Director (Appointed by the Coca-Cola Company)

Mr. Francisco Crespo Benítez has been a Director since 2010. Mr. Francisco Crespo Benítez is also president of the South Latin Business Unit of The Coca-Cola Company. He holds a title of Industrial Engineer from the Universidad de los Andes (Colombia).

Luis Alfredo Arredondo Lindley, Director

Mr. Luis Alfredo Arredondo Lindley has been a Director since March 2005. He has also been a Consultant for our Company since 2001. Mr. Luis Alfredo Arredondo Lindley holds a B.A. from St. Mary's University in San Antonio, Texas. He is the nephew of Johnny Lindley Taboada and cousin of Johnny Lindley Suarez.

Luis Augusto Paredes Stagnaro, Director

Mr. Luis Augusto Paredes Stagnaro has been a Director since February 2000. He was also the CEO of Lindley from March to September 1992 and has been a member of our company since 1974. He holds a Doctorate in History from the Faculty of Arts at the Universidad Mayor de San Marcos in Lima.

César Emilio Rodríguez Larraín Salinas, Director

Mr. César Emilio Rodríguez Larraín Salinas has been a Director since 1997. He is currently the Chairman of LAN Peru. He holds a law degree from the Pontificia Universidad Católica del Peru.

Johnny Lindley Suárez, Chief Executive Officer & Director

Mr. Johnny Lindley Suárez has been the CEO of our company since 2007 and a Director since 2004. Mr. Johnny Lindley Suárez holds a B.A. in Business Administration with a specialization in Marketing from Bentley College. He is the son of Johnny Lindley Taboada and cousin of Luis Alfredo Arredondo Lindley.

Rubén José Marturet Nogueira, Alternate Director (Appointed by the Coca-Cola Company)

Mr. Rubén José Marturet Nogueira has been a Director since March 2006. Mr. Rubén José Marturet Nogueira is currently a Consultant for Montevideo Refrescos SRL and an Alternate member of the Board of Directors for Embotelladora Polar of Chile.

Martín Franzini Acosta, Alternate Director (Appointed by the Coca-Cola Company)

Mr. Martín Franzini has been Alternate Director since February 2004. Mr. Martín Franzini is currently Legal Vice President of the South Latin Business Unit and holds various directorships in subsidiaries of The Coca-Cola Company in its Latin America Group. Mr. Martín Franzini possesses a law degree from the Universidad Católica de Argentina and a Master's Degree in Administrative Law from the Universidad Austral in Argentina.

Gerardo Beramendi Rosconi, Alternate Director (Appointed by the Coca-Cola Company)

Mr. Gerardo Beramendi Rosconi has been an Alternate Director since March 2006. Mr. Gerardo Beramendi Rosconi is currently the Director of Products and Services for Bebidas Refrescantes SRL (Coca-Cola Argentina), Director of Finance for the South Latin Business Unit of The Coca-Cola Company in Argentina, and Alternate Director of Embotelladoras Coca-Cola Polar S.A. of Chile and of Coca-Cola Embonor S.A. of Chile. He holds a degree in Finance and Business Administration from the Universidad de la República in Montevideo, Uruguay.

Board Practices

Our bylaws state that the Board of Directors will meet at least four times a year to discuss our operating results and progress in achieving strategic objectives. It is the practice of our Board of Directors to meet monthly. Our Board of Directors can also hold extraordinary meetings.

Under our bylaws, directors serve one-year terms although they continue in office until successors are appointed. If no successor is appointed during this period, the Board of Directors may continue in office until the new members of the board are elected or the existing members are ratified on their posts.

Senior Management

The following sets forth our current senior management:

<u>Name</u>	<u>Position</u>	<u>Year</u>
Johnny Lindley Suárez	<i>General Manager</i>	2007
Fernando Luiz Gomes	<i>Chief Financial Officer</i>	2010
Aldo Neira Paredes	<i>Chief of Commercial Operations</i>	2004
Augusto Domingo Rey Recavarren	<i>Chief Operating Officer</i>	1992
Jaime César Luza Elías	<i>Human Resources Officer</i>	1976

Johnny Lindley Suárez, General Manager

Mr. Johnny Lindley Suárez has been the General Manager of our company since 2007 and Director since March 2004. Mr. Johnny Lindley Suárez holds a B.A. in Business Administration with a specialization in Marketing from Bentley College.

Fernando Luiz Gomes, Chief Financial Officer (Appointed by The Coca-Cola Company)

Mr. Gomes has been our Chief Financial Officer since October, 2010. He has worked for Refrescos Guararapes, Refrigerantes Minas Gerais, Recofarma Indústria do Amazonas and Vonpar Refrescos S.A., each of which, at the time of his employment, was a subsidiary of The Coca-Cola Company, and Ernst & Young. He holds a bachelor degree in Accounting from Rio de Janeiro State University and a master degree in Finance from Pontifícia Universidade Católica do Rio de Janeiro.

Aldo Neira Paredes, Chief of Commercial Operations

Mr. Aldo Neira Paredes has been our Chief of Commercial Operations since December 2004. He holds the title of Economist from the Universidad Inca Garcilaso de la Vega and holds post-graduate degrees in Administration and Marketing from the Escuela Superior de Administración de Empresas (ESAN) and Systems Management from the Pontificia Universidad Católica del Peru.

Augusto Domingo Rey Recavarren, Chief Operating Officer

Mr. Augusto Domingo Rey Recavarren has been our Chief Operating Officer since May 1992. He holds a diploma in Electromechanical Engineering and a Master's Degree in Electronics from the Universidad Nacional de Ingeniería (UNI).

Jaime César Luza Elías, Human Resources Officer

Mr. Jaime César Luza Elías has been our Human Resources Officer since June 1976. He holds a Bachelor's Degree in Administration from the Universidad del Pacífico in Lima.

Compensation of Directors and Officers

For the year ending December 31, 2010, the aggregate compensation of all of our executive officers paid or accrued for services in all capacities was approximately S/.4.1 million (approximately US\$1.5 million). The aggregate compensation amount includes approximately S/.1.0 million (approximately US\$0.4 million) of cash bonus awards. See "Directors and Senior Management – Bonus Program."

We paid one tax unit each month to each of the members of our Board. The aggregate compensation for directors during 2010 was S/.0.7 million (approximately US\$0.3 million). Members of our Board of Directors do not participate in our benefit plans.

Bonus Program

Our employees and executives receive a bonus paid in cash based on the performance of the Company (on Adjusted EBITDA, market share, gross profit and volume sales) and the individual performance. The bonus is calculated as a percentage of the annual compensation of each employee. The bonus is paid in February of each year. For 2010 and 2009 we paid approximately S/.3.3 million and S/.4.7 million, respectively, to our employees as bonus.

Share Ownership by Directors and Management

As of September 30, 2011, Johnny Lindley Taboada, Chairman of the Board of Directors of Lindley, owns 53.12% of our outstanding capital stock, and several of our directors and all our alternate directors are employees of The Coca-Cola Company, which in turn owns 38.52% of our outstanding capital stock and 14.6% of our investment shares. None of our other directors or executive officers are beneficial owners of any class of our capital stock.

Insurance Policies

We maintain insurance policies for all of our employees. These policies mitigate the risk of having to pay death benefits in the event of an industrial accident. We maintain directors' and officers' insurance policies covering all directors and certain key executive officers for liabilities incurred in their capacities as directors and officers.

DESCRIPTION OF NOTES

We will issue the notes under an Indenture, to be dated the Issue Date, between us and Citibank, N.A., as Trustee (the "Trustee").

We summarize below certain provisions of the Indenture, but do not restate the Indenture in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights and our obligations. You can obtain a copy of the Indenture in the manner described under "Available Information," and, for so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on EuroMTF, at the office of the paying agent in Luxembourg.

You can find the definition of capitalized terms used in this section under "—Certain Definitions." When we refer to:

- the "Company" in this section, we mean Corporación Lindley S.A., and not its subsidiaries, and
- "notes" in this section, we mean the notes originally issued on the Issue Date and additional notes.

General

The notes will:

- be general unsecured obligations of the Company,
- rank equal (*pari passu*) in right of payment with all other existing and future Indebtedness of the Company, except Indebtedness that is expressly subordinated in right of payment to the notes,
- rank senior in right of payment to all existing and future Indebtedness of the Company that is expressly subordinated in right of payment to the notes, if any,
- be effectively subordinate to all existing and future secured Indebtedness of the Company,
- be structurally subordinate to all existing and future Indebtedness and trade payables of the Company's subsidiaries, and
- rank junior to all obligations preferred by statute (such as certain tax and labor obligations).

As of the Issue Date of the notes, the notes will not be guaranteed by any of our Subsidiaries. Following the Issue Date, we may elect, but will not be obligated, to designate certain of our Subsidiaries to become Subsidiary Guarantors. The Note Guarantee of any future Subsidiary Guarantor will:

- be the general unsecured, senior obligation of such Subsidiary Guarantor,
- rank equal (*pari passu*) in right of payment with all existing and future Indebtedness of such Subsidiary Guarantor, except Indebtedness that is expressly subordinated in right of payment to its Note Guarantee;

- rank senior in right of payment to all existing and future Indebtedness, if any, of such Subsidiary Guarantor that is expressly subordinated in right of payment to its Note Guarantee; and
- be effectively subordinated to all existing and future secured Indebtedness, if any, of such Subsidiary Guarantor.

As of September 30, 2011, on a pro forma basis after giving effect to this offering and the related transactions as described under "Use of Proceeds":

- the Company and its Subsidiaries would have had consolidated total indebtedness of S/.1,072.5 million (U.S.\$386.9 million),
- the Company would have had consolidated total indebtedness of S/.1,072.5 million (U.S.\$386.9 million), of which S/.185.5 million (U.S.\$66.9 million) would have been secured,
- the Company's Subsidiaries would have had no consolidated total indebtedness.

Additional Notes

Subject to the limitations set forth under "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness," the Company and its Subsidiaries may incur additional Indebtedness. At the Company's option, this additional Indebtedness may consist of additional notes ("additional notes") issued in one or more transactions, which have identical terms as, and will be fungible for U.S. federal income tax purposes with, notes issued on the Issue Date. Holders of additional notes would have the right to vote together with holders of notes issued on the Issue Date as one class.

Principal, Maturity and Interest

The Company will issue notes in denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof. The principal amount of the notes outstanding on May 23, 2020, shall be payable during the two years prior to the final maturity of the notes in four equal installments on May 23, 2020, November 23, 2020, May 23, 2021, and November 23, 2021. The final maturity date of the notes will be November 23, 2021. The notes will not be entitled to the benefit of any mandatory sinking fund.

Interest on the notes will accrue on the outstanding principal amount at the rate of 6.750% per annum and will be payable semi-annually in arrears on each May 23 and November 23, commencing on May 23, 2012. Payments will be made to the persons who are registered holders at the close of business on May 8 and November 8, respectively, immediately preceding the applicable interest payment date.

Interest on the notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The redemption of notes with unpaid and accrued interest up to but not including the date of redemption will not affect the right of holders of record on a record date to receive interest due on an interest payment date.

If any interest payment, principal payment or redemption date falls on a day which is not a Business Day, payment of interest, principal and premium, if any, with respect to the notes will be made on the next succeeding Business Day with the same force and effect as if made on the due date, and no interest on such payment will accrue from and after such due date.

Initially, the Trustee will act as Paying Agent and Registrar for the notes. The Company may change the Paying Agent and Registrar without notice to holders of notes. If a holder of U.S. \$10.0 million or more in aggregate principal amount of the notes has given wire transfer instructions to the Company at least 10 Business

Days prior to the applicable payment date, the Company will make all principal, premium and interest payments on those notes in accordance with those instructions. All other payments on the notes will be made at the office or agency of the Paying Agent and Registrar in New York City unless the Company elects to make interest payments by check mailed to the registered holders of notes at their registered addresses. Application is expected to be made to admit the notes for listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF. As long as the notes are listed on this market and as long as the rules of the Luxembourg Stock Exchange require, the Company will also maintain a Paying Agent and a transfer agent in Luxembourg.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal or interest on the notes that remains unclaimed for two years, and, thereafter, holders entitled to any such money must look to the Company for payment as general creditors.

Additional Amounts

Payments made by or on behalf of the Company under or with respect to the notes will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, interest, assessment or other governmental charge ("Taxes") imposed or levied by or on behalf of any jurisdiction in which the Company is then organized or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction by or through which payment is made (each, a "Relevant Taxing Jurisdiction"), unless the Company is required to withhold or deduct such Taxes under the laws of the Relevant Taxing Jurisdiction or by the interpretation or administration thereof by the relevant taxing authority. If the Company or any person making payments on its behalf is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to the notes, the Company will pay to holders of the notes all additional amounts that may be necessary so that every net payment of interest (including any premium paid upon redemption of the notes) or principal to the holder will not be less than the amount provided for in the notes. By net payment, we mean the amount we or our paying agent pay the holder after deducting or withholding an amount for or on account of any present or future Taxes imposed by a Relevant Taxing Jurisdiction authority with respect to that payment.

Our obligation to pay additional amounts is subject to several important exceptions, however. The Company will not pay additional amounts to any holder of notes for or solely on account of any of the following:

- any Taxes imposed solely because at any time there is or was any connection between the holder or beneficial owner of a note and Peru (or any political subdivision or territory or possession thereof) other than the mere receipt of a payment or the ownership or holding of a note, including such holder or beneficial owner (i) being or having been a citizen, national or resident thereof, (ii) maintaining or having maintained an office, permanent establishment, or branch subject to taxation therein or (iii) being or having been present or engaged in a trade or business therein;
- any estate, inheritance, gift, transfer, personal property, value added, use, sales or similar tax, assessment or other governmental charge imposed with respect to the notes;
- any Taxes imposed solely because the holder or any other person fails to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Peru (or any political subdivision or territory or possession thereof) of the holder or any beneficial owner of a note if compliance is required by law or regulation of the taxing jurisdiction or by an applicable income tax treaty to which Peru is a party, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and we have given the holders of notes at least 30 days' notice prior to the first payment date with respect to which such certification, identification, information, documentation or reporting requirement is required to the effect that holders will be required to provide such information and identification;

- Taxes payable otherwise than by deduction or withholding from payments on the notes;
- Taxes with respect to a note presented for payment more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to holders of notes, whichever occurs later, except to the extent that the holder of such note would have been entitled to such additional amounts on presenting such note for payment on any date during such 30-day period;
- any payment on a note to a holder thereof that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, but only to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the additional amounts had the beneficiary, settlor, member or beneficial owner been the holder of the note;
- where such withholding or deduction of Taxes is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other directive on the taxation of savings implementing the conclusions of the European Council of Economic and Finance Ministers meeting of June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, such directive, and
- any combination of the above.

Upon request, the Company will provide the Trustee with documentation satisfactory to the requesting holder evidencing the payment of Taxes in respect of which we have paid any additional amount. We will make copies of such documentation available to the holders of the notes upon request.

Any reference in this Offering Memorandum, the indenture, the supplemental indenture or the notes to principal, premium, interest or any other amount payable in respect of the notes by us will be deemed also to refer to any additional amount that may be payable with respect to that amount under the obligations referred to in this subsection.

In the event that additional amounts actually paid with respect to the notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such notes, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.

For a discussion of Peruvian withholding taxes applicable to payments under or with respect to the notes, see "Taxation."

Note Guarantees

As of the Issue Date, the notes will not be Guaranteed by any of our Subsidiaries.

In the future, the Company may elect in its discretion to designate any Subsidiary as a Subsidiary Guarantor. Any future Subsidiary Guarantor will unconditionally guarantee the performance of all obligations of the Company under the Indenture and the notes. The Obligations of each Subsidiary Guarantor in respect of its Note Guarantee will be limited to the maximum amount as will result in the Obligations not constituting a fraudulent conveyance, fraudulent transfer or similar transfer under applicable law and not violating applicable corporate benefit, financial assistance, thin capitalization or similar laws.

Each Subsidiary Guarantor will be released and relieved of its obligations (or in the case of Covenant Defeasance, defeasance of certain of its obligations) under its Note Guarantee in the event:

- (1) there is a Legal Defeasance or a Covenant Defeasance of the notes as described under "—Legal Defeasance and Covenant Defeasance";
- (2) there is a sale or other disposition of Capital Stock of such Subsidiary Guarantor following which such Subsidiary Guarantor is no longer a direct or indirect Subsidiary of the Company (subject to the provisions of "Certain Covenants—Limitation on Merger, Consolidation or Sale of Assets"); or
- (3) there is a sale of all or substantially all of the assets of such Subsidiary Guarantor (including by way of merger, stock purchase, asset sale or otherwise) to a Person that is not (either before or after giving effect to such transaction) a Subsidiary Guarantor (subject to the provisions of "Certain Covenants—Limitation on Merger, Consolidation or Sale of Assets");

provided, that the transaction is carried out pursuant to and in accordance with all other applicable provisions of the Indenture.

Our Subsidiaries that are not designated as Subsidiary Guarantors will not guarantee the notes. In the event of a bankruptcy, liquidation or reorganization of these non-guarantor subsidiaries, these non-guarantor subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to us. In addition, holders of minority equity interests in Subsidiaries may receive distributions prior to or *pro rata* with the Company depending on the terms of the equity interests.

Optional Redemption

Optional Redemption With "Make-Whole" Amount. We may, at our option, redeem the notes, in whole or in part, at any time or from time to time prior to their maturity, on at least 30 days' but not more than 60 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of such notes and (2) the sum of the present value of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points (the "Make-Whole Amount"), plus in each case accrued and unpaid interest to the redemption date on the notes to be redeemed on such date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the U.S. Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Company.

"Comparable Treasury Price" means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer" means each of J.P. Morgan Securities LLC and Citigroup Global Markets Inc. or, in each case, their affiliates which are primary U.S. government securities dealers and two other leading primary

U.S. government securities dealers in New York City reasonably designated by us; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third Business Day preceding such redemption date.

On and after the redemption date, interest will cease to accrue on the notes or any portion of the notes called for redemption (unless we default in the payment of the redemption price and accrued interest). On or before the Business Day immediately preceding the redemption date, we will deposit with the Trustee money sufficient to pay the redemption price of and (unless the redemption date shall be an interest payment date) accrued interest to the redemption date on the notes to be redeemed on such date and any Additional Amounts. If less than all of the notes are to be redeemed, the notes to be redeemed shall be on a *pro rata* basis, selected by lot or by such method as the Trustee shall deem fair and appropriate (subject to the procedures of DTC).

Optional Redemption for Changes in Withholding Taxes. If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of any Relevant Taxing Jurisdiction affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, rules or regulations becomes effective on or after the date on which the notes we are offering are issued (which, in the case of a merger, consolidation or other transaction permitted and described under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets," shall be treated for this purpose as the date of such transaction), we have become obligated or will become obligated, in each case, after taking all reasonable measures to avoid this requirement, to pay additional amounts in excess of those attributable to a Peruvian withholding tax rate of 4.99% with respect to the notes (see "—Additional Amounts" and "Taxation"), then, at our option, all, but not less than all, of the notes may be redeemed at any time on giving not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any additional amounts due thereon up to but not including the date of redemption; *provided, however*, that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which we would be obligated to pay these additional amounts if a payment on the notes were then due, and (2) at the time such notice of redemption is given such obligation to pay such additional amounts remains in effect.

Prior to the publication of any notice of redemption pursuant to this provision, we will deliver to the Trustee:

- a certificate signed by one of our duly authorized representatives stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem have occurred, and
- an opinion of legal counsel qualified in Relevant Taxing Jurisdiction (which may be our counsel) of recognized standing to the effect that we have or will become obligated to pay such additional amounts as a result of such change or amendment.

This notice, once delivered by us to the Trustee, will be irrevocable.

We will give notice to DTC pursuant to the provisions described under "—Certain Covenants—Notices" of any redemption we propose to make at least 30 days (but not more than 60 days) before the redemption date.

Optional Redemption Procedures. In the event that less than all of the notes are to be redeemed at any time, selection of notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which notes are listed or, if the notes are not then listed on a national securities exchange, on a *pro rata* basis, by lot or by any other method as the Trustee shall deem fair and appropriate (subject to the procedures of DTC). No notes of a principal amount of U.S.\$2,000 or less may be

redeemed in part and notes of a principal amount in excess of U.S.\$2,000 may be redeemed in part in multiples of U.S.\$1,000 only.

Notice of any redemption will be mailed by first-class mail, postage prepaid, at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address (subject to the procedures of DTC); *provided, however*, that the Company shall give written notice of the redemption to the Trustee at least 10 days prior to the date on which such notice is to be given to the holders, unless the Trustee consents to a shorter period. If notes are to be redeemed in part only, the notice of redemption will state the portion of the outstanding principal amount thereof to be redeemed. For so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF, the Company will cause notices of redemption also to be published as provided under "—Certain Covenants—Notices." A new note in a principal amount equal to the unredeemed portion thereof (if any) will be issued in the name of the holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate).

The Company will pay the redemption price for any note together with accrued and unpaid interest thereon up to but not including the date of redemption. On and after the redemption date, interest will cease to accrue on notes or portions thereof called for redemption as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture. Upon redemption of any notes by the Company, such redeemed notes will be cancelled.

Notwithstanding the provisions of this "Optional Redemption" section, the Company and its Subsidiaries may acquire notes by means other than a redemption, including pursuant to a tender offer, open market purchases or otherwise, provided that at the time of such transaction the notes are not "restricted securities" as defined under Rule 144 of the Securities Act of 1933, as amended.

Change of Control

Upon the occurrence of a Change of Control Downgrade, each holder of notes will have the right to require that the Company purchase all or a portion (in minimum principal amounts of U.S.\$2,000 or an integral multiple of U.S.\$1,000 in excess thereof) of the holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon through the date of purchase (the "Change of Control Payment").

Within 30 days following the date upon which the Change of Control Downgrade occurred, the Company must send, by first-class mail, a notice to each holder, with a copy to the Trustee, offering to purchase the notes as described above (a "Change of Control Offer") and publish the Change of Control Offer in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). The Change of Control Offer shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by law (the "Change of Control Payment Date").

On the Change of Control Payment Date, the Company will, to the extent lawful:

- (1) accept for payment all notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent funds in an amount equal to the Change of Control Payment in respect of all notes or portions thereof so tendered; and
- (3) deliver or cause to be delivered to the Trustee the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Company.

If only a portion of a note is purchased pursuant to a Change of Control Offer, a new note in a principal amount equal to the portion thereof not purchased will be issued in the name of the holder thereof upon cancellation

of the original note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to a Change of Control Offer will be cancelled and cannot be reissued.

The Company will not be required to make a Change of Control Offer upon a Change of Control Downgrade if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all notes properly tendered and not withdrawn pursuant to the Change of Control Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

A Change of Control Offer may be made in advance of a Change of Control, conditioned upon the occurrence of a Change of Control Downgrade, if a definitive agreement is in place for a Change of Control at the time of making the Change of Control Offer.

In the event that holders of not less than 90% of the aggregate principal amount of the outstanding notes accept a Change of Control Offer and the Company or a third party purchases all of the notes held by such holders, the Company will have the right, on not less than 30 nor more than 60 days' prior notice, given not more than 30 days following the purchase pursuant to the Change of Control Offer described above, to redeem all of the notes that remain outstanding following such purchase at a purchase price equal to the Change of Control Payment plus, to the extent not included in the Change of Control Payment, accrued and unpaid interest, if any, on the notes that remain outstanding, to the date of redemption (subject to the right of holders of notes on the relevant record date to receive interest due on the relevant interest payment date).

Other existing and future Indebtedness of the Company may contain prohibitions on the occurrence of events that would constitute a Change of Control or require that Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of their right to require the Company to repurchase the notes upon a Change of Control Downgrade may cause a default under such Indebtedness even if a Change of Control or the Change of Control Downgrade itself does not.

If a Change of Control Offer occurs, there can be no assurance that the Company will have available funds sufficient to make the Change of Control Payment for all the notes that might be delivered by holders seeking to accept the Change of Control Offer. In the event the Company is required to purchase outstanding notes pursuant to a Change of Control Offer, the Company expects that it would seek third-party financing to the extent it does not have available funds to meet its purchase obligations and any other obligations in respect of Senior Indebtedness. However, there can be no assurance that the Company would be able to obtain necessary financing.

The Change of Control purchase feature of the notes may in certain circumstances make more difficult or discourage a sale or takeover of us and, thus, the removal of incumbent management. The Change of Control purchase feature is a result of negotiations between the Initial Purchaser and us. Holders will not be entitled to require the Company to purchase their notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction which does not result in a Change of Control Downgrade. In addition, clause (3) of the definition of "Change of Control" includes the sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the assets of the Company, determined on a consolidated basis. Although there is a limited body of case law interpreting the phrase "substantially all," there is no established definition of how this phrase is to be interpreted under applicable law. Accordingly, the application of this provision is uncertain.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations in connection with the purchase of notes in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Change of Control" provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by doing so.

Certain Covenants

The Indenture will contain, among others, the following covenants:

Suspension of Covenants

In the event that (i) the notes have Investment Grade Ratings from at least two Rating Agencies and (ii) at the time the notes have achieved Investment Grade Ratings from at least two Rating Agencies no Event of Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "Covenant Suspension Event"), the Company and its Subsidiaries will, upon the occurrence of such Covenant Suspension Event, cease to be subject to the provisions of the Indenture described under:

- "—Limitation on Incurrence of Additional Indebtedness";
- "—Limitation on Guarantees";
- "—Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries";
- clauses (b), (c) and (d) of "—Limitation on Merger, Consolidation or Sale of Assets"; and
- "—Limitation on Transactions with Affiliates"

(collectively, the "Suspended Covenants").

In the event that the Company and its Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date") the notes cease to have Investment Grade Ratings from at least two Rating Agencies, then the Company and its Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the date a Covenant Suspension Event occurs and the Reversion Date is referred to as the "Suspension Period." Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during a Suspension Period (or upon termination of a Suspension Period or after that time based solely on events that occurred during such Suspension Period).

On a Reversion Date, all Indebtedness incurred during the relevant Suspension Period will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (d) of paragraph (2) of "—Limitation on Incurrence of Additional Indebtedness".

In order for covenants to be suspended as a result of the occurrence of a Covenant Suspension Event, the Company must give the Trustee written notice of such Covenant Suspension Event after such Covenant Suspension Event has occurred. In the absence of such notice, the Suspended Covenants will apply and be in full force and effect. The Company will give the Trustee written notice of any occurrence of a Reversion Date not later than ten Business Days after such Reversion Date. After any such notice of the occurrence of the Reversion Date, the Trustee shall assume the Suspended Covenants apply and are in full force and effect. For the avoidance of doubt, the occurrence of a Reversion Date does not preclude another suspension of covenants as a result of a subsequently occurring Covenant Suspension Event.

Limitation on Incurrence of Additional Indebtedness

- (1) The Company will not, and will not cause or permit any of its Subsidiaries to, directly or indirectly, Incur any Indebtedness, including Acquired Indebtedness, except that:
 - (a) the Company and any Subsidiary Guarantor may Incur Indebtedness, including Acquired Indebtedness, and

- (b) any Subsidiary may Incur Acquired Indebtedness not Incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation,

if, at the time of and immediately after giving pro forma effect to the Incurrence thereof and the application of the proceeds therefrom the Consolidated Fixed Charge Coverage Ratio of the Company is greater than 2.50 to 1.0.

- (2) Notwithstanding paragraph (1) above, the Company and its Subsidiaries, as applicable, may incur the following Indebtedness ("Permitted Indebtedness"):
 - (a) Indebtedness in respect of the notes (including any Note Guarantee in respect thereof) excluding additional notes;
 - (b) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Subsidiary permitted under the Indenture; *provided* that, if any such Guarantee is of Subordinated Indebtedness of the Company or of a Subsidiary Guarantor, then the Note Guarantee of such Subsidiary Guarantor shall be senior to such Subsidiary Guarantor's Guarantee of such Subordinated Indebtedness;
 - (c) Indebtedness Incurred by the Company or any Subsidiary Guarantor under Credit Facilities (including Guarantees in respect thereof) in an aggregate principal amount outstanding at any one time not to exceed 5% of Consolidated Net Tangible Assets of the Company and its Subsidiaries;
 - (d) other Indebtedness of the Company and its Subsidiaries outstanding on the Issue Date;
 - (e) Hedging Obligations entered into by the Company and its Subsidiaries in the ordinary course of business and not for speculative purposes, including, without limitation, any Hedging Obligations with respect to the notes;
 - (f) intercompany Indebtedness between the Company and any Subsidiary or between any Subsidiaries; *provided* that:
 - (A) if the Company or any Subsidiary Guarantor is the obligor on any such Indebtedness owed to a Subsidiary that is not a Subsidiary Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full of all obligations under the notes and the Indenture, in the case of the Company, or such Subsidiary Guarantor's Note Guarantee, in the case of any such Subsidiary Guarantor, and
 - (B) in the event that at any time any such Indebtedness ceases to be held by the Company or a Subsidiary, such Indebtedness shall be deemed to be Incurred and not permitted by this clause (f) at the time such event occurs;
 - (g) Indebtedness of the Company or any of its Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; *provided*, that such Indebtedness is extinguished within five Business Days of Incurrence;
 - (h) Indebtedness of the Company or any of its Subsidiaries represented by letters of credit for the account of the Company or any Subsidiary, as the case may be, in order to provide security for workers' compensation claims, payment obligations in connection with self-insurance or similar requirements in the ordinary course of business;

- (i) Capitalized Lease Obligations or Purchase Money Indebtedness of the Company or any Subsidiary, in each case Incurred for the purpose of acquiring or financing all or any part of the purchase price or cost of construction or improvement of property or equipment used in the business of the Company or such Subsidiary in an aggregate principal amount outstanding at any one time not to exceed 5% of Consolidated Net Tangible Assets of the Company and its Subsidiaries;
 - (j) Indebtedness in respect of bid, performance or surety bonds in the ordinary course of business for the account of the Company or any of its Subsidiaries, including Guarantees or obligations of the Company or any Subsidiary with respect to letters of credit supporting such bid, performance or surety obligations (in each case other than for the payment of borrowed money);
 - (k) Refinancing Indebtedness in respect of:
 - (A) Indebtedness (other than Indebtedness owed to the Company or any Subsidiary of the Company) Incurred pursuant to paragraph (1) above (it being understood that no Indebtedness outstanding on the Issue Date is Incurred pursuant to such paragraph (1) above), or
 - (B) Indebtedness Incurred pursuant to clause 2(a), 2(d) or this clause 2(k) of this covenant (excluding Indebtedness owed to the Company or a Subsidiary of the Company) above;
 - (l) Permitted Acquisition Indebtedness; and
 - (m) Additional Indebtedness of the Company or any Subsidiary in an aggregate principal amount not to exceed 5% of Consolidated Net Tangible Assets of the Company and its Subsidiaries; provided that the aggregate principal amount of additional Indebtedness Incurred pursuant to this clause (m) by Subsidiaries that are not Subsidiary Guarantors shall not exceed U.S.\$10.0 million at any one time outstanding.
- (3) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:
- (a) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP.
 - (b) The accrual of interest, the accretion or amortization of original issue discount, the capitalization of interest, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will be deemed not to be an Incurrence of Indebtedness, and the outstanding amount thereof from time to time will be deemed not to be Indebtedness, for purposes of this covenant.
 - (c) In the event that Indebtedness meets the criteria of more than one of the clauses of Permitted Indebtedness described above, or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Company, in its sole discretion, will be permitted to classify such Indebtedness at the time of its Incurrence in any manner that complies with this covenant. In addition, any Indebtedness originally classified as Incurred pursuant to any clause of Permitted Indebtedness may later be reclassified from time to time by the Company, in its sole discretion, such that it will be deemed to be Incurred pursuant to another of such clauses of Permitted Indebtedness or the first paragraph of this covenant,

in each case to the extent that such reclassified Indebtedness could be Incurred pursuant to such other clause or such paragraph at the time of such reclassification. For the avoidance of doubt, the Company may divide and classify an item of Indebtedness in one or more of the types of Indebtedness.

- (d) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the principal amount of Indebtedness denominated in a currency other than U.S. dollars shall be the U.S. Dollar Equivalent thereof. The principal amount of any Indebtedness Incurred to Refinance other Indebtedness, if Incurred in the same currency of the Indebtedness being Refinanced, shall be calculated based on the same currency exchange rate applicable when such Indebtedness being Refinanced was incurred; provided, that the U.S. dollar equivalent of such Refinancing Indebtedness which exceeds the principal amount of the Indebtedness being Refinanced shall be the U.S. Dollar Equivalent thereof. The U.S. dollar equivalent principal amount of any foreign currency principal amount of Indebtedness being repaid, prepaid or otherwise discharged or cancelled shall be deemed to be the U.S. Dollar Equivalent of such principal amount of Indebtedness as calculated based on the same currency exchange rate applicable when such Indebtedness being repaid, prepaid or otherwise discharged or cancelled was incurred. The principal amount of any Indebtedness Incurred to Refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being Refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated pursuant to the definition of "U.S. Dollar Equivalent" herein. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded as a result solely of fluctuations in exchange rates or currency values.

Limitation on Guarantees

As of the Issue Date, the notes will not be Guaranteed by any of our Subsidiaries.

The Company will not permit any Subsidiary that is not a Subsidiary Guarantor to Guarantee any Indebtedness of the Company or any Subsidiary Guarantor or to secure any Indebtedness of the Company or Subsidiary Guarantor with a Lien on the assets of such Subsidiary, unless contemporaneously therewith (or prior thereto) effective provision is made to Guarantee or secure the notes or the Note Guarantee of such Subsidiary, as the case may be, on an equal and ratable basis with such Guarantee or Lien for so long as such Guarantee or Lien remains effective, and in an amount equal to the amount of Indebtedness so Guaranteed or secured. Any Guarantee by any such Subsidiary of Subordinated Indebtedness of the Company will be subordinated and junior in right of payment to the contemporaneous Guarantee of the notes or the Note Guarantee by such Subsidiary. The Company will not permit a Subsidiary to Guarantee or secure any Capital Stock of the Company.

Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries

- (a) Except as provided in paragraph (b) below, the Company will not, and will not cause or permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to:
- (1) pay dividends or make any other distributions on or in respect of its Capital Stock to the Company or any Subsidiary Guarantor or pay any Indebtedness owed to the Company or any Subsidiary Guarantor;
 - (2) make loans or advances to, or Guarantee any Indebtedness or other obligations of, or make any Investment in, the Company or any Subsidiary Guarantor; or
 - (3) transfer any of its property or assets to the Company or any Subsidiary Guarantor.

- (b) Paragraph (a) above will not apply to encumbrances or restrictions existing under or by reason of:
- (1) applicable law, rule, regulation or order;
 - (2) the Indenture, the notes and the Note Guarantees;
 - (3) the terms of any Indebtedness outstanding on the Issue Date, and any amendment, modification, restatement, renewal, restructuring, replacement or Refinancing thereof; *provided*, that any amendment, modification, restatement, renewal, restructuring, replacement or Refinancing is not materially more restrictive, taken as a whole, with respect to such encumbrances or restrictions than those in existence on the Issue Date;
 - (4) customary non-assignment provisions of any contract and customary provisions restricting assignment or subletting in any lease governing a leasehold interest of any Subsidiary, or any customary restriction on the ability of a Subsidiary to pay dividends, distribute or otherwise transfer any asset which secures Indebtedness secured by a Lien, in each case permitted to be Incurred under the Indenture;
 - (5) any instrument governing Acquired Indebtedness not Incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;
 - (6) restrictions with respect to a Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of Capital Stock or assets of such Subsidiary; *provided*, that such restrictions apply solely to the Capital Stock or assets of such Subsidiary being sold;
 - (7) customary restrictions imposed on the transfer of copyrighted or patented materials;
 - (8) an agreement governing Indebtedness of the Company or any Subsidiaries permitted to be Incurred subsequent to the date of the Indenture in accordance with the covenant set forth under "—Limitation on Incurrence of Additional Indebtedness"; *provided* that the provisions relating to such encumbrance or restriction contained in such agreement are no more restrictive than those contained in the agreement referred to in clause (3) or, in the case of Indebtedness Incurred pursuant to this clause (8) to Refinance Acquired Indebtedness, no more restrictive than those contained in the agreement referred to in clause (5) of this paragraph;
 - (9) purchase money obligations for property (including Capital Stock) acquired in the ordinary course of business and Capitalized Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of paragraph (a) above;
 - (10) Liens permitted to be incurred under the provisions of the covenant described below under the caption "—Limitation on Liens" that limits the right of the debtor to dispose of the assets securing such Indebtedness;
 - (11) provisions limiting the payment of dividends in the organizational documents, shareholders' agreements, joint venture agreements or similar documents of, or related to, Subsidiaries that are not Wholly Owned Subsidiaries and which have been entered into (A) in the ordinary course of business and (B) with the approval of the Company's Board of Directors; or

- (12) restrictions on cash deposited with banks in the ordinary course of business consistent with past practice.

Limitation on Liens

The Company will not, and will not cause or permit any of its Subsidiaries that are Subsidiary Guarantors to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) (i) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom or (ii) deemed to exist in respect of Capitalized Lease Obligations or obligations under any Sale and Leaseback Transaction, in each case unless contemporaneously therewith effective provision is made:

- (1) in the case of the Company, to secure the notes and all other amounts due under the Indenture; and
- (2) in the case of a Subsidiary Guarantor, to secure such Subsidiary Guarantor's Note Guarantee of the notes and all other amounts due under the Indenture;

in each case, equally and ratably with such Indebtedness or other obligation (or, in the event that such Indebtedness is subordinated in right of payment to the notes or such Note Guarantee, as the case may be, prior to such Indebtedness or other obligation) with a Lien on the same properties and assets securing such Indebtedness or other obligation for so long as such Indebtedness or other obligation is secured by such Lien.

Limitation on Merger, Consolidation and Sale of Assets

The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its Subsidiaries), to any Person unless:

- (a) either:
 - (1) the Company shall be the surviving or continuing corporation, or
 - (2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Subsidiaries substantially as an entirety (the "Surviving Entity"):
 - (A) shall be a Person organized and validly existing under the laws of Peru, the United States of America or any investment grade country in North America, South America or the Caribbean, and
 - (B) shall expressly assume, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the notes and the performance and observance of every covenant of the notes and the Indenture on the part of the Company to be performed or observed;
- (b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be will be able to Incur at least U.S.\$1.00 of additional Indebtedness pursuant to paragraph (1) of "—Limitation on Incurrence of Additional Indebtedness";

- (c) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including, without limitation, giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing;
- (d) each Subsidiary Guarantor (including Persons that become Subsidiary Guarantors as a result of the transaction) has confirmed by supplemental indenture that its Note Guarantee will apply for the Obligations of the Surviving Entity in respect of the Indenture and the notes;
- (e) the Company or the Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction have been satisfied.

For purposes of this covenant, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company (determined on a consolidated basis for the Company and its Subsidiaries), will be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The provisions of clauses (b) and (c) above will not apply to:

- (1) any transfer of the properties or assets of a Subsidiary (other than a Subsidiary Guarantor) to the Company or to a Subsidiary, or of a Subsidiary Guarantor to the Company or another Subsidiary Guarantor;
- (2) any merger of a Subsidiary (other than a Subsidiary Guarantor) into the Company or a Subsidiary, or of a Subsidiary Guarantor into the Company or another Subsidiary Guarantor; or
- (3) any merger or spin-off of the Company or a Subsidiary into a Wholly Owned Subsidiary of the Company created for the purpose of holding the Capital Stock, the properties or assets of the Company or a Subsidiary, as the case may be,

so long as, in each case the Indebtedness of the Company and its Subsidiary Guarantors taken as a whole is not increased thereby.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Subsidiaries in accordance with this covenant, in which the Company is not the continuing corporation, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the notes with the same effect as if such Surviving Entity had been named as such; and the Company shall upon such succession and substitution be released and discharged from further obligations under the notes and the Indenture. For the avoidance of doubt, compliance with this covenant will not affect the obligations of the Company, if it shall be the surviving or continuing corporation, or a Surviving Entity under "—Change of Control," if applicable.

Each Subsidiary Guarantor will not, and the Company will not cause or permit any Subsidiary Guarantor to, consolidate with or merge into, or sell or dispose of all or substantially all of its assets to, any Person (other than the Company) that is not a Subsidiary Guarantor unless:

- (1) such Person (if such Person is the surviving entity) assumes all of the obligations of such Subsidiary Guarantor in respect of its Note Guarantee by executing a supplemental indenture and

providing the Trustee with an Officers' Certificate and Opinion of Counsel, and such transaction is otherwise in compliance with the Indenture; or

- (2) such Note Guarantee is to be released as provided under "—Note Guarantees".

Limitation on Transactions with Affiliates

- (1) The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of its Affiliates (each an "Affiliate Transaction"), unless:
- (a) the terms of such Affiliate Transaction are no less favorable to the Company or such Subsidiary, as the case may be, than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company or, if such transaction is not one that by its nature could reasonably be obtained from a Person that is not an Affiliate, is on fair and reasonable terms and was negotiated in good faith;
 - (b) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.\$5 million, the terms of such Affiliate Transaction will be approved by a majority of the members of the Board of Directors of the Company (including a majority of the disinterested members thereof), the approval to be evidenced by a Board Resolution stating that the Board of Directors has determined that such transaction complies with the preceding provisions; and
 - (c) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.\$15 million, the Company will, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such Affiliate Transaction to the Company or the relevant Subsidiary (if any) from a financial point of view from an Independent Financial Advisor.
- (2) Paragraph (1) above will not apply to:
- (a) Affiliate Transactions with or among the Company and any Subsidiary or between or among Subsidiaries;
 - (b) fees and compensation (whether in cash or Capital Stock of the Company) paid to, and any indemnity provided on behalf of, officers, directors, employees, consultants or agents of the Company or any Subsidiary, including, without limitation, pursuant to any employment agreement, employee benefit plan, officer or director indemnification agreement or similar agreement;
 - (c) Affiliate Transactions undertaken pursuant to any contractual obligations or rights in existence on the Issue Date and any amendment, modification, extension or replacement of such agreement (so long as such amendment, modification, extension or replacement is not materially more disadvantageous to the Company and its Subsidiaries, taken as a whole, than the original agreement as in effect on the Issue Date);
 - (d) loans and advances to officers, directors and employees of the Company or any Subsidiary consistent with past practice, in each case made in the ordinary course of business;
 - (e) any issuance of Capital Stock (other than Disqualified Stock) of the Company and the granting and performance of registration rights; and

- (f) transactions entered into with The Coca-Cola Company and Affiliates in the ordinary course of business and consistent with past practice.

Conduct of Business

The Company and its Subsidiaries will not engage in any business other than a Permitted Business.

Reports to Holders

So long as any notes are outstanding, the Company will furnish to the Trustee:

- (a) Within 120 days following the end of each of the Company's fiscal years, information (presented in the English language) including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section with scope and content substantially similar to the corresponding section of this Offering Memorandum (after taking into consideration any changes to the business and operations of the Company after the Issue Date), consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the Company for the two most recent fiscal years in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with an audit report thereon by the Company's independent auditors; and
- (b) Within 90 days following the end of the first three fiscal quarters in each of the Company's fiscal years, quarterly reports containing unaudited balance sheets, statements of income and statements of cash flows and the related notes thereto for the Company and the Subsidiaries on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section for such quarterly period and condensed footnote disclosure (in each case, presented in the English language).

None of the information provided pursuant to the preceding paragraph shall be required to comply with Regulation S-K or Regulation S-X as promulgated by the U.S. Securities and Exchange Commission. In addition, the Company shall furnish to the holders of the notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the notes are not freely transferable under the Securities Act by Persons who are not "affiliates" under the Securities Act.

Substantially concurrently with the issuance to the Trustee of the reports and financial information specified above, the Company shall also post copies of such reports and financial information on such website as may be then maintained by the Company.

In addition, if and so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF and the rules of the Luxembourg Stock Exchange so require, copies of such reports furnished to the Trustee will also be made available at the specified office of the Luxembourg paying agent.

Delivery of such reports, information and documents to the Trustee shall be for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of the covenants contained in the Indenture (as to which the Trustee will be entitled to conclusively rely upon an Officers' Certificate).

Listing

In the event that the Notes are listed on EuroMTF, the Company will use its reasonable best efforts to maintain such listing, *provided* that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive the Company could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Company would otherwise use to prepare its published financial information, the Company may delist the notes from the EuroMTF in accordance with the rules of the Luxembourg Stock Exchange and seek an alternative admission to listing, trading and/or quotation for the notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as the Company may decide.

Notices

From and after the date the notes are listed on Euro MTF and so long as it is required by the rules of such exchange, all notices to holders of notes will be published in English:

- (1) in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*); or
- (2) if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions.

Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices will be mailed to holders of notes at their registered addresses in Luxembourg.

Events of Default

The following are "Events of Default":

- (1) default in the payment when due of the principal of or premium, if any, on any notes, including the failure to make a required payment to purchase notes tendered pursuant to an optional redemption or Change of Control Offer;
- (2) default for 30 days or more in the payment when due of interest, or Additional Amounts, if any, on any notes;
- (3) the failure to perform or comply with any of the provisions described under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets";
- (4) the failure by the Company or any Subsidiary to comply with any other covenant or agreement contained in the Indenture or in the notes for 60 days or more after written notice thereof to the Company from the Trustee or holders of at least 25% in aggregate principal amount of the outstanding notes;
- (5) default by the Company or any Subsidiary under any Indebtedness which:
 - (a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness prior to the expiration of any applicable grace period provided in such Indebtedness, and such failure has the effect of permitting the acceleration of such Indebtedness; or

(b) results in the acceleration of such Indebtedness prior to its stated maturity;

and the principal or accreted amount of Indebtedness covered by subclause (A) or (B) at the relevant time, aggregates U.S.\$20.0 million or more;

- (6) failure by the Company or any of its Subsidiaries to pay one or more final non-appealable judgments against any of them, aggregating U.S.\$20.0 million or more, which judgment(s) are not paid, discharged or stayed for a period of 90 days or more;
- (7) certain events of bankruptcy, insolvency or *procedimiento concursal preventivo* affecting the Company or any of its Significant Subsidiaries or group of Subsidiaries that, taken together, would constitute a Significant Subsidiary; or
- (8) any Peruvian government or governmental authority condemns, nationalizes, or otherwise expropriates all or any substantial portion of the Company's consolidated assets or property or the Company or any of its Subsidiaries' Capital Stock, or assumes custody or control of such consolidated assets or property of the Company or any Subsidiaries' business or operations or Capital Stock, or takes any action that would prevent the Company or any Subsidiary or their respective officers from carrying on a substantial portion of the Company or such Subsidiary's business or operations for a period longer than 45 days and the result of any such action materially prejudices the Company's ability to perform its obligations under the Indenture and the notes.

If an Event of Default (other than an Event of Default specified in clause (7) above with respect to the Company) shall occur and be continuing, the Trustee or holders of at least 25% in principal amount of outstanding notes may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a "notice of acceleration." If an Event of Default specified in clause (7) above occurs with respect to the Company, then the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder of notes.

The Trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless either (i) an authorized officer of the Trustee with direct responsibility for the Indenture has actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to the Trustee by the Company or any holder of notes.

At any time after a declaration of acceleration with respect to the notes as described in the preceding paragraph, holders of a majority in principal amount of the notes may rescind and cancel such declaration and its consequences:

- (1) if the rescission would not conflict with any judgment or decree;
- (2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;
- (3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and
- (4) if the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses, disbursements and advances.

No rescission will affect any subsequent Default or impair any rights relating thereto.

The holders of a majority in principal amount of the notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any notes.

In the event of any Event of Default specified in clause (5) of the first paragraph above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders of the notes, if within 30 days after such Event of Default arose the Company delivers an Officers' Certificate to the Trustee stating that the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default *provided* that none of the Company or any Significant Subsidiary made or agreed to make any payment or provide any other monetary consideration in exchange for such rescission or waiver. It is understood that in no event shall an acceleration of the principal amount of the notes as described above be annulled, waived or rescinded upon the happening of any such events as described in this paragraph.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders of notes, unless such holders have offered to the Trustee reasonable indemnity. Subject to all provisions of the Indenture and applicable law, holders of a majority in aggregate principal amount of the then outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No holder of any notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

- (1) such holder gives to the Trustee written notice of a continuing Event of Default;
- (2) holders of at least 25% in principal amount of the then outstanding notes make a written request to pursue the remedy;
- (3) such holders of notes provide to the Trustee satisfactory indemnity;
- (4) the Trustee does not comply within 60 days; and
- (5) during such 60 day period holders of a majority in principal amount of the outstanding notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

provided that a holder of a note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such note on or after the respective due dates expressed in such note.

The Company is required to deliver to the Trustee written notice of any event which would constitute certain Defaults or Events of Default, their status and what action the Company is taking or proposes to take in respect thereof. In addition, the Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officers' Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous fiscal year. The Indenture provides that if a Default or Event of Default occurs, is continuing and is actually known to a responsible officer of the Trustee, the Trustee must mail to each holder of notes notice of the Default or Event of Default within 90 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any note, the Trustee may withhold notice if and so long as the Trustee in good faith determines that withholding notice is in the interests of the holders of notes.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have its obligations discharged with respect to the outstanding notes and all obligations of the Subsidiary Guarantors under the Note Guarantees discharged ("Legal

Defeasance"). Such Legal Defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding notes and Note Guarantees after the deposit specified in clause (1) of the second following paragraph, except for:

- (1) the rights of holders of notes to receive payments in respect of the principal of, premium, if any, and interest on the notes when such payments are due;
- (2) the Company's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payments;
- (3) the rights, powers, trust, duties and immunities of the Trustee and the Company's and the Subsidiary Guarantors' obligations in connection therewith; and
- (4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations and the obligations of the Subsidiary Guarantors released with respect to certain covenants (including, without limitation, obligations to make Change of Control Offers, the obligations described under "—Certain Covenants" and the cross-acceleration provisions and judgment default provisions described under "—Events of Default") that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the notes or the Note Guarantees. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, reorganization and insolvency events) described under "—Events of Default" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of notes cash in U.S. dollars, certain direct non-callable obligations of, or guaranteed by, the United States, or a combination thereof, in such amounts as will be sufficient without reinvestment, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, premium, if any, and interest (including Additional Amounts) on the notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;
- (2) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that:
 - (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or
 - (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the holders of notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (3) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) to the effect that the holders of notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

- (4) in the case of Legal Defeasance or Covenant Defeasance, the Company has delivered to the Trustee:
 - (a) an Opinion of Counsel from counsel in Peru reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that, based upon Peruvian law then in effect, holders of notes will not recognize income, gain or loss for Peruvian tax purposes, including withholding tax except for withholding tax then payable on interest payments due, as a result of Legal Defeasance or Covenant Defeasance, as the case may be, and will be subject to Peruvian taxes on the same amounts and in the same manner and at the same time as would have been the case if such Legal Defeasance or Covenant Defeasance, as the case may be, had not occurred, or
 - (b) a ruling directed to the Trustee received from the tax authorities of Peru to the same effect as the Opinion of Counsel described in clause (a) above;
- (5) no Default or Event of Default shall have occurred and be continuing on the date of the deposit pursuant to clause (1) of this paragraph (except any Default or Event of Default resulting from the failure to comply with "—Certain Covenants—Limitation on Indebtedness" as a result of the borrowing of the funds required to effect such deposit);
- (6) the Trustee has received an Officers' Certificate stating that such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;
- (7) the Company has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring holders of notes over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others; and
- (8) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel reasonably acceptable to the Trustee and independent of the Company, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with (subject to customary exceptions and exclusions).

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the notes, as expressly provided for in the Indenture) as to all outstanding notes when:

- (1) either:
 - (a) all the notes theretofor authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofor been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or
 - (b) all notes not theretofor delivered to the Trustee for cancellation have become due and payable, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire Indebtedness on the notes not theretofor delivered to the Trustee for cancellation, for principal of, premium, if

any, and interest on the notes to the date of deposit, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment;

- (2) the Company has paid all other sums payable under the Indenture and the notes by it; and
- (3) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Modification of the Indenture

From time to time, the Company, the Subsidiary Guarantors (if any) and the Trustee, without the consent of the holders, may amend the Indenture, the notes or the Note Guarantees for certain specified purposes, including curing ambiguities, defects or inconsistencies; to provide for uncertificated notes in addition to or in place of certificated notes; to provide for the assumption of the Company's or a Subsidiary Guarantor's obligations to holders of notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Subsidiary Guarantor's assets, as applicable, to the extent permitted under the Indenture; to make any change that would provide any additional rights or benefits to the holders or that does not adversely affect the legal rights under the Indenture of any such holder; to conform the text of the Indenture, the Note Guarantees or the notes to any provision of this "Description of Notes" to the extent that such provision in this "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Note Guarantees or the notes; to allow any Subsidiary Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the notes and to release Subsidiary Guarantors from the Note Guarantee in accordance with the terms of the Indenture; to comply with the requirements of any applicable securities depositary; to provide for a successor Trustee in accordance with the terms of the Indenture, to otherwise comply with any requirement of the Indenture; to issue additional notes, and make any other changes which do not adversely affect the rights of any of the holders in any material respect. The Trustee will be entitled to rely on such evidence as it deems appropriate, including on an Opinion of Counsel and Officers' Certificate, and shall have no liability whatsoever in reliance upon the foregoing. Other modifications and amendments of the Indenture or the notes may be made with the consent of the holders of a majority in principal amount of the then outstanding notes issued under the Indenture, except that, without the consent of each holder affected thereby, no amendment may (with respect to any notes held by a non-consenting holder):

- (1) reduce the amount of notes whose holders must consent to an amendment or waiver;
- (2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any notes;
- (3) reduce the principal of or change or have the effect of changing the fixed maturity of any notes, or change the date on which any notes may be subject to redemption, or reduce the redemption price therefor;
- (4) make any notes payable in money other than that stated in the notes;
- (5) make any change in provisions of the Indenture entitling each holder of notes to receive payment of principal of, premium, if any, and interest on such note on or after the due date thereof or to bring suit to enforce such payment, or permitting holders of a majority in principal amount of notes to waive Defaults or Events of Default;
- (6) amend, change or modify in any material respect the obligation of the Company to make and consummate a Change of Control Offer in respect of a Change of Control Downgrade that has occurred;

- (7) make any change in the provisions of the Indenture described under "—Additional Amounts" that adversely affects the rights of any holder or amend the terms of the notes in a way that would result in a loss of exemption from Taxes; and
- (8) make any change to the provisions of the Indenture or the notes that adversely affect the ranking of the notes.

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Governing Law; Jurisdiction

The Indenture and the notes will be governed by, and construed in accordance with, the law of the State of New York. Each of the parties to the Indenture consent to the exclusive jurisdiction of the Federal and State courts located in the City of New York, Borough of Manhattan, waive to the fullest extent permitted by law its right to bring action in any other jurisdiction that may apply by virtue of its present or future domicile or for any other reason, and to any objection which it may now or hereafter have to the laying of venue of any suit or proceeding arising out of or relating to the Indenture or the transactions contemplated thereby. The Company has appointed, and the Subsidiary Guarantors will appoint, an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture or the notes.

The Trustee

Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. Subject to certain exceptions, the Trustee will be permitted to engage in other transactions; *provided*, that if the Trustee acquires any conflicting interest (as defined in the Indenture), it must eliminate such conflict or resign.

No Personal Liability

An incorporator, director, officer, employee, stockholder or controlling person, as such, of the Company or any Subsidiary Guarantor shall not have any liability for any obligations of the Company or such Subsidiary Guarantor under the notes (including the Note Guarantees) or the Indenture or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a note, each holder waives and releases all such liability.

Currency Indemnity

The Company and each Subsidiary Guarantor will pay all sums payable under the Indenture or the notes solely in U.S. Dollars. Any amount that you receive or recover in a currency other than U.S. Dollars in respect of any sum expressed to be due to you from the Company or any Subsidiary Guarantor will only constitute a discharge to us to the extent of the U.S. Dollar amount which you are able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which you are able to do so. If the U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to you under any note, to the extent permissible under applicable law, the Company and the Subsidiary Guarantors will jointly and severally indemnify you against any loss you sustain as a result. In any event, the Company and the Subsidiary Guarantors will jointly and severally indemnify you against the cost of making any purchase of U.S. Dollars. For the purposes of this paragraph, it will be sufficient for you to certify in a satisfactory manner that you would have suffered a loss had an actual purchase of U.S. Dollars been made with the

amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which you were able to do so. In addition, you will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Company and the Subsidiary Guarantors;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any holder of notes; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for a full definition of all such terms, as well as any other terms used herein for which no definition is provided.

"*Acquired Indebtedness*" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Subsidiary or at the time it merges or consolidates with the Company or any of its Subsidiaries or is assumed in connection with the acquisition of assets from such Person. Such Indebtedness will be deemed to have been Incurred at the time such Person becomes a Subsidiary or at the time it merges or consolidates with the Company or a Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

"*Additional Amounts*" has the meaning set forth under "—Additional Amounts" above.

"*additional notes*" has the meaning set forth under "—Additional Notes" above.

"*Affiliate*" means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; *provided*, that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control of that Person. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"*Affiliate Transaction*" has the meaning set forth under "Certain Covenants—Limitation on Transactions with Affiliates."

"*Asset Acquisition*" means:

- (1) an Investment by the Company or any Subsidiary in any other Person pursuant to which such Person will become a Subsidiary, or will be merged with or into the Company or any Subsidiary; or
- (2) the acquisition by the Company or any Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business.

"*Board of Directors*" means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof.

"*Board Resolution*" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"*Business Day*" means a day other than a Saturday, Sunday or other day on which commercial banking institutions are authorized or required by law to close in New York City or Peru.

"*Capitalized Lease Obligations*" means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP, including without limitation *arrendamiento financiero* under Peruvian law. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

"*Capital Stock*" means:

- (1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;
- (2) with respect to any Person that is not a corporation, any and all partnership or other equity or ownership interests of such Person; and
- (3) any warrants, rights or options to purchase any of the instruments or interests referred to in clause (1) or (2) above.

"*Change of Control*" means the occurrence of one or more of the following events:

- (1) any Person or Group other than the Permitted Holders is or becomes the beneficial owner (as defined below), directly or indirectly, in the aggregate of more than 50% of the total voting power of the Voting Stock of the Company (including a Surviving Entity, if applicable);
- (2) The Coca-Cola Company terminates or allows to expire the bottling agreements in effect with the Company or its Subsidiaries on the Issue Date, and it does not renew or replace such agreement(s) on substantially similar terms (it being understood that the standard form of bottler's agreement being used by The Coca-Cola Company in its Business Unit that includes Peru at the time of renewal or replacement shall be deemed to be on "substantially similar terms"), and as a result thereof the Company and its Subsidiaries or any successor to the business thereof in a transaction involving Permitted Holders cease to have the right to produce, sell or distribute, or the Company and its Subsidiaries or such successor otherwise lose the right to distribute, The Coca-Cola Company trademarked products representing at least a majority, in terms of volume (measured immediately prior to the termination or expiration of the first such bottling agreement), of The Coca-Cola Company trademarked products distributed by the Company and its Subsidiaries in the immediately preceding 12-month period;
- (3) the Company consolidates with, or merges with or into, another Person, or the Company sells, conveys, assigns, transfers, leases or otherwise disposes of all or substantially all of the assets of the Company, determined on a consolidated basis, to any Person, other than a transaction where the Person or Persons that, immediately prior to such transaction "beneficially owned" the outstanding Voting Stock of the Company are, by virtue of such prior ownership, together with the Permitted Holders, the "beneficial owners" in the aggregate of a majority of the total voting power of the then outstanding Voting Stock of the surviving or transferee person (or if such surviving or transferee Person is a direct or indirect wholly-owned subsidiary of another Person, such Person

who is the ultimate parent entity), in each case whether or not such transaction is otherwise in compliance with the Indenture; or

- (4) the approval by the shareholders of the Company of any plan or proposal for the liquidation or dissolution of the Company, whether or not otherwise in compliance with the provisions of the Indenture.

For purposes of this definition:

- (a) "beneficial owner" will have the meaning specified in Rules 13d-3 and 13d-5 under the Exchange Act, except that any Person or Group will be deemed to have "beneficial ownership" of all securities that such Person or Group has the right to acquire, whether such right is exercisable immediately, only after the passage of time or, except in the case of the Permitted Holders, upon the occurrence of a subsequent condition;
- (b) "Business Unit" means the South Latin Division geographic business unit of The Coca-Cola Company, which, as of the Issue Date, includes Peru, Chile, Argentina, Uruguay, Paraguay and Bolivia, or any future geographic business unit of The Coca-Cola Company of substantially similar geographic scope that includes Peru;
- (c) "Person" and "Group" will have the meanings for "person" and "group" as used in Sections 13(d) and 14(d) of the Exchange Act; and
- (d) the Permitted Holders or any other Person or Group will be deemed to beneficially own any Voting Stock of a Person held by any other Person (the "parent entity") so long as the Permitted Holders or such other Person or Group, as the case may be, beneficially own, directly or indirectly, in the aggregate at least 50% of the voting power of the Voting Stock of the parent entity and no other Person or Group beneficially owns an equal or greater amount of the Voting Stock of the parent entity.

"*Change of Control Downgrade*" means the occurrence of both (a) a Change of Control and (b) the downgrade or withdrawal, within 60 days (which period shall be extended for a period of up to an additional 30 days so long as a Rating Agency has publicly announced that the rating of the notes is under consideration for possible downgrade by such Rating Agency) from the earlier of the date of public notice of either such Change of Control or of the Company's intention or that of any Person to effect a transaction that would result in a Change of Control, of the rating of the notes by one of the Rating Agencies; *provided* that such downgrade or withdrawal was the direct result of such Change of Control; and *provided further* that no Change of Control Downgrade will be deemed to have occurred if the notes maintain an investment grade rating by at least one of the Rating Agencies.

"*Change of Control Payment*" has the meaning set forth under "Change of Control."

"*Change of Control Payment Date*" has the meaning set forth under "Change of Control."

"*Common Stock*" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

"*Consolidated EBITDA*" means, for any Person for any period, Consolidated Net Income for such Person for such period, plus the following, without duplication, to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Income Tax Expense for such Person for such period;
- (2) Consolidated Interest Expense for such Person for such period;

- (3) Consolidated Non-cash Charges for such Person for such period;
- (4) net after-tax losses from any sales of assets not in the ordinary course of business, sales of capital stock of subsidiaries, disposal of abandoned or discontinued operations or abandonments or reserves relating thereto for such period;
- (5) any net after tax loss from discontinued operations; and
- (6) non-cash extraordinary, or otherwise non-recurring, loss;

less, without duplication, (x) any net after tax income from discontinued operations, (y) all non-cash credits and non-cash extraordinary, or otherwise non-recurring, gains increasing Consolidated Net Income for such Person for such period, other than any items which represent the reversal in such period of any accrual of, or cash reserve for, anticipated charges in any prior period where such accrual or reserve is no longer required under GAAP and other than contributions from The Coca-Cola Company and sales of returnable bottles, and (z) all cash payments made by such Person and its Subsidiaries during such period relating to non-cash charges that were added back in determining Consolidated EBITDA in any prior period.

Notwithstanding the foregoing, the item specified in clause (1) above for any Subsidiary will be added to Consolidated Net Income in calculating Consolidated EBITDA for any period in proportion to the percentage of the total Capital Stock of such Subsidiary held directly or indirectly by such Person at the date of determination.

"*Consolidated Fixed Charge Coverage Ratio*" means, for any Person as of any date of determination, the ratio of the aggregate amount of Consolidated EBITDA of such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination (the "Four Quarter Period") to Consolidated Fixed Charges for such Person for such Four Quarter Period. For purposes of this definition, "Consolidated EBITDA" and "Consolidated Fixed Charges" will be calculated after giving effect on a pro forma basis for the period of such calculation to:

- (1) the Incurrence, repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries, and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such Four Quarter Period or at any time subsequent to the last day of such Four Quarter Period and on or prior to such date of determination, to the extent, in the case of an Incurrence, such Indebtedness is outstanding on the date of determination, as if such Incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such Four Quarter Period; and
- (2) any Asset Acquisition by such Person or any of its Subsidiaries, including any Asset Acquisition giving rise to the need to make such determination, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to such date of determination, as if such Asset Acquisition occurred on the first day of the Four Quarter Period.

Furthermore, in calculating "Consolidated Fixed Charges" for purposes of determining the denominator (but not the numerator) of this "Consolidated Fixed Charge Coverage Ratio,"

- (a) interest on outstanding Indebtedness determined on a fluctuating basis as of the date of determination and which will continue to be so determined thereafter will be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on such date of determination;
- (b) if interest on any Indebtedness actually Incurred on such date of determination may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on such date of determination will be deemed to have been in effect during the Four Quarter Period;

- (c) notwithstanding clause (a) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by Hedging Obligations, will be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements;
- (d) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a principal financial or accounting officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP; and
- (e) for purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period.

"*Consolidated Fixed Charges*" means, for any Person for any period, the sum, without duplication, of:

- (1) Consolidated Interest Expense for such Person for such period, *plus*
- (2) the product of:
 - (a) the amount of all cash and non-cash dividend payments on any series of Preferred Stock or Disqualified Capital Stock of such Person (other than dividends paid in Qualified Capital Stock) or any Subsidiary of such Person accrued during such period, excluding dividend payments on Preferred Stock or Disqualified Capital Stock accrued to such Person or another Subsidiary, *times*
 - (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current effective Peruvian tax rate of such Person, expressed as a decimal.

"*Consolidated Income Tax Expense*" means, with respect to any Person for any period, the provision for all federal, state, local and other income taxes payable by such Person and its Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP, plus, to the extent not included in such taxes, any employee participation (*participación de trabajadores*) accrued for such period.

"*Consolidated Interest Expense*" means, for any Person for any period, the sum of, without duplication determined on a consolidated basis in accordance with GAAP:

- (1) the aggregate of cash and non-cash interest expense accrued in respect of Indebtedness of such Person and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP, including, without limitation (whether or not interest expense in accordance with GAAP):
 - (a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries in the form of additional Indebtedness,
 - (b) any amortization of deferred financing costs in respect of Indebtedness,
 - (c) the net costs or net income, as the case may be, under Hedging Obligations (including amortization of fees), in respect of Indebtedness
 - (d) all capitalized interest in respect of Indebtedness,
 - (e) the interest portion of any deferred payment obligation to the extent such obligation constitutes Indebtedness,
 - (f) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances, and

- (g) any interest expense paid in respect of Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries or secured by a Lien on the assets of such Person or one of its Subsidiaries to the extent the corresponding interest is not paid when due; and
- (2) the interest component of Capitalized Lease Obligations accrued by such Person and its Subsidiaries during such period.

"*Consolidated Net Income*" means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with GAAP; *provided*, that there shall be excluded therefrom to the extent reflected in such aggregate net income (loss):

- (1) net after-tax gains or losses from sales or other dispositions of assets (other than sales of inventory and other goods and services in the ordinary course of business) or abandonments or reserves relating thereto;
- (2) net after-tax items classified as extraordinary gains or losses;
- (3) the net income (but not loss) of any Person, other than such Person and any Subsidiary of such Person;
- (4) the net income (but not loss) of any Subsidiary of such Person to the extent that a corresponding amount could not be distributed to such Person at the date of determination as a result of any restriction pursuant to the constituent documents of such Subsidiary or any law, regulation, agreement or judgment applicable to any such distribution;
- (5) any increase (but not decrease) in net income attributable to minority interests in any Subsidiary;
- (6) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of Consolidated Net Income accrued at any time following the Issue Date;
- (7) any gain (or loss) from foreign exchange translation or change in net monetary position; and
- (8) the cumulative effect of changes in accounting principles.

"*Consolidated Net Tangible Assets*" means, for any Person at any time, the total consolidated assets of such Person and its Subsidiaries as set forth on the balance sheet as of the most recent fiscal quarter of such Person, prepared in accordance with GAAP, less Intangible Assets.

"*Consolidated Non-cash Charges*" means, for any Person for any period, the aggregate depreciation, amortization and other non-cash expenses or losses of such Person and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP (excluding any such charge which constitutes an accrual of or a reserve for cash charges for any future period or the amortization of a prepaid cash expense paid in a prior period).

"*Covenant Defeasance*" has the meaning set forth under "Legal Defeasance and Covenant Defeasance."

"*Covenant Suspension Event*" has the meaning set forth under "—Certain Covenants—Suspension of Covenants."

"*Credit Facilities*" means one or more debt facilities, commercial paper facilities or Debt Issuances, in each case with banks, investment banks, insurance companies, mutual funds and/or other institutional lenders or institutional investors providing for revolving credit loans, term loans, letters of credit, financial guarantees or Debt Issuances, in each case, as amended, extended, renewed, restated, Refinanced (including, Refinancing with Debt

Issuances), supplemented or otherwise modified (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time.

"*Currency Agreement*" means, in respect of any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed to hedge foreign currency risk of such Person.

"*Debt Issuances*" means, with respect to the Company or any Subsidiary, one or more issuances after the Issue Date of Indebtedness evidenced by notes, debentures, bonds or other similar securities or instruments.

"*Default*" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"*Disqualified Capital Stock*" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, on or prior to the final maturity date of the notes; *provided, however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the final maturity of the notes shall not constitute Disqualified Stock if:

- (1) the "change of control" provision applicable to such Capital Stock is not materially more favorable to the holders of such Capital Stock than the terms applicable to the notes and described under "— Change of Control"; and
- (2) any such requirement only becomes operative after compliance with such terms applicable to the notes, including the purchase of any notes tendered pursuant thereto.

The amount of any Disqualified Capital Stock shall be equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any. The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Indenture; *provided, however*, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

"*Event of Default*" has the meaning set forth under "Events of Default."

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"*Fair Market Value*" means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided*, that the Fair Market Value of any such asset or assets will be determined conclusively by the Board of Directors of the Company acting in good faith, and will be evidenced by a Board Resolution.

"*Fitch*" means Fitch Ratings and any successor to its rating agency business.

"*Four Quarter Period*" has the meaning set forth in the definition of Consolidated Fixed Charge Coverage Ratio above.

"*GAAP*" means generally accepted accounting principles in Peru that are in effect from time to time.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

- (1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise, or
- (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part,

provided, that "*Guarantee*" will not include endorsements for collection or deposit in the ordinary course of business. "*Guarantee*" used as a verb has a corresponding meaning.

"*Hedging Obligations*" means the obligations of any Person pursuant to any Interest Rate Agreement or Currency Agreement.

"*Incur*" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, *Guarantee* or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and "*Incurrence*," "*Incurred*" and "*Incurring*" will have meanings correlative to the preceding).

"*Indebtedness*" means with respect to any Person, without duplication:

- (1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;
- (2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all Capitalized Lease Obligations of such Person;
- (4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement, in each case to the extent such obligation would be recognized as financial indebtedness under GAAP (but excluding trade accounts payable and other accrued liabilities and expenses arising in the ordinary course of business that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);
- (5) all letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof;
- (6) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (10) below;
- (7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Indebtedness so secured;
- (8) all obligations under Hedging Obligations of such Person;
- (9) all liabilities recorded on the balance sheet of such Person in connection with the factoring or other similar sale or disposition of accounts receivables and related assets; and

(10) all Disqualified Capital Stock issued by such Person.

"*Independent Financial Advisor*" means an accounting firm, appraisal firm, investment banking firm or consultant of internationally recognized standing that is, in the judgment of the Company's Board of Directors, qualified to perform the task for which it has been engaged and which is independent in connection with the relevant transaction.

"*Intangible Assets*" means with respect to any Person all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights and all other items which would be treated as intangibles on the consolidated balance sheet of such Person prepared in accordance with GAAP.

"*Interest Rate Agreement*" of any Person means any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed to hedge interest rate risk of such Person.

"*Investment*" means, with respect to any Person, any:

- (1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other Person,
- (2) capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) any other Person, or
- (3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

"*Investment*" will exclude accounts receivable or deposits arising in the ordinary course of business. "Invest," "Investing" and "Invested" will have corresponding meanings.

"*Investment Grade Rating*" means a rating equal to or higher than (i) BBB- (or the equivalent) by S&P, (ii) BBB- (or the equivalent) by Fitch, and (iii) Baa3 (or the equivalent) by Moody's, or, if any such entity ceases to rate the notes for reasons outside of the control of the Company, the equivalent investment grade credit rating by any other Rating Agency.

"*Issue Date*" means the first date of issuance of notes under the Indenture.

"*Legal Defeasance*" has the meaning set forth under "Legal Defeasance and Covenant Defeasance."

"*Lien*" means any lien, mortgage, deed of trust, pledge, security trust, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder.

"*Moody's*" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"*Note Guarantee*" means any guarantee of the Company's Obligations under the notes and the Indenture provided by a Subsidiary pursuant to the Indenture.

"*Obligations*" means, with respect to any Indebtedness, any principal, interest (including, without limitation, Post-Petition Interest), penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the notes and the Note Guarantees, the Indenture.

"*Officers' Certificate*" means, when used in connection with any action to be taken by the Company, a certificate signed by two officers and/or directors of the Company.

"*Opinion of Counsel*" means a written opinion of counsel, who may be an employee of or counsel for the Company (except as otherwise provided in the Indenture) and which opinion shall be reasonably acceptable to the Trustee.

"*Permitted Acquisition Indebtedness*" means Indebtedness of the Company or any of its Subsidiaries to the extent such Indebtedness was Indebtedness of (i) a Subsidiary prior to the date on which such Subsidiary became a Subsidiary, (ii) a Person that was merged, consolidated or amalgamated into the Company or a Subsidiary or (iii) assumed in connection with the acquisition of assets from a Person, *provided* that on the date such Subsidiary became a Subsidiary or the date such Person was merged, consolidated and amalgamated into the Company or a Subsidiary or assumed in connection with an asset acquisition, as applicable, after giving pro forma effect thereto, (a) the Company, would be permitted to incur at least U.S.\$1.00 of additional Indebtedness pursuant to paragraph (1) under "*—Certain Covenants—Limitation on Incurrence of Additional Indebtedness,*" or (b) the Consolidated Fixed Charges Coverage Ratio of the Company and the Subsidiaries would be less than the Consolidated Fixed Charges Coverage Ratio immediately prior to such transaction.

"*Permitted Business*" means the business or businesses conducted by the Company and its Subsidiaries as of the Issue Date and proposed to be conducted on such date, and any business ancillary or complementary or otherwise related thereto.

"*Permitted Holders*" means any one or more of (a) Mr. Johnny Lindley Taboada and his family members (by marriage or otherwise), heirs, legatees, devisees, distributees, estates and successors of each of the foregoing (and any trust or similar arrangement of which any such persons or a combination thereof are the beneficiaries) or the executor, administrator or personal representative of any Person described above who is deceased or incompetent or any Person of which the foregoing "beneficially owns" (as defined in Rule 13d-3 under the Exchange Act), individually or collectively with any of the foregoing, at least a majority of the total voting power of the Voting Stock of such Person, (b) The Coca-Cola Company and its subsidiaries or (c) any bottling company with an investment grade rating by at least two Rating Agencies.

"*Permitted Indebtedness*" has the meaning set forth under clause (2) of "*—Certain Covenants—Limitation on Incurrence of Additional Indebtedness.*"

"*Permitted Liens*" means any of the following:

- (1) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, carriers', workmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof;
- (2) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);
- (3) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

- (4) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;
- (5) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or a Subsidiary, including rights of offset and set-off;
- (6) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" and that are secured by the same assets as secure such Hedging Obligations;
- (7) Liens existing on the Issue Date and Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness below which has been secured by a Lien permitted under the covenant described under "—Certain Covenants—Limitation on Liens" not Incurred pursuant to clause (10), (11) or (12) and which Indebtedness has been Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness"; *provided*, that such new Liens:
 - (a) are no less favorable to the holders of notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced and
 - (b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;
- (8) Liens securing Credit Facilities that relate to Indebtedness that is Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" (or Guarantees thereof);
- (9) Liens securing Acquired Indebtedness Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" not Incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided*, that
 - (a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Subsidiary and
 - (b) such Liens do not extend to or cover any property of the Company or any Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Subsidiary and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Subsidiary;
- (10) purchase money Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" and Liens on property hereafter acquired existing at the time of such acquisition, whether or not the Indebtedness thereby is assumed by the Company; *provided*, that:
 - (a) the related Purchase Money Indebtedness does not exceed the cost of such property and shall not be secured by any property of the Company or any Subsidiary other than the property so acquired, and
 - (b) the Lien securing such Indebtedness will be created within 120 days of such acquisition;

- (11) Liens securing an amount of Indebtedness (including all Refinancing thereof) outstanding at any one time not to exceed 5% of Consolidated Net Tangible Assets of the Company and its Subsidiaries;
- (12) any pledge or deposit of cash or property in conjunction with obtaining surety and performance bonds and letters of credit required to engage in constructing on-site and off-site improvements required by municipalities or other governmental authorities in the ordinary course of business;
- (13) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;
- (14) Liens encumbering customary initial deposits and margin deposits, and other Liens that are customary in the industry and incurred in the ordinary course of business securing Indebtedness under Hedging Obligations and forward contracts, options, futures contracts, futures options or similar agreements or arrangement designed to protect the Company and its Subsidiaries from fluctuations in the price of commodities;
- (15) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;
- (16) licenses of intellectual property in the ordinary course of business;
- (17) Liens to secure a defeasance trust;
- (18) Liens incidental to the ownership of properties by the Company or any of its Subsidiaries, including easements, rights of way, restrictions, leases and other similar encumbrances or rights *in rem* on title to real property that were not incurred in connection with Indebtedness and that do not render title to the property encumbered thereby unmarketable or materially adversely affect their use in the operation of the business of the Company and its Subsidiaries;
- (19) Liens created by or resulting from any litigation or legal proceeding not giving rise to an Event of Default while the underlying claims are being contested in good faith and by appropriate proceedings;
- (20) Liens securing Indebtedness of Subsidiaries which is permitted to be incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness"; or
- (21) Liens renewing, extending or refunding any Lien permitted by clause (18) above, provided that the principal amount of Indebtedness secured thereby immediately prior thereto is not increased and such Lien is not extended to any other Property.

"*Person*" means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"*Post-Petition Interest*" means all interest accrued or accruing after the commencement of any insolvency or liquidation proceeding (and interest that would accrue but for the commencement of any insolvency or liquidation proceeding) in accordance with and at the contract rate (including, without limitation, any rate applicable upon default) specified in the agreement or instrument creating, evidencing or governing any Indebtedness, whether or not, pursuant to applicable law or otherwise, the claim for such interest is allowed as a claim in such insolvency or liquidation proceeding.

"*Preferred Stock*" of any Person means any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"*Purchase Money Indebtedness*" means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement of any property (other than Capital Stock); *provided*, that the aggregate principal amount of such Indebtedness does not exceed the lesser of the Fair Market Value of such property or such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of Refinancing.

"*Qualified Capital Stock*" means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

"*Rating Agencies*" means S&P, Moody's and Fitch or, if S&P, Moody's or Fitch or all of them shall not make a rating publicly available on the notes, a nationally recognized United States securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's or Fitch or all of them, as the case may be.

"*Refinance*" means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. "Refinanced" and "Refinancing" will have correlative meanings.

"*Refinancing Indebtedness*" means Indebtedness of the Company or any Subsidiary issued to Refinance any other Indebtedness of the Company or a Subsidiary so long as:

- (1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or accreted value, if applicable) of the Indebtedness being Refinanced (plus accrued interest on such Indebtedness, the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of expenses incurred by the Company in connection with such Refinancing);
- (2) such new Indebtedness has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced; and
- (3) if the Indebtedness being Refinanced is:
 - (a) Indebtedness of the Company or a Subsidiary Guarantor, then such Refinancing Indebtedness will be Indebtedness of the Company or a Subsidiary Guarantor,
 - (b) Indebtedness of a Subsidiary other than a Subsidiary Guarantor, then such Refinancing Indebtedness will be Indebtedness of the Company and/or any Subsidiary, and
 - (c) Subordinated Indebtedness, then such Refinancing Indebtedness shall be subordinate to the notes or the relevant Note Guarantee, if applicable, at least to the same extent and in a similar manner as the Indebtedness being Refinanced.

"*Relevant Taxing Jurisdiction*" has the meaning set forth under "- Additional Amounts."

"*Representative*" means any trustee, agent or representative (if any) for an issue of Senior Indebtedness of the Company.

"*S&P*" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and any successor to its rating agency business.

"*Sale and Leaseback Transaction*" means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Subsidiary of any property, whether owned by the Company or any Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such Property.

"*Securities Act*" means the Securities Act of 1933, as amended, or any successor statute or statutes thereto.

"*Senior Indebtedness*" means the notes and the Note Guarantees and any other Indebtedness of the Company or any Subsidiary Guarantor that ranks equal in right of payment with the notes or the relevant Note Guarantee, as the case may be.

"*Significant Subsidiary*" means a Subsidiary of the Company constituting a "Significant Subsidiary" of the Company in accordance with Rule 1-02(w) of Regulation S-X under the Securities Act in effect on the date hereof.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"*Subordinated Indebtedness*" means, with respect to the Company or any Subsidiary Guarantor, any Indebtedness of the Company or such Subsidiary Guarantor, as the case may be that is expressly subordinated in right of payment to the notes or the relevant Note Guarantee, as the case may be, pursuant to a written agreement or instrument.

"*Subsidiary*" means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person's outstanding Voting Stock.

"*Subsidiary Guarantor*" means any Subsidiary which provides a Note Guarantee pursuant to the Indenture until such time as its Note Guarantee is released in accordance with the Indenture.

"*Surviving Entity*" has the meaning set forth under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets."

"*Taxes*" have the meaning set forth under "- Additional Amounts."

"*U.S. Dollar Equivalent*" means with respect to any monetary amount in a currency other than U.S. dollars, at any time for determination thereof, the amount of U.S. dollars obtained by converting such non-U.S. dollar currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable non-U.S. dollar currency as published in The Wall Street Journal in the "Exchange Rates" column under the heading "Currency Trading" on the date two Business Days prior to such determination.

"*Voting Stock*" with respect to any Person, means securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

- (1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into
- (2) the sum of the products obtained by multiplying:

- (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by
- (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

"*Wholly Owned Subsidiary*" means, for any Person, any Subsidiary of which all the outstanding Capital Stock (other than, in the case of a Subsidiary not organized in the United States, directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) is owned by such Person or any other Person that satisfies this definition in respect of such Person.

BOOK-ENTRY, DELIVERY AND FORM

The Notes are being offered and sold in connection with the initial offering thereof solely to "qualified institutional buyers," as defined in Rule 144A under the Securities Act ("QIBs"), pursuant to Rule 144A and in offshore transactions to persons other than "US persons," as defined in Regulation S under the Securities Act ("Non-US Persons"), in reliance on Regulation S. Following the initial offering of the Notes, the Notes may be sold to QIBs pursuant to Rule 144A, Non-US Persons in reliance on Regulation S and pursuant to other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under "Transfer Restrictions."

The Global Notes

Rule 144A Global Notes. Notes offered and sold to QIBs pursuant to Rule 144A will be issued in the form of one or more registered notes in global form, without interest coupons (collectively, the "Rule 144A Global Note"). The Rule 144A Global Note will be deposited on the issue date with, or on behalf of, The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC, or will remain in the custody of the trustee. Interests in the Rule 144A Global Note will be available for purchase only by QIBs.

Regulation S Global Notes. Notes offered and sold in offshore transactions to Non-US Persons in reliance on Regulation S will initially be issued in the form of one or more registered notes in global form, without interest coupons (collectively, the "Regulation S Global Note"). Each Regulation S Global Note will be deposited upon issuance with, or on behalf of, a custodian for DTC in the manner described in the preceding paragraph.

Except as set forth below, the Rule 144A Global Note and the Regulation S Global Note (collectively, the "Global Notes") may be transferred, in whole and not in part, solely to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for notes in physical, certificated form ("Certificated Notes") except in the limited circumstances described below.

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as set forth under "Transfer Restrictions." All interests in the Global Notes may be subject to the procedures and requirements of DTC. Any interests held through the Euroclear System ("Euroclear") or Clearstream Banking S.A. of Luxembourg ("Clearstream, Luxembourg") may also be subject to the procedures and requirements of such systems.

Transfers

Pursuant to Section 4(3) of the Securities Act, until the expiration of 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

Transfers by an owner of a securities entitlement in respect of the Rule 144A Global Note to a transferee who takes delivery of such interest through the Regulation S Global Note will be made only upon receipt by the Trustee of a certification from the transferor to the effect that such transfer is being made in accordance with Regulation S or (if available) Rule 144 under the Securities Act.

Any securities entitlement in respect of one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to securities entitlements in such other Global Note for as long as it remains such an interest.

Certain Book-Entry for the Global Notes

The descriptions of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. Neither we nor the initial purchasers take any responsibility for these operations or procedures, and investors are urged to contact the relevant system or its participants directly to discuss these matters.

DTC has advised us that it is:

- a limited purpose trust company organized under the laws of the State of New York;
- a "banking organization" within the meaning of the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended; and
- a "clearing agency" registered pursuant to Section 17A of the Exchange Act.

DTC was created to hold securities for its participants (collectively, the "Participants") and facilitates the clearance and settlement of securities transactions between Participants through electronic book-entry changes to the accounts of its Participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC's Participants include securities brokers and dealers (including the initial purchasers), banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies (collectively, the "Indirect Participants") that clear through or maintain a custodial relationship with a Participant, either directly or indirectly. Investors who are not Participants may beneficially own securities held by or on behalf of DTC only through Participants or Indirect Participants.

We expect that pursuant to procedures established by DTC (1) upon deposit of each Global Note, DTC will credit the accounts of Participants designated by the initial purchasers with an interest in the Global Note, and (2) ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of Participants) and the records of Participants and the Indirect Participants (with respect to the interests of persons other than Participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the Notes represented by a Global Note to such persons may be limited. In addition, because DTC can act only on behalf of its Participants, who in turn act on behalf of persons who hold interests through Participants, the ability of a person having an interest in Notes represented by a Global Note to pledge or transfer such interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the Global Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Global Note will not be entitled to have Notes represented by such Global Note registered in their names, will not receive or be entitled to receive physical delivery of Certificated Notes, and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee thereunder. Accordingly, each holder owning a beneficial interest in a Global Note must rely on the procedures of DTC and, if such holder is not a Participant or an Indirect Participant, on the procedures of the Participant through which such holder owns its interest, to exercise any rights of a holder of Notes under the indenture or such Global Note. We understand that under existing industry practice, in the event that we request any action of holders of Notes, or a holder that is an owner of a beneficial interest in a Global Note desires to take any action that DTC, as

the holder of such Global Note, is entitled to take, DTC would authorize the Participants to take such action and the Participants would authorize holders owning through such Participants to take such action or would otherwise act upon the instruction of such holders. Neither we nor the trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Notes.

Payments with respect to the principal of, and premium, if any, and interest on (including additional interest, if any), any Notes represented by a Global Note registered in the name of DTC or its nominee on the applicable record date will be payable by the trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the Global Note representing such Notes under the indenture. Under the terms of the indenture, we and the trustee may treat the persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither we nor the trustee has or will have any responsibility or liability for the payment of such amounts to owners of beneficial interests in a Global Note (including principal, premium, if any, and interest, including additional interest, if any). Payments by the Participants and the Indirect Participants to the owners of beneficial interests in a Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of the Participants or the Indirect Participants and DTC. Transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes, cross-market transfers between the Participants in DTC, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparts in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to the depositories for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Global Note from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in the Global Notes by or through a Euroclear or Clearstream, Luxembourg participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following DTC's settlement date.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

If:

- we notify the trustee in writing that DTC is no longer willing or able to act as a depository or DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depository is not appointed within 90 days of such notice or cessation; or
- an event of default has occurred and is continuing and the registrar has received a request from DTC to issue Certificated Notes,

then, upon surrender by DTC of the Global Notes, Certificated Notes will be issued to each person that DTC identifies as the beneficial owner of the Notes represented by the Global Notes. Upon any such issuance, the trustee is required to register such Certificated Notes in the name of such person or persons (or the nominee of any thereof) and cause the same to be delivered thereto.

Neither we nor the trustee shall be liable for any delay by DTC or any Participant or Indirect Participant in identifying the beneficial owners of the related Notes and each such person may conclusively rely on, and shall be protected in relying on, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Notes to be issued).

In the event that Certificated Notes are issued, so long as the Notes are listed on the Luxembourg Stock Exchange, the Issuer will notify the Luxembourg Stock Exchange and the holders of the Notes via a notice to be published in the Luxemburger Wort which shall contain material information in regards to, but not limited to, the time and means of transfer or exchange of the Notes for Certificated Notes.

TAXATION

This is a general summary of certain United States federal and Peruvian income tax considerations in connection with an investment in the Notes. This summary does not address all aspects of United States federal and Peruvian income tax law and does not discuss any state or local tax considerations. While this summary is considered to be a correct interpretation of existing laws in force on the date of this Offering Memorandum, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the income tax consequences that may be relevant to an Investor in light of such Investor's particular circumstances or to Investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. Prospective Investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or beneficial interests therein) as well as any tax consequences that may arise under the laws of any state, municipality or other taxing jurisdiction. For the purposes of this summary, any reference to the purchase, ownership or disposition of the Notes shall mean reference to the purchase, ownership or disposition of the Notes or beneficial interests therein.

United States Tax Considerations

US Internal Revenue Service Circular 230 Notice: To ensure compliance with Internal Revenue Service Circular 230, holders of Notes or prospective purchasers are hereby notified that: (i) any discussion of US federal income tax issues contained or referred to in this Offering Memorandum or any document referred to herein is not intended or written to be used, and cannot be used or relied upon by holders of Notes for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code of 1986, as amended (the Code); (ii) such discussion was written solely for use in connection with the promotion or marketing, to the extent permitted by applicable law, of the Notes; and (iii) holders of Notes should seek advice based on their particular circumstances from an independent tax advisor.

General

The following is a general summary of certain principal US federal income tax consequences that may be relevant with respect to the ownership of the Notes. This summary addresses only the US federal income tax considerations of holders that acquire the Notes at their original issuance pursuant to this Offering Memorandum and that will hold such Notes as a capital asset within the meaning of the Code.

This summary does not purport to address all US federal income tax matters that may be relevant to a particular holder of the Notes. In particular, this summary does not address tax considerations applicable to holders of the Notes that may be subject to special tax rules including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in Notes, currencies or notional principal contracts; (iv) tax-exempt entities; (v) regulated investment companies; (vi) real estate investment trusts; (vii) persons that will hold the Notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" or as part of a "synthetic Note" or other integrated transaction for US federal income tax purposes; (viii) persons whose "functional currency" is not the US dollar; (ix) persons that own (or are deemed to own) 10 percent or more of the voting shares (or interests treated as equity) of the Issuer; and (x) partnerships or other pass-through entities for US federal income tax purposes, or persons who hold Notes through such partnerships or other pass-through entities. Further, this summary does not address alternative minimum tax consequences or the indirect effects on the holders of equity interests in a holder of the Notes. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdictions other than the federal income tax laws of the US federal government.

This summary is based on the Code, US Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this Offering Memorandum. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

Prospective investors should consult their own tax advisors with respect to the US federal, state, local and foreign tax consequences of acquiring, owning or disposing of the Notes.

For the purposes of this summary, a US Holder is a beneficial owner of the Notes that is, for US federal income tax purposes:

- (i) a citizen or individual resident of the United States;
- (ii) a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia);
- (iii) an estate the income of which is subject to US federal income taxation regardless of its source; or
- (iv) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more United States persons have the authority to control all of the substantial decisions of such trust. As provided in US Treasury Regulations, certain trusts that maintain a valid election to be treated as United States persons also are US Holders.

A **Non-US Holder** is a beneficial owner of the Notes that is not a US Holder. If a partnership holds the Notes, the US federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding the Notes should consult its tax advisor about its particular situation.

Taxation of US Holders

Interest

Interest paid on the Notes, including the payment of any Additional Amounts, will be taxable to a US Holder as ordinary income at the time it is received or accrued, depending on the US Holder's method of accounting for US federal income tax purposes. Peruvian tax withheld from interest paid on the Notes and Peruvian tax withheld from payments of any Additional Amounts may be eligible for a foreign tax credit against a US Holder's US federal income tax liability, or, if a US Holder has elected to deduct such taxes, generally may be deducted in computing taxable income for US federal income tax purposes. Interest income on the Notes and payments of any Additional Amounts will be treated as foreign source passive category income for US federal income tax purposes, which may be relevant in calculating a US Holder's foreign tax credit limitation for US federal income tax purposes. The US foreign tax credit limitation is calculated separately with respect to specific classes of income. The foreign tax credit rules are complex, and US Holders should consult their own tax advisors regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

Sale, Exchange, Redemption or Other Disposition of the Notes

Upon the disposition of a Note by sale, exchange, redemption or otherwise, a US Holder generally will recognize gain or loss equal to the difference between (i) the amount realized on the disposition and (ii) the holder's adjusted tax basis in the Note. A holder's adjusted tax basis in a Note generally will be the holder's purchase price of the Note. Except to the extent attributable to accrued but unpaid interest (which will be taxable as interest income to the extent not previously included in income), any gain or loss on the sale or other disposition of a Note will be capital gain or loss. Such capital gain or loss will generally be long-term capital gain or loss if the holder held the Note for more than one year at the time of the disposition. Certain non-corporate US Holders (including individuals) are eligible for preferential rates of US federal income taxation in respect of long-term capital gains. The ability of a US Holder to deduct a capital loss is subject to limitations under the Code.

Peruvian tax withheld from amounts paid on the disposition of a Note and Peruvian tax withheld from payments of any Additional Amounts may be eligible for a foreign tax credit against a US Holder's US federal income tax liability, or, if a US Holder has elected to deduct such taxes, generally may be deducted in computing taxable income for US federal income tax purposes. However, capital gains of a US Holder will be treated as US

source, passive category income, which may be relevant in calculating a US Holder's foreign tax credit limitation for US federal income tax purposes. The US foreign tax credit limitation is calculated separately with respect to specific classes of income. The foreign tax credit rules are complex, and US Holders should consult their own tax advisors regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

Taxation of Non-US Holders

Subject to the backup withholding discussion below, a Non-US Holder generally should not be subject to US federal income or withholding tax on any payments on the Notes and gain from the sale, exchange, redemption or other disposition of the Notes unless (i) that payment and/or gain is effectively connected with the conduct by that Non-US Holder of a trade or business in the United States; (ii) in the case of any gain realized by an individual Non-US Holder, that Non-US Holder is present in the United States for 183 days or more in the taxable year of the sale or other disposition and certain other conditions are met; or (iii) the Non-US Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates. **Non-US Holders should consult their own tax advisors regarding the US federal income tax considerations and other tax consequences of owning the Notes.**

Information Reporting and Backup Withholding

Backup withholding and information reporting requirements may apply to certain payments on the Notes, and of proceeds of the sale or other disposition of the Notes, made to US Holders. The Issuer, its agent, a broker or any paying agent, as the case may be, may be required to withhold tax from any payment if a US Holder fails (i) to furnish the US Internal Revenue Service (IRS) with its taxpayer identification number, (ii) to certify that it is not subject to backup withholding or (iii) to otherwise comply with the applicable requirements of the backup withholding rules. Certain US Holders are not subject to the backup withholding and information reporting requirements. Non-US Holders may be required to comply with applicable certification procedures to establish that they are not US Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally may be claimed as a credit against such holder's US federal income tax liability provided that the required information is furnished to the IRS.

In addition, recently enacted legislation may require individual US Holders to report to the IRS certain information with respect to their beneficial ownership of certain foreign financial assets, such as the Notes, if the aggregate value of such assets exceeds USD50,000. Individual US Holders who fail to report required information could be subject to substantial penalties.

Certain Peruvian Tax Considerations

The discussion in this Offering Memorandum is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding Peruvian taxation, and was written to support the promotion or marketing of the Offering Memorandum. Each investor should seek advice based on their particular circumstances from an independent tax advisor.

Income Tax

The following is a general summary of the material consequences, under the Peruvian income tax law, as in effect as of the date of this Offering Memorandum, derived from the ownership and disposition of the Notes and beneficial interests therein by non-Peruvian Holders. For purposes of this section, "non-Peruvian Holder" means either: (i) an individual who is not domiciled in Peru or (ii) a legal entity that is not incorporated under the laws of Peru, or any branch, agent, representative or permanent establishment thereof that is not established in Peru. For purposes of Peruvian taxation, an individual is deemed domiciled in Peru if he or she has remained present in Peru for more than 183 days within any 12-month period.

This summary does not purport to address all Peruvian income tax consequences that may be applicable or relevant to particular non-Peruvian Holders.

Interest

Non-domiciled taxpayers are subject to income tax in Peru only on Peruvian source income. For these purposes, interest derived from debt securities (e.g. notes, short-term instruments) issued by entities incorporated in Peru are considered Peruvian source income.

As a general rule, interest received by non-Peruvian Holders that are entities on notes and other debt instruments issued by Peruvian entities is subject to Peruvian income tax withholding at a rate of 4.99%. If the parties are considered "related", the applicable withholding rate will be 30%.

Similarly, interest received by non-Peruvian Holders that are individuals from Peruvian entities is subject to income tax withholding at a rate of 4.99%, provided that (i) the parties to the transaction are not considered "related" and (ii) interest does not derive from a transaction "from or through a tax haven". If these requirements are not fulfilled, the applicable withholding rate will be 30%.

Accordingly, if the above conditions are met, interest derived from the Notes and paid through DTC will be subject to withholding at a rate of 4.99%.

Peruvian domiciled taxpayers receiving interest either from DTC (or its nominee) or from a participant should consult with their own tax advisors.

Capital Gains

Capital gains obtained by non-Peruvian Holders from the sale and redemption of certificates, titles, bonds, short-term instruments and securities in general, issued by entities incorporated or established in Peru, qualify as Peruvian source income subject to income tax at a rate of 30% (if the transaction is executed through the Lima Stock Exchange, the withholding rate applicable will be 5%).

Capital gains derived from the sale of beneficial interests in the Notes will not qualify as debt instruments or securities issued by an entity domiciled in Peru. Therefore, gains obtained by non-Peruvian Holders from the transfer of beneficial interest in the Notes will not be subject to income tax in Peru.

Peruvian domiciled taxpayers who transfer beneficial interests in the Notes should consult their own tax advisors.

Financial Transaction Tax ("ITF")

ITF is levied on, among other transactions, any transfer, turnover, deposit, credit or debit from accounts opened by individuals or corporations in the Peruvian financial system. Currently, the tax rate is 0.005%.

VAT

As of the date of this Offering Memorandum, services rendered by non-domiciled taxpayers and utilized in Peru, including financial services, are subject to VAT at a rate of 18%. In this case, the local user of the services (Lindley) is the taxpayer and is entitled to use the tax paid as an input credit. Therefore, interest paid by Lindley to DTC (or its nominee) will be subject to VAT and Lindley will be considered as the taxpayer. Payments of interest from DTC (or its nominee) to foreign Participants or non-Peruvian Holders will not be subject to VAT. Similarly, the transfer of the Notes and of beneficial interests in the Notes will not be subject to VAT.

THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE INVESTMENT IN THE OFFERED NOTES. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

PLAN OF DISTRIBUTION

Subject to the terms and conditions in the purchase agreement among the Issuer and the initial purchasers, the Issuer has agreed to sell to the initial purchasers, and each of the initial purchasers has severally agreed to purchase from the Issuer, the principal amount of Notes set forth opposite its name in the table below.

<u>Initial Purchasers</u>	<u>Principal Amount</u>
Citigroup Global Markets Inc.	US\$160,000,000
J.P. Morgan Securities LLC	US\$160,000,000
Total	<u>US\$320,000,000</u>

The obligations of the initial purchasers under the purchase agreement, including their agreement to purchase Notes from the Issuer, are several and not joint. The purchase agreement provides that the initial purchasers will purchase all the Notes if any of them are purchased.

The initial purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this Offering Memorandum. After the initial offering, the initial purchasers may change the offering price and any other selling terms. The initial purchasers may offer and sell Notes through certain of their affiliates.

In the purchase agreement, the Issuer has agreed that:

- it will not offer or sell certain debt securities for a period of 60 days after the date of this Offering Memorandum without the prior consent of the initial purchasers; and
- it will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the initial purchasers may be required to make in respect of those liabilities.

The Notes have not been registered under the Securities Act or the securities laws of any other place. In the purchase agreement, each initial purchaser has agreed that:

- the Notes may not be offered or sold within the United States or to US persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements; and
- during the initial distribution of the Notes, it will offer or sell Notes only to qualified institutional buyers in compliance with Rule 144A and outside the United States in compliance with Regulation S.

In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act.

The Notes are a new issue of securities, and they are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions." Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market. However, we cannot assure you that the listing application will be approved. The Issuer does not intend to apply for the Notes to be listed on any securities exchange or to arrange for the Notes to be quoted on any quotation system other than the Luxembourg Stock Exchange (EuroMTF). The initial purchasers have advised the Issuer that they intend to make a market in the Notes, but they are not obligated to do so. The initial purchasers may discontinue any market making for the Notes at any time in their sole discretion. Accordingly, the Issuer cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

In connection with the offering of the Notes, the initial purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of those transactions. However, there is no assurance that the initial purchasers will undertake stabilization transactions. If the initial purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time, and, if begun, must be brought to an end after a limited period. Any over-allotment, stabilizing transactions and syndicate covering transactions must be conducted by the relevant initial purchasers, or persons acting on their behalf, in accordance with all applicable laws and rules.

Certain of the initial purchasers and/or their affiliates may enter into derivative transactions in connection with the Notes, acting at the order and for the account of their clients, pursuant to the terms agreed to between such initial purchaser and its respective client. Such initial purchasers and/or their affiliates may also purchase some of the Notes as a hedge for such transactions. Such transactions may have an effect on demand, price or other terms of the offering.

We expect that delivery of the Notes will be made against payment therefore on or about November 23, 2011, which will be the third business day following the date of pricing of the Notes (this settlement cycle will be referred to as "T+3").

Relationships with Initial Purchasers

Certain of the initial purchasers and their affiliates perform various financial advisory, investment banking and commercial banking services from time to time for the Issuer and its affiliates in the ordinary course of business. Certain of the initial purchasers and their affiliates are lenders under outstanding loans to the Company and counterparties in certain of our derivative transactions. We expect to use a portion of the net proceeds from this offering to repay indebtedness owed to the initial purchasers and their affiliates under certain of these transactions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Obligations."

Selling Restrictions

The Notes are offered for sale in those jurisdictions in the United States, Europe, Asia and elsewhere where it is lawful to make such offers.

The Notes have not been offered, sold or delivered and will not be offered, sold or delivered, directly or indirectly, and this Offering Memorandum or any information incorporated by reference herein or any other offering material relating to the Notes, has not been and will not be distributed in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on us except as set forth in the purchase agreement.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), the initial purchasers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") an offer to the public of any Notes which are the subject of the offering contemplated by this Offering Memorandum may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Notes may be made any time with effect from and including the

Relevant Implementation Date under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives of the initial purchasers for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes shall require the Issuer or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of Notes described in this Offering Memorandum located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" as defined in the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Notes to be offered so as to enable an investor to decide to purchase any Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each relevant member state and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

This Offering Memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person"). This Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Each of the initial purchasers severally represents and agrees that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to us; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Peru

This Offering Memorandum has not been, and will not be, registered with the SMV. Accordingly, the Notes will not be offered in Peru. The Notes are registered with the SBS for Peruvian private pension fund investment eligibility, as required by Peruvian legislation. This notice is for informative purposes only and it does not constitute a public offering of any kind.

Brazil

The Notes have not been, and will not be, registered with the Comissão de Valores Mobiliários (the Brazilian Securities Commission). The Notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Japan

The initial purchasers will not offer or sell any of the Notes directly or indirectly in Japan or to, or for the benefit of any Japanese person or to others, for re-offering or re-sale directly or indirectly in Japan or to any Japanese person, except in each case pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws and regulations of Japan. For purposes of this paragraph, "Japanese person" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Hong Kong

The initial purchasers and each of their affiliates have not (i) offered or sold, and will not offer or sell, in Hong Kong, by means of any document, the Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance or (ii) issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to our securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance any rules made under that Ordinance. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Singapore

This Offering Memorandum or any other offering material distributed by initial purchasers relating to the Notes has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered in Singapore pursuant to the exemptions under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for the subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the SFA, (2) to a relevant person under Section 275(1) and/or any person under Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Germany

Each person who is in possession of this Offering Memorandum is aware of the fact that no German sales prospectus (*Verkaufsprospekt*) within the meaning of the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*, the "Act") of the Federal Republic of Germany has been or will be published with respect to the Notes. In particular, each initial purchaser has represented that it has not engaged and has agreed that it will not engage in a public offering in (*öffentlicher Angebot*) within the meaning of the Act with respect to any of the Notes otherwise than in accordance with the Act and all other applicable legal and regulatory requirements.

France

The Notes are being issued and sold outside the Republic of France and, in connection with their initial distribution, the Notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in the Republic of France, and this Offering Memorandum or any other offering material relating to the Notes have not been distributed and will not be distributed or caused to be distributed to the public in the Republic of France, and such offers, sales and distributions have been and will be made in the Republic of France only to qualified investors (*investisseurs qualifiés*) in accordance with Article L.411-2 of the Monetary and Financial Code and décret no. 98 880 dated 1st October, 1998.

Netherlands

The Notes may not be offered, sold, transferred or delivered in or from the Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, other than to, individuals or legal entities situated in The Netherlands who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institution, central governments, large international and supranational organizations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter, "Professional Investors"), provided that in the offer, prospectus and in any other documents or advertisements in which a forthcoming offering of the Notes is publicly announced (whether electronically or otherwise) in The Netherlands it is stated that such offer is and will be exclusively made to such Professional Investors. Individual or legal entities who are not Professional Investors may not participate in the offering of the Notes, and this Offering Memorandum or any other offering material relating to the Notes may not be considered an offer or the prospect of an offer to sell or exchange the Notes.

Luxembourg

Each initial purchaser has agreed that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum to the public in the Grand Duchy of Luxembourg, except that it may make an offer of such Notes in Luxembourg:

- (a) in the cases described under the European Economic Area selling restrictions in which an initial purchaser can make an offer of Notes to the public in an EEA Member State (including Luxembourg); and/or
- (b) to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations; and/or
- (c) to legal entities which are authorized or regulated to operate in the financial markets including credit institutions, investment companies, other authorized or regulated financial institutions, insurance

- companies, undertakings for collective investment and their management companies, pension and investment funds and their management companies, commodity dealers; and/or
- (d) to certain natural persons or small and medium-sized companies (as defined in the Directive 2003/71/EC) recorded in the register of natural persons or small and medium sized companies considered as qualified investors and held by the *Commission de Surveillance du Secteur Financier* (CSSF) as competent authority in Luxembourg in accordance with the Directive 2003/71/EC; and/or
 - (e) in any other circumstances for which the Luxembourg Act of 10th July, 2005 on prospectuses for securities does not require a public offering prospectus to be established.

Portugal

Each initial purchaser has represented and agreed that the Notes may not be offered or sold in Portugal except in accordance with the requirements of the Portuguese Securities Code (*Código de Valores Mobiliários* as approved by the Decree-Law No. 486/99 of November 13, 1999) and the regulations governing the offer of securities issued pursuant thereto. Neither a public offer for subscription of the Notes nor a public offer for the sale of the Notes shall be promoted in Portugal.

Switzerland

This Offering Memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1,156 of the Swiss Code of Obligations. The Notes will not be listed on the SIX Swiss Exchange and, therefore, this Offering Memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the Notes with a view to distribution. The prospective investors must be individually approached by a dealer from time to time.

Chile

The Notes may not be offered or sold in Chile, directly or indirectly, by means of a "Public Offer" (as defined under Chilean Securities Law (Law No 18,045 and regulations from the Superintendencia de Valores y Seguros of the Republic of Chile)). Chilean institutional investors (such as banks, pension funds and insurance companies) are required to comply with specific restrictions relating to the purchase of the Notes.

Colombia

The Notes may not be offered, sold or negotiated in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Decree 2558 of 2007 to offer privately the Notes to their Colombian clients.

TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the resale of the Notes, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

None of the Notes has been registered under the Securities Act or any state securities laws, and they may not be offered or sold within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (A) to "qualified institutional buyers" (as defined in Rule 144A promulgated under the Securities Act, or Rule 144A) ("QIBs") in compliance with Rule 144A and (B) outside the United States in offshore transactions in reliance upon Rule 903 or Rule 904 of Regulation S under the Securities Act, or Regulation S. As used herein, the terms "United States" and "US person" have the meanings given to them in Regulation S.

Each purchaser of the Notes in the United States will be deemed to have represented and agreed as follows:

- the purchaser is either (1) a QIB and is aware that the sale of the Notes to it is being made in reliance on exemptions from the registration requirements of the Securities Act and such acquisition will be for its own account or for the account of a qualified institutional buyer or (2) a person who, at the time the buy order for the Notes was originated, was outside the United States.

Pursuant to Section 4(3) of the Securities Act, until the expiration of 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

In making its decision to purchase the Notes, the purchaser understands and acknowledges that:

1. It acknowledges that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act; that the Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except as set forth below;
2. It shall not resell or otherwise transfer any of such Notes within one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the original issuance of the Notes except (A) to the Company or any of its subsidiaries, (B) inside the United States to a QIB in a transaction complying with Rule 144A, (C) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S (if available), (D) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), (E) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel if the Company so requests), or (F) pursuant to an effective registration statement under the Securities Act;
3. It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;
4. It acknowledges that prior to any proposed transfer of Notes in certificated form or of beneficial interests in a note in global form (a "Global Note") (in each case other than pursuant to an effective registration statement) the holder of Notes or the holder of beneficial interests in a Global Note, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the indenture;
5. It understands that all of the Notes will bear a legend substantially to the following effect unless otherwise agreed by us and the holder thereof:

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANING GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT.

6. It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the Notes, as well as holders of the Notes.
7. It acknowledges that the trustee will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee that the restrictions set forth herein have been complied with.
8. It acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the Notes is no longer accurate, it shall promptly notify us and the initial purchasers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each account.
9. Either (i) no assets of a Plan (as defined in "ERISA Considerations") have been used to acquire the Notes or an interest therein or (ii) the acquisition, holding and disposition of such Notes or an interest therein by the purchaser does not constitute a non-exempt prohibited transaction under Section 406 of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the US Internal Revenue Code of 1986, as amended (the "Code"), or violation of any Similar Law.

ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended, or "ERISA," imposes certain requirements on employee benefit plans (as defined in Section 3(3) of ERISA) subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans, the "ERISA Plans," and on those persons who are fiduciaries with respect to ERISA Plans. Section 406 of ERISA and Section 4975 of the Code, prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, the "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction, of which there are many. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if Notes are acquired by a Plan with respect to which the initial purchasers or any of their respective affiliates is a party in interest or a disqualified person. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption ("PTCE") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Any Plan fiduciary that proposes to cause a Plan to acquire the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such acquisition will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of Title I of ERISA or the Code.

Foreign plans, governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to other federal, state, local or foreign laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("Similar Law"). Fiduciaries of any such plans should consult with their counsel before acquiring the Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

LEGAL MATTERS

Certain legal matters under New York law relating to the Notes and this offering will be passed upon by Allen & Overy LLP, our special U.S. counsel, and for the initial purchasers, by Cleary Gottlieb Steen & Hamilton LLP, special U.S. counsel to the initial purchasers. Certain legal matters under Peruvian law relating to the validity of the Notes and this offering will be passed upon by Rodrigo, Elías & Medrano Abogados, our special Peruvian counsel, and for the initial purchasers, by Estudio Echeopar Abogados, special Peruvian counsel to the initial purchasers. With respect to certain matters governed by Peruvian law, Allen & Overy LLP may rely on the opinion of Rodrigo, Elías & Medrano Abogados, and Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of Estudio Echeopar Abogados.

INDEPENDENT AUDITORS

The Annual Audited Financial Statements of Lindley included in this Offering Memorandum, have been audited by Medina, Zaldívar, Paredes & Asociados Sociedad Civil de Responsabilidad Limitada, member of Ernst & Young Global, independent auditors, as stated in their report appearing herein.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PERUVIAN GAAP AND IFRS, AND PERUVIAN GAAP AND US GAAP

The Consolidated Financial Statements have been prepared from our accounting records, which are carried in nominal Nuevos Soles as of the date of the transactions, in accordance with Peruvian GAAP, which comprises IFRS duly approved by the CNC.

Peruvian GAAP principles differ in certain material respects from IFRS and US GAAP. We have not undertaken efforts to prepare a quantitative reconciliation of specific differences among Peruvian GAAP, IFRS and US GAAP. Had such an effort been undertaken other potentially significant differences might have been identified and disclosed herein.

The following paragraphs summarize the areas in which differences among Peruvian GAAP, IFRS and US GAAP could be significant to our consolidated results of operations and consolidated financial position and that exist as of December 31, 2010 and September 30, 2011. We have not prepared consolidated financial statements in accordance with IFRS or US GAAP and, accordingly, cannot offer any assurances that all existing differences have been identified and that the differences described below would, in fact, be the largest differences between our financial statements prepared under IFRS or US GAAP. In addition, we cannot estimate the net effect that applying IFRS or US GAAP would have on our consolidated result of operations or consolidated financial position or any component thereof, in any of the presentations of financial information in the Offering Memorandum. However, the effect of such differences may be, individually or in aggregate, material, and in particular, as a result of such, it may be that the total shareholders' equity, prepared on the basis of Peruvian GAAP would be materially different from the shareholders' equity reported under IFRS or US GAAP. Differences in the presentation of the financial statements as well as differences in the information provided in the footnotes to the financial statements have not been reported.

Highlights of certain differences among Peruvian GAAP, IFRS and US GAAP

Content and format of the financial statements

Under Peruvian GAAP, the presentation and content of the accounts included in the financial statements are detailed in the "Financial Reporting Manual" issued by SMV. Under IFRS, IAS 1, there are principles about the presentation of the financial statements. Under US GAAP, the Securities Exchange Commission ("SEC") has established detailed rules about the form and content of the financial statements in Regulation S-X.

Under Peruvian GAAP, IFRS, and U.S GAAP, the components of a complete set of financial statements include: balance sheet, income statement, other comprehensive income, cash flows and accompanying notes to the financial statements. All of them require that the financial statements being prepared on the accrual basis of accounting except for rare circumstances.

Under US GAAP public companies must follow SEC rules, which typically require balance sheets for the two most recent years, while all other statements must cover the three-year period ended in the balance sheet date. Moreover, the SEC has established detailed rules about the form and content of the financial statements in Regulation S-X and it requires to present expenses based on function (for example, cost of sales, administrative expenses). Under IFRS and Peruvian GAAP comparative information must be disclosed in respect of the previous period for all amounts reported in the financial statements. Entities may present expenses based on either function or nature, there are principles about the presentation of the financial statements at IAS 1.

Under IFRS debt associated with a covenant violation must be presented as current unless the lender agreement was reached prior to the balance sheet date. Under US GAAP may be presented as non-current if a lender agreement to waive the right to demand repayment for more than one year exists prior to the issuance of the financial statements.

Under US GAAP deferred taxes are presented as current or non-current based on the nature of the related asset or liability. Under IFRS are presented as non-current.

Under US GAAP third balance sheet is not required. Under IFRS it is required as of the beginning of the earliest comparative period presented when an entity restates its financial statements or retrospectively applies a new accounting policy.

Interim financial reporting

ASC 270 Interim Reporting (formerly APB28) and IAS 34 Interim Financial Reporting (applied in Peru) are substantially similar with the exception of the treatment of certain costs as described below. Both require an entity to use the same accounting policies that were in effect in the prior year, subject to adoption of new policies that are disclosed. Both standards allow for condensed interim financial statements (which are similar but not identical) and provide for comparable disclosure requirements. Neither standard mandates which entities are required to present interim financial information, that being the purview of local securities regulators. For example, US public companies must follow the SEC's Regulation S-X for the purpose of preparing interim financial information.

Consolidation

The key principle for consolidation under IFRS is IAS 27 (Amended) Consolidated and Separate Financial Statements, and under US GAAP it is ASC 810 Consolidations. Consolidation principles under Peruvian GAAP and IFRS (IAS 27) are based upon the concept of control and are substantially similar, requiring consolidation of all controlled entities irrespective of the sector in which they operate.

Under both IFRS and US GAAP, the determination of whether or not entities are consolidated by a reporting enterprise is based on control, although differences exist in the definition of control. Under IFRS, the concept of power to control is the parent's ability to govern the financial and operating policies of an entity to obtain benefits. Control is presumed to exist if the parent owns more than 50% of the votes, and potential voting rights must be considered. Under US GAAP, all entities are first evaluated as potential variable interest entities ("VIEs"). Entities controlled by voting rights are consolidated as subsidiaries, but potential voting rights are not included in this consideration. The concept of "effective control" exists, but it is rarely employed in practice.

Under Peruvian GAAP can also use the equity method to record in the separate financial statements (unconsolidated) investments in subsidiaries, associates and businesses.

Under US GAAP, the effects of significant events occurring between the reporting dates when different dates are used and disclosed in the financial statements. Under IFRS, these effects are adjusted for in the financial statements.

IAS 28 generally requires investors (other than venture capital organizations, mutual funds, unit trusts, and similar entities) to use the equity-method of accounting for their investments in associates in consolidated financial statements. If separate financial statements are presented (that is, those presented by a parent or investor), subsidiaries and associates can be accounted for at either cost or fair value.

Under IFRS, uniform accounting policies between investor and investee are required; US GAAP does not require this.

Business combinations

A business combination involves bringing together separate entities into one economic entity. In practice, there are three types of business combinations: acquisitions (one of the combining entities obtains control over the other, enabling an acquirer to be identified), uniting of interests or pooling (where it is not possible to identify an acquirer and the shareholders of the combining entities join in substantially equal arrangements to share control), and a group reorganization (transactions among entities which operate under common control).

Under Peruvian GAAP, business combinations are mostly accounted for as acquisitions and they require the purchase method of accounting to portray the financial effect of an acquisition. Under IFRS 3(R) and ASC 805, all business combinations are accounted for using the acquisition method. Under the acquisition method, upon obtaining control of another entity, the underlying transaction should be measured at fair value, and this should be the basis on which the assets, liabilities and non-controlling interests of the acquired entity are measured, with limited exceptions.

Other differences may arise due to different accounting requirements of other existing US GAAP-IFRS literature (for example, identifying the acquirer, definition of control, definition of fair value, replacement of share-based payment awards, initial classification and subsequent measurement of contingent consideration, initial recognition and measurement of income taxes, and initial recognition and measurement of employee benefits).

Amortization of goodwill (business combinations)

Under Peruvian GAAP and IFRS (for transactions completed before March 2004), all acquired identifiable intangibles and goodwill are capitalized and amortized. Negative goodwill is recognized in the income statements, first to match any identified expected costs, and then over the lives of the acquired depreciable assets. For IFRS purposes, since January 1, 2005, the goodwill is not amortized but it is subject to an annual impairment test and the negative goodwill must be recognized immediately as income. Under US GAAP, goodwill is never amortized.

Impairment of goodwill

Peruvian GAAP, IFRS and US GAAP require goodwill to be reviewed at least annually for impairment and more frequently if impairment indicators are present.

Under Peruvian GAAP and IFRS, the method of determining impairment of goodwill requires carrying out an impairment test at the cash generating unit ("CGU") level by comparing the CGU's carrying amount, including goodwill, with its recoverable amount. Impairment loss on the CGU (amount by which the CGU's carrying amount, including goodwill, exceeds its recoverable amount) is allocated first to reduce goodwill to zero, then, subject to certain limitations, the carrying amounts of other assets in the CGU are reduced pro rata, based on the carrying amounts of each asset.

Under US GAAP, the method of determining impairment of goodwill requires a recoverability test to be performed first at the reporting unit level (carrying amount of the reporting unit is compared to the reporting unit's fair value). If the carrying amount of the reporting unit exceeds its fair value, then impairment testing must be performed. The impairment loss is the amount by which the carrying amount of goodwill exceeds the implied fair value of the goodwill within its reporting unit.

Inventory

ASC 330 Inventory (formerly ARB 43Chapter 4) and IAS 2 Inventory are based on the principle that the primary basis of accounting for inventory is cost. Both define inventory as assets held for sale in the ordinary course of business, in the process of production for such sale, or to be consumed in the production of goods or services. The permitted techniques for cost measurement, such as standard cost method or retail method, are similar under both US GAAP and IFRS. Further, under both GAAPs the cost of inventory includes all direct expenditures to have the inventory ready for sale, including allocable overhead, while selling costs are excluded from the cost of inventories, such as most storage costs and general administrative costs.

Under US GAAP, LIFO is an acceptable costing method. Consistent cost formula for all inventories similar in nature is not explicitly required. IFRS and Peruvian GAAP prohibits LIFO as a costing method, also requires the use of the same cost formula to all inventories similar in nature or use to the entity.

Property, plant and equipment

ASC 835-20 Capitalization of Interest and IAS 23 Borrowing Costs address the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset under US GAAP and IFRS, respectively. Qualifying assets are generally defined similarly under both accounting models and both standards require interest costs to be capitalized as part of the cost of a qualifying asset.

However, under IFRS and Peruvian GAAP, borrowing costs are offset by investment income earned on those borrowings. For borrowings associated with a specific qualifying asset, actual borrowing costs are capitalized.

Under US GAAP, eligible borrowing costs do not include exchange rate differences. Interest earned on the investment of borrowed funds generally cannot offset interest costs incurred during the period. For borrowings associated with a specific qualifying asset, borrowing costs equal to the weighted average accumulated expenditures times the borrowing rate are capitalized.

Under IFRS and Peruvian GAAP, a company has the alternative to account for certain fixed assets at amortized historical cost or revalue to fair value. Useful lives and methods of depreciation are reviewed periodically. Under US GAAP, historical cost is the only alternative, and thus fixed asset revaluations are not allowed.

Intangible assets

The definition of intangible assets as nonmonetary assets without physical substance is similar under both US GAAP and IFRS. The recognition criteria for both accounting models generally require that there could be future economic benefits and costs that can be reliably measured.

Under US GAAP, advertising and promotional cost are either expensed as incurred or expensed when the advertising takes place for first time (policy choice). Under IFRS these costs are expensed as incurred.

Amortization of intangible assets over their estimated useful lives is required under both US GAAP and IFRS. If there is no foreseeable limit to the period over which an intangible asset is expected to generate net cash inflows to the entity, the useful life is considered to be indefinite and the asset is not amortized.

Under US GAAP revaluation is not permitted. Under IFRS and Peruvian GAAP, revaluation to fair value of intangible assets other than goodwill is a permitted accounting policy election for a class of intangible assets. Because revaluation requires reference to an active market for the specific type of intangible, this is relatively uncommon in practice.

Impairment

Peruvian GAAP, IFRS (IAS 36) and US GAAP (ASC 350, and ASC 360-10) require that specific and clearly detailed tests be carried out to adjust the carrying value of certain assets (long-lived assets) when indicators of potential impairment exist (or annually for goodwill and intangible assets with an indefinite life).

Impairment under Peruvian GAAP and IFRS are based on discounted cash flows. Under US GAAP, only if an asset's estimated undiscounted future cash flows are below its carrying amount is a determination required of the amount of any impairment based on discounted cash flows. There is no undiscounted test under Peruvian GAAP and IFRS.

Under Peruvian GAAP and IFRS, goodwill is allocated to "cash generating units," which are the smallest group of identifiable assets that include the goodwill under review for impairment and generate cash inflows from continuing use that are largely independent of the cash inflows from other assets. Under US GAAP, goodwill is allocated to "reporting units," which are operating segments or one level below an operating segment (as defined in ASC 280). The goodwill impairment test under US GAAP compares the carrying value for each reporting unit to its fair value based on discounted cash flows.

Under Peruvian GAAP and IFRS, reversal of loss of goodwill is prohibited, for other long-lived assets, impairment losses are reversed when there has been a change in economic conditions or in the expected use of the asset. Under US GAAP, impairment losses cannot be reversed for assets to be held and used, as the impairment loss results in a new cost basis for the asset. Subsequent revisions to the carrying amount of an asset to be disposed of are reported as adjustments to the asset's carrying amount, but limited by the carrying amount at the date on which the decision to dispose of the asset is made.

Debt and equity securities

The US GAAP guidance for financial instruments is contained in several standards, including, among others: ASC 310-10-35 Receivables — Subsequent Measurement (formerly FAS 114); ASC 320 Investments — Debt and Equity Securities (formerly FAS 115); ASC 470 Debt (formerly a variety of authoritative guidance); ASC 480 Distinguishing Liabilities from Equity (formerly FAS 150); ASC 815 Derivatives and Hedging (formerly FAS 133); ASC 820 Fair Value Measurements and Disclosures (formerly FAS 157); ASC 825-10-25 Financial Instruments — Recognition (formerly FAS 159); ASC 825-10-50 Financial Instruments — Disclosures (formerly FAS 107); ASC 860 Transfers and Servicing (formerly FAS 140); and ASC 948 Financial Services — Mortgage Banking (formerly FAS 65).

Peruvian GAAP and IFRS guidance for financial instruments, on the other hand, is limited to IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments. IFRS 9 addresses classification and measurement of financial assets. IFRS 9, which was issued in November 2009, is not effective until annual periods beginning on or after 1 January 2013, although early application is permitted. This section does not address the differences between US GAAP and IFRS resulting from IFRS 9 because of the delayed effective date.

Both US GAAP and IFRS require financial instruments to be classified into specific categories to determine the measurement of those instruments, clarify when financial instruments should be recognized or derecognized in financial statements, require the recognition of all derivatives on the balance sheet, and require detailed disclosures in the notes to the financial statements for the financial instruments reported in the balance sheet. Hedge accounting and use of a fair value option is permitted under both.

Foreign currency

ASC 830 Foreign Currency Matters (formerly FAS 52) and IAS 21 Effects of Changes in Foreign Exchange Rates are similar in their approach to foreign currency conversion. Although the criteria to determine an entity's functional currency are different under US GAAP and IFRS, both ASC 830 and IAS 21 generally result in the same determination (that is, the currency of the entity's primary economic environment). In addition, although there are differences in accounting for foreign currency conversion in hyperinflationary economies under ASC 830 and IAS 29 Financial Reporting in Hyperinflationary Economies, both US GAAPs require the identification of hyperinflationary economies and generally consider the same economies to be hyperinflationary.

Both GAAPs require foreign currency transactions to be re measured into an entity's functional currency with amounts resulting from changes in exchange rates being reported in income. Except for the translation of financial statements in hyperinflationary economies, the method used to translate financial statements from the functional currency to the reporting currency is the same. In addition, both US GAAP and IFRS require re-measurement into the functional currency before conversion into the reporting currency. Assets and liabilities are translated at the period-end rate and income statement amounts generally are translated at the average rate, with the exchange differences reported in equity. Both GAAPs also require certain foreign exchange effects related to net investments in foreign operations to be accumulated in shareholders' equity (that is, the cumulative translation adjustment portion of other comprehensive income) instead of recording them in net income as they arise. In general, the cumulative translation adjustments reported in equity are reflected in income when there is a sale, complete liquidation or abandonment of the foreign operation.

Income tax

Under Peruvian GAAP, IFRS and US GAAP, deferred taxes should be recorded for the tax effect of almost all differences between the tax and accounting bases of assets and liabilities (temporary differences) as well as tax loss carry-forwards. IFRS and Peruvian GAAP require deferred taxes to be recorded for the tax effects of temporary differences between tax and reporting bases of non-monetary assets arising from restatement for the effects of inflation where US GAAP does not. IFRS and Peruvian GAAP measure deferred taxes using the tax rate enacted, or substantially enacted, where US GAAP measures deferred taxes only on the enacted tax rate. Under IFRS and Peruvian GAAP, deferred tax assets are recognized when recovery is probable. Under US GAAP, deferred tax assets are recognized (i.e., no valuation allowance) to the extent that the probabilities to recover it are higher than the probabilities to not recover it. Under IFRS and Peruvian GAAP, deferred tax in respect of temporary differences on subsidiaries, associates and joint ventures is not recognized in some circumstances. Under US GAAP, such differences on equity method investments, other than certain foreign corporate joint ventures, are recognized in full.

Leasing

Peruvian GAAP and IFRS accounting for leasing are similar. All the relevant principles and guidance concerning leases may be found in one standard and three interpretations for IFRS, but the US GAAP rules are contained in several pronouncements: various accounting standards, interpretative statements and several technical bulletins and EITF abstracts. IAS 17 "Leases" sets out the general principles for accounting for all but a few specialist categories of leases. ASC 840, formerly FAS 13 "Accounting for Leases" contains detailed rules and thresholds, in contrast to IAS 17's principles-based approach. There are specific US GAAP rules on various categories of leases, most notably for real estate transactions.

Although the US GAAP guidance is much more specific and rule-based than the IFRS approach, the overall approaches of IFRS and US GAAP are similar. Both focus on classifying leases between finance (or capital) leases and operating leases and both deal separately with lessees and lessors.

Derivative financial instruments

Under Peruvian GAAP, IFRS (IAS 32 and 39) and US GAAP (principally ASC 815), derivative financial instruments are initially recognized at fair value. Derivative transactions that do not qualify for hedge accounting are treated as derivatives held for trading and any gains and losses arising from changes in fair value are taken directly to income.

Under Peruvian GAAP and IFRS, a shortcut method for interest rate swaps is not permitted to assess the effectiveness of the hedging relationship; however, under US GAAP it is permitted. In addition, under Peruvian GAAP and IFRS, the option's time value is not permitted to be included in order to assess the effectiveness of the hedging relationship; however, US GAAP does permit its inclusion. Peruvian GAAP and IFRS allow entities to hedge components (portions) of risk that give rise to changes in fair value. Under US GAAP, the risk components that may be hedged are specifically defined, with no additional flexibility.

The US GAAP literature is far more detailed than Peruvian GAAP and IFRS as it has been developed over a longer period and, often, in response to specific financial instruments. Consequently, there are many differences in the scope of standards under Peruvian GAAP, IFRS and US GAAP.

Revenue recognition

Revenue recognition under U.S GAAP, Peruvian GAAP and IFRS is tied to the completion of the earnings process and the realization of assets from such completion. Under IAS 18 Revenue, revenue is defined as "the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity other than increases relating to contributions from equity participants." Under US GAAP (which is primarily included in ASC 605 Revenue Recognition), revenues represent actual or expected cash inflows that have occurred or will result from the entity's ongoing major operations. Under both US GAAP and IFRS, revenue is not recognized until it is both realized (or realizable) and earned. Ultimately, both GAAPs base

revenue recognition on the transfer of risks and both attempt to determine when the earnings process is complete. Both GAAPs contain revenue recognition criteria that, while not identical, are similar. For example, under IFRS, one recognition criteria is that the amount of revenue can be measured reliably, while US GAAP requires that the consideration to be received from the buyer is fixed or determinable.

Despite the similarities, differences in revenue recognition may exist as a result of different levels of specificity between the two GAAPs. There is extensive guidance under US GAAP, which can be very prescriptive and often applies only to specific industries. For example, under US GAAP there are specific rules for the recognition of software revenue and sales of real estate, while comparable guidance does not exist under IFRS. In addition, the detailed US rules often contain exceptions for particular types of transactions. Further, public companies in the US must follow additional guidance provided by the SEC staff. Conversely, a single standard (IAS 18) exists under IFRS, which contains general principles and illustrative examples of specific transactions.

Provision and Contingencies

Under Peruvian GAAP and IFRS (IAS 37), a provision should only be made when: (a) an enterprise has a present obligation (legal or constructive) as a result of a past event, (b) it is probable (more likely than not) that a future outflow of economic benefits will be required to settle the obligation, and (c) a reliable estimate of the amount of the obligation can be made. The entity must discount the anticipated cash flows expected to be required to settle the obligation if the impact is material. Under US GAAP a provision may be discounted only when the amount of the liability and the timing of the payments are fixed or reliably determinable, or when the obligation is a fair value obligation (for example, an asset retirement obligation under ASC 410-20). Discount rate to be used is dependent upon the nature of the provision, and may vary from that used under IFRS. However, when a provision is measured at fair value, the time value of money and the risks specific to the liability should be considered.

Under IFRS best estimate of obligation should be accrued. For a large population of items being measured, such as warranty cost, best estimate is typically expected value, although mid-point in the range may also be used when any point in a continuous range is as likely as another. Best estimate for single obligation may be the most likely outcome, although other possible outcomes should still be considered. Under US GAAP most likely outcome within range should be accrued.

Under ASC 420 (US GAAP), once management has committed to a detailed exit plan, each type of cost is examined to determine when recognized. Involuntary employee termination costs are recognized over future service period, or immediately if there is none. Other exit costs are expensed when incurred. Under Peruvian GAAP and IFRS, once management has "demonstrably committed" (that is, a legal or constructive obligation has been incurred) to a detailed exit plan, the general provisions of IAS 37 apply. Costs typically are recognized earlier than under US GAAP because IAS 37 focuses on exit plan as a whole, rather than individual cost components of the plan.

Under IFRS and Peruvian GAAP reduced disclosure permitted if it would be severely prejudicial to an entity's position in a dispute with other party to a contingent liability. Under US GAAP no similar provision to that allowed under IFRS for reduced disclosure requirements.

Earnings per share

Entities whose ordinary shares are publicly traded, or that are in the process of issuing such shares in the public markets, must disclose earnings per share (EPS) information pursuant to ASC 260 (formerly FAS 128) and IAS 33 (both entitled Earnings per Share) which are substantially the same. Both require presentation of basic and diluted EPS on the face of the income statement, and both use the treasury stock method for determining the effects of stock options and warrants on the diluted EPS calculation. All of US GAAP, Peruvian GAAP and IFRS use similar methods of calculating EPS, although there are a few detailed application differences.

Segment reporting

The requirements for segment reporting under ASC 280 Segment Reporting (formerly FAS 131) and IFRS 8 Operating Segments are both applicable to entities with public reporting requirements and are based on a

"management approach" in identifying the reportable segments. These two standards are largely converged, and only limited differences exist between the two GAAPs.

Under US GAAP, entities with a "matrix" form of organization (that is, business components are managed in more than one way and the chief operating decision maker ("CODM") reviews all of the information provided) must determine segments based on products and services. Peruvian GAAP and IFRS establish that all entities must determine segments based on the management approach, regardless of form of organization.

Under US GAAP, entities are not required to disclose segment liabilities even if reported to the CODM. For Peruvian GAAP and IFRS, if regularly reported to the CODM, segment liabilities are a required disclosure.

Subsequent events

Despite differences in terminology, the accounting for subsequent events under ASC 855 Subsequent Events (formerly FAS 165) and IAS 10 Events after the Reporting Period is largely similar. An event that occurs during the subsequent events period that provides additional evidence about conditions existing at the balance sheet date usually results in an adjustment to the financial statements. If the event occurring after the balance sheet date but before the financial statements are issued relates to conditions that arose subsequent to the balance sheet date, the financial statements are not adjusted, but disclosure may be necessary in order to keep the financial statements from being misleading.

Under US GAAP, subsequent events are evaluated through the date the financial statements are issued or available to be issued. Financial statements are considered issued when they are widely distributed to shareholders or other users in a form that complies with US GAAP. For SEC registrants, financial statements are issued when the financial statements are filed with the SEC. Financial statements are considered available to be issued when they are in a form that complies with US GAAP and all necessary approvals have been obtained. SEC registrants and conduit-bond obligors evaluate subsequent events through the date the financial statements are issued, while all other entities evaluate subsequent events through the date that the financial statements were available to be issued.

Under IFRS an Peruvian GAAP, subsequent events are evaluated through the date that the financial statements are "authorized for issue." Depending on an entity's corporate governance structure and statutory requirements, authorization may come from management or a board of directors. Most US entities do not have a similar requirement.

Under US GAAP, financial statements are adjusted for a stock dividend declared after the balance sheet date. Under Peruvian GAAP and IFRS, financial statements are not adjusted for a stock dividend declared after the balance sheet date.

Related parties

Both ASC 850 (formerly FAS 57) and IAS 24(both entitled Related Party Disclosures) have a similar reporting objective: to make financial statement users aware of the effect of related party transactions on the financial statements. The related party definitions are broadly similar, and both standards require that the nature of the relationship, a description of the transaction, and the amounts involved (including outstanding balances) be disclosed for related party transactions. Any standard contains any measurement or recognition requirements for related party transactions.

ASC 850 does not require disclosure of compensation of key management personnel as IAS 24 does, but the financial statement disclosure requirements of IAS 24 are similar to those required by the SEC outside the financial statements.

ASC 850 requires disclosures of all material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. IAS 24 provides a partial exemption from the disclosure requirements for transactions between government related entities as well as with the government itself.

GENERAL INFORMATION

1. The issuance of the Notes has been authorized by our shareholders on September 30, 2011.
2. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List and trading on the Euro MTF market. Transactions will normally be effected for settlement in US dollars and for delivery on the 5th working day after the day of the transaction.
3. The Notes have been accepted for clearance through DTC, Euroclear and Clearstream as follows:

Rule 144A ISIN	Rule 144A CUSIP	Rule 144A Common Code	Reg S ISIN	Reg S CUSIP	Reg S Common Code
US21988VAA17	21988VAA1	63345121	USP31442AA77	P31442AA7	63345091

4. Except as disclosed herein, there are no litigation or arbitration proceedings against or affecting us or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might reasonably be expected to be material in the context of the issuance of the Notes.
5. Except as disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or our general affairs since September 30, 2011 (the end of its most recent fiscal quarter for which financial statements have been prepared) that is material in the context of the issuance of the Notes.
6. For so long as any Notes remain outstanding, copies of the Indenture under which the Notes will be issued, this Offering Memorandum, our Financial Statements and our articles of association may be obtained during normal business hours at the offices of each of the Luxembourg listing agent and the Luxembourg paying and transfer agent and our principal office, at the addresses listed on the inside back cover page of this Offering Memorandum.
7. For so long as any Notes remain outstanding, copies of the our latest published unaudited interim and audited year-end financial statements (together with English translations thereof) may be obtained during normal business hours at the offices of each of the Luxembourg listing agent, the Luxembourg paying and transfer agent and our principal office, at the addresses listed on the inside back cover page of this Offering Memorandum.
8. To the best of our knowledge, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. Accordingly, the Company accepts responsibility.
9. Copies of the Indenture may be physically inspected during usual business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the offices of the Trustee at 388 Greenwich Street, 14th Floor, New York, New York 10013, USA.
10. Each of the purchase agreement among the Company and the initial purchasers, the Indenture and the Notes are governed by the laws of the State of New York.

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Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary

Interim unaudited consolidated financial information as of September 30, 2011 and **2010 and for the nine-month periods then ended.**

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary

Consolidated statement of financial position

As of September 30, 2011 (unaudited) and December 31, 2010 (audited)

	<u>Note</u>	<u>As of September 30, 2011</u>	<u>As of December 31, 2010</u>
		S/.(000)	S/.(000)
Assets			
Current assets			
Cash and cash equivalents	3	29,468	42,345
Trade accounts receivable, net	4	138,264	96,717
Accounts receivable from related parties	19(b)	70,559	71,309
Other accounts receivable, net	5	36,667	63,451
Inventories, net	6	224,133	204,826
Prepaid expenses		<u>4,587</u>	<u>1,600</u>
Total current assets		<u>503,678</u>	<u>480,248</u>
Available for sale non-financial assets		-	7,525
Non current assets			
Long term other accounts receivable	5	16,353	16,693
Property, plant and equipment, net	7	907,431	752,661
Intangibles, net	8	309,672	309,657
Deferred income tax asset	12(b)	13,796	4,463
Other assets		<u>2,555</u>	<u>1,992</u>
Total non current assets		<u>1,249,807</u>	<u>1,092,991</u>
Total assets		<u>1,753,485</u>	<u>1,573,239</u>

The accompanying notes are an integral part of these consolidated statements of financial position.

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary

Consolidated statement of income (unaudited)

For the nine month period ended September 30, 2011 and 2010

	Note	As of September 30,	
		2011 S/.(000)	2010 S/.(000)
Net sales	15	1,270,991	1,116,895
Other operating income	17	52,148	62,333
Cost of sales	16	(934,921)	(790,819)
Gross profit		<u>388,218</u>	<u>388,409</u>
Sales expenses	16	(221,075)	(187,907)
Administrative expenses	16	(51,295)	(47,198)
Other expenses	17	(46,545)	(70,107)
Operating income		<u>69,303</u>	<u>83,197</u>
Financial income	18	25,062	22,422
Financial expenses	18	(48,360)	(36,263)
Loss from derivative financial instruments	22	(6,763)	(3,779)
Income before income tax		<u>39,242</u>	<u>65,577</u>
Income tax	12(a)	(21,620)	(22,990)
Net income		<u><u>17,622</u></u>	<u><u>42,587</u></u>
Attributable to:			
Equity shareholders of Lindley		17,619	42,416
Minority		3	171
		<u>17,622</u>	<u>42,587</u>
Earnings per share for net income	21	<u>0.027</u>	<u>0.065</u>
Weighted average number of shares outstanding attributable to equity shareholders (expressed in thousands of shares)	21	<u>652,947</u>	<u>652,947</u>

The accompanying notes are an integral part of these consolidated financial statements.

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary

Consolidated statement of changes in equity (unaudited)

For the nine month period ended September 30, 2011 and 2010

	Attributable to equity holders		
	Number of shares in thousands	Capital stock S/.(000)	Investment shares S/.(000)
Balance as of January 1, 2010	580,981	580,981	71,966
Unrealized gains by changes in fair value of derivatives under cash flow hedge, note 22	-	-	-
Net income	-	-	-
Balance as of September 30, 2010 (unaudited)	<u>580,981</u>	<u>580,981</u>	<u>71,966</u>
Balance as of January 1, 2011	580,981	580,981	71,966
Unrealized loss by changes in fair value of derivatives under cash flow hedges, note 22	-	-	-
Net income	-	-	-
Balance as of September 30, 2011 (unaudited)	<u>580,981</u>	<u>580,981</u>	<u>71,966</u>

The accompanying notes are an integral part of these consolidated financial statements.

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary

Consolidated statement of cash flows (unaudited)

For the nine month period ended September 30, 2011 and 2010

	As of September 30	
	2011	2010
	S/.(000)	S/.(000)
Operating Activities		
Collection from clients and others	1,543,883	1,363,589
Payments to suppliers of goods and services	(975,002)	(819,058)
Salaries and benefits	(136,017)	(155,488)
Taxes	(342,514)	(345,007)
Interests and other payments	(11,219)	(12,002)
Increase in cash and cash equivalents provided by operating activities	<u>79,131</u>	<u>32,034</u>
Investing Activities		
Collection from property sales, plants and equipment	28,700	35,007
Purchases of property, plant and equipment	(191,741)	(110,605)
Purchases of intangibles	(931)	(869)
Decrease in cash and cash equivalents used in investing activities	<u>(163,972)</u>	<u>(76,467)</u>
Financing Activities		
Banks and shareholder loans	447,389	86,261
Payment of financial obligations	(359,545)	(33,447)
Interest	(15,880)	(13,297)
Increase in cash and cash equivalents provided by financing activities	<u>71,964</u>	<u>39,517</u>
Net decrease in cash and cash equivalents	(12,877)	(4,916)
Cash and cash equivalents at the beginning of the year	<u>42,345</u>	<u>35,442</u>
Year-end cash and cash equivalents	<u><u>29,468</u></u>	<u><u>30,526</u></u>

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Consolidated statement of cash flows (unaudited) (continued)

	As of September 30	
	2011 S/.(000)	2010 S/.(000)
Reconciliation of net income to cash and cash equivalents provided by operating activities		
Net income	17,622	42,587
Plus (less) adjustments to net income of the year:		
Depreciation	97,374	87,431
Amortization	916	1,632
Allowance for doubtful accounts	-	-
Allowance for obsolescence of inventories	552	659
Deferred income tax	(6,699)	4,360
Gain from property, plant and equipment sales	(26,292)	(35,407)
Loss related to derivative financial instruments	6,763	3,779
Various provisions and others	7,049	(5,499)
	97,284	99,542
Debits and credits for net changes in current assets and current liabilities		
Decrease (increase) in operating assets		
Trade accounts receivable	(41,150)	(14,611)
Accounts receivable from related parties	750	1,776
Other accounts receivable	27,124	(33,322)
Inventories	(19,307)	(31,611)
Prepaid expenses	(3,946)	(2,109)
Increase (decrease) in operating liabilities		
Trade accounts payable	(5,062)	6,375
Accounts payable to related parties	6,386	27,530
Other accounts payable	17,052	(21,536)
	79,131	32,034
Cash and cash equivalents provided by operating activities	79,131	32,034
Transactions that did not affect cash flows:		
Unrealized loss on hedges agreements, net	(6,302)	1,674
Acquisition of property, plant and equipment through financial lease contracts	58,176	57,110

The accompanying notes are an integral part of these consolidated financial statements.

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary

Notes to the interim consolidated financial statements (unaudited)

As of September 30, 2011 and 2010 (unaudited) and, December 31, 2010 (audited)

1. Identification and economic activity

(a) Identification -

Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A., hereinafter "the Company" or "Lindley") is a Peruvian public company formed on the basis of Fábrica de Aguas Gaseosas La Santa Rosa, a company incorporated in 1910 that would become José R. Lindley e Hijos S.A. in November 1928. Subsequently, on February 22, 1960, it was incorporated Inmobiliaria Lintab S.A. which absorbed José R. Lindley e Hijos S.A. and other related companies through a reorganization process. In April 1997, Inmobiliaria Lintab S.A. changed its name to Corporación José R. Lindley S.A.. Since June 15, 2010, the name of the Company has been changed to Corporación Lindley S.A. The main four shareholders of the Company are members of the Lindley family, who hold 59.66 percent of the Company's representative shares and Perú Beverage Limitada S.R.L., a subsidiary of The Coca-Cola Company, which owns 38.52 percent of capital of the Company at September 30, 2011 and December 31, 2010.

The Company's legal address domicile is Jr.Cajamarca No. 371, Rímac, Lima.

The consolidated financial statements as of September 30, 2011 and 2010 and December 31, 2010 include the financial statements of Lindley and its subsidiary Embotelladora La Selva S.A. (hereinafter "ELSSA" or "Subsidiary") in which Lindley has control and an equity interest of 93.20 percent (together hereinafter called "the Group"). ELSSA is a Peruvian public company that has the same economic activity as the Company and was incorporated on June 23, 1967.

(b) Economic activity -

The Group's primary activity is the production, bottling, distribution and sale of soft drinks, carbonated water, and fruit pulps and nectars used certain trademarks owned by related parties through franchise agreements, such as Corporación Inca Kola Perú S.R.L, Schweppes Holdings Limited and The Coca-Cola Company. All those related parties have contracts in force until April 2015 and expected to be renewed at maturity.

The Company recently consolidated the bottling systems of the Coca Cola and Inca Kola products in Peru based on a process of mergers and acquisitions made in previous years with the bottler of The Coca Cola Company brands in southern Peru, Lima and Trujillo, and with Embotelladora Piura S.A. Then the Company ensured the strengthening of these brands in the Peruvian market and achieved a superior market structure.

The Company also operates in the eastern region of the country through its subsidiary, Embotelladora La Selva S.A., in which the Company has an equity interest of 93.20 percent.

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Notes to the interim consolidated financial statements (continued)

The Company entered into a corporate bond program for a maximum of US\$150,000,000 or the equivalent in nuevos soles to make necessary investments for business growth, and to refinance and change the profile of its financial obligations, thereby lowering costs and increasing flexibility in managing its future cash flows. This program was approved by the advance registration process of the "Primer Programa de Bonos Corporativos Corporación José R. Lindley S.A." (First Corporate Bond Program Corporacion Jose R. Lindley S.A.) through Executive Resolution No. 079-2007-EF/94.06.3 issued by the Comisión Nacional Supervisora de Empresas y Valores - CONASEV on December 14, 2007. In April 2008 bonds from the Primera Emision were issued on a single series for a total amount of S/.81,690,000. In July 2008, bonds from Serie A of the Segunda Emision were issued for a total amount of S/.56,720,000. The Third Emision and Fourth Emision were issued in April 2009, for a total amount of US\$20,000,000 and S/.30,000,000, respectively. In March 2010 the Sixth Emision was issued for a total amount of US\$20,000,000. Placement of the fifth Emision on the amount of S/.85,000,000 approved in February 2010 is, currently pending (see note 11).

The accompanying interim consolidated financial statements as of September 30, 2011 and 2010 have been approved by the Group's Management and will be approved by the Board of Directors. The consolidated financial statements as of December 31, 2010 were approved by the General Shareholder's Meeting held on March 31, 2011.

2. Unaudited consolidated interim financial statements

Basis of preparation -

The unaudited interim consolidated financial statements for the period of nine months ended September 30, 2011 and 2010 have been prepared in accordance generally accepted accounting principles in Peru.

The accompanying interim consolidated financial statements have been prepared from the accounting records of the Company and Subsidiary presented in nuevos soles under accounting principles generally accepted in Peru, which are carried in nominal monetary terms of the transaction date.

The interim consolidated financial statements do not include all information and disclosures required in annual financial statements and should be read in conjunction with the audited consolidated financial statements as of December 31, 2010.

Accounting principles and practices -

The criteria and accounting principles used by the Company for the preparation of the accompanying interim consolidated financial statements are the same as those used in the preparation of the annual consolidated financial statements of the Company. The interim consolidated financial statements are presented in nuevos soles (S/.) and all values are recorded to the nearest S/. thousand, except when otherwise indicated.

Reclassifications -

The Company has not made reclassifications on its consolidated financial statements for the periods of nine months ending September 30, 2011 and 2010.

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Notes to the interim consolidated financial statements (continued)

3. Cash and cash equivalents

As of September 30, 2011 and December 31, 2010, comprise bank accounts amounted to S/.29,468,000 and S/.42,345,000, respectively. These amounts are deposited mainly in local banks, are denominated in nuevos soles and U.S. dollars, are unrestricted and generate interests at market rates.

4. Trade accounts receivable, net

(a) The item is made up as follows:

	As of September 30, 2011	As of December 31, 2010
	S/.(000)	S/.(000)
Invoices	141,822	97,944
Notes receivable	7,143	12,394
Other receivables	3,180	756
	<u>152,145</u>	<u>111,094</u>
Less – Allowance for doubtful accounts	(13,881)	(14,377)
Net	<u><u>138,264</u></u>	<u><u>96,717</u></u>

(b) As of September 30, 2011 and December 31, 2010, the aging of the trade accounts receivable balance is as follows:

	As of September 30, 2011	As of December 31, 2010
	S/.(000)	S/.(000)
Not Due	88,067	77,249
Due		
Between 1 to 30 days	25,787	4,968
Between 31 to 90 days	21,516	6,367
Between 91 days and above	16,775	22,510
	<u>152,145</u>	<u>111,094</u>

(c) In Management's opinion, based on the allowance for doubtful accounts assessment, the due accounts receivable represent the amount of the provision made as of September 30, 2011 and December 31, 2010.

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Notes to the interim consolidated financial statements (continued)

5. Other accounts receivable, net

(a) The item is made up as follows:

	As of September 30, 2011	As of December 31, 2010
	S/.(000)	S/.(000)
Claims for tax refund	23,145	30,155
Other claims and other receivables	5,448	6,067
Claim to Embonor Holdings S.A.	4,343	4,343
Loans to employees	3,296	2,209
Accruals	1,638	1,702
Legal deductions and claims to council	1,477	1,478
Distributors	1,446	1,123
	<u>40,793</u>	<u>47,077</u>
Allowance for doubtful accounts	<u>(1,638)</u>	<u>(1,702)</u>
	39,155	45,375
Derivatives financial instruments		
Cash flow hedge, note 22 (iii)	4,792	34,342
Credit line applied to sugar contracts	9,073	427
Total	<u><u>53,020</u></u>	<u><u>80,144</u></u>
By maturity -		
Current portion	36,667	63,451
Non-current portion (b)	16,353	16,693
Total	<u><u>53,020</u></u>	<u><u>80,144</u></u>

(b) The non-current portion comprises:

	As of September 30, 2011	As of December 31, 2010
	S/.(000)	S/.(000)
Claims for tax refund	14,876	15,215
Legal deductions and claims to council	1,477	1,478
	<u>16,353</u>	<u>16,693</u>

In Management's opinion and that of its legal advisors, these balances are expected to be recovered in the medium term.

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Notes to the interim consolidated financial statements (continued)

6. Inventories, net

(a) This item is made up as follows:

	As of September 30, 2011 S/.(000)	As of December 31, 2010 S/.(000)
Finished goods	65,422	40,496
Raw and auxiliary materials	52,622	76,171
Packaging materials	38,828	32,988
Supplies and spare parts (b)	31,719	31,493
Inventories in transit	24,572	14,977
Product in process	7,596	6,052
Advertising material (c)	4,962	5,049
Goods for resale	1,698	1,771
	<u>227,419</u>	<u>208,997</u>
Less		
Allowance for obsolescence	<u>(3,286)</u>	<u>(4,171)</u>
	<u><u>224,133</u></u>	<u><u>204,826</u></u>

(b) This balance includes items amounting to approximately S/3,499,000 and S/3,706,000 as of September 30, 2011 and December 31, 2010, respectively, acquired in previous years, which will be used by the Group to maintain its machinery and equipment during 2011 and beyond.

(c) Corresponds to the material used in advertising campaigns for new product launches and promotional campaigns for seasonal change, which will be consumed in the normal course of business operations.

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Notes to the interim consolidated financial statements (continued)

7. Property, plant and equipment, net

(a) The compositions and movement of this item is presented below:

	Lands	Buildings and other constructions	Machinery and equipment	Furniture and fixtures	Transport unit
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Cost					
Balance as of January 1	94,226	232,760	627,207	32,387	22,599
Additions	442	892	7,880	175	982
Sales and/or withdrawals	-	-	(1,183)	(1,063)	(1,072)
Transfers	-	6,641	8,943	194	2,652
Reclassifications	6,766	42	-	-	2
Total cost	101,434	240,335	642,847	31,693	25,163
Accumulated depreciation					
Balance as of January 1	-	102,998	420,083	21,332	17,028
Additions (b)	-	4,854	21,746	981	2,012
Sales and/or withdrawals	-	-	(1,053)	(914)	(758)
Reclassifications	-	(1)	1	-	1
Total accumulated depreciation	-	107,851	440,777	21,399	18,283
Allowance for impairment of fixed assets					
Balance as of January 1	3,858	10,831	1,479	282	-
Additions (c)	-	-	-	-	-
Withdrawals and other adjustments	-	-	-	-	-
Transfers	146	(206)	529	(282)	-
Total allowance for impairment of fixed assets	4,004	10,625	2,008	-	-
Net value	97,430	121,859	200,062	10,294	6,880

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Notes to the interim consolidated financial statements (continued)

- (b) The depreciation expenses have been recorded in the following captions of the income statement:

	As of September 30, 2011	As of September 30, 2010
	<u>S/.(000)</u>	<u>S/.(000)</u>
Cost of sales, note 16	48,800	42,585
Selling expenses, note 16	25,481	18,570
Administrative expenses, note 16	3,017	3,312
Others, net, note 17	20,076	22,964
	<u>97,374</u>	<u>87,431</u>

- (c) The Group, based on the results of its financial projections of earnings and cash flows, has made an assessment of indicators of impairment of some assets that make up this item, and considers that the allowance for impairment of fixed assets as of September 30, 2011 is sufficient and increases are unlikely. The present value of the financial projections has been calculated using a discount rate that reflects the changing value of money over time on the market.
- (d) In 2004 the Group transferred in trust domain machinery and real estate, and provided with its subsidiaries the trust estate to ensure compliance with certain financial obligations. As of September 30, 2011, the net cost of the machinery and real estate transferred in trust domain totaled approximately S/3,287,000 and S/165,472,000, respectively (S/3,431,000 and S/162,098,000 as of December 31, 2010, respectively) see note 11.

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note

Notes to the interim consolidated financial statements (continued)

8. Intangibles, net

(a) The compositions and movement of this item is presented below:

	As of September 30, 2011			
	Software licenses and other projects	Franchise rights and concessions	Goodwill (c)	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Cost				
Balance as of January 1	21,206	5,179	305,555	331,940
Additions	931	-	-	931
Total cost	22,137	5,179	305,555	332,871
Accumulated amortization				
Balance as of January 1	20,128	2,155	-	22,283
Additions (b)	722	194	-	916
Total accumulated amortization	20,850	2,349	-	23,199
	1,287	2,830	305,555	309,672

(b) The amortization expenses have been recorded in the following captions of the income statement:

	As of September 30, 2011	As of September 30, 2010
	S/.(000)	S/.(000)
Administrative expenses, note 16	711	1,422
Selling expenses, note 16	189	189
Cost of sale, note 16	16	21
	916	1,632

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Notes to the interim consolidated financial statements (continued)

- (c) This item corresponds to the result of the merger and the consolidation of the bottling system, as explained in note 1 of the notes to the interim consolidated financial statements, and for the amount paid in excess when the Group acquired the authorized bottlers that existed in Peru, just before beginning of the project for the restructuring and control of Peruvian territory by the Company and Embotelladora Latinoamericana S.A. (ELSA), initiated in 1998.

Based on the evaluation of sales and the results of its financial projections for earnings and cash flows, the management, performed an assessment of the recoverable value of goodwill as of September 30, 2011, and considers that it is not necessary to record a provision for impairment of goodwill as of that date.

- (d) In Group Management's opinion, there are no events or economic changes that indicate that the carrying amount of intangibles, other than goodwill, may not be recoverable as of September 30, 2011 and December 31, 2010.

9. Trade accounts payable

- (a) This item is made up as follows:

	As of September 30, 2011	As of December 31, 2010
	S/.(000)	S/.(000)
Invoices, less approximately S/.41,530,000 of prepayments (S/.16,917,000 of prepayments in 2010)	197,585	212,839
Notes payables to suppliers	-	826
Invoices in transit for goods and services received	26,060	15,042
	<u>223,645</u>	<u>228,707</u>

- (b) The maturity of the trade account payables is as follow:

	As of September 30, 2011	As of December 31, 2010
	S/.(000)	S/.(000)
Not due	206,828	227,137
Due	16,817	1,570
	<u>223,645</u>	<u>228,707</u>

- (c) The trade accounts payable mainly result from the acquisition of materials, supplies and production spare parts. These are denominated in local currency and foreign currency, have short term maturities, and do not generate interests. Guarantees have not been granted for these obligations.

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10. Other accounts payable

(a) This item is made up as follows:

	As of September 30, 2011	As of December 31, 2010
	<u>S/.(000)</u>	<u>S/.(000)</u>
Contingencies (b)	34,699	34,660
Tax	29,269	34,352
Bonus and accrued employee benefits	16,520	1,631
Interests payable	7,546	5,306
Deposits received for returnable bottles and boxes	7,054	7,014
Provision for advertising and marketing	5,468	4,912
Vacations payable	4,697	6,165
Payments to Directors	-	3,000
Deferred income	4,672	-
Other provisions	27,862	17,835
	<u>137,787</u>	<u>114,875</u>

(b) This item corresponds to the estimated amount of obligations of the Company to third parties for various labor and civil contingencies. These obligations mainly arise through legal procedures related to ELSA from previous years. The amount recorded corresponds to the limit of responsibility assumed by the Company as set out in clauses 9 and 10 of the Framework Agreement signed between the Company and SOCAP for the acquisition of SOCAP, in addition to what is considered by the management and its legal advisors.

Notes to the interim consolidated financial statements (continued)

11. Financial obligations

(a) This item is made up as follows:

Lender	Guarantee	Interest rate
Loans		
Citibank N.A.		
Initial loan for US\$50,000,000 (US\$9,959,064 as of December 31, 2010).	Trust assets	Libor + 3.375 per
Loan for US\$6,000,000 as of December 31, 2010.	Trust assets	Libor + 2.25 per
Promissory note for S/.15,000,000.	Without specific guarantees	3.80 percent
Promissory note for S/.55,460,000	Without specific guarantees	6.5 percent
Banco Standard Chartered		
Initial loan for US\$40,000,000 (US\$2,673,134 as of December 31, 2010).	Trust assets	Libor + 3.375 per
Loan for US\$6,000,000 as of December 31, 2010.	Trust assets	Libor + 2.25 per
Banco de Crédito del Perú		
Initial loan for US\$10,000,000 (US\$5,294,000 as of December 31, 2010)	Trust assets	6.84 percent
Promissory note for S/.35,772,000	Without specific guarantees	2.20 percent
Promissory note for S/.15,093,000	Without specific guarantees	2.20 percent
Interbank		
Promissory note for S/.27,730,000	Without specific guarantees	2.20 percent
Promissory note for S/.13,865,000	Without specific guarantees	2.70 percent
BBVA Banco Continental		
Promissory note for S/.14,045,000	Without specific guarantees	2 percent
Promissory note for S/.14,045,000	Without specific guarantees	2 percent
Promissory note for S/.27,730,000	Without specific guarantees	2.50 percent
Scotiabank Perú S.A.A.		
Promissory note for S/.12,000,000	Without specific guarantees	2.69 percent
Promissory note for S/.15,252,000	Without specific guarantees	2.65 percent
Promissory note for S/.15, 252,000	Without specific guarantees	2.62 percent
Santander		
Promissory note for S/.36,049,000	Without specific guarantees	3.16 percent
Leasings		
Scotiabank Perú S.A.A.		
Financial leases agreement for approximately S/.4,585,333	Acquired fixed assets	7.7 percent effective
Banco de Crédito del Perú		
Financial leases agreement for approximately S/.1,445,000	Acquired fixed assets	7.8 percent effective
Financial leases agreement for approximately US\$4,627,000	Acquired fixed assets	3.94 percent effective
Financial leases agreement for approximately S/.117,237,000	Acquired fixed assets	8.75 percent an

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Lender	Guarantee	Interest rate
Interbank		
Financial leases agreement for approximately S/.25,500,000	Acquired fixed assets	9.8 percent effective
Financial leases agreement for approximately S/.13,281,000	Acquired fixed assets	10.1 percent effective
Financial leases agreement for approximately S/.17,155,000	Acquired fixed assets	10.1 percent effective
Financial leases agreement for approximately S/.7,754,000	Acquired fixed assets	5.15 percent effective
Financial leases agreement for approximately S/.20,748,000	Acquired fixed assets	5.15 percent effective
BBVA Banco Continental		
Financial leases agreement for approximately S/.9,953,000	Acquired fixed assets	5.6 percent effective
Financial leases agreement for approximately S/.22,515,000	Acquired fixed assets	6.8 percent effective
Financial leases agreement for approximately S/.539,000	Acquired fixed assets	4.49 percent effective
Financial leases agreement for approximately S/.9,143,000	Acquired fixed assets	6.8 percent effective
Financial leases agreement for approximately S/.4,143,000	Acquired fixed assets	6.8 percent effective
Financial leases agreement for approximately S/.1,480,000	Acquired fixed assets	4.49 percent effective
Corporate bonds		
Issued for restructuring of the Company's financial position.		
1st issuance	Trust assets	6.75 percent effective
2nd issuance	Trust assets	8.53 percent effective
3rd issuance	Trust assets	7.03 percent effective
4th issuance	Trust assets	7.25 percent annual
6th issuance	Trust assets	7.72 percent annual
SUNAT		
Tax payment	Without specific guarantees	4.3 percent nominal
Tetra Pak S.A.		
Financing for purchase of machinery	Without specific guarantees	6.3 percent nominal
Derivatives financial instruments		
Cash flow hedge		
Currency forwards, note 22 (ii)	-	-
Sugar price swaps, note 22 (iv)	-	-
Cross Currency Swap – BBVA Banco Continental, note 22 (i)	-	-
Derivatives financial instruments not designated as hedge		
Interest rate swap – Citigroup, note 22(v)	Without specific guarantees	5.23 percent nominal

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Lender	Guarantee	Interest rate
Interest rate swap – JP Morgan N.A., note 22(v)	Without specific guarantees	5.24 percent nominal

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Notes to the interim consolidated financial statements (continued)

- (c) On July 27, 2011 the General Assembly of Bondholders approved certain changes in the financial covenants related to the debt and debt coverage ratio, as well as the definition of "Redemption Option" contained in Section 4.01 of clause IV "Terms and conditions of the sixth issue" of the Supplementary Contract of the Sixth Issue of Corporate Bonds. In Management opinion, as of September 30, 2011, the Company has complied with its commitments and financial indicators.
- (d) On August 2, 2011, the Company performed the payment of its current debt related to Citibank N.A., Banco Standard Chartered and Banco de Crédito del Perú amounting to S/.21,301,000, S/.5,717,000 and S/.11,324,000, respectively.
- (e) As of September 30, 2011 certain financial leases amounting to approximately S/.66,515,000 and S/.24,669,000 signed with BBVA Banco Continental and Interbank, respectively no accomplished with certain financial covenants contained in those financial lease agreements. On September 2011 the Company received from those banks waivers for the breach of such financial covenants.

12. Income tax

- (a) The expense for income tax presented in the interim consolidated statement of income as of September 30, 2011 and 2010 is composed as follows:

	As of September 30, 2011 S/.(000)	As of September 30, 2010 S/.(000)
Income tax		
Current	(28,319)	(18,630)
Deferred	6,699	(4,360)
	<u>(21,620)</u>	<u>(22,990)</u>

- (b) During the year 2011, the deferred income tax has been calculated based on temporary differences between book and tax basis of assets and liabilities. The composition and movement of this item is presented below:

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Notes to the interim consolidated financial statements (continued)

	As of December 31, 2010 S/.(000)	Income (expense) S/.(000)	Net equity S/.(000)	As of September 30, 2011 S/.(000)
Deferred asset				
Other provisions	17,671	5,339	-	23,010
Derivatives financial instruments	(13,208)	1,705	2,289	(9,214)
	<u>4,463</u>	<u>7,044</u>	<u>2,289</u>	<u>13,796</u>
Deferred liability				
Voluntary revaluation of fixed assets, net	(13,094)	(2,087)	-	(15,181)
Net cost of introducing packaging	(15,689)	(1,692)	-	(17,381)
Difference in depreciation rates	(3,459)	3,434	-	(25)
	<u>(32,242)</u>	<u>(345)</u>	<u>-</u>	<u>(32,587)</u>

13. Shareholder's equity

(a) Capital stock –

As of September 30, 2011 and December 31, 2010, the capital stock is represented by 580,981,459 common shares integrally subscribed and paid, whose nominal value is of S/.1.00 per share, of which 223,774,704 are Series "A", 329,870,528 are Series "B" and 27,336,227 are Series "C", all with the same rights and obligations, except those of the series "A", which propose the Finance Manager, two incumbent directors and alternates, while the Series "B" and "C" appoint the General Manager and the other directors.

As of September 30, 2011, the structure of the ownership in the Company is presented below:

Individual participation percentage of capital	Number of shareholders	Number of shares A, B y C	%
Less than 5 percent	374	14,020,361	8.37
Between 5.01 up to 44 percent	1	258,354,104	38.52
Between 44.01 up to 53 percent	1	308,606,994	53.11
Total	<u>376</u>	<u>580,981,459</u>	<u>100</u>

(b) Investment shares -

As of September 30, 2011 and December 31, 2010, the investment shares, subscribed in the Lima's Stock Exchange Market, are represented by 71,965,514 shares which are negotiable. The stock market quotation per investment share as of September 30, 2011 is S/.1.50 per share (S/.2.20 as of December 31, 2010).

Notes to the interim consolidated financial statements (continued)

According to law, the investment shares are issued in the name of each holder, and may be redeemed in agreement with the Group. They have some preference in the payment of dividends and do not have access to the Board or General Meetings of Shareholders.

Holders of investment shares are entitled to make contributions to increase investment shares account only in order to maintain proportionality in capital stock, in cases of increases due to new contributions, and if increases by public subscription, the holders have first option to subscribe for not less than ten percent of such increases.

(c) Legal reserve -

According to the General Corporate Law, a required minimum percentage of 10 percent of disposable earnings of each year must be transferred to a legal reserve until it reaches an amount equivalent to 20 percent of the capital stock. The legal reserve can compensate losses or can be capitalized. In both cases, it is mandatory to replenish it.

14. Tax situation and contingencies

- (a) The Group is subject to the Peruvian tax system. As of September 30, 2011 and December 31, 2010, the income tax rate was 30 percent of taxable income.

Companies not domiciled in Peru and individuals must pay an additional tax of 4.1 percent over received dividends.

- (b) Since year 2010, the capital gains resulting from the disposal of real estate values through centralized negotiation mechanism in Peru are taxable.

In this context, the Income Tax Law indicated that, to establish the income tax produced by the disposal of marketable securities acquired before January 1, 2010, the taxable cost of those values will be the quote price at the year end taxable 2009 or the acquisition cost or the equity value, whichever is greater.

This rule is applicable for entities when the marketable securities will be disposed inside or outside of a centralized negotiation mechanism.

Also, when the disposal have been made, redemption or share and participation rescue, acquired or received by the tax person in different ways and opportunities, the taxable cost will be composed by the weighted average cost. The weighted average cost will be equivalent to the result obtained by dividing the taxable cost related to the acquired marketable security in a specific moment by the number of shares and the total acquired shares.

Notes to the interim consolidated financial statements (continued)

- (c) With the purpose of determining the income tax and the value added tax, the transfer prices among related parties and for transactions with companies domiciled in countries considered tax havens, prices should be supported by documentation containing information about the valuation methods applied and criteria used in its determination. Based on an analysis of the Group's operations, Group Management and its legal advisors do not believe that the new regulations will result in significant contingencies for the Group as of September 30, 2011 and December 31, 2010.
- (d) Tax authority is legally entitled to review, and if applicable, adjust the income tax and value added tax computed by the Group and the related parties absorbed by Lindley during the four subsequent years to the year of the related tax return filing. The income tax and value added tax returns of the Group and the related parties that are pending review by the Tax Authority are the following:

Company	Years open to fiscal review	
	Income tax	Value added tax
Corporación Lindley S.A.	2008 to 2010	2008 to 2010
Embotelladora La Selva S.A.	2006 to 2010	2006 to 2010

- (e) Due to various possible interpretations of current legislation, it is not possible to determine whether or not future reviews will result in tax liabilities for the Group. In the event that additional taxes payable, interest and surcharges result from tax authority reviews, they will be charged to expense in the period assessed and paid. However, in Management's and its legal advisors' opinion, any additional tax assessment would not be significant to the consolidated financial statements as of September 30, 2011 and December 31, 2010.
- (f) As of September 30, 2011, there are claims to the Tax Authority and other legal and labor proceedings request by the Group for approximately S/.65 million and US\$2.8 million (approximately S/.78 million and US\$1.7 million as of December 31, 2010) that are pending of final judicial verdict. Management and its legal advisors consider that these processes will likely have an unfavorable result for the Group amounting to approximately S/34,669,000 (S/34,660,000 as of December 31, 2010), which have been recognized by the Group, see note 10(b); also estimate that the demands classified as remote or possible will be resolved favorably for the Group.

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Notes to the interim consolidated financial statements (continued)

15. Net sales

(a) This item is made up as follows:

	As of September 30, 2011	As of December 31,2010
	S/.(000)	S/.(000)
Carbonated	1,181,672	1,065,750
Water	164,609	141,965
No carbonated	154,595	133,853
Others	5,304	4,333
	<u>1,506,180</u>	<u>1,345,901</u>
Less discounts	<u>(235,189)</u>	<u>(229,006)</u>
	<u><u>1,270,991</u></u>	<u><u>1,116,895</u></u>

(b) As of September 30, 2011 and 2010, 190 and 172 million units, respectively, were sold. (Unaudited).

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Notes to the interim consolidated financial statements (continued)

16. Costs and expenses by nature

The classification of the expenses by its nature for the years ended as of September 30, 2011 and 2010 is presented below:

	Cost of sales		Sales expenses	
	As of September 30, 2011 S/.(000)	As of September 30, 2010 S/.(000)	As of September 30, 2011 S/.(000)	As of September 30, 2010 S/.(000)
Opening balance of finished goods, product in process and goods, note 6	48,319	32,572	-	-
Consumption of raw materials and other and purchase of goods	781,369	653,144	-	-
Labor expenses	71,763	61,113	41,782	33,719
Third party services provided	54,785	48,605	97,639	82,953
Advertising and promotion	-	-	52,784	49,706
Taxes and others	1,126	1,079	949	795
Depreciation, note 7(b)	48,800	42,585	25,481	18,570
Amortization, note 8(b)	16	21	188	189
Other provisions	3,459	3,320	2,252	1,975
Less: Ending balance of finished goods, product in process and goods, note 6	(74,716)	(51,620)	-	-
	<u>934,921</u>	<u>790,819</u>	<u>221,075</u>	<u>187,907</u>

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Notes to the interim consolidated financial statements (continued)

17. Other income and expenses

This item is made up as follows:

	As of September 30, 2011 S/.(000)	As of September 30, 2010 S/.(000)
Other operating income		
Sale of bottles and boxes	22,725	28,120
Sale of services, raw materials, advertising material and others	20,645	12,392
Sale of property, plant and equipment	5,975	20,341
Services provided by third parties and similar	1,996	568
Various	807	912
	<u>52,148</u>	<u>62,333</u>
Other expenses		
Depreciation of packaging and others, note 7(b)	(20,076)	(22,964)
Retirements of inventories, bottles and boxes	(14,885)	(17,981)
Provisions for contingencies, termination of personnel and others	(7,786)	(13,657)
Net cost of disposal of properties, plant and equipment	(2,408)	(13,455)
Cost of sale of services, raw materials, advertising material and others	(1,390)	(2,050)
	<u>(46,545)</u>	<u>(70,107)</u>

18. Financial income and expenses

This item is made up as follows:

	As of September 30, 2011 S/.(000)	As of September 30, 2010 S/.(000)
Income		
Exchange gain	21,611	18,936
Income from deposits in bank and others	3,451	3,486
	<u>25,062</u>	<u>22,422</u>
Expenses		
Interests and expenses from long term obligations, loans and others	(30,400)	(26,120)
Exchange loss	(17,810)	(9,406)
Others	(150)	(737)
	<u>(48,360)</u>	<u>(36,263)</u>

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Notes to the interim consolidated financial statements (continued)

19. Transactions with related parties

- (a) During the period of three months ended as of September 30, 2011 and 2010, the Company has mainly performed the following transactions with related parties:

	As of September 30, 2011	As of September 30, 2010
	S/.(000)	S/.(000)
Income		
Recovery of expenses related to marketing and advertising cooperative agreement	15,159	7,089
Sale of finished goods, goods and others	544	392
Others	1,729	1,927
	<u>17,432</u>	<u>9,408</u>
Costs and expenses		
Purchase of concentrates (e)	289,899	247,440
Security services	1,910	1,725
Consulting	510	523
Advertising expenses	4	36
Others	2,320	2,152
	<u>294,643</u>	<u>251,876</u>

The Group performed its operations with its related parties under the same conditions as those performed with third parties, therefore, no differences in pricing policies or the settlement of tax base, in relation to payment, and these do not differ from policies applied to third parties.

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- (b) As a result of the transactions, the company has the following accounts receivable and payable with related parties:

	As of September 30, 2011 S/.(000)	As of December 31, 2010 S/.(000)
Trade accounts receivable		
Coca Cola Servicios del Perú S.A.	481	23
Embotelladora Bagua S.A.	319	319
	<u>800</u>	<u>342</u>
Other accounts receivable -		
Latin American Finance LLC (d)	39,345	38,043
Corporación Inca Kola Perú S.R.L.	23,067	24,219
Coca Cola Servicios del Perú S.A.	7,207	8,571
Others	140	134
	<u>69,759</u>	<u>70,967</u>
Total	<u>70,559</u>	<u>71,309</u>
Trade accounts payable		
Coca Cola Chile S.A. (e)	33,883	38,715
Corporación Inca Kola Perú S.R.L. (e)	28,000	19,182
Coca Cola Servicios del Perú S.A. (e)	16,575	14,199
Others	126	102
Total	<u>78,584</u>	<u>72,198</u>

- (c) The salary expenses of the Board members and key Management of the Group were S/.5,278,000 for the period of nine months ended September 30, 2011 (S/.5,316,000 for the period of nine months ended September 30, 2010.)
- (d) Corresponds to a loan for US\$12,550,000 granted to Latin American Finance LLC (a company incorporated in United States of America), according to contract signed in November 2009. The loan bears an annual interest rate of 7 percent and matures in the short term. The legal representative of the related parties is guarantor of the obligations. During the period of nine months ended September 30, 2011, the Group recognized interest income amounting to S/.1,754,000 (S/.1,787,000 for the period 2010).

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- (e) Corresponds to the purchase of bases and concentrates used in the production of drinks of the different brands that the related parties represent and the Group sells.

20. Fair value of financial instruments

In Group Management's opinion, the fair value of the financial instruments of the Group do not differ significantly from their respective book values and, therefore, the disclosure of this information does not have any impact for the consolidated financial statements as of September 30, 2011 and December 31, 2010.

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments and include the following:

- The cash and cash equivalents have short-term maturity and do not have significant credit or interest, for therefore the fair value of cash and cash equivalents are an approximation of their book value.
- Fair value of trade accounts receivable is similar to their book value because these accounts are mainly in short-term and are presented net of its allowance of doubtful accounts.
- Fair value of trade and other accounts payable is similar to their book value because these accounts have current maturities.
- In the case of the long-term loans, because their conditions and the interest rates that accrued are market based (when is applicable), Management believes that their carrying values do not differ significantly from their respective market fair values.
- In the case of derivatives financial instruments, these are recognized at fair value , and therefore, values are equivalent to book values.

Based in the aforementioned analysis, Management estimated that the book values of the financial instruments do not differ significantly from their estimated market value as of September 30, 2011 and December 31, 2010.

21. Earning per share

During the nine month period ended September 30, 2011 and 2010 there have been no equity transactions in the capital account and equity investment, and therefore, the number of common and investment shares outstanding and the weighted average at closing date of both periods is as follows:

Common shares	580,981,459
Investment shares	71,965,514
Total	652,946,973

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The calculation of the earnings per shares as of September 30, 2011 and 2010 is presented below:

	Net income (numerator) S/.(000)	Shares in thousands (denominator)	Earning per share S/.
As of September 30, 2011			
Basic and diluted profit per shares of the common and investment shares	17,619	652,947	0.0270
As of September 30, 2010			
Basic and diluted profit per shares of the common and investment shares	42,587	652,947	0.0652

22. Hedge and derivatives activities

The Company uses swap contracts, futures, forward contracts and cross currency swap to manage certain exposures in their transactions. These contracts, with the exception of the swap, have been designated as a hedge for cash flow and fair value. The characteristics and effects of such contracts are described as follows:

Cash flow hedge

(i) Cross currency swap

In April 2009, the Company entered into a cross currency swap contract with BBVA Banco Continental, which was designated as cash flow hedges. The detail of these operations is as follows:

Entity	Description	Reference value	Interest rate	Maturity
Corporación Lindley S.A.	Receive US\$ - Pay S/.	S/54,982,000	7.05%	April 28, 2014
BBVA Banco Continental	Receive S. - Pay US\$	US\$17,600,000	Libor 3m + 2.25%	April 28, 2014

The swap is being used to hedge exposure to changes in cash flow of the syndicated loan to 3-month Libor plus a margin of 2.25 percent described in note 11.

The Company pays or receives a quarterly basis (on each interest payment date of the loan) the difference between the market Libor rate applied to the loan in that period and the fixed rate agreed in the hedge contract. Flows, received or paid by the Company, are recognized as an adjustment of financial expense for the period coverage. As of September 30, 2011, the Company has recognized a greater financial expense on these contracts amounting to S/6,630,000 (S/2,316,000 as of September 30, 2010) and are presented in caption "Loss from derivative financial instruments" in the consolidated income statement, also because on March 30, 2011, the Company made the prepayment of the syndicated loan related to the hedge of the cross currency swap, so hedge

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accounting of the instrument has been discontinued prospectively and the changes in fair value of the instrument are included in the consolidated statement of income.

(ii) Forward contracts

The existing forward contracts have been designated to hedge the future liability positions in foreign currencies mainly as a result of the existing contracts with suppliers. The Company has recognized as liability, taking as counterpart the caption "Net unrealized gain on hedging derivative contracts" in the consolidated statement of changes in equity, the fair value of these contracts (see note 11). As of June 30, 2011 these contracts were cancelled (liability amounting to S/.1,472,000 as of December 31, 2010). As of September 30, 2011, the Company recognized a greater financial expense on these contracts amounting to S/.2,133,000. This is presented as part of the "Financial expense" in the consolidated statement of income.

(iii) Future contracts

Beginning in July 2008, the Company began hedging operations related to the volatility of sugar prices, the main raw material used for their products. The Company acquired futures sugar contracts in recognized markets (London and New York). This activity required that the Company has a credit line of US\$4 million in the BNP Paribas - Panama for a period of 2 years to cover open positions and market price changes. In addition, the Company signed a contract with BNP Paribas Commodity Futures Inc. - company incorporated in New York to act as a broker, who settled and recorded periodically the contracts (revolving). The funds used as credit for the derivative options are given as collateral. The amount of this credit as of September 30, 2011 is S/. 9,073,000 See note 5 (S/.427,000 as of December 31, 2010). As of September 30, 2011, the Company maintains open positions in 1,880 contracts of 1,560 of 50 TM, and 320 of 1,120 pounds each, with a market value of approximately US\$58,328,000. The fair value of these contracts is amounting to S/.4,792,000 as of September 30, 2011. (S/.29,464,000 as of December 31, 2010) See note 5.

As of September 30, 2011, the current contracts with this entity are as follows:

<u>Maturity</u>	<u>Pounds (Lb)</u>	<u>Number of contracts</u>	<u>Fair value US\$/Lb</u>
New York			
March 2012	1,120	(35)	25.29
October 2012	1,120	265	23.36
May 2013	1,120	10	22.69
March 2014	1,120	50	22.32
May 2014	1,120	30	21.79

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Maturity	MT	Number of contracts	Fair value US\$ / TM
London			
December 2011	50	425	663.30
March 2012	50	263	648.20
May 2012	50	102	643.10
August 2012	50	281	635.40
October 2012	50	409	628.00
December 2012	50	50	624.80
March 2013	50	20	617.00
May 2013	50	10	603.50

(iv) Sugar price contracts

In August 2011, the Company acquired three sugar price swaps agreements with Citigroup Global Markets, these contracts will expire on November 2011. As of September 30, 2011, the fair value of these contracts is an asset for approximately US\$30,000 (an asset for approximately US\$1,737,000 as of December 31, 2010) as part of other account receivable caption.

As of September 30, 2011, the current contracts with the Citigroup are as follows:

Maturity	TM	Fair value US\$ / TM
Houston		
November 2011	500	38.79
November 2011	250	43.78

In February 2011, the Company began other sugar price swaps agreements with BNP Paribas Commodity Futures Inc. As of September 30, 2011, the fair value of these contracts is a liability for approximately US\$ 251,135. (As of December 31, 2010 an asset for approximately S/4,878,000 or US\$7,136,000).

As of September 30, 2011, the current contracts acquired in February 2011 with BNP Paribas Commodity Futures Inc. are as follows:

Maturity	TM	Fair value US\$ / TM
New York		
November 2011	-	(97.696)
November 2011	3,150	94.185
November 2011	-	(247.624)

The cash flow hedge has been assessed by Management by the method of correlation analysis of variations between the derivative (the future) and the underlying asset (spot price or the price of maturing). Management believes that this is the best method to reflect the objective of risk management in relation to the hedge.

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Notes to the interim consolidated financial statements (continued)

The effectiveness of these contracts has not been observed and the supporting documentation has been enhanced because there has been no significant element of ineffectiveness at the date of the consolidated statement of financial position.

Changes in the fair value of derivative financial instruments related to hedging activity as of September 30, 2011 and 2010, have been recognized as assets or liabilities, taking as counterpart the caption "Net unrealized gain on hedging derivative contracts" in the consolidated statement of changes in equity.

Derivatives not designated as hedging instruments

(v) Interest rate swap

During April 2006, Company's Management entered into two swap agreements for interest rate insurance to cover the loan interest rate indicate in note 11.

These contracts are not designated as cash flow or fair value and do not qualify for hedge accounting. Accordingly, the Company terminated a portion of them in 2009.

As of September 30, 2011 and December 31, 2010, changes in fair value of these interest rate swaps contracts have been recognized as liabilities in the consolidated statement of financial position in the caption "Financial obligations" amounting to S/.1,916,000 and S/.4,042,000, respectively, see note 11; the balance includes the effect of S/.2,259,000 of the payments settled in 2011 and has recognized a loss amounting to S/.133,000 (S/.4,363,000 of payments settled, and a loss amounting to S/.1,486,000 as of December 31, 2010, respectively), which is part of the caption "Loss of derivative financial instruments " in the consolidated statement of income.

23. Commitment

In previous years, the Company signed private agreements without term defined with Peruvian banks to guarantee financial obligations of certain customers related to the acquisition of trucks. Those guarantees will become in obligations for the Company in case any of them (customers) do not pay its obligations to the bank. In case of this event occurs, said private agreements transfer to the Company the whole rights and obligations pending related to those leasing agreements signed between the customers and the banks. As of September 30, 2011 the amount of the obligations of its customers for this concept is amounting to approximately S/.34,342,060 (unaudited) (S/.42,067,000 (unaudited) as of December 31, 2010.)

Translation of interim unaudited consolidated financial statements originally issued in Spanish - see note 24

Notes to the interim consolidated financial statements (continued)

24. Explanation added for English language translation

The accompanying translated interim consolidated financial statements were originally issued in Spanish and are presented on the basis of accounting principles generally accepted in Peru, as described in note 2 of the audited consolidated report of 2010. Certain accounting practices applied by the Company that conform to generally accepted accounting principles in Peru may not conform in a significant manner with generally accepted accounting principles applied in other countries. In the event of a discrepancy, the Spanish language version prevails.

Translation of a report and consolidated financial statements originally issued in Spanish – See note 26

**Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and
Subsidiary**

Consolidated financial statements as of December 31, 2010 and 2009 together with the report of independent auditors

Translation of a report and consolidated financial statements originally issued in Spanish – See note 26

Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary

Consolidated financial statements as of December 31, 2010 and 2009 together with the report of independent auditors

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Report of Independent Auditors

To the Shareholders of **Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.)**

We have audited the accompanying consolidated financial statements of **Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary** (together the "Group"), which comprise the consolidated statement of financial position as of December 31, 2010 and 2009, the consolidated statements of income, changes in equity and cash flows for the three years in the period ending December 31, 2010, 2009 and 2008 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting principles in Peru and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with generally accepted audit standards in Peru. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements indicated above, present fairly the consolidated financial position of **Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary** in all material respects, as of December 31, 2010 and 2009, and the consolidated results of their operations and their cash

Translation of a report and consolidated financial statements originally issued in Spanish – See note 26

flows for each of the three years in the period ending December 31, 2010, 2009 and 2008 in accordance with generally accepted accounting principles in Peru.

Emphasis

As explained in the note 2(b) of the consolidated financial statements, in 2010, the Company's Management modified the accounting policy for recording and presenting worker profit sharing based on the information received from CONASEV on 25 November of 2010, the Peruvian Accounting Standards Board Resolution (CNC) N°046-2011-EF/94 dated 27 January of 2011, and the International Financial Reporting Interpretation Committee (IFRIC). The consolidated statement of financial position as of December 31, 2009 and the consolidated statement of income, changes in equity and cash flows for each of the two years in the period ending December 31, 2009 and 2008, have been modified by the Company to reflect this change in accounting policy, in accordance with generally accepted accounting principles in Peru.

Lima, Peru
February 18, 2011

Countersigned by:

/s/ Carlos Ruiz
C.P.C.C. Registration No.8016

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Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary

Consolidated Statement of Financial Position

For years ended as of December 31, 2010 and 2009

	Note	2010 S/.(000)	2009 S/.(000) Modified (note 2(b))
Assets			
Current Assets			
Cash and cash equivalents	4	42,345	35,442
Net trade accounts receivable	5	96,717	71,770
Accounts receivable from related parties	20(b)	71,309	44,454
Net current portion of other accounts receivable	6	63,451	33,182
Net Inventories	7	204,826	147,298
Prepaid expenses		1,600	1,574
		<hr/>	<hr/>
Total Current Assets		480,248	333,720
Available for sale non-financial assets	8(j)	7,525	-
Non-Current Assets			
Long term other accounts receivable	6	16,693	17,824
Net property, plant and equipment	8	752,661	627,623
Net Intangibles	9	309,657	310,899
Deferred income tax asset	13(b)	4,463	19,708
Other assets		1,992	1,621
		<hr/>	<hr/>
Total Non-Current Assets		1,085,466	977,675
		<hr/>	<hr/>
Total Assets		1,573,239	1,311,395

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Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary

Consolidated Statement of Income

For years ended as of December 31, 2010, 2009 and 2008

	Note	2010 S/.(000)	2009 S/.(000) Modified (note 2(b))	2008 S/.(000) Modified (note 2(b))
Net sales	16	1,538,049	1,428,780	1,258,422
Other operating income	18	69,177	54,359	43,402
Cost of sales	17	(1,089,591)	(989,819)	(867,518)
Gross profit		<u>517,635</u>	<u>493,320</u>	<u>434,306</u>
Selling expenses	17	(257,268)	(235,297)	(207,266)
Administrative expenses	17	(65,516)	(60,742)	(52,006)
Other expenses	18	(94,424)	(81,072)	(68,127)
Operating income		<u>100,427</u>	<u>116,209</u>	<u>106,907</u>
Financial income	19	25,943	44,665	36,046
Financial expenses	19	(54,936)	(52,549)	(75,483)
Net loss from financial instruments	24	(1,486)	(627)	(9,714)
Income before income tax		<u>69,948</u>	<u>107,698</u>	<u>57,756</u>
Income tax	13(a)	(32,290)	(45,499)	(28,132)
Net income		<u>37,658</u>	<u>62,199</u>	<u>29,624</u>
Attributable to:				
Equity shareholders of Lindley		37,543	61,982	29,603
Non-controlling interests		115	217	21
		<u>37,658</u>	<u>62,199</u>	<u>29,624</u>
Earnings per share for net income basic and diluted	22	<u>S/0.0575</u>	<u>S/0.0949</u>	<u>S/0.0453</u>
Weighted average number of shares outstanding attributable to equity shareholders (in thousands of shares)	22	<u>652,947</u>	<u>652,947</u>	<u>652,947</u>

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Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary

Consolidated Statement of Changes in Equity

For years ended as of December 31, 2010, 2009 and 2008

	Attributable to equity holders		
	Number of shares in thousands	Capital stock S/.(000)	Investment shares S/.(000)
Balance as of January 1, 2008 (Modified, note 2(b))	580,981	580,981	71,966
Unrealized loss for changes in fair value of derivatives under cash flow hedges, note 24	-	-	-
Net income	-	-	-
Balance as of December 31, 2008 (Modified, note 2(b))	580,981	580,981	71,966
Gains unrealized by changes in fair value of derivatives under cash flow hedge, note 24	-	-	-
Effect of deferred income tax on unrealized gains by changes in fair value of hedges to cash flow, note 13(b)	-	-	-
Net income	-	-	-
Balance as of December 31, 2009 (Modified, note 2(b))	580,981	580,981	71,966
Gains unrealized by changes in fair value of derivatives under cash flow hedge, note 24	-	-	-
Effect of deferred income tax on unrealized gains by changes in fair value of hedges to cash flow, note 13(b)	-	-	-
Net income	-	-	-
Balance as of December 31, 2010	580,981	580,981	71,966

Translation of a report and consolidated financial statements originally issued in Spanish – See note 26

Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary

Consolidated Statement of Cash Flows

For years ended as of December 31, 2010, 2009 and 2008

	2010 S/.(000)	2009 S/.(000) Modified (note 2(b))	2008 S/.(000) Modified (note 2(b))
Operating Activities			
Collection from clients and others	1,958,946	1,810,885	1,565,925
Payments to suppliers of goods and services	(1,135,236)	(1,062,456)	(899,039)
Salaries and benefits	(204,218)	(170,964)	(145,668)
Taxes	(454,545)	(407,500)	(336,664)
Interests and other payments	(22,084)	(34,034)	(17,725)
Increase in cash and cash equivalents provided by operating activities	<u>142,863</u>	<u>135,931</u>	<u>166,829</u>
Investing Activities			
Collection from property sales, plants and equipment	41,726	24,050	21,649
Purchases of property, plant and equipment	(161,720)	(157,623)	(175,945)
Purchases of intangibles	(869)	(1,145)	(659)
Decrease in cash and cash equivalents used in investing activities	<u>(120,863)</u>	<u>(134,718)</u>	<u>(154,955)</u>
Financing Activities			
Banks and shareholder loans	68,980	124,400	138,410
Payment of financial obligations	(62,052)	(89,511)	(144,683)
Interest	(22,025)	(22,099)	(14,586)
Increase (decrease) in cash and cash equivalents provided by (used in) financing activities	<u>(15,097)</u>	<u>12,790</u>	<u>(20,859)</u>
Net increase (decrease) in cash and cash equivalents	6,903	14,003	(8,985)
Cash and cash equivalents at the beginning of the year	<u>35,442</u>	<u>21,439</u>	<u>30,424</u>
Year-end cash and cash equivalents	<u>42,345</u>	<u>35,442</u>	<u>21,439</u>

Translation of a report and consolidated financial statements originally issued in Spanish – See note 26

	2010 S/.(000)	2009 S/.(000) Modified (note 2(b))	2008 S/.(000) Modified (note 2(b))
Reconciliation of net income to cash and cash equivalents provided by operating activities			
Net income	37,658	62,199	29,624
Plus adjustments to net income of the year:			
Depreciation	115,930	88,290	82,133
Amortization	2,111	1,557	1,383
Allowance for doubtful accounts	401	1,213	491
Allowance for obsolescence	1,581	2,356	2,849
Allowance for depreciation of fixed assets and intangibles	-	1,240	2,364
Recovery of previous years provisions	-	(1,808)	-
Deferred income tax	3,038	2,389	(4,514)
Gain from property, plant and equipment sales	(41,726)	(13,859)	(14,125)
Loss related to derivative financial instruments	1,486	627	7,026
Various provisions and other	11,907	16,641	9,153
Interest	22,025	22,099	33,440
Exchange difference	(3,048)	(15,009)	7,267
	<u>151,363</u>	<u>167,935</u>	<u>157,091</u>
Debits and credits for net changes in operating current assets and liabilities			
Decrease (increase) in operating assets			
Trade accounts receivable	(25,323)	(26,004)	(8,108)
Accounts receivable from related parties	(26,855)	(27,944)	283
Other accounts receivable	(30,283)	10,493	(11,004)
Inventories	(56,855)	960	(21,894)
Prepaid expenses	(26)	4,355	(11,179)
Increase (decrease) in operating liabilities			
Trade accounts payable	73,985	(7,930)	25,453
Accounts payable to related parties	45,808	(2,509)	8,587
Other accounts payable	11,049	16,575	27,600
	<u>142,863</u>	<u>135,931</u>	<u>166,829</u>
Increase in cash and cash equivalents, provided by operating activities			
	<u>142,863</u>	<u>135,931</u>	<u>166,829</u>
Transactions that did not affect cash flows:			
Unrealized losses on hedge agreements	20,595	19,440	4,905
Acquisition of property, plant and equipment through financial lease contracts	115,137	62,378	-

Translation of a report and consolidated financial statements originally issued in Spanish – See note 26

Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A.) and Subsidiary

Notes to the consolidated financial statements

For years ended as of December 31, 2010 and 2009

1. Identification and Economic Activity

(a) Identification -

Corporación Lindley S.A. (formerly Corporación José R. Lindley S.A., hereinafter "the Company" or "Lindley") is a Peruvian public company formed on the basis of Fábrica de Aguas Gaseosas La Santa Rosa, a company incorporated in 1910 that would become José R. Lindley e Hijos S.A. in November 1928. On February 22, 1960, Inmobiliaria Lintab S.A. was incorporated, absorbing José R. Lindley e Hijos S.A. and other related companies through a reorganization process. In April 1997, Inmobiliaria Lintab S.A. changed its name to Corporación José R. Lindley S.A.. On June 15, 2010, Corporación José R. Lindley S.A changed its name to Corporación Lindley S.A. The principal shareholders of the Company are (1) two members of the Lindley family, who hold 59.07 percent of the Company's representative shares; and (2) Perú Beverage Limitada S.R.L., a subsidiary of The Coca-Cola Company, which owned 38.52 percent of the Company's capital as of December 31, 2010 and 2009.

The Company's legal domicile is Jr. Cajamarca No. 371, Rímac, Lima, Perú.

The consolidated financial statements as of December 31, 2010 and 2009 include the financial statements of Lindley and its subsidiary Embotelladora La Selva S.A. (hereinafter "ELSSA" or "Subsidiary"), in which Lindley has control and an equity interest of 93.20 percent (hereinafter called "the Group"). ELSSA is a Peruvian public company that was incorporated on June 23, 1967 and has the same economic activity as the Company.

(b) Economic Activity -

The Group's primary activity is the production, bottling, distribution and sale of soft drinks, carbonated water, fruit pulps and nectars, the trademarks of which are obtained through franchise agreements and owned by related parties, such as Corporación Inca Kola Perú S.R.L., Schweppes Holdings Limited and The Coca-Cola Company. The Group expects that the franchise agreements will be renewed in April 2015 at the expiration of their current term.

The Company recently consolidated the bottling systems of the Coca Cola and Inca Kola products in Peru through mergers and acquisitions with the bottler of The Coca Cola Company brands in southern Peru, Lima and Trujillo, and with Embotelladora Piura S.A., strengthening the Peruvian market for these brands and achieving a superior market structure.

The Company registered a 4 percent or 9 million unit sales-volume increase for the year ending December 31, 2009 and an 8 percent or 16 million unit increase for the year ending December 31, 2008. (Unaudited).

The Company also operates in the Eastern region of the country through its subsidiary, Embotelladora La Selva S.A., in which the Company has a 99.9 percent equity interest.

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Notes to the consolidated financial statements (continued)

The Group has increased its share in the market for Peruvian soft drinks, despite the extremely competitive nature, largely through increased sales of the Company's leading brands, "Inca Kola" and "Coca Cola". The Group primarily sells its products to distributors located in Lima and cities in Peru's interior.

The Group's Management believes that its efficient strategy of consolidating bottling systems and strengthening brands through promotion and marketing will continue to generate positive results and will overcome accumulated losses and deficits in working capital.

The Company entered a corporate bond program for a maximum of US\$150,000,000 or the equivalent in nuevos soles to make necessary investments for growth, and to refinance, and change its financial obligations, thereby lowering costs and increasing flexibility in managing future cash flows. This program was approved by the advance registration process of the "Primer Programa de Bonos Corporativos Corporación José R. Lindley S.A." (First Corporate Bond Program Corporación Jose R. Lindley S.A.) through Executive Resolution No. 079-2007-EF/94.06.3 issued by the Comisión Nacional Supervisora de Empresas y Valores - CONASEV on December 14, 2007. In April 2008 bonds from the Primera Emisión were issued on a single series for a total amount of S/.81,690,000. In July 2008 bonds from Serie A of the Segunda Emisión were issued for a total amount of the S/.56,720,000. The Tercera Emision and Cuarta Emision were issued in April 2009 for a total amount of US\$20,000,000 and S/.30,000,000, respectively. In March 2010 the Sexta Emision was issued for a total amount of US\$20,000,000. Placement of the Quinta Emision on the amount of S/.85,000,000 approved in February 2010 is currently pending (see note 12(e)).

The consolidated financial statements as of December 31, 2009 and 2008 and for the two years ended December 31, 2009 were approved by the General Shareholder's Meeting held on March 30, 2010. The consolidated financial statements as of December 31, 2010 have been approved by the Group's Management and are expect to be approved by the Directory and General Shareholder's Meeting during the first half of the year 2011. In Management's opinion, the consolidated financial statements as of December 31, 2010 will be approved without modifications.

Translation of a report and consolidated financial statements originally issued in Spanish – See note 26

Notes to the consolidated financial statements (continued)

2. Significant Accounting Policies

The basis of preparation and accounting policies used in preparing the consolidated financial statements for the years ended December 31, 2010, 2009 and 2008 are described below. These accounting policies have been consistently applied to all periods presented, except as described in (b) below.

Significant accounting policies used in the preparation of Lindley's consolidated financial statements are set out below and were consistently applied to all of the years presented, except as described in (b) below.

The following are significant accounting policies used in preparing the consolidated financial statements of the Group:

(a) Basis of consolidation -

The consolidated financial statements as of December 31, 2010, 2009 and 2008 have been prepared following the global integration method, based on a line-by-line addition of equal parts assets, liabilities, equity, income, costs and expenses. For purposes of consolidation, the statements do not include investment balances maintained by the Company against the portion of equity of the subsidiary, account balances between Group companies, and the effects of significant transactions between them. The results of operation of the Subsidiary have been included in the consolidated financial statements since their respective acquisition date.

(b) Basis of preparation and change in accounting policy –

(i) Basis of preparation –

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Peru, which comprises International Financial Reporting Standards (IFRS) duly approved by the Peruvian Accounting Standards Board (CNC) as of December 31, 2010 and 2009 respectively. The consolidated financial statements are presented in nuevos soles (S/) and all values are recorded to the nearest S/. thousands, except when otherwise indicated.

As of the date of these consolidated financial statements, the CNC has officialized the application of the IFRS 1 to 8, the IAS 1 to 41, the SICs 7 to 32 and the IFRICs 1 to 14. In Peru, the CNC also approved the equity participation method to record the investments in subsidiaries, associates and joint ventures in the individual (not consolidated) financial statements.

The Management complied with the applicable IFRS in force in Peru in preparing and presenting the consolidated financial statements as of December 31, 2010, 2009, and 2008, except as described in numeral (ii).

Notes to the consolidated financial statements (continued)

(ii) Change in accounting policy –

In the IFRIC meeting of November 2010, the Management concluded that the workers profit sharing must be recorded in accordance with IAS 19 "Employees benefits," instead of in accordance with IAS 12 "Income taxes," as was permitted in Peru. As a consequence, an entity is only obligated to recognize a liability when the employee worked for the Company. Deferred workers profit sharing therefore must not be included because it relates to future services that will not be considered as liabilities or rights under IAS 19 as of consolidated statement of financial position date. The CONASEV adopted this IFRIC decision and communicated it to all of the entities under its supervision. Otherwise, the CNC through its resolution N°046-2011-EF/94 dated on January 27, 2011, established the adoption of this accounting change beginning year 2011, or with an option of early adoption for year 2010, as was communicated by CONASEV.

Company's Management changed its accounting policy for recording and presenting worker profit sharing as described in paragraph (s) below. The accounting change was made in accordance with IAS 8 "Accounting policies, changes in accounting, estimates and errors" and was applied retroactively to the consolidated financial statements for year 2009 and 2008, which were previously issued as follows:

As of December 31, 2009	Issued S/.(000)	Modified S/.(000)	Difference S/.(000)
Statement of financial position -			
Deferred asset for workers profit sharing	6,570	-	(6,570)
Deferred asset for income taxes	17,737	19,708	1,971
Total assets	1,315,994	1,311,395	(4,599)
Deferred liability for workers profit sharing	10,550	-	(10,550)
Deferred liability for income taxes	28,484	31,649	3,165
Total liabilities	790,851	783,466	(7,385)
Unrealized gain on cash flow hedge	14,482	14,535	53
Retained earnings	(147,272)	(144,539)	2,733
Equity	525,143	527,929	2,786
Statements of income -			
Personnel expenses	(138,066)	(154,032)	(15,966)
Income before income tax and workers profit sharing	123,664	107,698	(15,966)
Workers profit sharing	(16,763)	-	16,763
Income tax	(45,260)	(45,499)	239
Net income	61,641	62,199	(558)
Statements of cash flows -			
Operation activities:			
Deferred income tax	2,947	2,389	(558)
As of December 31, 2008	Issued S/.(000)	Modified S/.(000)	Difference S/.(000)

Translation of a report and consolidated financial statements originally issued in Spanish – See note 26

Notes to the consolidated financial statements (continued)

Statement of financial position -			
Deferred asset for workers profit sharing	7,175	-	(7,175)
Deferred asset for income taxes	19,373	21,526	2,153
Other assets	1,674	1,658	(16)
Total assets	1,129,127	1,124,088	(5,039)
Deferred liability for workers profit sharing	10,307	-	(10,307)
Deferred liability for income taxes	27,828	30,920	3,092
Total liabilities	685,012	677,798	(7,214)
Retained earnings	(208,696)	(206,521)	2,175
Equity	444,115	446,290	2,175
Statements of income -			
Personnel expenses	128,385	140,476	12,091
Income before income tax and workers profit sharing	69,847	57,756	(12,091)
Workers profit sharing	(10,586)	-	10,586
Income tax	(28,583)	(28,132)	451
Net income	30,678	29,624	(1,054)
Statements of cash flows -			
Operation activities:			
Deferred income tax	(5,568)	(4,514)	1,054

(c) Use of accounting estimates -

The preparation of consolidated financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of statement of financial position date, and the reported amount of income and expenses during the period of the report. In Management's opinion, these estimations were determined based on the better knowledge related to significant facts and circumstances as of financial statements preparation date; however, the final results could differ from the estimations included in the financial statements. Management does not expect that these variations, if present, will have a significant effect on the consolidated financial statements.

The most significant estimates made by the Management are refer to allowance for doubtful accounts, the allowance for inventories obsolescence, the useful life and recoverable amount of property, plant and equipment, intangible assets, goodwill, the valuation of the deferred income tax, the amount of the accrual related to contingencies and the derivatives financial instruments valuation. Any difference in the estimates of the real subsequent results is registered in the results of the year in which it occurs.

The accompanying consolidated financial statements are prepared using uniform accounting policies for transactions and similar events.

Notes to the consolidated financial statements (continued)

(d) Foreign currency translation -

(i) Functional and presentation currency -

The functional currency for the Group is determined by the currency of the primary economic environment. The Group has determined the nuevo sol as the functional and presentation currency of its consolidated financial statements.

(ii) Transaction and balances in foreign currency -

Transactions in foreign currency are those carried out in a currency different from the functional currency. Transactions in foreign currency are initially recorded at the functional currency using the exchange rates in effect on the transactions. Monetary assets and liabilities denominated in foreign currencies are subsequently translated into the functional currency using the exchange rate in effect as of the consolidated statement of financial position. Any gains or losses from exchange differences resulting from the settlement of these transactions and the translation of foreign currency monetary assets and liabilities at the consolidated statement of financial position date exchange rate are recognized in the consolidated statement of income.

Non-monetary assets and liabilities are translated into the functional currency at the actual exchange rate at the transaction date.

(e) Financial assets and financial liabilities -

Financial assets and liabilities include cash, trade account receivables, account receivable and payable to related parties, other account receivables, financial obligations, trade account payables and other account payables. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement that originated them. Interest, gains and losses generated by a financial instrument is recorded as income or expense.

The assets and liabilities are offset when the Group has the legal right to compensate, and Management intends to settle on a net basis or realize the asset and settle the liability simultaneously.

The accounting policies on recognition and valuation of these items are disclosed in the respective accounting policies described in this note.

Notes to the consolidated financial statements (continued)

(f) Derivatives financial instruments and hedge accounting -

The Group uses derivative financial instruments such as interest rate swaps, commodity price forwards and swaps, cross currency swaps and currency forwards to hedge its risks associated with interest rate and commodity prices and foreign currency fluctuations. Such derivative contracts are entered into and are subsequently remeasured at fair value. Derivates are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gain or losses arising from changes in fair value on derivatives are taken directly to the consolidated statement of income, except for the effective portion of cash flow hedges, which is recognized directly in equity.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk) or a portion of these assets, liabilities or firm commitment attributable to a particular risk which could affect the consolidated statement of income; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability (total or some future interest payments on variable rate debt) or a highly probable forecast transaction which could affect the consolidated income statement.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges is expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the specified criteria for hedge accounting are accounted for as follows:

Fair value hedges –

Changes in the fair value of the hedged item attributable to the hedged risk are adjusted to the carrying value of the hedged item and are recognized as gain or loss in the consolidated statement of income.

Notes to the consolidated financial statements (continued)

For fair value hedges relating to items carried at amortized cost, the adjustment to the carrying amount is amortized against the results of the year according to the maturity of the hedged items. Amortization may begin as soon as they make the adjustment and must begin no later than the hedged item ceases to be adjusted for changes in fair value attributable to the risk being covered.

If the hedged item ceases to be recognized as such, the unamortized fair value is recognized immediately as income or expense.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in its fair value, that is attributable to the hedged risk, is recognized as an asset or liability with a corresponding gain or loss recognized in the consolidated statement of income.

As of December 31, 2010, 2009 and 2008, the Group has not maintained hedging instruments at fair value.

Cash flow hedges –

The effective portion of the gain or loss on the hedging derivative instrument is recognized in the equity and consolidated statement of changes in equity respectively, and the gain or loss related to the ineffective portion is immediately recognized in the consolidated statement of income.

The accumulated amounts in equity for cash flows hedging are carried out to the consolidated statement of income in the periods when the hedge item affects the profit and loss, for example, when the finance income or expense is recognized or when the forecast sale occurs. Where the hedged item is the cost of non-financial asset or financial liability, the amounts recognized in equity are transferred to the initial cost of the asset or non-financial liability.

If it expects the forecasted transaction or firm commitment does not occur, the cumulative gain or loss previously recognized in equity is transferred to the consolidated statement of income. If the hedging instrument expires or is sold, is terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in equity remains in equity until the forecasted transaction or firm commitment occurs.

As of December 31, 2010, the Group decided to hedge their exposure to risks associated with commodity price volatility by subscribing futures contracts and prices of sugar swaps. These contracts qualify as hedges pursuant to IAS 39 (see note 24). The Group also decided to hedge their exposure to risks associated with currency volatility and interest rates through the signing of currency forwards and cross currency swap, respectively. These contracts also qualify as hedges pursuant to IAS 39 (see note 24).

(g) Cash and cash equivalent -

For cash flows statement purposes, the cash and cash equivalents correspond to cash maintained in bank current accounts. These accounts are not subject to a material risk with regards to variations in its value.

Notes to the consolidated financial statements (continued)

(h) Trade and other account receivables -

Trade and other account receivables, which generally have repayment terms of up to 15 days, are expressed at transaction value, net of the allowance for doubtful accounts as appropriate, which is in accordance with the policies established by Management as described in paragraph (i) below.

(i) Allowance for doubtful accounts -

An allowance for doubtful accounts is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the receivable. For this effect, Management periodically assesses the allowance recorded, through the aging analysis of its account receivables and the collection indicators concluding that it must be provisioned all past due accounts over 90 days, except those in which there is sufficient evidence of collection. The allowance for doubtful accounts is recorded in the results of the year in which it is necessary.

In Management's opinion, this procedure permits a reasonable estimation of the allowance for doubtful accounts, with the objective of covering the loss risk related to the account receivables in accordance with the market condition where the Company develops its operations.

(j) Inventories -

Inventories are stated at the lower of average cost or net realizable value. Net realizable value is defined as the estimated sales price that Management estimates is obtainable in the ordinary course of business, less the estimated costs of placing the inventories into a ready-for-sale condition and the commercialization and distribution expenses. The cost of the products in process and finished goods includes material costs, labor expenses and the corresponding distribution of the fixed costs and production overheads (based on normal operating capacity) and excludes financing cost and exchange differences.

Supplies are valued at the lesser of cost or replacement value based on the average cost method of valuation. Inventories in transit are recorded at cost by the specific identification method.

The allowance for obsolescence is estimated for those items whose realization ceases to be probable and is determined based on individual assessment, considering the age of the items in stock and other relevant information, all in accordance with the judgment and experience of the Management.

Notes to the consolidated financial statements (continued)

(k) Available for sale non-financial assets -

Non-financial assets available for sale are recorded at acquisition cost and are valued at the lesser of cost or fair value less selling costs. Non-current assets available for sale are available in their current condition for immediate sale, and their sale is highly probable. Non-financial assets available for sale are not depreciated.

(l) Property, plant and equipment -

The property, plant and equipment caption is presented at cost, net of accumulated depreciation and the accumulated loss from impairment of these long term assets' value with the exception of certain assets, which are presented at their revalued value in accordance with the independent appraisers in previous years.

The historical acquisition cost includes purchase price, including non-refundable purchase taxes and any other expense that are directly attributable to the acquisition of the assets. Disbursements incurred after the property, plant and equipment were put into operation, such as repair and maintenance costs and refurbishments are normally charged to the results of the year in which the disbursement incurred.

Every renovation and significant improvement is capitalized as an additional cost of the property, plant and equipment when it is probable that the disbursements will result in future benefits from the use of property, plant and equipment beyond their original estimated value.

Assets that are not used in the Group's operation are recorded at book value, which is similar or less than its corresponding market value.

When assets are sold or retired, their cost and depreciation are eliminated. Any gain or loss resulting from the disposal of assets is included in the consolidated statements of income under the "Other operating income" or "Other operating expenses" caption.

Works in progress represent properties and equipments that are under construction and are recorded at cost. The constructions are not depreciated until the relevant assets are finished and operative.

Assets transferred in trust domain are kept in the caption of "Net property, plant and equipment".

In the case of the revaluated assets -- considering that they were valued through an extraordinary process and were based on appraisals by independent experts in 1996, during which time the Group was reorganizing through a merger process, and also considering that it was not the intent of the Group to adopt the alternative method under IAS 16 -- the Group has not made subsequent fair value measurements because it is assumed in essence that the method used will continue to be the method provided under IAS 16.

Notes to the consolidated financial statements (continued)

The depreciation of assets is calculated following the straight-line method, using the following estimated useful lives:

	Years
Buildings and other constructions	33
Machinery and equipment	10 y 20
Furniture and fixtures	10 y 13
Transport units	5 y 6
Bottles and boxes	2.5 y 4
Computer equipment and others	5 y 10

The useful lives and selected depreciation method of the assets are reviewed in order to ensure that the method and the period of depreciation are consistent with the economic benefit and the life expectations of the items of property, plant and equipment.

Plastic bottles and returnable glass bottles and planting of returnable glass introduced to the market by the launch of new presentations to the market and to meet the growing demand, are presented at cost and are classified as bottles in the item "Net property, plant and equipment." The depreciation of these is calculated following the straight-line method, using 2.5 years as useful lives for returnable plastic bottles, 4 years for returnable glass bottles and for the planting of the glass bottles. The depreciation of the bottles attached to the packaging plant, and the losses for destruction of these are recognized as expenses when they occur and are included in the consolidated statement of income in "Other operating income" or "Other operating expenses" caption.

Non-returnable bottles are presented in "Inventories" caption at specific acquisition cost.

(m) Leases -

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The initial costs are included as part of the item property, plant and equipment. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income. Capitalized leased assets are depreciated in the manner described in (l) above, which is consistent with the Company's policy for depreciable assets.

Notes to the consolidated financial statements (continued)

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

(n) Intangibles -

An intangible asset is recognized to the extent that it is probable that future economic benefits generated will flow to the Group and its cost can be reliably measured. The intangible and franchise concessions and rights are presented at cost less accumulated depreciation and, if applicable, the allowance for impairment of assets has been estimated.

The amortization of assets is calculated following the straight-line method, using the rates to extinguish the cost of assets at end of estimated useful life of 20 years for brands and concessions and up to 5 years for software licenses and other projects.

(o) Goodwill –

Goodwill corresponds to the excess of the cost of an acquisition over the fair value of certain subsidiary's shares of the net identifiable assets of the acquired entity at the date of acquisition. On January 1, 2006, the Management Group reassessed the useful life of goodwill, found that this is unlimited, and consequently ceased its amortization.

(p) Impairment of non-financial assets -

At the end of each period, the Group evaluates if there are indicators that a non-financial asset could be impaired. The Group prepares an estimate of the recoverable amount of the asset when events or economic changes occur that indicate that the value of non-financial assets may be impaired, or when it is required to perform the annual asset impairment test.

The recoverable amount of a non-financial asset is the greater of the fair value of the unit cash of production less the costs to sell and its value in use, and it is determined for an individual asset, unless the asset does not generate cash flows in an independent manner. When the book value of non-financial asset exceeds its recoverable value, a non-financial asset is considered impaired and it is reduced to its recoverable value. When determining the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the actual market conditions and risks specific to the asset. The impairment losses are recognized in the consolidated statement of income.

The Company performs an evaluation at each closing date in order to determine if there are indicators that the impairment losses previously recognized no longer exist or have diminished. If such indicators exist, the recoverable amount is estimated. The impairment losses previously recognized are reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset since the date that the impairment loss was last recognized. If this is the case, the book value of the asset is increased to its recoverable amount. The increased amount cannot exceed the book value that would have been determined, net of depreciation, if an

Notes to the consolidated financial statements (continued)

impairment loss had not been recognized for the asset in previous years. The reversion is recognized in the year's results unless the asset is brought to its revalued value, in which case the reversion is treated as an increase of the revaluation. After the reversion has been performed, the depreciation charge is adjusted in future periods distributing the book value of the asset throughout its remaining useful life.

As of December 31, 2010 and 2009, the Management Group considers that there are no events or economic changes, which indicate that the carrying amount of property, plant and equipment and intangibles cannot be recovered.

(q) Financial obligations -

The financial obligations are recognized at fair value, net of debt issuance costs incurred. Any difference between the fair value (net of transaction costs) and the recoverable value is recognized in the consolidated statement of income.

(r) Provision for compensation for services rendered -

The provision for compensation for services rendered, presented in "Other accounts payable" caption in the consolidated statement of financial position, comprises all indemnification rights at closing date. The payments are deposited in the institutions of the financial system chosen by the workers.

(s) Income tax and workers' profit sharing -

Current income tax and workers' profit sharing –

The asset or liability related to the current income tax is measured as the amount expected to be recovered from or paid to the tax authorities. The income tax is calculated based on the individual financial information of the Group. According to the legal norms, workers' profit sharing is calculated over the same basis as the one used to calculate current income tax.

Deferred income tax –

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at closing date.

Deferred income tax asset is recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and unused tax losses can be utilized.

Deferred income tax liability is recognized for all taxable temporary differences, except for the taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the consolidated financial statements (continued)

The carrying amount of deferred income tax asset is reviewed at each closing date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax asset is reassessed at each closing date and are recognized to the extent that it is probable future taxable profit will allow it to be recovered.

The deferred asset and liability are recognized without taking into consideration the estimated moment in which the temporal differences are eliminated.

Deferred income tax asset and liability are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on the rates and laws that have been enacted or substantively enacted at the closing date.

Deferred income tax asset and deferred income tax liability are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Group determines the deferred tax based on the tax rate on undistributed profits, recognizing any additional tax on dividends on the date the liability is recognized.

(t) Revenue recognition -

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In addition, the following recognition criteria must also be met before revenue is recognized:

Sale of goods -

Income is recognized when the significant risks and benefits of the property of the goods have been transferred to the buyer. This occurs when the good is delivered and invoiced.

Rendering of services -

Revenue from property rentals and other services rendered are recognized in the period in which the services are provided.

Interest income -

The interests are recognized in proportion to the elapsed time, so that it reflects the effective performance of the asset, unless its recoverability is uncertain.

(u) Recognition of costs and expenses -

The cost of sales that corresponds to the cost of production of the products that the Company commercializes is registered when the goods are delivered, simultaneous to the recognition of income corresponding to the sale.

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Notes to the consolidated financial statements (continued)

The financial costs are recorded as expense when they are accrued and mainly include the interest charges and other related costs incurred related to the received loans.

The other costs and expenses are recognized as they are accrued, independent to the moment of payment, and are recorded in the periods to which they are related.

(v) Provisions and contingencies -

Provisions are recognized when the Group has a present (legal) or imminent obligation as a result of a past event and it is probable that they require resources to cancel said obligation and the amount can be reliably measured. Provisions are reviewed each period and are adjusted to reflect the best estimate at closing date. When the effect of the value of money over time is important, the amount of the provision is the amount necessary to cancel the present value of the expected expenditures.

The contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of a disbursement is remote.

A contingent asset is not recognized in the consolidated financial statements but it is disclosed when its degree of contingency is probable.

(w) Earnings per share -

Basic and diluted earnings per share have been calculated over the basis of the weighted average of the common shares and investment shares outstanding to the date of the consolidated statement of financial position. As of December 31, 2010 and 2009, the Company does not have financial instruments with dilutive effect. As a result, the basic and diluted earnings per share are the same.

(x) Subsequent events -

The subsequent events at closing date that provide additional information on the Group's financial position and have a connection with events occurred and recorded at the date of the consolidated statement of financial position (adjusting events) are included in the consolidated financial statements. Significant subsequent events that are not adjusting events are disclosed in notes to the consolidated financial statements.

(y) Reclassifications –

On the consolidated financial statements of year 2009 there are the following reclassifications to be more comparative with the year 2010:

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Notes to the consolidated financial statements (continued)

Consolidated statement of financial position –

- The amount of S/4,062,000, corresponding to the payment in advance of income tax, was reclassified as "Income tax and workers' profit sharing" from "Other accounts receivable."

The Management believes that the reclassifications made enable better presentation of the consolidated financial statements and are consistent with accounting principles generally accepted in Peru.

(z) New accounting pronouncements -

- (i) International Financial Reporting Standards – IFRS internationally-issued and in force since January 1, 2011 in Peru –

The Peruvian Accounting Standards Board (CNC) through resolution N°044-2010-EF-94 dated on August 23, 2010, officialized since January 1, 2011 the application of the 2009 version of IAS 1 to 41, IFRS 1 to 8, IFRIC 1 to 19 and SICs 7 to 32 and the modifications as of May 2010 of IAS 1 to 34, IFRS 1, 3 and 7, IFRIC 12 and the transition request for the modifications that appear as a result of the IAS 27, with the possibility of early adoption under previous conditions for each modification and transitory provision related to the first adoption of IFRS.

Management is currently in the process of reviewing these standards to determine whether further adjustments are needed to adopt these standards.

- (ii) International Financial Reporting Standards - IFRS and modifications in force but not officialized by the CNC –

These standards comprise:

- IFRS 9 "Financial instruments", which amends the record and classification of financial assets and liabilities established in IAS 39 "Financial instruments: recognition and measurement", effective January 2013 and thereafter. Early adoption is permitted.
- Amendment to IFRS 7 "Financial instruments: Disclosures", which introduces new disclosure requirements when an entity fails to recognize financial assets, effective July 1, 2011 and thereafter. Early adoption is permitted.
- Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards," which introduces a new exception to the deemed cost on severe hyperinflation cases. The amendment also eliminated the effect of a fixed date for unrecognizing or recognizing gains or losses from the application of IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 9 "Financial Instruments,". Effective July 1, 2011 and thereafter, early adoption is permitted.

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Notes to the consolidated financial statements (continued)

- Amendment to IAS 12 "Income Taxes" established that deferred tax on investment property that is recorded following the fair value model of IAS 40 should be determined on the basis that their carrying amount will be recovered through the sale of such assets. Also, deferred taxes on non-depreciable assets, measured by the revaluation model of IAS 16, should be measured on the presumption of its sale. Effective January 1, 2012 and thereafter, early adoption is permitted.
- (iii) Harmonization process of the International Financial Reporting Standards - IFRS
- Through resolution N°102-2010-EF/94.01.1, CONASEV approved the complete application of IFRS issued by the International Accounting Standards Board (IASB) internationally in force, for all the entities under its supervision, according to the following schedule:
- For the listed entities incorporated in the Stock Exchange Public Register, the risk classify enterprises and other entities under CONASEV supervision different from the following point, at the audited annual information as of December 31, 2011.
 - For stock exchange markets, compensation and settlement securities institutions, intermediation agents, securities mutual funds administrative societies, investment funds, investment funds administrative societies, the securitized societies and the collective fund administrators in the annual audit information, as of December 31, 2012.

This application must include the utilization of IFRS1 "First time adoption of International Financial Reporting Standards." Management is currently in the process of assessing the impact on its operations of adopting this Resolution.

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Notes to the consolidated financial statements (continued)

3. Transactions in foreign currency

Foreign currency transactions are carried out at market exchange rates as published by the Superintendencia de Banca, Seguros and AFP. The weighted average exchange rates for the transactions in dollars were S/.2.808 for the purchase and S/.2.809 for the sale as of December 31, 2010, and S/.2.888 for the purchase and S/.2.891 for the sale as of December 31, 2009.

As of December 31, 2010 and 2009, the assets and liabilities in foreign currency were:

	2010 US\$(000)	2009 US\$(000)
Assets		
Cash and cash equivalents	783	2,625
Net trade account receivables	429	1,224
Account receivables from related parties	14,721	15,268
Net other accounts receivable	13,074	5,382
	<u>29,007</u>	<u>24,499</u>
Liabilities		
Trade account payables	61,697	31,936
Account payables to related parties	13,097	4,052
Other accounts payable	2,823	2,521
Financial obligations	81,795	69,672
	<u>159,412</u>	<u>108,181</u>
Net liability position	<u>130,405</u>	<u>83,682</u>

The Group uses derivative financial instruments to hedge the exposure to a portion of its foreign currency liability position (see notes 23 (iii) and 24).

The Group recognized a gain of S/.21,064,000 and a loss of S/.13,400,000 from exchange differences during 2010, a gain of S/.41,552,000 and a loss of S/.16,265,000 during 2009 and a gain of S/.34,776 and a loss of S/42,043 during 2008, which is presented in the caption "Finance income" and "Finance expense" in the consolidated statement of income.

4. Cash and cash equivalents

As of December 31, 2010 and 2009, cash and cash equivalents comprise bank accounts amounting to S/.42,345,000 and S/.35,442,000, respectively; these are deposited mainly in local banks, are denominated in nuevos soles and U.S. dollars, are unrestricted and generate interests at market rates.

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Notes to the consolidated financial statements (continued)

5. Net trade accounts receivable

(a) The item is made up as follows:

	2010 S/.(000)	2009 S/.(000)
Invoices	97,944	77,929
Notes receivable	12,394	7,044
Other receivables	756	798
	<u>111,094</u>	<u>85,771</u>
Less – Allowance for doubtful accounts (d)	(14,377)	(14,001)
	<u>96,717</u>	<u>71,770</u>

(b) As of December 31, 2010 and 2009, the aging of the trade accounts receivable balance was as follows:

	2010 S/.(000)	2009 S/.(000)
Not Due	77,249	53,820
Due		
Between 1 to 30 days	4,968	8,265
Between 31 to 90 days	6,367	5,900
Between 91 days and above	22,510	17,786
	<u>111,094</u>	<u>85,771</u>

(c) The balance of trade accounts receivable as of December 31, 2010 corresponds to approximately 1,555 customers (1,402 customers as of December 31, 2009), 4 of which concentrate approximately 18 percent of the Group sales and 43 percent of the accounts receivable balance as of December 31, 2010 (13 percent of sales and 31 percent of accounts receivable in 2009). These customers are important retailers of consumer products in the country, and in Management's opinion, the conditions of sale to such customers do not represent a credit risk for the Group as of December 31, 2010 and 2009. In Management's opinion, based on the allowance for doubtful accounts assessment described in (d) below, the due accounts receivable represent the amount of the provision made as of December 31, 2010 and 2009.

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Notes to the consolidated financial statements (continued)

(d) As of December 31, 2010, 2009 and 2008, the movement of the allowance for doubtful accounts was as follows:

	2010 S/.(000)	2009 S/.(000)	2008 S/.(000)
Opening balance	14,001	13,650	13,255
Additions	389	806	442
Less: recoveries and write off	(13)	(455)	(47)
Ending balance	<u>14,377</u>	<u>14,001</u>	<u>13,650</u>

In Management's opinion, the allowance for doubtful accounts adequately covers the risk of losses in the trade accounts receivable to third parties as of the date of consolidated statement of financial position.

6. Other accounts receivable

(a) The item is made up as follows:

	2010 S/.(000)	2009 S/.(000)
Claims for tax refund (b)	30,155	20,686
Claim to Embonor Holdings S.A. (c)	4,343	4,343
Loans to employees	2,209	2,499
Legal deductions and claims to council	1,478	1,585
Distributors	1,123	688
Other claims and other receivables (d)	6,067	8,881
Accruals	1,702	1,688
	<u>47,077</u>	<u>40,370</u>
Allowance for doubtful accounts (f)	(1,702)	(1,688)
	45,375	38,682
Derivatives financial instruments		
Credit line applied to sugar contracts	427	5,624
Cash flow hedge, note 24 (iii)	34,342	6,700
Total	<u>80,144</u>	<u>51,006</u>
By maturity -		
Current portion	63,451	33,182
Non-current portion (e)	16,693	17,824
Total	<u>80,144</u>	<u>51,006</u>

Notes to the consolidated financial statements (continued)

- (b) The claims for tax refund comprise:

	2010 S/.(000)	2009 S/.(000)
Claims request by ELSA	15,215	16,037
Tax to be applied	14,909	4,121
Other claims	31	528
	<u>30,155</u>	<u>20,686</u>

The claims request by ELSA to the Tax Authority, mainly correspond to tax prepayments in excess in previous years that are in resolutions process.

- (c) As part of the arrangements described in the sale and purchase contract of participations and shares held on January 29, 2004 between the Group, Embonor Holding S.A. (hereinafter "Embonor") and Embotelladora Arica Overseas, involving "SOCAP" and Coca Cola Embonor S.A., as a result of the transactions described in note 1(b), the Group may exercise the right to recover the excess of declared inadmissible claims incorporated in their assets as part of merger with ELSA, from US\$4,000,000, considering the percentage of interest acquired. Thus, the Group recorded a total of S/.4,343,000, which corresponds to the claim that Management has requested as restitution to Embonor Holdings S.A.. The Management and its legal advisors expect that, considering the actions, this concept will be recovered in the short term.
- (d) As of December 31, 2009, accounts receivable included approximately S/.5,425.000 from the sale of sugar previously acquired in 2009 for the production process, which did not meet the quality requirements for the manufacture of products. This receivable was recovered in 2010.
- (e) The non-current portion comprises:

	2010 S/.(000)	2009 S/.(000)
Claims for tax refund	15,215	16,037
Legal deductions and claims to council	1,478	1,585
Other receivables	-	202
	<u>16,693</u>	<u>17,824</u>

The Management and its legal counsel expect to recover these balances in the medium term.

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Notes to the consolidated financial statements (continued)

- (f) As of December 31, 2010, 2009 and 2008, the movement of the allowance for doubtful accounts was as follows:

	2010 S/.(000)	2009 S/.(000)	2008 S/.(000)
Opening balance	1,688	3,067	3,018
Additions	12	408	49
Less: recoveries and write off	2	(1,787)	-
Ending balance	<u>1,702</u>	<u>1,688</u>	<u>3,067</u>

In Management's opinion, the allowance for doubtful accounts adequately covers the risk of losses in the trade accounts receivable to third parties as of the date of consolidated statement of financial position.

7. Net Inventories

- (a) This item is made up as follows:

	2010 S/.(000)	2009 S/.(000)
Goods for resale	1,771	1,838
Finished goods	40,496	26,117
Product in process	6,052	4,617
Raw and auxiliary materials	76,171	40,523
Packaging materials	32,988	30,618
Supplies and spare parts (b)	31,493	26,963
Advertising material (c)	5,049	7,277
Inventories in transit	14,977	14,189
	<u>208,997</u>	<u>152,142</u>
Less		
Allowance for obsolescence (d)	(4,171)	(4,844)
	<u>204,826</u>	<u>147,298</u>

- (b) This balance includes items amounting to approximately S/.3,706,000 (approximately S/.2,336,000 as of December 31, 2009) acquired in previous years, which will be used by the Group in the maintenance of its machinery and equipment during 2011 and beyond.
- (c) This balance corresponds to the material used in advertising campaigns for new product launches and promotional campaigns for seasonal change, which will be consumed in the normal course of business operations.

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Notes to the consolidated financial statements (continued)

(d) As of December 31, 2010, 2009 and 2008, the movement of the allowance for obsolescence was as follows:

	2010 S/.(000)	2009 S/.(000)	2008 S/.(000)
Opening balance	4,844	4,290	5,001
Additions	1,581	2,356	2,849
Less: recoveries and write off	(2,254)	(1,802)	(3,560)
Ending balance	<u>4,171</u>	<u>4,844</u>	<u>4,290</u>

In Management's opinion, the allowance for obsolescence adequately covers the risk of obsolescence as of the date of consolidated statement of financial position; in addition, Management has estimated that the inventories balances does not exceed their net realizable value estimated as of the date of consolidated statement of financial position.

Notes to the consolidated financial statements (continued)

8. Net property, plant and equipment

(a) As of December 31, 2010 and 2009, the movement of the cost and the accumulated depreciation is presented below:

	Lands S/.(000)	Buildings and other constructions S/.(000)	Machinery and equipment S/.(000)	Furniture and fixtures S/.(000)	Transpo units S/.(000)
Cost					
Balance as of January 1	107,826	225,940	572,831	24,998	22
Additions (b)	-	2,635	14,003	6,092	
Sales and/or withdrawals	(7,524)	(2,374)	(3,717)	-	(2)
Transfers	-	9,349	44,090	1,297	2
Reclassifications (j)	(6,076)	(2,790)	-	-	
Balance as of December 31	<u>94,226</u>	<u>232,760</u>	<u>627,207</u>	<u>32,387</u>	<u>22</u>
Accumulated depreciation					
Balance as of January 1	-	99,124	395,107	20,583	17
Additions (d)	-	6,352	28,040	749	1
Sales and/or withdrawals	-	(1,137)	(3,064)	-	(1)
Reclassifications (j)	-	(1,341)	-	-	
Balance as of December 31	<u>-</u>	<u>102,998</u>	<u>420,083</u>	<u>21,332</u>	<u>17</u>
Allowance for impairment of fixed assets					
Balance as of January 1	4,357	10,887	2,009	282	
Additions	-	-	-	-	
Write off and other adjustments	(499)	(56)	(530)	-	
Balance as of December 31	<u>3,858</u>	<u>10,831</u>	<u>1,479</u>	<u>282</u>	
Net value	<u>90,368</u>	<u>118,931</u>	<u>205,645</u>	<u>10,773</u>	<u>5</u>

Notes to the consolidated financial statements (continued)

- (b) In 2010 and 2009, as part of the annual program and infrastructure investments, Lindley performed significant acquisitions and improvement projects in plants in response to the need to expand production capacity. In 2010, Lindley completed the acquisition of various assets for the refurbishment and remodeling of Callao and Huacho plants. It also performed significant purchases of glass bottles and returnable plastic, to respond to increased market demand and increase product movement, and of refrigeration equipment, as part of its expansion and presence in retail outlets. Also, additions of works in progress during the year 2010 correspond to the implementation of new packaging lines for returnable glass bottles Kronos in Callao plant and Hotfill in Zarate and the remodeling and implementation of the administrative offices of the Callao and Arequipa plants. The additions in units in transit during the year 2010 refer mainly to the acquisition of refrigeration equipment (visicooler), which was transferred to the main distributors for the commercialization of the Group's products and machinery for the implementation of Trujillo plant. These investments were mainly financed through financial leasing agreements with BBVA Banco Continental and Interbank (see note 12) and were supported by its related companies (see note 20).
- (c) As of December 31, 2010 and 2009, the Group maintains totally depreciated fixed assets that are still in use of approximately S/565,726,000 and S/560,096,000, respectively.
- (d) The depreciation expense of the years 2010, 2009 and 2008 has been recorded in the following captions of the statement of income:

	2010 S/.(000)	2009 S/.(000)	2008 S/.(000)
Cost of sales, note 17	56,899	47,552	42,747
Selling expenses, note 17	24,957	15,806	15,771
Administrative expenses, note 17	4,473	4,294	3,638
Net others, note 18	29,601	20,638	19,977
	<u>115,930</u>	<u>88,290</u>	<u>82,133</u>

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Notes to the consolidated financial statements (continued)

- (e) As a result of the merger in 2004 and the corresponding administrative restructuring of operations, there are some properties that are not being used by Lindley in their activities. As of December 31, 2010 and 2009, the carrying amount net of allowance of impairment of these assets amounting to S/.3,428,000 comprised:

	2010 S/.(000)	2009 S/.(000)
Properties located in Lima	1,353	1,396
Properties located in Junín	108	1,234
Properties located in Tacna	422	436
Properties located in Sullana- Piura	142	144
Properties located in Arequipa	66	66
Properties located in Ica	4	4
	<u>2,095</u>	<u>3,280</u>

In Management's opinion, the book value of the allowance for obsolescence does not exceed the recoverable value as of December 31, 2010 and 2009.

- (f) In 1996, the companies that merged to form the Group revalued property, plant and equipment based on appraisals made by an independent expert and increased the cost and accumulated depreciation by approximately S/.92,061,000 and S/.34,497,000, respectively. The net increase in the revaluation was credited to the revaluation surplus account in equity, which was subsequently applied to increase capital stock. The assessment also produced the useful lives described in note 2(l).

This voluntary revaluation, net of accumulated depreciation at December 31, 2010 and 2009, plus the effects of voluntary revaluations recorded by ELSA in previous years, comprises:

	2010 S/.(000)	2009 S/.(000)
Land	23,061	29,935
Buildings and other constructions	12,628	14,617
Machinery and equipment	4,334	4,583
Furniture and fixtures	356	402
Other equipment	1,102	1,419
Transport units	143	177
	<u>41,624</u>	<u>51,133</u>

Because the increase resulting from such revaluation is not deductible for tax purposes - generating a taxable temporary difference - in previous years, the Group recorded the deferred tax liability for income tax (see note 13 (b)).

Notes to the consolidated financial statements (continued)

- (g) Based on the results of its financial projections of earnings and cash flows, the Group has made an assessment of indicators of impairment of some assets that make up this item, and considers that the allowance for impairment of fixed assets as of December 31, 2010 is sufficient and will not be required the registration of an additional provision. The present value of the financial projections has been calculated using a discount rate that reflects the changing value of money over time in the market.
- (h) In 2004 the Group transferred in trust domain machinery and real estate and provided its subsidiaries with the trust estate to ensure compliance with certain financial obligations. As of December 31, 2010, the net cost of these machinery and real estate transferred in trust domain is approximately S/.3,431,000 and S/.162,098,000, respectively (S/.3,615,000 and S/.164,196,000 as of December 31, 2009, respectively) (see note 12).
- (i) As of December 31, 2010, the Group insures its main assets for approximately US\$75,000,000 (equivalent to S/.210,600,000) (US\$75,000,000 equivalent to approximately S/.216,600,000 as of December 31, 2009). In Management's opinion, its insurance policies are consistent with the international practice in the industry. It also believes that the risk of eventual losses due to accidents considered in the insurance policy is reasonable considering the type of assets the Group possesses.
- (j) Lindley has commenced negotiations with third parties for the sale of two properties located in Lurin and Arequipa, the net-book values of which were approximately S/.6,620,000 and S/.905,000, respectively, as of December 31, 2010. These properties are unencumbered and available for sale. In Management's opinion, these assets will be sold in the short term and it is not been necessary to recognize impairment losses as of December 31, 2010. These assets are presented as non-financial assets held for sale in the consolidated statement of financial position.
- (k) As of December 31, 2010 and 2009, the value of the goods acquired through financial lease contracts is as follows:

	2010		2009	
	Cost S/.(000)	Accumulated depreciation S/.(000)	Net cost S/.(000)	Net cost S/.(000)
Machinery and equipment	54,041	8,199	45,842	33,774
Transport units	3,760	1,784	1,976	1,920
Computer equipment and others	64,937	14,278	50,659	23,727
Units in transit	20,421	-	20,421	-
	143,159	24,261	118,898	59,421

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Notes to the consolidated financial statements (continued)

9. Net intangibles

(a) The compositions and movement of this item is as follows:

	2010		
	Software licenses and other projects S/.(000)	Franchise rights and concessions S/.(000)	Goodwill (c) S/.(000)
Cost			
Balance as of January 1	20,337	5,179	305,555
Additions	<u>869</u>	<u>-</u>	<u>-</u>
Balance as of December 31	<u>21,206</u>	<u>5,179</u>	<u>305,555</u>
Accumulation amortization			
Balance as of January 1	18,275	1,897	-
Additions (b)	<u>1,853</u>	<u>258</u>	<u>-</u>
Balance as of December 31	<u>20,128</u>	<u>2,155</u>	<u>-</u>
	<u>1,078</u>	<u>3,024</u>	<u>305,555</u>

(b) The amortization of the years 2010, 2009 and 2008 has been recorded in the following captions of the statement of income:

	2010 S/.(000)	2009 S/.(000)	2008 S/.(000)
Administrative expenses, note 17	1,827	1,303	1,116
Selling expenses, note 17	251	251	267
Cost of sale, note 17	<u>33</u>	<u>3</u>	<u>-</u>
	<u>2,111</u>	<u>1,557</u>	<u>1,383</u>

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Notes to the consolidated financial statements (continued)

- (c) This item corresponds to the result of the merger from the consolidation of the bottling system, as explained in note 1 of the notes to the consolidated financial statements and for the amount paid in excess when the Group acquired the authorized bottlers in the country, even before the project started to restructure and control the national territory by the Company and Embotelladora Latinoamericana S.A. (ELSA), beginning in 1998.

Based on the evaluation of sales described in note 1 of the notes to the consolidated financial statements and the results of its financial projections for earnings and cash flows, Management performed an assessment of the recoverable value of goodwill as of December 31, 2010 and 2009, and considers that it is not necessary to record an allowance for impairment of goodwill as of that date.

- (d) In Management's opinion, there are no events or economic changes that indicate that the carrying amount of intangibles, other than goodwill, may not be recoverable as of December 31, 2010 and 2009.

10. Trade accounts payable

- (a) This item is made up as follows:

	2010 S/.(000)	2009 S/.(000)
Invoices, less approximately S/.16,917,000 of prepayments (S/.13,763,000 of prepayments in 2009)	212,839	90,957
Notes payables to suppliers	826	48,597
Invoices in transit for goods and services received	15,042	15,168
	<u>228,707</u>	<u>154,722</u>

- (b) The maturity of the trade account payables is as follows:

	2010 S/.(000)	2009 S/.(000)
Not due	227,137	146,791
Due	1,570	7,931
	<u>228,707</u>	<u>154,722</u>

- (c) The trade accounts payable mainly result from the acquisition of materials, supplies and production spare parts. These are denominated in local currency and foreign currency, have short-term maturities, and do not generate interests. Guarantees have not been granted for these obligations.

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Notes to the consolidated financial statements (continued)

11. Other accounts payable

(a) This item is made up as follows:

	2010 S/.(000)	2009 S/.(000)
Contingencies (b)	34,660	32,430
Tax	34,352	29,959
Deposits received for returnable bottles and boxes	7,014	6,973
Vacations payable	6,165	3,628
Interests payable	5,306	4,944
Provision for advertising and marketing	4,912	3,098
Payments to Directors	3,000	3,000
Bonus and accrued employee benefits (c)	1,631	11,792
Other provisions	17,835	8,002
	<u>114,875</u>	<u>103,826</u>

(b) This item corresponds to the estimated amount of the Company's obligations to third parties for various labor and civil contingencies. These obligations mainly arise through legal processes related to ELSA from previous years. The amount recorded corresponds to the limit of responsibility assumed by the Company as set out in clauses 9 and 10 of the Framework Agreement signed between the Company and SOCAP for the acquisition of SOCAP, in addition to what is considered by Management and its legal advisors.

(c) As of December 31, 2009, this item mainly includes bonuses amounting to S/4.2 million and S/7.5 million, corresponding to various expenses related to the operational reorganization that the Group performed in 2010 to optimize production and commercial activities.

Notes to the consolidated financial statements (continued)

12. Financial obligations

(a) This item is made up as follows:

Lender	Guarantee	Interest
Loans		
Citibank N.A.		
Initial loan for US\$50,000,000 (b), balance of US\$9,959,064 (US\$14,385,315 as of December 2009).	Trust assets	Libor
Loan for US\$6,000,000(c) (US\$7,600,000 as of December 2009).	Trust assets	Libor
Promissory note for S/.15,000,000.	Without specific guarantees	3
Banco Standard Chartered		
Initial loan for US\$40,000,000 (b), balance of US\$2,673,134 (US\$3,861,000 as of December 2009).	Trust assets	Libor
Loan for US\$6,000,000(c) (US\$7,600,000 as of December 2009).	Trust assets	Libor
Cayman Discount Investments Corporation		
	Promissory note for US\$2 million endorsed by Tribank International (Cayman) Limited "in liquidation".	Libor
Promissory note for US\$2,000,000.		
Banco de Crédito del Perú		
Loan for US\$5,294,000	Trust assets	6
Promissory note for S/.9,000,000	Without specific guarantees	1
BBVA Banco Continental		
Promissory note for S/.14,045,000	Without specific guarantees	
Promissory note for S/.14,045,000	Without specific guarantees	
Scotiabank Perú S.A.A.		
Promissory note for S/.12,000,000	Without specific guarantees	2
Leasings (d)		
Scotiabank Perú S.A.A.		
Financial leases agreement for approximately S/.4,585,333	Acquired fixed assets	7.7 per cent
Banco de Crédito del Perú		
Financial leases agreement for approximately S/.1,445,000	Acquired fixed assets	7.8 per cent
Leases agreement for approximately US\$208,745	Acquired fixed assets	8 per cent
Financial leases agreement for approximately S/.117,237,000	Acquired fixed assets	8.75 per cent
Interbank		
Financial leases agreement for approximately S/.25,500,000	Acquired fixed assets	9.8 per cent
Financial leases agreement for approximately S/.13,281,000	Acquired fixed assets	10.1 per cent
Financial leases agreement for approximately S/.17,155,000	Acquired fixed assets	10.1 per cent
Financial leases agreement for approximately S/.7,754,000	Acquired fixed assets	5.15 per cent

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Notes to the consolidated financial statements (continued)

Financial leases agreement for approximately S/.20,748,000	Acquired fixed assets	5.15 percent
BBVA Banco Continental		
Financial leases agreement for approximately S/.9,953,000	Acquired fixed assets	5.6 percent
Financial leases agreement for approximately S/.22,515,000	Acquired fixed assets	6.8 percent
Financial leases agreement for approximately S/.539,000	Acquired fixed assets	4.49 percent
Financial leases agreement for approximately S/.9,143,000	Acquired fixed assets	6.8 percent
Financial leases agreement for approximately S/.4,143,000	Acquired fixed assets	6.8 percent
Financial leases agreement for approximately S/.1,480,000	Acquired fixed assets	4.49 percent
Corporate bonds (e)		
Issued for restructuring of the Company's financial position.		
1st issuance	Trust assets	6.75 percent
2nd issuance	Trust assets	8.53 percent
3rd issuance	Trust assets	7.03 percent
4th issuance	Trust assets	7.25 percent
6th issuance	Trust assets	7.72 percent
Others		
Construcciones e Inversiones Alpama S.A.		
Loan for US\$2,130,000.	Without specific guarantees	8.25 percent
Shareholders		
Loan for US\$1,480,120	Without specific guarantees	Between 8 and 10 percent
SUNAT		
Tax payment of subsidiary	Without specific guarantees	4.3 percent
Tax payment	Without specific guarantees	4.3 percent
Tetra Pak S.A.		
Financing for purchase of machinery	Without specific guarantees	6.3 percent
Derivatives financial instruments		
Cash flow hedge		
Currency forwards, note 24 (ii)	Without specific guarantees	Receive dollars – 5.24 percent Receive dollars – 5.24 percent
Cross Currency Swap – BBVA Banco Continental, note 24 (i)	Without specific guarantees	7.04 percent
Derivatives financial instruments not designated as hedge		
Interest rate swap – Citigroup, note 24	Without specific guarantees	5.23 percent
Interest rate swap – JP Morgan N.A., note 24	Without specific guarantees	5.24 percent

Notes to the consolidated financial statements (continued)

- (b) On January 23, 2006, the Company signed a mandate letter with two financial lenders, Citibank NA and Standard Chartered Bank, to access a medium-term financing amounting to US\$90,000,000 – with Citibank NA providing US\$50,000,000 and the Standard Chartered Bank providing US\$40,000,000 -- to (i) amortize and amend the entire outstanding balance of the syndicated loan used for the transaction indicated in note 1(b), (ii) prepay loans from suppliers, and (iii) fund additional needs of capital expenditures. The loan term is 7 years and payments are made quarterly beginning in March 2007 after a grace period of 1 year, bearing an interest rate three-month Libor over 3.375 percent per year.

This loan generated a structuring fee of 1.00 percent plus the value added tax (VAT) applied to the loan amount, which was canceled on the date of disbursement. The committee's structure is non-refundable. There is an additional fee for prepayment of debt of US\$337,500, payable on the date of prepayment of loans, originated under the original contract in proportion to the amounts of each bank and according to the original contract. This prepayment fee is also non-refundable.

The main administrative and financial obligations and restrictions that the Company must meet during the term of the loan are the following:

- (i) Comply with laws and regulations established by any authority in Peru, including compliance with environmental laws and laws relating to social security and pension funds.
- (ii) Timely comply with the payment of taxes and interest, arrears and fines imposed by the authorities or imposed on the borrower's property, and must preserve and maintain the corporate existence.
- (iii) Properly maintain and care for its property, conduct business responsibly, and uphold the name and reputation of the brand and the franchise of Coca Cola.
- (iv) Produce a copy of the annual report containing the audited consolidated statement of financial position in the structure required by the "Comisión Nacional Supervisor de Empresas y Valores" (CONASEV) and accompanied by audit opinion of Ernst & Young or another independent public accounting firm acceptable to the lenders one hundred and twenty days before the end of the fiscal year,.
- (v) Permit the borrower to review the lender's property, financial and accounting reports and accounting reports of the Company and its subsidiary, and pay all significant debts that the Company maintains with other creditors.
- (vi) Not declare or pay dividends or make loans, advances or other extensions of credit to its shareholders.

Notes to the consolidated financial statements (continued)

- (vii) Not perform transactions of sale of assets for amounts greater than US\$8,000,000, except that when of property at a price greater than or equal to its market value in the normal course of business.
- (viii) Not make or acquire investments or other investment over US\$2,000,000, other than the normal course of business.
- (ix) Not change accounting policies, except as permitted under accounting principles generally accepted in Peru.
- (x) Not change the statutes that are inconsistent with the payment of obligations to lenders and not change the nature of the business for the duration of indebtedness.
- (xi) Not incur acquisition, liquidation or dissolution of a subsidiary for an amount greater than US\$5,000,000 or when such acquisition was financed with capital contributed by creditors.
- (xii) Not incur debt with creditors, directors and managers without the consent of the lenders.
- (xiii) Not appoint or remove the chief financial officer while Coca Cola is a direct or indirect shareholder of the borrower; the power to appoint or remove the manager of the borrower is restricted to Coca Cola.
- (xiv) Perform an interest rate hedge of 75 or 100 percent of outstanding loan balance if the three-month Libor rate reaches or exceeds 5 and 6 percent respectively.

The financial constraints on the Company and its Subsidiaries as of the date of the new loan agreement signed with its financial creditors are the following:

- (xv) Debt service coverage ratio –
Maintain a debt service coverage ratio, defined as (i) last annual period EBITDA, by (ii) payments of principal debt plus financial expenses of the last annual period, higher than 1.28 in the years 2008 to 2011; 1.40 in 2012 and beyond.
- (xvi) Debt ratio –
Not more than 2.00 in 2008; 1.85 in 2009 and 2010, 1.75 in 2011, 1.65 in 2012 and 1.50 in 2013 and beyond.

Notes to the consolidated financial statements (continued)

(xvii) Debt coverage ratio –

Maintain total debt/EBITDA in the last annual period of no more than 2.90 in 2008, 2.50 in 2009, 2.20 in 2010 and 2011, and 2.00 in 2012 and beyond.

The financial constraints outlined above apply to the consolidated financial statements of the Company and notes that are issued by the CONASEV and reviewed at the end of each quarter ending March 31, June 30, September 30 and December 31 of each year.

Compliance with the restrictive covenants described above is overseen by the Management, and in its opinion, as of December 31, 2010 and 2009, the Company has complied with its commitments and financial indicators.

- (c) On July 26, 2007, the Company signed a mandate letter with two financial creditors, Citibank NA and Standard Chartered Bank, to obtain a loan up to US\$30,000,000, of which to date it has received US\$20,000,000 (US\$10,000,000 from each one of the creditors) to be used for working capital and capital investment of the Company. The loan term is 7 years and the payments began after a grace period of 1 year, quarterly from July 2008, earning an interest rate at three months Libor plus 2.25 percent annually.

The main administrative and financial obligations and restrictions that the Company must meet during the term of this loan are similar to those specified in (b) above, and must be applied in the same financial reporting periods each year.

Compliance with the restrictive covenants is monitored by Company Management, and in its opinion, at December 31, 2010 and 2009, the Company has complied with the above commitments and financial indicators specified in the contract.

- (d) During 2010, the Company entered into various lease agreements with BBVA Banco Continental and Interbank related to the acquisition of bottling line Krones, vehicles, forklifts and refrigeration equipment, as well as the implementation of new bottling plants and renewal of some plants to increase the level of production (see note 8(b)).
- (e) The bonds are backed by a generic guarantee of the assets of the Company. The rights and obligations of the bonds are secured by a trust.

The trust estate includes all fixed assets, furniture and fixtures that are necessary for the development of core business operations of the Group and are a part of the Company's production units. Currently, the properties included in the trust estate are valued at US\$72,000,000.

Notes to the consolidated financial statements (continued)

The main administrative and financial obligations and restrictions that the Company must meet during the period in which the bonds are in force are the following:

- (i) In the event that occurs one or more events of default and while they have not been corrected, the Company and its Subsidiaries shall not agree on the sharing of profits or dividends payable either in cash or in kind (except for emission and distribution of bonus shares from capitalization of profits or reserves), or make any payment or delivery of properties and furniture, money, rights, obligations and other securities to its shareholders and/or affiliates and/or related parties corresponding to its equity interest, unless the act was the result of an obligation mandated by applicable laws. In addition, the Company and its Subsidiary may not agree to dividend distributions, capital reductions or payment of any amount for the items indicated in the preceding paragraph if, reasonably, it would be expected that any such payments could create an event of default, unless such acts are a result of an obligation of the Company in compliance with applicable laws
- (ii) Not make any significant changes in the core business and nature of your business, directly or indirectly (through its subsidiary), unless it is an extension of the core business of the Company.
- (iii) Not transfer or assign (directly or indirectly) all or part of the debt assumed as a result of emissions to be made under the Program.
- (iv) Not establish or agree to a priority order for future bond issued out of the program that affect or modify the priority of the emissions of the Bonds to be made under the Program. The predicted in this section applies without prejudice to the applicable law for the payment of the obligations of the Company in the event of liquidation of this or any bankruptcy proceeding in which the Company is immersed.
- (v) Not perform, and cause that its subsidiary not perform, changes in accounting policies and practices for the preparation and presentation of financial statements and other financial information, unless as a result of applicable laws, Generally Accepted Accounting Principles in Peru or recommendations of auditors of the first level.
- (vi) Not change the direct or indirect control of the Company, which, after the procedure for change of control: (a) has a material adverse effect to the Company, (b) generates an event of default, or (c) reduces the risk rating of at least one of the Bonds, provided that the classifier(s) report(s) expressly and in writing state that the reduction in the classification of the Bonds risk is a result of the change in control of the management or shareholders of the Company, as applicable.
- (vii) Not hold or be part of any joint venture, consortium or any other form of partnership or similar agreement under which the income or profits of the Company are or may be shared with any other person, provided it could produce a materially adverse effect.

Notes to the consolidated financial statements (continued)

- (viii) Not agree or perform corporate reorganizations (mergers, excisions, etc.) or acquisition of companies directly or indirectly, whatever their activity, where these generate a material adverse effect, except with the express consent of the General Assembly. The foregoing restriction does not apply to acquisitions agreed and duly informed by the Company through communications "Significant Events" before the date of signing of this Framework Act and referred Prospectus.
- (ix) Not perform transactions with a company belong to the Economic Group in conditions other than the market and on terms less favorable for the Company or to those businesses which they could obtain from a third party.
- (x) Not transfer, give in right of use and/or lease, sell, give trust in financial leaseback (sale and leaseback) of its assets or those of its Subsidiary, except in the following cases, provided that those operations are conducted at market value: (i) on its inventories in trade operations, (ii) on its current assets to short-term transactions, (iii) on assets that no longer used or are not relevant to its operations, provided that had been transferred at market value, or (iv) on the assets that are or will be transferred to the Trust Collateral. In addition, the Company may transfer, give in right of use and/or lease, sell, transfer in trust or give financial leaseback (sale and leaseback) other assets, provided the amount does not exceed, individual or together, the sum of US\$10,000,000 (ten million dollars) or its equivalent in soles.
- (xi) Not grant as collateral, and cause its Subsidiaries to not provide collateral, to third parties, its assets and its Subsidiaries assets, except when: (i) those assets ensure the financing of funds that have been used or are being used in the acquisition of such assets, (ii) those assets have been provided as security or were granted as collateral prior to the date of signing the Framework Act, (iii) the assets are a guarantee of current assets originating from short-term operations outcomes associated with the social objectives of the Company, or (iv) the assets are or will be transferred to the Trust Collateral.
- (xii) Maintain a debt service coverage ratio, for periods of four (4) consecutive quarters ending during each year, calculated on the date of the quarterly financial statements of the Company, not less than 1.60 in the years 2010 to 2011, 1.80 in 2012 and 2.00 in 2013 and beyond.

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- (xiii) Maintain an index of financial debt to EBITDA, for any period of four (4) consecutive fiscal quarters ending during each year indicated under the column "Year or Date," calculated on the date of the quarterly financial statements of the Company, not exceeding 2.5 in 2009, 2.2 in 2010, 2.0 in 2011 and 2012, and 1.8 in 2013 and beyond.
- (xiv) Maintain a debt ratio of quarterly financial statements of the Company not more than 1.85 in 2009 and 2010, 1.75 in 2011, 1.55 in 2012 and 1.35 in 2013 and beyond.

Compliance with the restrictive covenants described above is overseen by the Company Management, and in its opinion, at December 31, 2010 and 2009, the Company has complied with the above commitments and financial indicators.

On February 4, 2010, the application for registration of securities for issue called "Bonos de Corporación José R. Lindley S.A. – Quinta Emisión" for the amount of S/.85,000,000 and the registration of prospectus supplement to the respective frame in the Public Registry of Securities were approved. As of December 31, 2010, the Company has not undertaken any transactions to run this issuance. Also, on April 30, 2010, placement was made for the "Bonos de Corporación José R. Lindley S.A. – Quinta Emisión" amounting to S\$20,000,000.

- (f) As of December 31, 2010 and 2009, the maturity of the current portion during the next years is as follows:

	2010 S/.(000)	2009 S/.(000)
2011	-	60,998
2012	69,817	64,249
2013	52,304	42,101
2014 and above	275,850	176,352
	<u>397,971</u>	<u>343,700</u>

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(g) Information of the financial leases agreements as of December 31, 2010:

	2010		2009	
	Minimum payments S/.(000)	Present value of lease payments S/.(000)	Minimum payments S/.(000)	Present value of lease payments S/.(000)
Up to 1 year	28,257	20,745	21,429	19,584
Above 1 year and up to 5 years	113,617	83,413	59,927	44,828
Total payable amount	141,874	104,158	81,356	64,412
Less interest payable	(15,692)	-	(14,363)	-
Total	126,182	104,158	66,993	64,412

The comparison between the carrying value and fair value of financial liabilities presented in the financial statements at December 31, 2010 and 2009 is as follows:

	Book value		Fair value	
	2010 S/.(000)	2009 S/.(000)	2010 S/.(000)	2009 S/.(000)
Financial Liabilities				
Loans	139,153	133,584	139,153	133,584
Leasings	126,182	66,993	104,158	64,412
Corporate bonds	249,004	208,305	256,398	215,983
Other financial obligations	2,039	13,681	2,039	13,681
Derivatives financial instruments	10,763	13,687	10,763	13,687
	527,141	436,250	512,511	441,347

The fair value of financial liabilities is the amount by which the instruments can be exchanged between concerned parties or willing parties conducting an arm's length transaction without deduction of transaction costs on its possible sale, not in forced, urgent, or involuntary liquidation.

Based on the criteria described above, management believes that there are not significant differences between the carrying value and fair value of financial instruments of the Group at December 31, 2010 and 2009.

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13. Income tax

(a) The expense for income tax presented in the consolidated statement of income as of December 31, 2010, 2009 and 2008 is composed of:

	2010 S/.(000)	2009 S/.(000) Modified (Note 2(b))	2008 S/.(000) Modified (Note 2(b))
Income tax			
Current	(29,252)	(43,110)	(32,646)
Deferred	(3,038)	(2,389)	4,514
	<u>(32,290)</u>	<u>(45,499)</u>	<u>(28,132)</u>

(b) During the years 2010 and 2009, the deferred income tax has been calculated based on temporary differences between book and tax values:

	As of January 1, 2009 S/.(000) Modified (Note 2(b))	Income (expense) S/.(000)	Net Equity S/.(000)
Deferred Asset			
Other provisions	18,263	1,603	-
Derivatives financial instruments	3,263	(3,263)	(158)
	<u>21,526</u>	<u>(1,660)</u>	<u>(158)</u>
Deferred liability			
Voluntary revaluation of fixed assets, net, see note 8(f)	(15,946)	606	-
Financial leasing operations, net of accumulated depreciation	(3,808)	310	-
Net cost of introducing packaging	(10,639)	(2,023)	-
Difference in depreciation rates	(527)	378	-
	<u>(30,920)</u>	<u>(729)</u>	<u>-</u>

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- (c) For the years 2010, 2009 and 2008, the conciliation of the effective and legal rate of the income tax is presented below:

	2010		2009		2008	
	S/(.000)	%	S/(.000) Modified (Note 2(b))	%	S/(.000) Modified (Note 2(b))	%
Profit before income tax	69,948	100.00	107,698	100.00	57,756	100.00
Combined legal rate	20,984	30.00	32,309	30.00	17,327	30.00
Plus (less):						
Effect of unrealized gains	1,641	2.34	4,245	3.94	-	-
Effect of non-deductible expenses and other permanent items	9,665	13.82	8,945	8.31	10,805	18.71
Income tax	<u>32,290</u>	<u>46.16</u>	<u>45,499</u>	<u>42.25</u>	<u>28,132</u>	<u>48.71</u>

- (d) The current income tax calculation of the years 2010, 2009 and 2008 is summarized as follows:

	2010		2009		2008	
	Lindley S/(.000)	ELSSA S/(.000)	Lindley S/(.000) Modified (Note 2(b))	ELSSA S/(.000)	Lindley S/(.000) Modified (Note 2(b))	ELSSA S/(.000)
Profit before income tax	69,239	2,275	107,179	3,474	57,735	304
Plus: Additions for non-deductible expenses	85,253	1,276	73,663	900	68,336	925
Less: Deductions for non-taxable income	<u>(58,966)</u>	<u>(1,571)</u>	<u>(38,148)</u>	<u>(2,425)</u>	<u>(17,250)</u>	<u>(733)</u>
	95,526	1,980	142,694	1,949	108,821	496
Less application of carry tax losses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(942)</u>	<u>-</u>	<u>(530)</u>
Basis income tax	<u>95,526</u>	<u>1,980</u>	<u>142,694</u>	<u>1,007</u>	<u>108,821</u>	<u>(34)</u>
Income tax (30 percent)	<u>28,658</u>	<u>594</u>	<u>42,808</u>	<u>302</u>	<u>32,646</u>	<u>-</u>

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Notes to the consolidated financial statements (continued)

14. Shareholder's equity

(a) Capital stock -

As of December 31, 2010 and 2009, the capital stock is represented by 589,167,229 common shares integrally subscribed and paid, whose nominal value is of 1 Nuevo sol per share, of which 223,774,704 are Series "A", 329,870,528 are Series "B" and 27,336,227 are Series "C", all with the same rights and obligations, except those of the series "A", which propose the Finance Manager, two incumbent directors and alternates, while the Series "B" and "C" appoint the General Manager and the other directors.

As of December 31, 2010, the structure of the ownership in the Company is presented below:

Individual participation percentage of capital	Number of shareholders	Number of shares A, B y C	%
Less than 5 percent	377	14,020,361	2.41
Between 5.01 up to 44 percent	2	258,354,104	44.47
Between 44.01 up to 53 percent	1	308,606,994	53.12
Total	380	580,981,459	100

(b) Investment shares -

As of December 31, 2010 and 2009, the investment shares, subscribed in the Lima's Stock Exchange Market, are represented by 71,965,514 shares which are negotiable. The stock market quotation per investment share as of December 31, 2010 is S/.2.20 per share (S/.0.89 as of December 31, 2009).

According to law, the investment shares are issued in the name of each holder, and may be redeemed in agreement with the Group. They have some preference in the payment of dividends and do not have access to the Board or General Meetings of Shareholders.

Holders of investment shares are entitled to make contributions to increase investment shares account only in order to maintain proportionality in capital stock, in cases of increases due to new contributions, and of increases by public subscription, the holders have first option to subscribe for not less than ten percent of such increases.

(c) Legal reserve -

The General Corporate Law requires that a minimum of 10 percent of a company's disposable earnings each year must be transferred to a legal reserve until the reserve reaches an amount equivalent to 20 percent of the Company's capital stock. The legal reserve can compensate losses or can be capitalized. In both cases, it is mandatory to replenish it.

Notes to the consolidated financial statements (continued)

15. Tax situation and contingencies

- (a) The Group is subject to the Peruvian tax system. As of December 31, 2010 and 2009, the income tax rate was 30 percent of taxable income.

Companies not domiciled in Peru and individuals must pay an additional tax of 4.1 percent over received dividends.

- (b) Since year 2010, the capital gains resulting from the disposal of marketable securities through centralized negotiation mechanism in Peru are taxable.

In this context, the Income Tax Law indicated that, to establish the income tax produced by the disposal of marketable securities acquired before January 1, 2010, the taxable cost of those marketable securities will be the quote price at the year end taxable 2009 or the acquisition cost or the equity value, whichever is greater.

This rule is applicable for entities when the marketable securities will be disposed inside or outside of a centralized negotiation mechanism.

Also, when the disposal have been made, redemption or share and participation rescue, acquired or received by the tax person in different ways and opportunities, the taxable cost will be composed of the weighted average cost. It is important to mention that the weighted average cost will be equivalent to the result of the taxable cost, related to the acquired marketable security in a specific moment by the number of shares, divided by the total acquired shares.

- (c) With the purpose of determining the income tax and the value added tax, the transfer prices among related parties and for transactions with companies domiciled in countries considered tax havens, prices should be supported by documentation containing information about the valuation methods applied and criteria used in its determination. Based on an analysis of the Group's operations, Management and its legal advisors do not believe that the new regulations will result in significant contingencies for the Company as of December 31, 2010 and 2009.
- (d) Tax authority is legally entitled to review, and if applicable, adjust the income tax and value added tax computed by the Group and the related parties absorbed by Lindley during the four subsequent years to the year of the related tax return filing. The income tax and value added tax returns of the Group and the related parties that are pending review by the Tax Authority are the followings:

Company	Years open to fiscal review	
	Income tax	Value added tax
Corporación Lindley S.A.	2007 to 2010	2007 to 2010
Embotelladora La Selva S.A.	2006 to 2010	2006 to 2010

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- (e) Due to various possible interpretations of current legislation, it is not possible to determine whether or not future reviews will result in tax liabilities for the Group. In the event that additional taxes payable, interest and surcharges result from tax authority reviews, they will be charged to expense in the period assessed and paid. However, in the Management's and its legal advisors' opinion, any additional tax assessment would not be significant to the financial statements as of December 31, 2010 and 2009.
- (f) As of December 31, 2010, the Group is pursuing reclamations from the Tax Authority and other legal and labor proceedings totaling approximately S/.78 million and US\$1.7 million (approximately S/.82 million and US\$1 million as of December 31, 2009) that are pending of final judicial verdict. Management and legal advisors consider that these processes probably will have an unfavorable result for the Group amounting to approximately S/.\$34,660,000 (S/.\$32,430,000 as of December 31, 2009), which have been recognized by the Group (see note 11(b)); also estimate that the demands classified as remote or possible will be resolved favorably to the Group.

16. Net sales

- (a) This item is made up as follows:

	2010 S/.(000)	2009 S/.(000)	2008 S/.(000)
Carbonated	1,457,363	1,362,294	1,215,833
Water	196,947	155,753	147,558
No carbonated	180,010	177,311	122,244
Others	31,218	3,904	839
	<u>1,865,538</u>	<u>1,699,262</u>	<u>1,486,474</u>
Less discounts	(327,489)	(270,482)	(228,052)
	<u>1,538,049</u>	<u>1,428,780</u>	<u>1,258,422</u>

- (b) As of December 31, 2010, 2009 and 2008, it was sold 236, 227 and 211 million units, respectively. (Unaudited).

Notes to the consolidated financial statements (continued)

17. Costs and expenses by nature of expense

The classification of the expenses by nature of the expense for the years ended as of December 31, 2010, 2009 and 2008 are presented below:

	Cost of sales	
	2010 S/.(000)	2009 S/.(000) Modified (Note 2(b))
Opening balance of finished goods, product in process and goods, note 7	32,572	29,735
Consumption of raw materials and consumables and purchase of goods	893,024	794,782
Labor expenses	83,155	85,848
Third party services provided	65,553	58,322
Advertising and promotion	-	-
Taxes and others	1,425	1,322
Depreciation, note 8(d)	56,899	47,552
Amortization, note 9(b)	33	3
Other provisions	5,249	4,827
Less: Ending balance of finished goods, product in process and goods, note 7	(48,319)	(32,572)
	<u>1,089,591</u>	<u>989,819</u>

18. Others, net

This item is made up as follows:

	2010 S/.(000)	2009 S/.(000)
Income		
Sale of bottles and boxes	34,641	23,923
Sale of property, plant and equipment	22,791	126
Sale of services, raw materials, advertising material and others	10,529	26,855
Rentals	945	617
Tax devolutions	-	1,736
Various	271	1,102
	<u>69,177</u>	<u>54,359</u>
Expenses		
Depreciation of packaging and others, note 8(d)	29,601	20,638
Retirements of inventories, bottles and boxes	26,532	23,386
Provisions for contingencies, termination of personnel and others	19,912	21,669
Net cost of disposal of properties, plant and equipment	15,605	1,354
Cost of sale of services, raw materials, advertising material and others	2,774	14,025
	<u>94,424</u>	<u>81,072</u>
Net	<u>(25,247)</u>	<u>(26,713)</u>

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19. Financial income and expenses

This item is made up as follows:

	2010 S/.(000)	2009 S/.(000)	2008 S/.(000)
Income			
Income from deposits in bank and others	4,879	3,113	1,270
Exchange rate gain	21,064	41,552	34,776
	<u>25,943</u>	<u>44,665</u>	<u>36,046</u>
Expenses			
Interests and expenses from long term financial obligations	22,310	22,100	14,586
Interests from loans and others	13,955	11,443	17,839
Interests from related parties, note 20	763	997	1,015
Realized loss from derivative financial instruments hedge, note 24(i) and (ii)	4,508	1,744	-
Exchange rate loss	13,400	16,265	42,043
	<u>54,936</u>	<u>52,549</u>	<u>75,483</u>

20. Transactions with related parties

(a) During the years 2010, 2009 and 2008, the Company has mainly performed the following transactions with related parties:

	2010 S/.(000)	2009 S/.(000)	2008 S/.(000)
Income			
Recovery of expenses related to marketing and advertising cooperative agreement (e)	29,836	15,208	14,578
Sale of packaging and boxes	5,025	-	-
Interests	2,439	-	-
Sale of finished goods, goods and others	522	293	167
Others	920	379	63
	<u>38,742</u>	<u>15,880</u>	<u>14,808</u>
Costs and expenses			
Purchase of concentrates (f)	337,327	329,824	251,792
Security services	2,311	4,276	3,227
Interest expenses	763	997	1,015
Advertising expenses	338	631	30
Consulting	772	742	716
Purchase of goods, packaging and others	-	1,314	-
Others	1,598	549	2,335
	<u>343,109</u>	<u>338,333</u>	<u>259,115</u>

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The Group performs its operations with related parties under the same conditions as those performed with third parties, and therefore, no difference exists in pricing policies or the settlement of tax base. Forms of payment also not differ from policies applied to third parties.

- (b) The movement of the accounts receivable from and accounts payable to the related parties, for the year ended as of December 31, 2010, is presented below:

	Opening balance S/.(000)	Additions S/.(000)	Deductions S/.(000)	Ending balance S/.(000)
Accounts receivable:				
Trade accounts receivable				
Embotelladora Bagua S.A.	319	-	-	319
Coca Cola Servicios del Perú S.A.	40	614	631	23
	<u>359</u>	<u>614</u>	<u>631</u>	<u>342</u>
Other accounts receivable -				
Corporación Inca Kola Perú S.R.L. (e)	162	27,311	3,254	24,219
Coca Cola Servicios del Perú S.A. (e)	7,280	25,981	24,690	8,571
Latin American Finance LLC (d)	36,634	2,438	1,029	38,043
Others	19	123	8	134
	<u>44,095</u>	<u>55,853</u>	<u>28,981</u>	<u>70,967</u>
Total	<u>44,454</u>	<u>56,467</u>	<u>29,612</u>	<u>71,309</u>
Accounts payable:				
Trade accounts payable				
Coca Cola Chile S.A. (f)	12,902	162,453	136,640	38,715
Coca Cola Servicios del Perú S.A. (f)	10,497	85,271	81,569	14,199
Corporación Inca Kola Perú S.R.L. (f)	2,664	144,709	128,191	19,182
Others	327	6,152	6,377	102
	<u>26,390</u>	<u>398,585</u>	<u>352,777</u>	<u>72,198</u>

- (c) The salary expenses of the Board members and key Management of the Group were S/10,615,000, S/10,665,000 and S/9,600,000 during the years 2010, 2009 and 2008, respectively .
- (d) The item corresponds to US\$12.55 million loan granted to Latin American Finance LLC (a company incorporated in United States of America), according to contract signed in November 2009, the loan bears an annual interest rate of 7 percent and matures in the short term. The legal representative of the related parties has become as guarantor of the obligations. During 2009, the Group recognized interest income amounting to S/2,439,000 (S/390,000 for the year 2009).

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- (e) The item corresponds to the support provided by Coca Cola Servicios del Perú S.A. and Corporación Inca Kola Peru S.R.L. through cooperative agreements for the promotion and marketing activities carried out by the Group in order to increase the market share of the brands that related parties represent and mainly include purchases of packaging, exhibiting and advertising campaigns.
- (f) The item corresponds to the purchase of bases and concentrates used in the production of drinks of the different brands that the related parties represent and the Group sells.

21. Fair value of financial instruments

In Management's opinion, the fair value of the financial instruments of the Group do not differ significantly from their respective book values and, therefore, the disclosure of this information will not have any impact for the consolidated financial statements as of December 31, 2010 and 2009.

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments and include the following:

- The cash and cash equivalents have short-term maturity and do not have significant credit or interest, for that reason the fair value of cash and cash equivalents approximate their book value.
- Fair value of trade accounts receivable is similar to their book value due to these accounts are mainly in short-term and are presented net of its allowance of doubtful accounts.
- Fair value of trade and other accounts payable is similar to their book value due to these accounts have current maturities.
- In the case of the long-term loans, since their conditions and the interest rates that accrued are market based, Management believes that their carrying values do not differ significantly from their respective market fair values.
- In the case of derivatives financial instruments, these are recognized at fair value, and therefore, are not different from their respective book values.

Based in the aforementioned analysis, Management estimates that the book values of the financial instruments do not differ significantly from their estimated market value as of December 31, 2010 and 2009.

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22. Earning per share

During the years 2010 and 2009 there have been no equity transactions in the capital account and equity investment, so the number of common and investment shares outstanding and the weighted average at closing date of both years is as follows:

Common shares	580,981,459
Investment shares	71,965,514
Total	652,946,973

The calculation of the earnings per shares as of December 31, 2010, 2009 and 2008 is presented below:

	Net income (numerator) S/.(000)	Shares in thousands (denominator)	Earnings per share S/.
As of December 31, 2010			
Basic and diluted profit per shares of the common and investment shares	<u>37,543</u>	<u>652,947</u>	<u>0.0575</u>
As of December 31, 2009			
Basic and diluted profit per shares of the common and investment shares (Modified, note 2(b))	<u>61,982</u>	<u>652,947</u>	<u>0.0949</u>
As of December 31, 2008			
Basic and diluted profit per shares of the common and investment shares (Modified, note 2(b))	<u>29,603</u>	<u>652,947</u>	<u>0.0453</u>

23. Financial risk management

In the normal course of its operations, the Group is exposed to financial risks that include the effects of variations in interest rates, exchange rates, credit and liquidity. The managing risk program of the Company tries to minimize the potential effects that affect its financial development.

The Management knows the existing conditions of the market, and based in its knowledge and experience, controls the liquidity, exchange and credit risk, following the approved policies by the Board. The most significant aspects for managing these risks are the following:

(i) Market risk -

Market risk is the risk that the fair values of the future cash flows of a financial instrument will fluctuate because of changes in market prices. The market prices comprise three types of risks: interest rate risk, currency risk and share investment risk. In the case of the Group, the financial instruments affected by the market risks include deposits and obligations with financial entities and third parties in short and long term, which are exposed to currency and interest rate risk.

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The sensitivity analysis in the following section is as of December 31, 2010, 2009 and 2008, and was prepared considering that the net debt amount, the fixed interest rate of debt, and the financial instruments' proportion in foreign currency are constant.

The sensitivity calculations assumed the following:

- Sensitivity in equity is related to the hedge derivatives financial instruments.
- Sensitivity in the consolidated statement of income is the effect of the changes assumed in the respective market risk. This assumption was based on the financial assets and liabilities as of December 31, 2010 and 2009, including the effect of the hedge derivatives financial instruments.

(ii) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will change with changes to interest market rate risks. The Group is exposed to the risk of changes in market interest rates mainly related to variable rate long-term debt.

The Group manages its interest rate risk through obtaining fixed interest rate debt and by matching interest rates on active and passive instruments. In addition, when it is necessary, the Group enters into hedge agreements (cross currency swaps) to exchange variable interest rates for fixed rates (see note 24).

The table below shows the effect on the income before income tax, due to a reasonable variation of the interest rate, with all other variables held constant:

	Increase (decrease) in point basis	Effect on profit before income tax
		S/.(000)
2010	+100 point basis	870
2009	+100 point basis	206
2008	+100 point basis	553
2010	-100 point basis	(870)
2009	-100 point basis	(206)
2008	-100 point basis	(553)

(iii) Foreign currency risk -

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to exchange rate risk is mainly related to operative activities.

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Management controls this risk through the analysis of the macroeconomics variables of the country. The Company has entered into forward currency contracts to hedge the mismatch between asset and liability positions in foreign currency in times of high volatility of exchange rates (see note 24).

The table below shows the effect on the income before income taxes, due to a reasonable variation of the exchange rate, with all other variables described in note 3, held constant.

	Increase (decrease) of the exchange rate	Effect on profit before income tax S/(,000)
2010	+10%	(36,634)
2009	+10%	(24,200)
2008	+10%	(28,861)
2010	- 10%	36,634
2009	+10%	24,200
2008	+10%	28,861

(iv) Credit risk -

Credit risk is the risk that counterparty fails to meet its obligations in relation to a financial instrument or sale contract, producing a financial loss. The Group is exposed to credit risk originated by operating activities (mainly accounts receivable and loans) and financing activities, including deposits in banks and transactions with derivatives and other financial instruments.

Credit risk arises from the inability of debtors of the Group to comply with its payment obligations as they fall due (without taking into account the fair value of any collateral or other securities as collateral); the failure of counterparties transactions in cash and cash equivalent if any, is limited to balances in bank accounts and accounts receivable as of the date of the consolidated statement of financial position. Thus, the Group deposits their surplus funds in first class financial institutions, provides conservative credit policies, and continuously evaluates market conditions in which it operates. Accordingly, the Group expects to incur significant losses for credit risk (see notes 4, 5).

(v) Liquidity risk -

The Group controls its liquidity risk using a projected cash flow at short and long term.

The objective of the Group is to maintain a balance between continuity of funding and flexibility through an appropriate number of credit sources and the capacity to settle and repay debts. The Group has sufficient credit capacity that allows access to credit in first class financial institutions on reasonable terms.

Notes to the consolidated financial statements (continued)

(vi) Capital management -

The Group's objective when managing capital is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value, accomplish its administrative and financial obligations and restrictions agreed with financial creditors and bondholders.

The Group manages its capital structure and makes the necessary adjustments, in accordance with the changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in objectives, policies and processes during the years ending as of December 31, 2010, 2009 and 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to maintain a gearing ratio of no more than 60 percent. Within the net debt calculation, the Company includes obligations with banks and financial institutions and trade and other account payables, less cash and cash equivalents balance. The capital includes capital stocks, reserves and retained earnings.

The table below shows the calculation of gearing ratio as of December 31, 2010, 2009 and 2008:

	2010 S/.(000)	2009 S/.(000) Modified (Note 2(b))	2008 S/.(000) Modified (Note 2(b))
Obligations with Banks and financial institutions	527,141	436,250	354,614
Trade accounts payable and others	427,674	315,567	292,264
Less – Cash and cash equivalents	<u>(42,345)</u>	<u>(35,442)</u>	<u>(21,439)</u>
Net debt (a)	912,470	716,375	625,439
Capital and reserves	<u>585,531</u>	<u>527,393</u>	<u>445,971</u>
Capital and debt net (b)	<u>1,498,001</u>	<u>1,243,768</u>	<u>1,071,410</u>
Gearing ratio (a / b)	<u>61%</u>	<u>58%</u>	<u>58%</u>

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Notes to the consolidated financial statements (continued)

The table below summarizes the maturity profile of the Company's financial assets and liabilities at 31 December 2010 and 2009

	Less than 1 year	Between 1 and 2	Between 2
	S/.(000)	years S/.(000)	years S/.(000)
As of December 31, 2010			
Cash and cash equivalents	42,345	-	-
Obligations with banks and financial institutions, note 12	(129,170)	(69,187)	-
Trade accounts payable and other accounts payable, notes 10 and 11	(343,582)	-	-
Trade accounts payable and others to related parties, note 20	(72,198)	-	-
	<u>(502,605)</u>	<u>(69,187)</u>	<u>-</u>
As of December 31, 2009			
Cash and cash equivalents	35,442	-	-
Obligations with banks and financial institutions, note 12	(92,550)	(60,998)	-
Trade accounts payable and other accounts payable, notes 10 and 11	(258,548)	-	-
Trade accounts payable and others to related parties, note 20	(26,390)	-	-
	<u>(342,046)</u>	<u>(60,998)</u>	<u>-</u>

(vii) **Commodity price risk -**

The Group is exposed to the volatility of certain commodities, such as sugar, which is the main raw material for the soft drinks production. The Group has entered into a swap contract to hedge the price volatility in the London and New York markets and a swap of sugar price (see note 24).

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Notes to the consolidated financial statements (continued)

24. Hedge and derivatives activities

The Company uses swap contracts, futures, forward contracts and cross currency swap to manage certain exposures in their transactions. These contracts, with the exception of the swap, have been designated as a hedge for cash flow and fair value. The characteristics and effects of such contracts are described as follows:

Cash flow hedge

(i) Cross currency swap

In April 2009, the Company entered into a cross currency swap contract with BBVA Banco Continental, which was designated as cash flow hedges. The detail of these operations is as follows:

Entity	Description	Reference value	Interest rate	Maturity
	Receive US\$ - Pay			
Corporación Lindley S.A.	S/.	S/.54,982,000	7.05%	April 28, 2014
	Receive S. -			
BBVA Banco Continental	Pay US\$	US\$17,600,000	Libor 3m + 2.25%	April 28, 2014

The swap is being used to hedge exposure to changes in fair value of the syndicated loan to 3-month Libor plus a margin of 2.25 percent described in note 12 (c).

The Company pays or receives a quarterly basis (on each interest payment date of the loan) the difference between the market Libor rate applied to the loan in that period and the fixed rate agreed in the hedge contract. Flows, received or paid by the Company, are recognized as an adjustment of financial expense for the period coverage. In 2010, the Company has recognized a greater financial expense on these contracts amounting to S/.3,111,000 (S/.1,744,000 in the year 2009), which are presented in the caption "Financial expense" in the consolidated statement of income (see note 19).

Changes in the fair value of derivative financial instruments related to hedging activity as of December 31, 2010, have been recognized as a liability, taking as counterpart the caption "Net unrealized gain on hedge agreements" in the consolidated statement of changes in equity. The amount of this concept is S/.3,674,000 net of the deferred tax asset related amounting to S/.1,575,000 (S/.4,738,000 and S/.2,030,000, respectively, in the year 2009).

Notes to the consolidated financial statements (continued)

(ii) Forward contracts

The existing forward contracts as of December 31, 2010 have been designated to hedge the future liability positions in foreign currencies mainly resulting from the existing contracts with suppliers. The Company has recognized as liability, taking as counterpart the caption "Net unrealized gain on hedge agreements" in the consolidated statement of changes in equity, the fair value of these contracts as of December 31, 2010 amounting to S/.1,472,000 (asset amounting to S/.21,000 as of December 31, 2009) (see note 12). In 2010, the Company has recognized a greater financial expense on these contracts amounting to S/.1,397,000 and are presented under "Financial expense" in the consolidated statement of income (see note 19).

The critical periods of the forward contracts have been negotiated to coincide with the timing of their obligations. The effectiveness of these contracts has not been observed since it has been no significant element of ineffectiveness at the date of the consolidated statement of financial position.

(iii) Future contracts

In July 2008, the Company began hedging operations related to the volatility of the price of sugar, the main raw material used for their products. The Company acquired futures sugar contracts in recognized markets (London and New York). These contracts have maturities between March 2009 and July 2011. This activity required that the Company has a credit line of US\$4 million in the BNP Paribas - Panama for a period of 2 years to cover open positions and market price changes. In addition, the Company signed a contract with BNP Paribas Commodity Futures Inc., a company incorporated in New York, to act as a broker, who settled and recorded periodically the contracts (revolving). The funds used as credit for the derivative options are given as collateral (see note 6).

As of December 31, 2010, the Company maintains open positions in 1,658 contracts of 50 TM and 1,120 pounds each, with a market value of approximately US\$10,489,000.

As of December 31, 2010, the current contracts are as follows:

Maturity	MT	Number of contracts	Fair value US\$ / TM
London			
May 2011	50	190	746.50
August 2011	50	153	678.60
October 2011	50	482	633.30
December 2011	50	206	614.80

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Notes to the consolidated financial statements (continued)

Maturity	Pounds (thousands)	Number of contracts	Fair value US\$/Lb
New York			
May 2011	1,120	50	29.32
July 2011	1,120	158	26.20
October 2011	1,120	24	24.46
March 2012	1,120	35	23.76
May 2012	1,120	240	22.47
October 2012	1,120	120	20.92

In May 2010, the Company acquired three sugar prices swap agreements with Citigroup Global Markets. These contracts expire between February and April 2011.

As of December 31, 2010, the fair value of these contracts is approximately US\$1,737,000.

As of December 31, 2010, the current contracts are as follows:

Maturity	TM	Fair value US\$ / TM
Houston		
February 2011	500	336.71
February 2011	2,000	336.71
April 2011	3,000	298.25

The cash flow hedge was assessed by Management through the method of correlation analysis of variations between the derivative (the future) and the underlying asset (spot price or the price of maturing). Management believes that this is the best method, accurately reflecting the objective of risk management in relation to the hedge.

The effectiveness of these contracts has not yet been observed and the supporting documentation has been enhanced, however, there has not been any significant element of ineffectiveness at the date of the consolidated statement of financial position.

Changes in the fair value of derivative financial instruments related to hedging activity as of December 31, 2010 and 2009, have been recognized as assets or liabilities, taking as counterpart the caption "Net unrealized gain on hedge agreements" in the consolidated statement of changes in equity.

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Notes to the consolidated financial statements (continued)

Derivatives not designated as hedging instruments

During April 2006, Company's Management entered into two swap agreements for interest rate insurance to cover the loan interest rate indicate in note 13(b).

These contracts are not designated as cash flow or fair value and do not qualify for hedge accounting. The Company terminated a portion of them in 2009 for this reason.

As of December 31, 2010 and 2009, changes in fair value of these interest rate swaps contracts have been recognized as liabilities in the consolidated statement of financial position in the caption "Financial obligations" amounting to S/.4,042,000 and S/.6,919,000, respectively (see note 12). The balance includes the effect of S/.4,363,000 of the payments settled in 2010 and has recognized a loss amounting to S/.1,486,000 (S/.4,583,000 of payments settled, and a loss amounting to S/.627,000 as of December 31, 2009, respectively), which is part of the caption "Net loss of derivative financial instruments " in the consolidated statement of income.

25. Commitment

In previous years, the Company signed private agreements without term defined with Peruvian banks to guarantee financial obligations of certain customers related to the acquisition of trucks. Those guarantees will become in obligations for the Company in case any of them (customers) do not pay its obligations to the bank. In case of this event occurs, said private agreements transfer to the Company the whole rights and obligations pending related to those leasing agreements signed between the customers and the banks. As of December 31, 2010 the amount of the obligations of its customers for this concept is amounting to approximately S/.42,067,000 (unaudited) (S/.32,498,000 (unaudited) as of December 31, 2009.)

26. Explanation added for English language translation

The accompanying translated consolidated financial statements were originally issued in Spanish and are presented on the basis of accounting principles generally accepted in Peru, as described in note 2. Certain accounting practices applied by the Group that conform to generally accepted accounting principles in Peru for financial entities may not conform in a significant manner with generally accepted accounting principles applied in other countries. In the event of a discrepancy, the Spanish language version prevails.

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Notes to the consolidated financial statements (continued)

ISSUER
Corporación Lindley S.A.
Jirón Cajamarca No 371
Rímac, Lima
Peru

LEGAL ADVISORS
To the Issuer

As to New York law:
Allen & Overy LLP
1221 Avenue of the Americas
New York, New York 10020
USA

As to Peruvian law:
Rodrigo, Elías & Medrano Abogados
Av. San Felipe No. 758
Jesús María, Lima
Peru

To the initial purchasers

As to New York law:
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
USA

As to Peruvian law:
Estudio Echeopar Abogados
Av. de la Floresta No. 497, Quinto Piso
San Borja, Lima 41
Peru

AUDITORS
Medina, Zaldívar, Paredes & Asociados
Member of Ernst & Young
Víctor A. Belaúnde No. 171
San Isidro, Lima
Peru

TRUSTEE, REGISTRAR AND PAYING AGENT

Citibank, N.A.
388 Greenwich Street, 14th Floor
New York, New York 10013
USA

**LUXEMBOURG PAYING AGENT AND
LUXEMBOURG LISTING AGENT**
Dexia Banque Internationale à Luxembourg
69 route d'Esch
L – 2953
Luxembourg

US\$320,000,000
Corporación Lindley S.A.
6.750% Notes due 2021



Offering Memorandum

November 18, 2011

Joint Lead Managers

Citi

J.P. Morgan
