UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **October 31, 2012**

Colfax Corporation

(Exact name of registrant as specified in its charter)

Delaware	**001-34045**	**54-1887631**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

8170 Maple Lawn Boulevard, Suite 180
Fulton, MD 20759
(Address of Principal Executive Offices) (Zip Code)

(301) 323-9000
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

This Form 8-K/A amends "Item 9.01—Financial Statements and Exhibits" included in the initial report on Form 8-K dated October 31, 2012 and filed by Colfax Corporation ("Colfax") on November 1, 2012 related to the completion of the acquisition of an interest of approximately 91% in Soldex S.A. ("Soldex") by Soldex Holdings I LLC ("Soldex Holdings"), a wholly owned subsidiary of Colfax, on October 31, 2012. This amendment is being filed to provide the historical financial statements of Soldex for the periods specified in Rule 3-05(b) of Regulation S-X and the unaudited pro forma financial information required pursuant to Article 11 of Regulation S-X.

Item 2.01. Completion of Acquisition or Disposition of Assets.

As previously disclosed, on October 31, 2012, Soldex Holdings completed the previously announced acquisition of an approximately 91% interest in Soldex, a corporation organized under the laws of Peru that supplies welding products from its plants located in Peru and Colombia. The acquisition was made pursuant to a Share Purchase Agreement, dated May 26, 2012, between Colfax and Inversiones Breca S.A., as amended on October 25, 2012 (the "Share Purchase Agreement"). Colfax assigned its interests in the Share Purchase Agreement to Soldex Holdings on October 26, 2012. The October 25, 2012 amendment to the Share Purchase Agreement provided for an immaterial increase in the purchase price and the number of Soldex shares to be acquired due to share purchase mechanics in Peru.

Under the Share Purchase Agreement, Soldex Holdings acquired 187,310,251 Soldex common shares and 71,106,571 Soldex investment shares for a purchase price of $183,363,015.47, which was funded with cash on-hand. The purchase price is subject to adjustment based upon changes in Soldex's net equity, defined as the difference between total assets and total liabilities, between February 29, 2012 and October 31, 2012. The transaction values Soldex at $235 million, including the assumption of debt.

The Share Purchase Agreement, as amended, requires Soldex Holdings to commence a tender offer under Peruvian law, or, if approved by the Superintendencia del Mercado de Valores, a Peruvian regulatory body, a public purchase offer for all voting shares held by Soldex's minority shareholders.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

The audited consolidated statements of Soldex, including the consolidated statements of financial position, comprehensive income, statements of changes in net equity and statements of cash flows for the years ended December 31, 2011 and 2010, and the summary of significant accounting policies and other explanatory notes and the report of the independent auditor thereon, are filed as Exhibit 99.1 to this Form 8-K/A and incorporated into this Item 9.01(a) by reference.

The unaudited interim consolidated financial statements of Soldex for the period ended September 30, 2012, including the consolidated statements of financial position, comprehensive income and cash flows, are filed as Exhibit 99.2 to this Form 8-K/A and incorporated into this Item 9.01(a) by reference.

(b) Pro Forma Financial Information

The unaudited pro forma financial statements as of September 28, 2012, for the year ended December 31, 2011 and the nine months ended September 28, 2012 are furnished as Exhibit 99.3 to this Form 8-K/A and incorporated into this Item 9.01(b) by reference.

(d) Exhibits

23.1	Consent of Medina, Zaldívar, Paredes & Asociados Sociedad Civil de Responsabilidad Limitada Member Firm of Ernst & Young Global
99.1	Soldex S.A. and subsidiaries consolidated financial statements as of December 31, 2011 and 2010, together with the Independent Auditor's Report

99.2	Soldex S.A. and subsidiaries unaudited interim consolidated financial statements for the nine months ended September 30, 2012
99.3	Unaudited pro forma condensed combined financial statements as of September 28, 2012, for the year ended December 31, 2011 and the nine months ended September 28, 2012

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	Colfax Corporation	
Date: January 15, 2013	By:	/s/ C. Scott Brannan
	Name:	C. Scott Brannan
	Title:	Senior Vice President, Finance and Chief Financial Officer

EXHIBIT INDEX

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Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements:

1) Registration Statement (Form S-8 No. 333-150710) pertaining to the Colfax Corporation 2008 Omnibus Incentive Plan,
2) Registration Statement (Form S-8 No. 333-173883) pertaining to the Colfax Corporation 401(k) Savings Plan Plus,
3) Registration Statement (Form S-8 No. 333-183115) pertaining to the Colfax Corporation 2008 Omnibus Incentive Plan, as amended and restated, and
4) Registration Statement (Form S-3 No. 333-179650) of Colfax Corporation;

of our report dated May 28, 2012, with respect to the consolidated financial statements of Soldex S.A. (formerly Soldaduras Peruanas S.A.), included in this Current Report on Form 8-K of Colfax Corporation dated January 15, 2013.

/s/ Carlos Ruiz
Carlos Ruiz
Partner
Medina, Zaldívar, Paredes & Asociados Sociedad Civil de Responsabilidad Limitada Member Firm of Ernst & Young Global
Lima, Peru
January 15, 2013

Soldex S.A. (formerly Soldaduras Peruanas S.A.) and Subsidiaries

Consolidated financial statements as of December 31, 2011 and 2010, together with the Independent Auditors' Report

Soldex S.A. (formerly Soldaduras Peruanas S.A.) and Subsidiaries

Consolidated financial statements as of December 31, 2011 and 2010, together with the Independent Auditors' Report

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Independent Auditors' Report

To the Shareholders of Soldex S.A. (before Soldaduras Peruanas S.A.)

We have audited the accompanying consolidated financial statements of Soldex S.A. (formerly Soldaduras Peruanas S.A.) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2011 and 2010, and January 1, 2010 and the consolidated statements of comprehensive income, consolidated statements of changes in net equity and consolidated statements of cash flows for the years then ended, and the summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 present fairly, in all material aspects, the financial position of Soldex S.A. (formerly Soldaduras Peruanas S.A.) and Subsidiaries as of December 31, 2011 and 2010, and January 1, 2010 and its consolidated financial performance and consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Lima, Peru
May 28, 2012

/s/ Medina, Zaldívar, Paredes & Asociados

Countersigned by:

/s/ Carlos Ruiz
Carlos Ruiz
C.P.C.C. Register No.8016

Consolidated Statements of Financial Position

As of December 31, 2011, 2010 and as of January 1, 2010

	Notes	As of December, 31 2011	As of December, 31 2010	As of January 1, 2010
		S/.(000)	S/.(000)	S/.(000)
Assets				
Current assets				
Cash and cash equivalents	5	30,560	13,673	19,658
Trade accounts receivable, net	6	44,262	43,433	31,989
Other accounts receivable, net	7	5,292	8,829	21,686
Accounts receivable from related parties	15	455	13,026	10,937
Inventories, net	8	95,534	79,585	79,699
Prepaid expenses		428	674	226
Total current assets		176,531	159,220	164,195
Non-current assets				
Available-for-sale investments		100	100	100
Goodwill	10 (b)	124,052	134,228	127,344
Property, plant and equipment, net	9	71,535	72,424	70,564
Intangibles, net	10 (a)	121,288	128,168	124,032
Total non-current assets		316,975	334,920	322,040
Total assets		493,506	494,140	486,235
Liabilities and net equity				
Current liabilities				
Financial liabilities	11	36,416	35,461	35,162
Trade accounts payable	12	28,584	14,420	14,987
Other accounts payable	13	26,449	18,594	21,567
Loans payable to shareholders	14	—	—	3,728
Other accounts payable to related parties	15	1,266	—	—
		92,715	68,475	75,444
Non-current liabilities				
Financial liabilities	11	81,031	105,012	131,343
Other accounts payable		—	4,230	8,831
Deferred income		63	—	—
Loans payable to shareholders	14	—	—	4,884
Deferred tax liability	16	11,052	14,088	10,786
		92,146	123,330	155,844
Total liabilities		184,861	191,805	231,288
Shareholders' equity, net				
Issued capital	17	148,309	148,309	148,309
Investment shares		74,153	74,153	74,153
Other capital reserves		11,279	11,279	11,279
Retained earnings		70,282	42,404	7,996
Translation results		4,622	26,190	13,210
Total net equity		308,645	302,335	254,947
Total liabilities and net equity		493,506	494,140	486,235

The accompanying notes are an integral part of this consolidated statement.

Soldex S.A. (formerly Soldaduras Peruanas S.A.) and Subsidiaries

Consolidated Statements of comprehensive income

For the years ended December 31, 2011 and 2010

	Notes	2011	2010
		S/.(000)	S/.(000)
Net sales	19	263,875	308,376
Cost of sales	20	(153,543)	(179,573)
Gross profit		110,332	128,803
Selling costs	21	(44,119)	(46,049)
Administrative expenses	22	(21,380)	(26,308)
Other operating expenses, net	24	(246)	(578)
Operating profit		44,587	55,868
Financial expenses	25	(4,653)	(11,710)
Financial income		213	332
Exchange difference, net		1,490	4,266
Profit before income tax		41,637	48,756
Income tax	16 (b)	(13,759)	(14,348)
Net Income		27,878	34,408
Other comprehensive income		—	—
Total comprehensive income		27,878	34,408
Basic and diluted earnings per share stated in nuevos soles	26	0.125316	0.154669
Weighted average number of shares outstanding	17	222,462,540	222,462,540

The accompanying notes are an integral part of this consolidated statement.

Soldex S.A. (formerly Soldaduras Peruanas S.A.) and Subsidiaries

Consolidated statements of changes in net equity

For the years ended December 31, 2011 and 2010

	Issued Capital	Investment shares	Other capital reserves	Retained earnings	Translation results	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Balance as of January 1, 2010	148,309	74,153	11,279	7,996	13,210	254,947
Translation results, note 17 (d)	—	—	—	—	12,980	12,980
Net income	—	—	—	34,408	—	34,408
Balance as of December 31, 2010	148,309	74,153	11,279	42,404	26,190	302,335
Translation results, note 17 (d)	—	—	—	—	(21,568)	(21,568)
Net income	—	—	—	27,878	—	27,878
Balance as of December 31, 2011	148,309	74,153	11,279	70,282	4,622	308,645

The accompanying notes are an integral part of this consolidated statement.

Soldex S.A. (formerly Soldaduras Peruanas S.A.) and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2011 and 2010

	2011	2010
	S/.(000)	S/.(000)
Operating activities		
Profit before income tax	41,637	48,756
Adjustments to reconcile profit before income tax to net cash flows		
Depreciation and amortization	3,686	5,571
Obsolescence of inventories, net	758	945
Allowance for doubtful accounts receivable	73	211
Deferred Income tax	(1,639)	2,883
Cost of sales of property, plant and equipment, net	903	1,126
Financial expenses	4,653	11,710
Financial income	(213)	(332)
Working capital variations:		
Decrease (increase) in trade and other accounts receivable	14,993	(35,670)
Decrease (increase) in prepaid expenses	246	(448)
Increase (decrease) in inventories	(16,707)	1,095
Increase in trade and other accounts payable	7,796	13,221
	56,186	49,068
Payment of interests	(4,653)	(11,710)
Collection of interests	213	332
Payment of income tax	(4,934)	(11,465)
Net cash and cash equivalent provided by from operating activities	46,812	26,225
Investing activities		
Payments for:		
Purchases of property, plant and equipment	(6,583)	(5,986)
Purchases of other assets	(316)	(192)
Net cash and cash equivalent used in investing activities	(6,899)	(6,178)
Financing activities		
Payment of financial liabilities	(23,026)	(26,032)
Net cash and cash equivalents used in financing activities	(23,026)	(26,032)
Net increase (decrease) in cash and cash equivalents for the year	16,887	(5,985)
Cash and cash equivalents at the beginning of the year	13,673	19,658
Cash and cash equivalents at year-end	30,560	13,673

1. Identification and business activity

Soldex S.A. (formerly Soldaduras Peruanas S.A., hereinafter “the Company” or “Soldex”) is a Peruvian company incorporated on July 22, 2010, engaged in the welding business. As explained in Note 2 below, the Company received the equity block of the welding business from Soldexa S.A through a reorganization process and changed its legal name as of May 26, 2011, to the current name. The main shareholder of the Company is Inmuebles Limatambo S.A, which holds 44.42 percent of the capital stock. See note 2.

The Company's legal domicile is Nicolas Arriola Avenue No. 767, Santa Catalina, Lima, Peru.

The consolidated financial statements as of December 31, 2011 and for the year ended on that date were approved for their issuance by the Management on February 16, 2012.

The economic activity of the Company includes the manufacture, processing, industrial exploitation, representation, development, research, distribution, transportation, import and export of welds, other chemicals products and metal in general, and their inputs, accessories, related and derivatives.

As of December 31, 2011, 2010 and January 1, 2010, the consolidated financial statements comprise the financial statements of the Company and the following subsidiaries (hereinafter the "Group") Soldaduras West Arco, Soldaduras Megriweld, Comelven, Solvensol and Nitrocorp.

Here, we describe the activities of the principal subsidiaries:

- Soldaduras West Arco was incorporated on April 23, 2008 under the laws of the Republic of Colombia. It is engaged in the manufacturing and trading of all kinds of items related to the metalworking industry, such as electrodes and welding wires, welding equipment and other chemical and metallurgical products in general, and their inputs, accessories, related and derivatives.

- Comelven C.A. was incorporated on September 27, 2000 under the laws of the Bolivarian Republic of Venezuela. It is engaged in the trading and distribution of electrodes and welding wires.

- Megriweld Welding Ltda. was incorporated on September 10, 1993 under the laws of the Republic of Colombia and is engaged in the production, manufacturing, distribution and trading of all kinds of products related to the metalworking sector, especially the welds industry.

2. Simple reorganization

The General Shareholder's Meeting held on March 24, 2011, approved the reorganization process of the Group, in order to separate the real estate business from welding business, and create a unit independent and specialized in welding line. This reorganization did not change the corporate structure under which the Group operates; it did not generate any variation in their equity.

For the implementation of the reorganization, Soldexa (now Futura Consorcio Inmobiliario S.A.) identified the assets and liabilities of the businesses above mentioned and transferred them to Soldaduras Peruanas S.A. (today Soldex SA) the equity block corresponding to the welding business. The results generated in the first six months of welding business were not transferred in the equity block and are not part of the Company's results for the year 2011.

The composition of net income generated by the welding business not transferred to the Company is as follows:

	Results from January 1 to June 30, 2011
	S/.(000)
Net sales	94,894
Cost of sales	(59,376)
Gross profit	35,518
Administrative expenses	(9,133)
Selling costs	(10,166)
Other income and expenses, net	300
Operating profit	16,519
Financial income	189
Financial expenses	(4,895)
Exchange difference, net	1,978
Profit before income tax	13,791
Income tax	(4,583)
Net Income	9,208

On July 1, 2011, the Company proceeded to the implementation of such agreement based on the financial statements of Soldexa as of June 30, 2011, transferring assets for the amount of S/.434,673,000 and liabilities for the amount of S/.142,215,000. Subsequently, the Company's Management determined that the amounts transferred required certain adjustments as assets and liabilities of welding business included concepts belonging to the real estate business.

Consequently, the Company's management and Futura Consorcio Inmobiliario S.A.'s management agreed to record the effects of adjustments to appropriately reflect the assets and liabilities of each business. Following, we describe these items related to the welding business and the corresponding adjustments to the transfer:

	Initial transfer of assets and liabilities	Adjustments	Assets and liabilities transferred
	S/.(000)	S/.(000)	S/.(000)
Assets			
Current Assets	33,125	(5,409) (c)	27,716
Inventories	50,139	—	50,139
Financial Investments	324,647	—	324,647
Property, plant and equipment, net	23,021	(1,497) (a)	21,524
Other assets	3,741	—	3,741
Total Assets	434,673	(6,906)	427,767
Liabilities			
Total liabilities	(142,215)	6,906 (b)	(135,309)
Equity block transferred	292,458	—	292,458

(a) Property, plant and equipment, net: corresponds to improvements related to the Property in Lurin for the amount of S/.1, 497.141, included in the entry of facilities.

(b) Liabilities:

(b.1) Other accounts payable: correspond to provisions of service charges for financial audit, tax and consulting services for the amount of S/.118,186.

(b.2) Deferred income tax liability: corresponds to the tax effect of unrealized gain on changes in fair value of available-for-sale investments held in EXSA S.A., for the amount of S/.2,023,966.

(b.3) Current income tax: corresponds to the current income tax of the welding business retained in equity block of Futura Consorcio Inmobiliario, for the amount of S/.4,764.229.

(c) Cash and cash equivalents: corresponds to a proportional adjustment between the modified assets and liabilities.

Modifications made to the balances of transferred assets and liabilities were approved by management as of the reporting date.

3. Basis of preparation and summary of significant accounting policies

3.1 Basis of presentation -

The Group's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

For all prior periods and to the year ended on December 31, 2010 inclusive, the Group prepared its financial statements in accordance with generally accepted accounting practices local (local GAAP). These financial statements for the year ended on December 31, 2011 are the first financial statements prepared under IFRS. Note 3.4 includes information about how the Group adopted IFRS for the first time.

The consolidated financial statements have been prepared under the historical cost model.

The consolidated financial statements are presented in Peruvian nuevos soles and all values are rounded to the nearest thousand (S/.000), unless otherwise noted.

3.2 Basis of consolidation -

The consolidated financial statements include the financial statements of the company and its subsidiaries as of December 31, 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All balances, transactions, unrealized comprehensive income arising from transactions between the Group entities and dividends, are eliminated completely.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. When the Group loses control of a subsidiary:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling participation;
- Derecognises the cumulative translation differences, recorded in equity
- Recognizes the fair value of the services that has been received;
- Recognizes the fair value of any residual investment retained;
- Recognizes any positive or negative balance as a result; and
- Reclassifies the income or retained earnings, as appropriate, the participation of the controlling entity in the components previously recognized in other comprehensive income.

3.3 Summary of significant accounting policies -

The significant accounting policies of the Company for the preparation of its consolidated financial statements are described as it follows:

3.3.1 Transactions with entities under common control. -

Fusion

IFRS does not provide specific accounting treatment for the legal merger of a parent company and its subsidiaries, which is why the Group, based on what is allowed by IAS 8 and the Framework, adopted the following accounting policy:

A legal merger where the subsidiaries are absorbed by the parent company is, essentially, a redemption of shares of subsidiaries in exchange for the assets and liabilities of these subsidiaries. Accordingly, assets and liabilities to be joined are recognized in the carrying amounts that remain in the consolidated financial statements from the date of the legal merger. These carrying amounts include any goodwill, intangible assets and / or price allocation adjustments when the subsidiary was acquired, net of amortization, depreciation or impairment losses that were applicable. The difference between: (i) the amounts allocated to the assets and liabilities in the separated financial statements of the Company after the legal merger and (ii) the carrying amount of investments in subsidiaries acquired which are held at cost is recognized in the statements of comprehensive income.

3.3.2 Financial Instruments: Initial recognition and subsequent measurement -

(a) Financial Assets -

Initial recognition and measurement -
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial investments, call options, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company and Subsidiaries determine the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not carried at fair value through profit or loss, transaction costs are directly attributable.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the date trade, i.e., the date that the Group commits to purchase or sell the asset.

The Company and its subsidiaries's financial assets include cash and cash equivalents, accounts receivable and others, and available-for-sale financial investments.

Subsequent measurement -
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss -
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivate financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in finance income or finance costs in the consolidated statements of comprehensive income.

The Group did not designate any financial asset under this classification as of December 31, 2011, 2010 and January 1, 2010.

Loans and receivables -
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortization is included in finance income in the consolidated statements of comprehensive income. The losses arising from impairment are recognized in the consolidated statements of comprehensive income in finance costs.

Held to maturity investments -
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Group and subsidiaries have the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of comprehensive income. The losses arising from impairment are recognized in the consolidated statements of comprehensive income in finance costs.

The Group did not have any held-to-maturity investments during the years ended December 31, 2011, 2010 and January 1, 2010.

Available-for-sale financial investments -
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statements of comprehensive income in finance costs and removed from the available-for-sale reserve.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statements of comprehensive income.

The Group maintains investment in shares as an available-for-sale financial investments as of December 31, 2011, 2010 and January 1, 2010.

Derecognition-
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

(i) The rights to receive cash flows from the asset have expired; or

(ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' agreement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Impairment of financial assets -
The Group assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.
Financial assets carried at amortized cost -
For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash

flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated stamente of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If the estimated loss decreases, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. If a future write-off is later recovered, the recovery is credited to finance costs in the consolidated statements of comprehensive income.

Available-for-sale financial investments
For available-for-sale financial investments, the Group assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of comprehensive income, is removed from other comprehensive income and recognized in the consolidated statements of comprehensive income. Impairment losses on equity investment are not reversed through the consolidated statements of comprehensive income. Increases in their fair value after impairments are recognized directly in other comprehensive income.

(c) Financial liabilities-
Initial recognition and measurement -
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans, put options over non-controlling interest, and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing loans and borrowings.

Subsequent measurement -
The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss -
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the consolidated statements of comprehensive income.

The Group has not designated any financial liability upon initial recognition at fair value through profit or loss as of December 31, 2011 and 2010, and January 1, 2010.

Loans and borrowings -
After their initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and loss are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the consolidated statements of comprehensive income.

Derecognition -
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another one from the same lender on substantially different terms, or the terms are substantially modified, such replacement or amendment is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in the consolidated statements of comprehensive income.

(d) Offsetting of financial instruments -
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(e) Fair value of financial instruments-
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details on how they are measured are provided in Note 29.

3.3.3 Foreign currency translation -
The Group's consolidated financial statements are presented in Peruvian nuevos soles, which is also the functional currency.

Transactions and balances -
Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the consolidated statements of comprehensive income, should the specific criteria be met.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

At the time of preparing and presenting the consolidated financial statements, the Company translated to Peruvian Nuevos Soles the balances of the financial statements of the Subsidiaries, presented in their respective functional currencies. The following describes the methodology used in this translation, which complies with the established in IAS 21 "The Effects of Changes in Foreign Exchange Rates":

(i) The balances of assets, liabilities and equity have been transferred using the closing exchange rates at the date of the consolidated statements of financial position.

(ii) Revenues and expenses have been translated using average exchange rates for each month.

(iii) Exchange differences resulting from the translation process to the presentation currency of the Company (Peruvian Nuevo Sol), have been recognized separately in the consolidated statements of changes in net equity.

3.3.4 Cash and cash equivalent -
The cash and cash equivalents caption presented in the Company's consolidated statements of financial position includes all cash on hand and deposited in banks, including time deposits whose maturities are three months or less. For the purpose of the consolidated statements cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.3.5 Inventories:

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Merchandises, Raw Materials, Packaging and Supplies -

- Cost of purchase. Cost is determined using the weighted average method.

Finished goods and products in progress-

- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs and exchange differences.

Inventories in transit -

- Purchase cost.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.3.6 Property, plant and equipment -

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The capitalized value of a finance lease is also included within property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of comprehensive income as incurred.

The depreciation of assets used in production is charged to cost of production and is calculated on a straight-line basis over the estimated useful life of the asset described as follows:

Description	Years
Building and other constructions	From 6 to 71
Machinery and equipment	From 5 to 18
Transportation units	5
Furniture and fixtures	10
Computer equipment	4 and 10

The asset's residual value, useful lives and methods of depreciation/amortization are reviewed at each reporting period, and adjusted prospectively if appropriate.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income when the asset is derecognized.

3.3.7 Borrowing costs -

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalizes borrowing costs for all eligible assets where construction was commenced since the adoption of IFRS (on January 1, 2009). Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognized in the consolidated statements of comprehensive income in the period in which they are incurred.

3.3.8 Leases -

The determination of whether an agreement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even it that right is not explicitly specified in an arrangement.

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between financial 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 recognized in finance costs in the consolidated statements of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognized as an operating expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

3.3.9 Intangible assets -

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets can be finite or indefinite. Intangible assets with finite useful life are amortized using the straight-line method over their useful economic life, which are five years (software licenses), and are reviewed to determine whether they had any impairment in the extent that there is any indication that the intangible asset may be impaired. The period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of the asset are recognized for by changing the period or the amortization method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statements of comprehensive income under "administrative expenses".

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of comprehensive income when the asset is derecognized.

3.3.10 Business combinations and goodwill -

Business combinations are recognized using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the comprehensive income.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

In order to calculate goodwill, the amount paid is compared with the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocate to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.3.11 Impairment of non financial assets -

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset of CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of comprehensive income. The following criteria are also applied in assessing impairment of the goodwill:

The impairment test of goodwill is performed at each reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each cash-generating unit to which goodwill belongs. Where the recoverable amount of each cash-generating unit is less than its carrying amount is recognized an impairment loss. Impairment losses related to a goodwill cannot be reversed in future periods.

3.3.12 Provisions -

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost in the consolidated statements of comprehensive income.

3.3.13 Employees benefits -

The Group has short-term obligations for employee benefits including salaries, severance contributions, legal bonuses, performance bonuses and profit sharing. These obligations are monthly recorded, on accrual basis.

3.3.14 Taxes -

Current income tax -
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in Peru in the case of the Company, and Colombia and Venezuela, countries in which the Company and its subsidiaries operate and generate taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries and associates, 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.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in subsidiaries and associates, where deferred assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities 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 tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Sales tax -
Revenues, expenses and assets are recognized net of the amount of sales tax (e.g. value added tax), except:

(i) Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

(ii) Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

3.3.15 Revenue recognition -
Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must be also met before revenue is recognized:

Sales of goods -
Revenue from sales of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, on delivery of the goods.

Interest income -
The revenue is recognized when the interest accrues using the effective interest rate. Interest income is included in finance income in the consolidated statements of comprehensive income.

3.4 First time adoption of International Financial Reporting Standards ("IFRS")

These consolidated financial statements for the year ended December 31, 2011 are the first financial statements of the Group prepared under IFRS. For all prior periods and to the year ended December 31, 2010, inclusive, the Group prepared its consolidated financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in Peru.

Therefore, the Group has prepared financial statements that comply with IFRS applicable for periods ending on or after December 31, 2011, together with the comparative period and the year ended December 31, 2010, as described in the accounting policies. As part of the preparation of these consolidated financial statements, the opening consolidated statements of financial position was prepared as of January 1, 2010. This note explains the principal adjustments made by the Group to restate the consolidated statements of financial position as of January 1, 2010 and previously published consolidated financial statements as of December 31, 2010, and for the year then ended, all prepared in accordance with GAAP in Peru.

Exemptions applied -
IFRS 1 "First-Time Adoption of International Financial Reporting Standards" allows first-time adopters certain exemption from the retrospective application of certain IFRS. The Group has applied the following exemptions:

- Certain items of property, plant and equipment are measured at fair value at the date of transition to IFRS.

Estimates -
The estimates as of December 31, 2011 and 2010 and January 1, 2010 are consistent with those made for the same date in accordance with GAAP in Peru, except for the estimated residual values, depreciation method and useful lives of items of property, plant and equipment as described below.

3.4.1 Reconciliation of the consolidated statements of financial situation as of January 1, 2010 (transition date to IFRS) -

	Notes	Audited Soldexa 31.12.09	Other changes (note 2)	GAAP Peru	Other Adjustments (d)	Adjustments IFRS	As of January 1, 2010 under IFRS
		S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Assets							
Current assets							
Cash and cash equivalents		25,819	(6,161)	19,658	—	—	19,658
Trade accounts receivable, net		31,923	—	31,923	—	66	31,989
Other accounts receivable		20,813	—	20,813	717	156	21,686
Accounts receivable from related parties		—	10,937	10,937	—	—	10,937
Inventories, net	(a)	79,011	—	79,011	2,685	(1,997)	79,699
Prepaid expenses		226	—	226	—	—	226
Total current assets		157,792	4,776	162,568	3,402	(1,775)	164,195
Available-for-sale investments		7,687	(7,587)	100	—	—	100
Goodwill	(b)	179,638	(553)	179,085	(717)	(51,024)	127,344
Property, plant and equipment, net	(b)	98,444	(38,174)	60,270	—	10,294	70,564
Intangibles, net	(b)	116,607	—	116,607	—	7,425	124,032
Total assets		560,168	(41,538)	518,630	2,685	(35,080)	486,235
Liabilities and net equity							
Current liabilities							
Financial liabilities		35,162	—	35,162	—	—	35,162
Trade accounts payable		15,710	(699)	15,011	—	(24)	14,987
Other accounts payable		21,425	—	21,425	—	142	21,567
Loan payable to shareholders		3,728	—	3,728	—	—	3,728
Total current liabilities		76,025	(699)	75,326	—	118	75,444
Financial liabilities		131,343	—	131,343	—	—	131,343
Other accounts payable		7,227	1,604	8,831	—	—	8,831
Loan payable to stockholders		4,884	—	4,884	—	—	4,884
Deferred tax liability	(b) y (c)	45,657	606	46,263	—	(35,477)	10,786
Total liabilities		265,136	1,511	266,647	—	(35,359)	231,288
Shareholders' equity, net							
Issued capital		179,359	(31,050)	148,309	—	—	148,309
Investment shares		89,677	(15,524)	74,153	—	—	74,153
Treasury shares		(6,870)	6,870	—	—	—	—
Other capital reserves		9,013	2,266	11,279	—	—	11,279
Retained earnings		11,053	(5,613)	5,440	2,685	(129)	7,996
Translation results		12,800	2	12,802	—	408	13,210
Total net equity		295,032	(43,049)	251,983	2,685	279	254,947
Total liabilities and net equity		560,168	(41,538)	518,630	2,685	(35,080)	486,235

Reconciliation between the consolidated statements of financial situation as of December 31, 2010 -

	Notes	Audited Soldexa 31.12.10	Other changes (note 2)	GAAP Peru	Other Adjustments(d)	Adjustments IFRS	As of December 31, 2010 under IFRS
		S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Assets							
Current assets							
Cash and cash equivalents		23,380	(9,707)	13,673	—	—	13,673
Trade accounts receivable, net		42,484	—	42,484	883	66	43,433
Other accounts receivable		9,696	(202)	9,494	(883)	218	8,829
Accounts receivable from related parties		573	12,453	13,026	—	—	13,026
Inventories, net	(a)	80,350	—	80,350	751	(1,516)	79,585
Prepaid expenses		733	—	733	—	(59)	674
Total current assets		157,216	2,544	159,760	751	(1,291)	159,220
Available-for-sale investments		8,439	(8,339)	100	—	—	100
Goodwill	(b)	183,771	(553)	183,218	—	(48,990)	134,228
Property, plant and equipment, net	(b)	96,122	(36,361)	59,761	—	12,663	72,424
Intangibles, net	(b)	113,902	—	113,902	—	14,266	128,168
Total assets		559,450	(42,709)	516,741	751	(23,352)	494,140
Liabilities and net equity							
Current liabilities							
Financial liabilities		32,368	—	32,368	3,093	—	35,461
Trade accounts payable		14,189	—	14,189	—	231	14,420
Other accounts payable		21,801	744	22,545	(3,093)	(858)	18,594
Total current liabilities		68,358	744	69,102	—	(627)	68,475
Financial liabilities		105,012	—	105,012	—	—	105,012
Other accounts payable		4,683	(453)	4,230	—	—	4,230
Loan payable to stockholders		—	—	—	—	—	—
Deferred tax liability	(b) y (c)	45,686	248	45,934	—	(31,846)	14,088
Total current liabilities		155,381	(205)	155,176	—	(31,846)	123,330
Total liabilities		223,739	539	224,278	—	(32,473)	191,805
Net equity							
Issued capital		179,359	(31,050)	148,309	—	—	148,309
Investment shares		89,677	(15,524)	74,153	—	—	74,153
Treasury shares		(6,870)	6,870	—	—	—	—
Other reserves		9,984	1,295	11,279	—	—	11,279
Retained earnings		40,793	(4,839)	35,954	751	5,699	42,404
Translation results		22,768	—	22,768	—	3,422	26,190
Total net equity		335,711	(43,248)	292,463	751	9,121	302,335
Total liabilities and net equity		559,450	(42,709)	516,741	751	(23,352)	494,140

Reconciliation of the consolidated statements of comprehensive income for the year ended December 31, 2010

	Notes	Audited Soldexa	Other changes (note 2)	Balances Peru GAAP	Other Adjustments (d)	Adjustments IFRS	Balances IFRS
		S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Net sales		309,504	—	309,504	(1,128)	—	308,376
Cost of Sales	(c)	(181,093)	—	(181,093)	751	769	(179,573)
Gross profit		128,411	—	128,411	(377)	769	128,803
Selling costs	(c)	(44,712)	—	(44,712)	—	(1,337)	(46,049)
Administrative expenses	(c)	(35,957)	5,222	(30,735)	—	4,427	(26,308)
Other income (expenses) operating, net		2,638	(3,285)	(647)	—	69	(578)
Operating profit		50,380	1,937	52,317	(377)	3,928	55,868
Other income (expenses), net							
Financial expenses		(11,617)	—	(11,617)	—	(93)	(11,710)
Financial income		297	—	297	—	35	332
Exchange difference, net		4,268	(2)	4,266	—	—	4,266
Profit before income tax		43,328	1,935	45,263	(377)	3,870	48,756
Worker's profit sharing	(c)	(1,801)	—	(1,801)	—	1,801	—
Income tax		(11,283)	(248)	(11,531)	(2,817)	—	(14,348)
Net income		30,244	1,687	31,931	(3,194)	5,671	34,408

3.4.2. Reconciliation of the consolidated statements of cash flows -

The IFRS adoption has no significant effects upon the Company and subsidiaries reported cash flows for operating, investment and financing activities; but there is been no significant movements in some accounts generated by conversion adjustments.

3.4.3. Notes to the reconciliation of consolidated net equity as of January 1 and December 31, 2010 and total consolidated comprehensive income for the year ended December 31, 2010-

IFRS adjustments -

(a) Inventories -

GAAP Peru:

GAAP in Peru, spare parts and maintenance equipment are recorded as inventory and consumption recognized in the consolidated statements of comprehensive income even if the entity expects to use them during more than a year or when they can only be used in connection with an item of property, machinery and equipment.

IFRS:

Under IFRS, the spare parts and maintenance equipment are classified as property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and maintenance equipment can be used only once in relation to an item of property, plant and equipment are recorded as fixed assets. The Company and Subsidiaries conducted an analysis of spare parts and maintenance equipment presented in the item inventory to make a correct classification of such elements. As a result of this analysis, the Group reclassified S/.1,997.000 as of January 1, 2010 and S/.1,516.000 as of December 31, 2010.

(b) Property, plant and equipment, intangible assets and goodwill -

Cost -

GAAP Peru:

- Effective January 1, 1994, the Peruvian economy was not considered as hyperinflationary economy according to IAS 29 - “Financial Reporting Hyperinflationary Economies”. Until 2004, Peruvian companies had calculated and recorded adjustments for inflation on no monetary assets. The fixed asset caption had been adjusted by inflation to reflect the effect of the variation of the acquisition power of the Nuevo Sol, even though Peruvian economy has not accomplished the hyperinflation characteristic according to IAS 29. As a result, the carry amount of fixed asset represent the real cost plus the inflation adjustment until 2004.

- Refer to the item above in relation to the accounting treatment of spare parts and maintenance equipment.

IFRS:

- Under IAS 29, the Company and subsidiaries had no adjustment for inflation between January 1, 1994 and December 31, 2004. To resolve this point, the Company and subsidiaries decided to measure certain items of property, plant and equipment and intangibles at fair value at the date of transition to IFRS, on the basis of a valuation by an independent valuer. At the date of transition to IFRS, the Company recognized an increase S/.26, 929.000 in property, plant and equipment, and intangible assets. This amount was recognized in goodwill arising from the acquisition of subsidiaries in Colombia.

- As explained earlier, to the date of transition, the cost of property, plant and equipment also includes the main parts that can be used as items of property, plant and equipment.

Accumulated depreciation and amortization-

GAAP Peru:

- Peru GAAP does not require entities to account the residual value of an asset.

- Not required to have a separate depreciation of each part of an item of property, plant and equipment that is significant in relation to the total cost of the item. The usual practice is to depreciate the entire element using a single rate of depreciation.

- The company remained in its financial statements the amortization of trademarks identified as intangibles in implementing the PPA analysis as a result of higher value paid in the acquisition of the subsidiaries of Colombia.

IFRS:

- IAS 16 "Property, Plant and Equipment" requires entities to estimate the residual value of an item of property, plant and equipment to establish the depreciable value.

- IAS 16 requires that the important components of an item of property, plant and equipment are depreciated separately.

- IAS 38 requires that intangible assets with indefinite lives are not amortized but are subject to impairment review.

For the year ended December 31, 2010, the net effect of these adjustments was a decrease in depreciation of S/.1,799,000 and amortization of S/.7,425,000.

Also, as of January 1, 2010 the Company eliminated the amortization of intangible assets with indefinite lives according to IFRS should not amortized, as result of the above, the Company recognized an increase S/.7, 425.000 under the heading of intangibles.

Also during the January 1, 2010 the Company eliminated the amortization of intangible assets with indefinite lives. According to IFRS it should not be amortized, as result of the above, the Company recognized an increase S/.7, 425.000 under the heading of intangibles.

Such effects described above, generated a decrease in the item Deferred tax liability for the amount S/.35, 477.000 as of January 1, 2010.

(c) Worker's profit sharing

GAAP Peru:

Current Worker's profit sharing

The liability for the current Worker's profit sharing current is measured as the amount expected to be paid to workers. The Worker's profit sharing is calculated on the basis of separate financial information of the Group and unconsolidated. According to the legal regulations, Worker's profit sharing is calculated on the same basis as that used to calculate the current income tax and is presented in the consolidated statements of income together with the income tax.

Deferred Worker's profit sharing

In Peru, the deferred Worker's profit sharing reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and for tax purposes determined in accordance with IAS 12 "Income Taxes". Therefore, the deferred Worker's profit sharing assets and liabilities is measured using the participation rates expected to be applied to income before interest and taxes in the years in which temporary differences are recovered or settled. The measurement of deferred Worker's profit sharing assets and liabilities reflects the tax consequences arising from the manner in which the Company and its subsidiaries expect to recover or settle the carrying amount of its assets and liabilities at the date of the consolidated statements of financial position.

Deferred Worker's profit sharing assets and liabilities are recognized regardless of when it deems that the temporary differences will be void. Deferred Worker's profit sharing assets are recognized when it is probable that sufficient future benefits exist for deferred Worker's profit sharing assets can be applied.

IFRS:
An entity is required to recognize a liability when an employee has served, therefore, should not be calculating deferred Worker's profit sharing from temporary differences, as this concept corresponds to future services that should not be considered as obligations or rights under IAS 19.

As a result of the transition adjustment of IFRS, the Company recognized a decrease of deferred tax asset of approximately S/.260, 000 as of January 1, 2010, (approximately S/.252,000 as of December 31, 2010).

As a result of the application of IAS 19, the expense of the current worker's profit sharing for the year 2010 is distributed in the following items of the consolidated statements of comprehensive income as follows:

- The item "Cost of sales" increased approximately S/.685,000 for personnel costs related to the production area.
- The item "Selling costs" increased approximately S/.485,000 for personnel costs related to sales area.
- The item "Administrative expenses" increased approximately S/.379,000 for personnel costs related to the administrative area.

(d) Other adjustments and reclassifications -
Some items of assets and liabilities for the year 2010 have been reclassified to be comparable with the balance of the year 2011. The reclassifications had no effect on total assets and liabilities in 2010.

Also, the item "inventories, net" includes an adjustment for the amount S/.2,685,000, it is generated by the correction of the amount corresponding to the elimination of margin stock consolidation under GAAP as of December 31, 2010 and 2009 (January 1, 2010).

These adjustments and reclassifications are not significant to the financial statements taken as a whole.

3.5 Significant accounting judgments, estimates and assumptions -
Many of the amounts included in the consolidated financial statements involve the use of judgment and/or estimation. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements. Information about such judgments and estimates are contained in the accounting policies and/or the notes to the financial statements. The key areas are summarized below:

- Determination of useful lives of assets for depreciation and amortization purposes- notes 3.3.6.
- Allowance for impairment of inventories, see note 3.3.5.
- Depreciation of Property, plant and equipment, see note 3.3.6
- Amortization of intangibles assets, see note 3.3.9
- Allowance for impairment of long-term assets, see note 3.3.11.
- Income tax, see note 3.3.14.

Any difference in the estimates in subsequent results is recorded in the results of the year in which it occurs.

4. New International Financial Reporting Standards (IFRS) issued but not effective on the date of the consolidated financial statements

Listed below are the International Standards issued but not effective on the date of the consolidated financial statements of the Company and its Subsidiaries. In this sense, indicates the Standards issued that the Company and Subsidiaries reasonably expected to be applicable in the future. The Company and Subsidiaries intends to adopt those standards when they become effective:

- IAS 1 Financial Statement Presentation - Presentation of items of Other Comprehensive Income
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's consolidated financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

- IAS 12 “Income Taxes - Recovery of Underlying Assets”
  The amendment clarified the determination of deferred tax in investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement to calculate deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16, always be measured on the sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- IAS 19 employee Benefits (Amendment)
  The IASB has issued numerous amendments to IAS 19 which becomes effective for annual periods beginning on or after January 1, 2013. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is still assessing the impact, if any, of adopting this guidance.

- IAS 27 Separate Financial Statements (as revised in 2011), effective for annual periods beginning on or after January 1, 2013, as a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
  As a consequence of the new IFRS 11 and IFRS 12 IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The Group is still assessing the impact, if any, of adopting this guidance.

- IFRS 7 Financial Instruments: Disclosures - Enhanced De-recognition. Disclosure Requirements
  The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- IFRS 9 Financial Instruments: Classification and Measurement
  IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- IFRS 10 Consolidated Financial Statements
  IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation- Special Purpose Entities.

  IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared whit the requirements that were in IAS 27.

  This standard becomes effective for annual periods beginning on or after January 1, 2013. The Group is still assessing the impact, if any, of adopting this guidance.

- IFRS 11 Joint Arrangements
  IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 jointly -controlled Entities- Non-monetary Contribution by ventures. The standard addresses two forms of joint arrangements, i.e., joint operations and joint ventures. To assess whether there is joint control IFRS 11 uses the principles of control of IFRS 10. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The effective of this standard is January 1, 2013.

- IFRS 12 Disclosure of Involvement with Other Entities
  IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangement, associates and structured entities. A number of new disclosures are also required. This standard becomes

effective for annual periods beginning on or after 1 January 2013. The Group is still assessing the impact, if any, of adopting this guidance.

- IFRS 13 Fair Value Measurement
  IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have in the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Group is still assessing the impact, if any, of adopting this guidance.

5. Cash and cash equivalents

(a) The table below presents the components of this caption:

	As of December 31		
	2011	**2010**	**As of January 1, 2010**
	S/.(000)	S/.(000)	S/.(000)
Petty cash	83	68	45
Funds in transit	1,545	—	—
Current accounts and saving accounts (b)	22,186	4,825	16,532
Time deposits (c)	6,746	8,780	3,081
	30,560	13,673	19,658

(b) The Group maintains current accounts and savings accounts in various banks denominated in local currency and foreign currency. These funds are unrestricted and non-interest bearing, except for time deposits which bear interest at market rates according to financial institutions in the countries where they operate.

(c) As of December 31, 2011 and 2010, corresponds to time deposits with a maturity of 30 days. As of January 1, 2010, corresponds to an "overnight deposit" due in two days and maintained in a local bank in Colombia, which bore interest at market rates.

(d) There are no restrictions on the balances of cash and cash equivalents as of December 31, 2011, 2010 and January 1, 2010.

6. Trade accounts receivable, net

(a) The table below presents the components of this caption:

	As of December 31		
	2011	**2010**	**As of January 1, 2010**
	S/.(000)	S/.(000)	S/.(000)
Third parts			
Invoices (b)	39,590	38,652	29,679
Notes (b)	4,678	5,098	2,574
	44,268	43,750	32,253
Less - Allowance for doubtful accounts receivable (c)	(382)	(399)	(264)
	43,886	43,351	31,989
Related parties, note 15(b)	376	82	—
	44,262	43,433	31,989

(b) The invoices and notes receivable are denominated in Peruvian Nuevos Soles and U.S. dollars, current mature, no specific guarantees and does not bearing-interest.

(c) The movement in the allowance for doubtful accounts for the years 2011 and 2010 was as follows:

	2011	2010
	S/.(000)	S/.(000)
Opening balances	399	264
Additions (less)		
Additions, note 24	73	211
Write-offs and/or recoveries	(90)	(76)
Final balances	382	399

(d) The aging analysis of trade receivables as of 31 December 2011, 2010 and January 1, 2010 is as follows:

	Total	Actual	Amount overdue and not impaired					Impaired
			< 30 days	30-60 days	61-90 days	91-120 days	> 120 days	
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
As of December 31, 2011	44,644	37,384	663	5,571	261	258	125	382
As of December 31, 2010	43,832	30,106	2,736	8,378	1,127	270	816	399
As of January 1, 2010	32,253	23,468	3,261	4,198	573	182	307	264

7. Other accounts receivable, net

(a) The table below presents the components of this caption:

	As of December 31		As of January 1, 2010
	2011	2010	
	S/.(000)	S/.(000)	S/.(000)
Value added tax credit (c)	2,382	4,371	14,697
Income tax credit	640	3,359	4,609
Accounts receivable from workers	547	603	371
Claims to third parties	139	53	335
Loans to third parties	90	8	7
Others	1,494	435	1,836
	5,292	8,829	21,855
Less - Allowance for doubtful accounts receivable	—	—	(169)
Total	5,292	8,829	21,686

(b) Accounts receivable are due current maturity, no specific guarantees and does not bearing interest.

(c) The value added tax credit is mainly of expenditure incurred for the purchase of inventories, fixed assets and other expenses related to the operations of the Company and its Subsidiaries. In Management's opinion, the value added tax credit will be recovered through the development of current business operations of the Company and its Subsidiaries.

(d) The aging analysis of accounts receivable as of December 31, 2011, 2010 and January 1, 2010 is as follows:

	Total	Actual	Amount overdue and not impaired					Impaired
			< 30 days	30-60 days	61-90 days	91-120 days	>120 days	
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
As of December 31, 2011	5,292	4,391	—	642	—	174	85	—
As of December 31, 2010	8,829	8,617	107	4	13	—	88	—
As of January 1, 2010	21,855	20,738	320	—	—	—	628	169

8. Inventories, net

(a) The table below presents the components of this caption:

	As of December 31		
	2011	**2010**	**As of January 1, 2010**
	S/.(000)	S/.(000)	S/.(000)
Merchandises, note 20	40,822	23,443	19,496
Finished goods, note 20	14,204	16,168	16,232
Products in process, note 20	4,114	4,031	2,960
Materials and supplies, note 20	27,198	24,236	28,471
Packaging, note 20	1,541	1,479	1,217
Supplies, note 20	5,283	5,976	6,126
Inventories in transit	4,705	5,682	7,350
	97,867	81,015	81,852
Provision for impairment of inventories (b)	(2,333)	(1,430)	(2,153)
	95,534	79,585	79,699

(b) The movement of the provision for impairment of inventory as of December 31, 2011 and 2010 are as follows:

	2011	**2010**
	S/.(000)	S/.(000)
Opening balance	1,430	2,153
Transfer of equity block	180	—
Allowance of the year, note 20	758	945
Write-offs	(35)	(1,668)
Balances as of December 31	2,333	1,430

9. Property, plant and equipment, net

(a) The composition and movement of cost and accumulated depreciation in this caption is presented below:

	Land	Buildings and other constructions	Machinery and equipment	Transportation units	Furniture and fixtures	Other equipment	Works in progress	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Cost								
As of January 1, 2010	20,942	17,461	84,193	5,582	2,760	1,368	971	133,277
Additions	1,988	397	2,392	423	505	367	(86)	5,986
Disposals or Sales	—	—	(1,098)	(285)	—	(6)	—	(1,389)
Transfers	390	105	300	(225)	(447)	399	(522)	—
Translation effect	663	419	421	18	43	7	17	1,588
As of December 31, 2010	23,983	18,382	86,208	5,513	2,861	2,135	380	139,462
Additions	98	1,422	3,966	294	422	217	164	6,583
Disposals or Sales	—	—	(1,006)	(195)	(3)	(6)	—	(1,210)
Transfer of equity block	(37)	(543)	(601)	603	148	111	515	196
Transfers	—	—	25	—	—	—	(25)	—
Translation effect	(985)	(624)	(715)	(26)	(86)	(40)	(14)	(2,490)
As of December 31, 2011	23,059	18,637	87,877	6,189	3,342	2,417	1,020	142,541
Accumulated depreciation								
As of January 1, 2010	—	2,477	54,799	3,531	1,097	809	—	62,713
Additions (b)	—	358	3,059	640	281	225	—	4,563
Disposals or Sales	—	—	(37)	(225)	—	(1)	—	(263)
Transfers	—	—	227	(113)	(425)	311	—	—
Translation effect	—	—	6	—	5	14	—	25
As of December 31, 2010	—	2,835	58,054	3,833	958	1,358	—	67,038
Additions (b)	—	299	2,361	352	272	210	—	3,494
Disposals or Sales	—	—	(146)	(160)	(1)	—	—	(307)
Transfer of equity block	—	(176)	620	255	67	61	—	827
Translation effect	—	(8)	(58)	(3)	(4)	27	—	(46)
As of December 31, 2011	—	2,950	60,831	4,277	1,292	1,656	—	71,006
Net book value								
As of December 31, 2011	23,059	15,687	27,046	1,912	2,050	761	1,020	71,535
As of December 31, 2010	23,983	15,547	28,154	1,680	1,903	777	380	72,424
As of January 1, 2010	20,942	14,984	29,394	2,051	1,663	559	971	70,564

(b) The distribution of the depreciation of the year is as follows:

	2011	2010
	S/.(000)	S/.(000)
Cost of sales, note 20	1,946	2,595
Selling costs, note 21	1,107	1,396
Administrative expenses, note 22	441	572
	3,494	4,563

(c) As of December 31, 2011 and 2010 and January 1, 2010, the Group has taken insurance for all its assets. In Management's opinion, insurance policies are consistent with international practice in the industry and the risk of potential losses for claims considered in the insurance policy is reasonable considering the type of assets held by the Group.

(d) As of December 31, 2011 and 2010 and January 1, 2010, based on projections made by Management on the results expected for the coming years, there is no indication that the recoverable value of property, plant and equipment are less than their carrying values, so it is not necessary to provide any provision for impairment for these assets at the date of the consolidated statements of financial position.

(e) Compliance with the Company's obligations under the loan agreements with Banco de Credito del Peru described in note 11, has been secured by a mortgage on a land of 260 hectares owned by Futura SA Real Estate Consortium (a related company), located on the old road to the South Pan Lurín district. The home warranty is duly registered in the Real Property of Lima.

10. Intangibles, net and goodwill

The composition of these items are detailed below:

(a) Intangibles, net -

The movement of intangibles and accumulated amortization for the years 2011 and 2010 was as follows:

	Trademarks and Licences	Contracts, relationships with distributors and others	Software	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Cost				
Balance as of January 1, 2010	18,044	105,181	2,979	126,204
Additions	—	46	616	662
Transfers	—	(205)	205	—
Translation effect	681	3,964	—	4,645
Retirements and/or sales	—	(43)	(86)	(129)
Balance as of December 31, 2010	18,725	108,943	3,714	131,382
Additions	—	142	174	316
Transfers	—	(75)	75	—
Translation effect	(1,012)	(5,800)	—	(6,812)
Retirements and/or sales	—	—	—	—
Balance as of December 31, 2011	17,713	103,210	3,963	124,886
Accumulated amortization				
Balance as of January 1, 2010	—	909	1,263	2,172
Additions (note 22)	—	674	334	1,008
Translation effect	—	34	—	34
Balance as of December 31, 2010	—	1,617	1,597	3,214
Additions (note 22)	—	—	192	192
Transfer of equity block	—	—	188	188
Translation effect	—	—	4	4
Balance as of December 31, 2011	—	1,617	1,981	3,598
Net book value				
As of December 31, 2011	17,713	101,593	1,982	121,288
As of December 31, 2010	18,725	107,326	2,117	128,168
As of January 1, 2010	18,044	104,272	1,716	124,032

As of December 31, 2011 and 2010 and January 1, 2010, based on projections made by Management on the results expected for the coming years, there is no evidence that the recoverable value of intangible assets are less than their carrying amounts, therefore, it is not necessary to register any provision for impairment for these assets as of the date of the consolidated statements of financial position.

(b) Goodwill -

The composition of these items by subsidiary (cash-generating unit) are detailed below:

	As of December 31		
	2011	2010	As of January 1, 2010
	S/.(000)	S/.(000)	S/.(000)
Subsidiaries			
Soldaduras West Arco Ltda.	119,847	129,815	123,127
Soldaduras Megriweld S.A.	1,987	2,149	2,040
Comercializadora de Electrodes de Venezuela - Comelven S.A.	2,218	2,264	2,177
Book value	124,052	134,228	127,344

11. Financial liabilities

(a) As of December 31, 2011 and 2010, this item includes:

Type of obligation	Original currency	Maturity	Annual Weighted average interest rate	As of 31 December, 2011	As of 31 December, 2010	As of January 1, 2010
			%	S/.(000)	S/.(000)	S/.(000)
Bank overdrafts						
Banco BBVA Continental	Dollars	—	—	—	3	—
Notes						
Banco BBVA Continental	Soles		9.3%	—	7,000	16,200
Banco de Bogota	Dollars	2012	1.95%	5,933	—	—
Banco BBVA Continental	Pesos	2012	6.75%	278	—	—
Banco BBVA Continental	Dollars	2012	2.25%	6,942	730	—
Banco Santander - Colombia	Dollars	2011	Libor + 1.73%	—	288	—
Bancolombia	Dollars	2012	2.8%	1,541	—	—
Loans						
Banco de Credito del Peru	Dollars	2018	7.3%	77,614	92,385	106,967
Banco de Credito del Peru	Soles	2016	7.15%	18,131	33,312	42,306
Banco BBVA - Colombia	Dollars	2012	Libor + 1.63%	—	5,618	106
Other financial liabilities						
Factoring	Dollars	2012	8%	123	—	—
Factoring	Soles	2012	8%	2,372	1,137	926
Banco Santander - Colombia	Dollars	2012	2.91%	2,264	—	—
Roca trading	Soles	2012	3%	2,249	—	—
Total				117,447	140,473	166,505
Less current portion				(36,416)	(35,461)	(35,162)
Non current portion				81,031	105,012	131,343

(b) The interest accrued in 2011 and 2010 for the financial liabilities held as of December 31 of such year, amounting to approximately S/.4,505,000 and S/.11,639,000, respectively, which are presented under "Financial expenses" in the Consolidated statements of comprehensive income.

(c) In compliance with the medium-term loan agreement with Banco de Credito del Peru, the Company and its subsidiaries must maintain certain financial ratios related to the ability to pay the debt and the level of leverage of the Company and its Subsidiaries.

Management regularly monitors the compliance with financial ratios established in order to maintain a strong financial position. The required financial ratios are presented below:

	Requested
Leverage ratio (total liabilitites/total assets)	Less than 1
Ratio of debt service	More than 1.3

(i) The company complied with these financial constraints at December 31, 2011, 2010 and January 1, 2010.

12. Trade accounts payable

(a) The table below presents the components of this caption:

	As of December 31		
	2011	2010	As of January 1, 2010
	S/.(000)	S/.(000)	S/.(000)
Bills payable - local	13,741	6,379	6,830
Bills payable - foreign	14,843	8,041	8,157
	28,584	14,420	14,987

(b) The unpaid bills owed to various suppliers of raw materials and goods sold by the Company and its Subsidiaries, have current maturities and pay no interest.

13. Other accounts payable

(a) The table below presents the components of this caption:

	As of December 31		
	2011	2010	As of January 1, 2010
	S/.(000)	S/.(000)	S/.(000)
Taxes	5,842	2,979	2,526
Remunerations and workers benefits	5,797	1,758	2,710
Bank acceptances	4,742	3,082	1,610
General services	2,833	1,038	2,401
Income tax	1,911	3,934	6,780
Interest on bank loans	1,180	1,429	1,905
Provision for workers bonuses	753	942	640
Board of Directors' fees	666	509	334
Royalties	513	378	287
Social security and Pension Fund Administrator	342	1,413	1,478
Dividends	31	31	266
Others	1,839	1,101	630
	26,449	18,594	21,567
Related parties (note 15 b)	1,266	—	—
	27,715	18,594	21,567

(b) The accounts payable have current maturities, non-interest bearing and have no specific guarantees given by them.

14. Loans payable to stockholders

As of January 1, 2010, the Group had a loan with its shareholders up approximately S/.8, 612.000.

15. Balances and transactions with related parties

(a) The main transactions undertaken by the Company and its subsidiaries with related companies are detailed below:

	2011	2010
	S/.(000)	S/.(000)
Exsa S.A.		
Administrative Office Leases	16	34
Others	6	(924)
Futura consorcio Inmobiliario S.A.		
Management Services	196	—
Others	1,462	—

(b) As a result of these and other smaller transactions, the Company and its subsidiaries have the following balances at the date of the consolidated statements of financial position:

	2011	2010	As of January 1, 2010
	S/.(000)	S/.(000)	S/.(000)
Trade accounts receivable, note 6			
Exsa S.A.	220	—	—
Minsur S.A.	78	—	—
Tecnologica de Alimentos S.A.	48	—	—
Others	30	82	—
	376	82	—
Accounts receivable			
Futura Consorcio Inmobiliario S.A.	451	13,026	10,937
Exsa S.A.	4	—	—
	455	13,026	10,937
Accounts payable			
Futura Consorcio Inmobiliario S.A.	1,266	—	—
	1,266	—	—

(c) Compensation expenses and other items to the key personnel of the Company and its Subsidiaries represented for 2.43 percent of the gross income of the Company and its Subsidiaries for the period 2011 (2.50 per cent during the period 2010). Management has defined as key employees of the Company and its subsidiaries to the Board and Senior Management.

(d) The pricing policy used by the Company and its Subsidiaries for transactions between its affiliates and its subsidiaries has been framed within the market values.

16. Deferred tax assets and liabilities

(a) The composition of these items are detailed below:

	As of January 1, 2010	Credit (charge) to consolidated statements of comprehensive income	Translation effect	As of December 31, 2010	Credit (charge) to consolidated statements of comprehensive income	Transfer of equity block	Translation effect	As of December 31, 2011
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Deferred assets								
Provision for vacations	236	(210)	—	26	55	439	—	520
Provision for impairment of inventories	405	(235)	—	170	182	189	—	541
Provision for tax loss	499	(499)	—	—	—	—	—	—
Other provisions	165	(16)	—	149	5	(122)	—	32
Total deferred income tax assets	1,305	(960)	—	345	242	506	—	1,093
Deferred liabilities								
Goodwill	229	86	9	324	(308)	—	(18)	(2)
Amortization of intangibles	(11,658)	(1,925)	(416)	(13,999)	682	(22)	629	(12,710)
Differences in depreciation rate	(216)	(258)	—	(474)	10	270	—	(194)
Amortization of SAP	(148)	(32)	—	(180)	26	26	—	(128)
Provision for impairment of receivables	239	(139)	8	108	774	—	(8)	874
Other provisions	(537)	345	(20)	(212)	213	—	14	15
Total deferred income tax liabilities	(12,091)	(1,923)	(419)	(14,433)	1,397	274	617	(12,145)
Total deferred liabilities, net	(10,786)	(2,883)	(419)	(14,088)	1,639	780	617	(11,052)

(b) The income tax expense shown in the statements of comprehensive income for the years 2011 and 2010 is made up as follows:

	2011	2010
	S/.(000)	S/.(000)
Current	15,398	11,465
Deferred	(1,639)	2,883
	13,759	14,348

(c) The following is the reconciliation of the effective rate of income tax for the years 2011 and 2010:

	2011	2010
	S/.(000)	S/.(000)
Income before income tax	41,637	48,756
Income tax with legal rate of each country (*)	13,324	15,602
Permanent differences	435	(1,254)
Income tax with effective rate (2011 and 2010)	13,759	14,348

(*) Calculated based on average rates of income tax applicable to each country where the Group operates.

17. Equity

(a) Share capital

As of December 31, 2011 and 2010, share capital is represented by 419,977,479 authorized common shares, with a par value of one Nuevo Sol per share, which are fully issued and paid. The common shares representing the Company's share capital are traded on the Lima Stock Exchange.

(b) Investment shares -

As of 31 December 2011, 2010 and January 1, 2010, the investment shares comprise 74,152,925 shares of investment, with a par value of S/.1 each. Investment shares of the Company are traded on the Lima Stock Exchange.

Investment shares do not have voting rights or participate in shareholder's meetings but do participate in the distribution of dividends. Investment shares confer upon the holders thereof the right to participate in dividends distributed according to their nominal value, in the same manner as common shares. Investment shares also confer the holders thereof the right to: (i) maintain the current proportion of the investment shares in the case of capital increase by new contributions; (ii) increase the number of investment shares upon capitalization of retained earnings, revaluation surplus or other reserves that do not represent cash contributions; (iii) participate in the distribution of the assets resulting from liquidation of the Company in the same manner as common shares; and (iv) redeem the investment shares in case of a merger and/or change of business activity of the Company.

(c) Legal reserve -

In accordance with the Peruvian Companies Act, this reserve is created through the transfer of 10% of the earnings for the year up to a maximum of 20% of the paid-in capital. The legal reserve must be used to compensate for losses in the absence of non-distributed earnings or non-restricted reserves, and transfers made to compensate for losses must be replaced with future earnings. This reserve may also be used to increase capital stock but the balance must be restored from future earnings.

(d) Gain on translation-

Corresponds to the exchange difference resulting from the translation of financial statements of foreign subsidiaries into the presentation currency of the Company.

18. Tax situation

(a) The Group is subject to taxation in the country in which they operate and are taxed separately on the basis of their non consolidated results. As of December 31, 2011 and 2010, the rate of income tax is 30, 33 and 34 percent on taxable income in Peru, Colombia and Venezuela, respectively.

According to the laws in force in Peru to December 31, 2011 and 2010, cash dividends for non-resident shareholders are taxed at the income tax, where the rate is 4.1 percent, while Colombia and Venezuela cash dividends are exempt from tax.

(b) Since Law N° 29308 was passed, the exonerations to Peruvian Income Tax Law were extended until December 31, 2009. In that sense, gains on market value through centralized mechanisms and credits to public sector are exonerated of this tax.

Those exemptions have been extended to 2010, so that year after it was established that the tax cost corresponds to the market value at December 31, 2009.

(c) For purposes of determining income tax and general sales tax, transfer pricing of transactions with related companies and companies residing in areas of low or no taxation, must be supported with documentation and information on methods of valuation used and the criteria used for its determination. Based on the analysis of the operations of the Company and its Subsidiaries, Management and its legal counsel believe that, as a result of the application of these standards will not result in significant contingencies for the Company and its Subsidiaries December 31, 2011 and 2010.

(d) To date the transfer pricing rules are in force in Peru, Colombia and Venezuela, they regulate that transactions with related companies must be made at market value.

The tax authorities have the right to request such information. Based on the analysis of the operations of the Company and its Subsidiaries, Management and its legal counsel believe that as a result of the application of these standards, it will not result in significant contingencies for the Company and its Subsidiaries to December 31, 2011 and 2010.

(e) Peruvian Tax Authorities (SUNAT) have the right to examine, and, if necessary, amend the income tax as determined by the Company during the last four years, calculated from the year following that in which the tax returns are filed. The income tax filings for the years 2007 through 2011 are open to examination by The Tax Authorities.

For the periods pending to examine, and due to the many possible interpretations of current legislation, it is not possible to determine whether or not future reviews will result in tax liabilities for the Company. In the event that additional taxes are payable, including interest and surcharges, as a result of the Tax Authority reviews, they will be charged to expense in the period assessed and paid. However, In Management's and legal advisors' opinion, any additional tax assessment would not be significant to the financial statements as of 31 December,2011 and 2010.

19. Net sales

The composition of these items are detailed below:

	2011	2010
	S/.(000)	S/.(000)
Conventional	141,690	173,579
Special	41,539	65,226
Equipment and accessories	38,328	35,569
Automatic	37,879	30,777
Services and others	4,439	3,225
	263,875	308,376

20. Cost of sales

The composition of these items are detailed below:

	2011	2010
	S/.(000)	S/.(000)
Initial inventory of raw materials, packaging and supplies, note 8	31,691	35,814
Initial inventory of merchandises, note 8	23,443	19,496
Initial inventory of products in process, note 8	4,031	2,960
Initial inventory of finished products, note 8	16,168	16,232
Transfer of block equity	5,948	—
Purchases and consumption and raw materials	140,534	151,551
Personnel expenses, note 23(b)	12,148	14,101
Depreciation, note 9(b)	1,946	2,595
Other manufacturing expenses	10,038	10,905
Provision for inventory obsolescence and impairment, note 8(b)	758	945
(-)Final inventory of raw materials, packaging and supplies, note 8	(34,022)	(31,691)
(-)Final inventory of merchandises, note 8	(40,822)	(23,443)
(-)Final inventory of products in process, note 8	(4,114)	(4,031)
(-)Final inventory of finished products, note 8	(14,204)	(16,168)
Cost of services	—	307
	153,543	179,573

21. Selling expenses

The composition of these items is detailed below:

	2011	2010
	S/.(000)	S/.(000)
Personnel expenses, note 23(b)	22,207	21,865
Freights & transportation	5,501	4,142
Taxes	2,020	1,868
Leases	1,938	1,728
Services provided by third parties	1,633	5,906
Advertising expenses	1,585	1,301
Travel expenses	1,206	1,109
Consumption supplies	1,164	558
Depreciation, note 9(b)	1,107	1,396
Communication and basic services	1,042	978
Sundry provisions	957	1,057
Royalties	755	1,248
Others	3,004	2,893
	44,119	46,049

22. Administrative expenses

The composition of these items are detailed below:

	2011	2010
	S/.(000)	S/.(000)
Personnel expenses, note 23(b)	9,552	12,131
Sundry provisions	3,604	4,660
Consultancy and advisory services	3,366	2,995
Taxes	3,175	4,108
Depreciation, note 9(b)	441	572
Board of Directors compensation	422	580
Amortization, note 10	192	1,008
Others	628	254
	21,380	26,308

23. Personnel expenses

(a) Personnel expenses are made up as follow:

	2011	2010
	S/.(000)	S/.(000)
Wages and salaries	21,476	23,525
Contributions	6,260	6,857
Social Benefits	2,361	2,586
Gratifications	2,571	2,817
Vacations	1,835	2,010
Workers 'profit sharing	1,691	1,853
Others	7,713	8,449
	43,907	48,097

(b) Employee benefits expenses are allocated as follows:

	2011	2010
	S/.(000)	S/.(000)
Cost of sales, note 20	12,148	14,101
Administrative expenses, note 21	22,207	21,865
Selling expenses, note 22	9,552	12,131
	43,907	48,097

24. Other operating expenses, net

The composition of these items is detailed below:

	2011	2010
	S/.(000)	S/.(000)
Income		
Leases	16	34
Sale of materials and fixed assets	461	2,608
Recovery of expenses	682	—
Others	141	405
	1,300	3,047
Expenses		
Allowance for doubtful accounts, note 6(c)	73	211
Miscellaneous expenses	903	922
Cost of materials and disposal of fixed assets	357	1,546
Fiscal and Administrative Sanctions	19	—
Others, net	194	946
	1,546	3,625
	(246)	(578)

25. Financial expenses

This caption is made up as follows:

	2011	2010
	S/.(000)	S/.(000)
Interest on loans and borrowings, note 11(b)	4,505	11,639
Other financial charges	148	71
	4,653	11,710

26. Earnings per share

Below is the calculation of weighted average shares and earnings per share basic and diluted:

	Outstanding shares	Days effective until year-end	Weighted average shares
2010			
Balances as of January 1, 2010	222,462,540	365	222,462,540
Balances as of December 31, 2010	222,462,540		222,462,540
2011			
Balances as of January 1, 2011	222,462,540	365	222,462,540
Balances as of December 31, 2011	222,462,540		222,462,540

The calculation of basic earnings per share and diluted to 31 December 2011 and 2010, is presented below:

	2011			**2010**		
	Earnings (numerator)	**Shares (denominator)**	**Earnings per share**	**Earnings (numerator)**	**Shares (denominator)**	**Earnings per share**
	S/.(000)		S/.	S/.(000)		S/.
Basic and diluted earnings for common and investment shares	27,878	222,462,540	0.125316	34,408	222,462,540	0.154669

Basic and diluted earnings per share were calculated based on the weighted average number of common shares outstanding as of the date of the consolidated statements of financial position. At December 31, 2011 and 2010, the Company has no financial instruments with effects diluted, so earnings per basic and diluted share are the same.

27. Test of impairment of fixed assets and intangibles

The Company conducted its annual test for impairment at December 31, 2011. The Company's management believes that there is no impairment. The Company's management has determined the value in use of the CGU based on the income approach and the application of the method for estimating free cash flows ("FCFF") to be generated by the CGU, and determining the economic value of them based on their updated with a discount rate appropriate to their level of risk.

Budgeted cash flows were updated to reflect the demand for goods and services. The discount rate before tax applied to the cash flow projections was 11.25 percent.

Cash flows beyond the five-year period are extrapolated using a growth rate of 4.5 percent which is similar to the growth rate of long-term average for the industry. As a result of this analysis, management recognized no impairment charge.

Key assumptions used in value-in-use calculations-

The main assumptions used by management in the impairment analysis are detailed below:

- The cash flow accounts were calculated and projected by management for a period longer than 5 years.

- Revenues: Revenues grew at rates of 11.8 percent per annum on average from 2011 to the last projection year. Here are the main items that compose:

- Welds Income: also grow at high rates for the growth phase of the industry.

- Net income increased 47%, 55%, 8% and 9% in 2013, 2014, 2015 and 2016, respectively. The years 2015 and 2016 were calculated by applying a trend factor (simple regression) considering an implied growth rate equal to 4.5 percent annually. The years after 2015 were calculated assuming a perpetuity growth rate equal to 4.5 percent annually.

- Depreciation is located at an average annual rate of 1.5 percent per annum on the total revenue from the year 2012.

- Investment in working capital: Estimation of the Management shows how the calculation was made of the account, resulting in a need for approximately 30.5 percent.

- Discount rate: To estimate the value in use of the CGU, management has used a discount rate in nominal terms estimated basis and after tax of 11.25%.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of the fire prevention equipment unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

For the cash-generating unit, the estimated recoverable amount is equal to its carrying value and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implications of the key assumptions for the recoverable amount are discussed below:

- Growth rate assumptions - Management recognizes that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts included in the budget, but could yield a reasonably possible alternative to the estimated long-term growth rate of 11.8%.

28. Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to raise finances for the Group's operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments, and enters into derivative transactions. The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

Credit risk-

The Company's credit risk arises from the inability of debtors to be able to fulfill their obligations, to the extent to which they are overdue. The Company is exposed to credit risk from its operating activities (primarily accounts receivable) and from its financing activities, including deposits with banks and financial institutions.

Credit risk related to accounts receivable: Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. The balances of accounts receivable are periodically reviewed to ensure their recovery; in addition, the Company has a broad customer data base.

Credit risk related to financial instruments and cash deposits: Credit risk from balances with banks and Financial Institutions is managed by Group's treasury In accordance with The Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The maximum exposure to credit risk at December 31, 2011 and 2010 is the carrying amount of the balances of cash and cash equivalents shown in note 6.

Consequently, in the opinion of management, the Company has no concentration which represents significant credit risk at December 31, 2011 and 2010.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: (i) interest rate risk and (ii) currency risk”. All financial instruments of the Company are affected by these risks.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2011, 2010.

The sensitivity analyses have been prepared on the basis that sensitivities in the statements of comprehensive income are the effect of the assumed changes in respective market risk. This is based on the assets and liabilities held at 31 December 2011 and 2010.

(i) Interest rate risk -

At December 31, 2011 and 2010, the Company holds financial instruments bearing fixed interest rates on leading financial institutions in the country. The Company's operating cash flows are substantially independent of changes in market interest rates; therefore, in the opinion of management, the Company has no significant exposure to interest rate risks.

Interest rate sensitivity -

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings on floating rate. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase/decrease in basis points	Effect on profit before tax
		S/.(000)
2010		
Nuevos soles	+50	76
	+100	152
2011		
Nuevos soles	+50	65
	+100	129

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(ii) 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. Management is responsible for identifying, measuring, monitoring and reporting the overall risk exposure of the Company and its Subsidiaries. Foreign exchange risk arises when the Company and its Subsidiaries have mismatches between their positions, lending and off-balance in the various currencies in which it operates, which are mainly in Peruvian Nuevos Soles (functional currency) and U.S. dollars. The current position in foreign currency comprises assets and liabilities are stated at the exchange rate of the date of the consolidated statements of financial position. Any devaluation / revaluation of foreign currencies affect the consolidated statements of comprehensive income.

Foreign currency transactions are carried out at the exchange rates in each market. At December 31, 2011 and 2010, the weighted average exchange rate of various currencies in relation to the neuvos soles is as follows:

	2011 Exchange rate for 1 Nuevo Sol	2010 Exchange rate for 1 Nuevo Sol
U.S.Dollars	2.6970	2.8090
Colombian Pesos	0.0013	0.0014
Bolivares (*)	1,2571	1.3098

(*) Since May 2009, Comvelven C.A.'s products got out of the list of products of Popular Power Ministry for Light and Trading Industries (“MILCO” for its acronym in Spanish), that is why it does not have access to get currencies at exchange rates through Cadivi; it has valuated the inventories and accounts payable, on the basis of discounted cash flows it expects to receive from the liquidation of assets and pay for liabilities.

As of December 31, 2011 and 2010, the Group had the following assets and liabilities by currency (in thousands of Nuevos soles):

	2011					2010				
	U.S. Dollars	**Colombian Pesos**	**Bolivares**	**Nuevos soles**	**Total**	**U.S. Dollars**	**Colombian Pesos**	**Bolivares**	**Nuevos soles**	**Total**
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Assets										
Cash and cash equivalents	11,540	1,235	14,466	3,319	30,560	3,367	1,708	4,417	4,181	13,673
Trade accounts receivable, net	19,210	10,747	773	10,903	41,633	17,365	14,800	439	10,829	43,433
Other accounts receivable	440	835	1,536	2,936	5,747	3,205	1,855	609	16,186	21,855
	31,190	12,817	16,775	17,158	77,940	23,937	18,363	5,465	31,196	78,961
Liabilities										
Financial liabilities	30,140	278	—	5,998	36,416	18,184	3,086	—	14,191	35,461
Trade accounts payable	23,510	1,055	19	4,000	28,584	10,515	1,109	64	2,732	14,420
Other accounts payables	1,351	14,721	2,547	9,097	27,716	1,475	9,679	1,163	6,277	18,594
Financial liabilities long-term	77,614	—	—	3,417	81,031	80,837	—	—	24,175	105,012
Other accounts payables long term	—	—	—	—	—	4,230	—	—	—	4,230
	132,615	16,054	2,566	22,512	173,747	115,241	13,874	1,227	47,375	177,717
Position asset (liability) net	(101,425)	(3,237)	14,209	(5,354)	(95,807)	(91,304)	4,489	4,238	(16,179)	(98,756)

During 2011 and 2010, the Company and its subsidiaries have recorded a gain from net exchange difference of approximately S/.1,490,000, and S/.4,266,000, respectively, which is presented in the consolidated statements of comprehensive income.

The Company and Subsidiaries manage foreign exchange risk by monitoring and controlling the position values different to functional currency in each country and that is exposed to changes in exchange rates. The Company and Subsidiaries measure their performance in each country in their functional currency, so if the net foreign exchange position is positive, any depreciation of the U.S. dollar would affect negatively the consolidated statements of financial position of the Company and Subsidiaries. The current position in a foreign currency comprises exchange rate-linked assets and liabilities in that currency. Any depreciation/appreciation of the foreign exchange would affect the consolidated statements of comprehensive income.

The following chart shows an analysis for the sensitivity of the United States dollar (the currency to which the Corporation has significant exposure, as of December 31, 2011 and 2010, and is the Corporation's functional currency) and its effects on monetary assets and liabilities and estimated cash flows. The analysis determines the effect of reasonable expected variations in the United States dollar exchange rate, taking into account that the other variables affecting the consolidated income before income tax remain without changes. A negative amount shows a potential net reduction in the consolidated statements of comprehensive income and positive amount reflects a potential net increase:

Sensitivity analysis	**Change in Exchange rates**	**Effect on profit before income tax and worker's profit sharing**	
	%	**2011**	**2010**
		S/.(000)	S/.(000)
Devaluation -			
U.S. Dollars	5	13,680	12,803
U.S. Dollars	10	27,361	25,606
Revaluation -			
U.S. Dollars	5	(13,680)	(12,803)
U.S. Dollars	10	(27,361)	(25,606)

Liquidity Risk
Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with financial liabilities when due and to replace funds when they are withdrawn. The consequence would be the default in payment of its obligations to third parties.

Liquidity risk is controlled by matching the maturities of the assets and liabilities, obtaining credit lines with several different financial institutions and maintaining the cash surplus, in order to allow the Company and Subsidiaries to develop their operations normally.

Management of liquidity risk implies maintaining sufficient cash and the possibility of committing or having financing committed through an adequate number of credit sources. In this regard, the Company's management focuses its efforts to maintain sufficient resources to enable it to meet its expenditures.

The following table shows the maturity of the Company's future payments based on contractual obligations described below:

	Less than 3 months	**3 to 12 months**	**1 to 5 years**	**Total**
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
As of December 31, 2011				
Trade accounts payable	28,584	—	—	28,584
Accounts payable to related parties	1,266	—	—	1,266
Other accounts payable	26,449	—	—	26,449
Financial liabilities	—	36,416	81,031	117,447
Total liabilities	56,299	36,416	81,031	173,746

	Less than 3 months	**3 to 12 months**	**1 to 5 years**	**Total**
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
As of December 31, 2010				
Trade accounts payable	14,420	—	—	14,420
Other accounts payable	18,594	—	4,230	22,824
Financial liabilities	—	35,461	105,012	140,473
Total liabilities	33,014	35,461	109,242	177,717

Capital management
The Company actively manages a capital base to cover the inherent risks in its activities. The Company's capital adequacy is monitored using, among other measures, ratios set by the Management.

The Company's objectives when managing capital, which is a broader concept than the "Net equity" on the face of the consolidated statements of financial position, are: (i) to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders; and (ii) to maintain a strong capital base to support the development of its business activities.

As of December 31, 2011 and 2010, there were no changes in the Company's activities and capital management's policies, See note 17.

29. Fair value of financial instruments

Below you can see a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are presented in the financial statements.

	Book value			Fair value		
	2011	2010	As of January 1, 2010	2011	2010	As of January 1, 2010
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Financial assets						
Cash and cash equivalents	30,560	13,673	19,658	30,560	13,673	19,658
Other accounts receivable (*)	2,270	1,099	2,380	2,274	1,099	2,380
Trade accounts receivable	44,262	43,433	31,989	41,633	43,433	31,989
Accounts receivable from related parties	455	13,026	10,937	451	13,026	10,937
Total	77,547	71,231	64,964	74,918	71,231	64,964
Financial liabilities						
Financial liabilities	117,447	137,380	166,505	121,327	148,342	172,657
Trade accounts payable	28,584	14,420	14,987	28,584	15,171	15,686
Other accounts payable (**)	18,696	11,681	12,261	25,916	25,618	28,794
Accounts payable to related parties	1,266	—	—	1,266	—	—
Loans payable to shareholders	—	—	4,884	—	—	3,728
Total	165,993	163,481	198,637	177,093	189,131	220,865

(*) As of December 31, 2011, the accounts receivable included in this table does not consider an amount up S/.3, 022,000 (S/.7, 730,000 as of December 31, 2010 and S/. 19,306,000 as of January 1, 2010) for Value Added tax payable and credit for income taxes, since, in accordance with international financial reporting standards in force in Peru, these accounts do not qualify as financial instruments.

(**) As of December 31, 2011, the accounts payable in this table are not considered a rising amount of S/. 7,753,000 (S/. 6,913,000 as of December 31, 2010 and S/. 9,306,000 as of January 1, 2010) for the income tax and other taxes, which, in accordance with international financial reporting standards in force in the Peru, do not qualify as financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between independent parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits and trade and other receivables, approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Fair value of interest-bearing loans and borrowings is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

30. Operating segments information

(a) For management purposes, the Group is organized into business units based on their products and services, and has determined that these units represent a single segment, because the Management monitors the operating results of the business units together, for the purpose of making decisions about allocating resources and assessing their financial performance

(b) Information by geographic area:

	2011	2010
	S/.(000)	S/.(000)
Revenues by countries		
Peru	97,838	162,228
Colombia	167,679	144,408
Venezuela	25,101	27,511
Elimination of internal customers	(26,743)	(25,771)
	263,875	308,376

The revenue information shown here is based on the geographical location of the customer. There is no concentration of income for a single client as there is a diversification of the same.

For this purpose, non-current assets include property, plant and equipment, and intangible assets, as follows:

	2011	**2010**
	S/.(000)	S/.(000)
Non-current assets		
Peru	30,283	30,248
Colombia	162,247	170,127
Venezuela	293	217
	192,823	200,592

Soldex S.A. (formerly Soldaduras Peruanas S.A.) and Subsidiaries

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Consolidated Statements of Financial Position

As of September 30, 2012 and December 31, 2011

	Notes	September 30, 2012	December 31, 2011
		S/.(000)	S/.(000)
Assets			
Current assets			
Cash and cash equivalents	5	42,577	30,560
Trade accounts receivable, net	6	49,302	44,262
Other accounts receivable, net	7	9,577	5,292
Accounts receivable from related parties		301	455
Inventories, net	8	90,376	95,534
Prepaid expenses		558	428
Total current assets		192,691	176,531
Non-current assets			
Available-for-sale investments		—	100
Goodwill	10 (b)	130,984	124,052
Property, plant and equipment, net	9	73,729	71,535
Intangibles, net	10 (a)	125,713	121,288
Total non-current assets		330,426	316,975
Total assets		523,117	493,506
Liabilities and net equity			
Current liabilities			
Financial liabilities	11	35,020	36,416
Trade accounts payable	12	18,966	28,584
Other accounts payable	13	30,940	26,449
Loans payable to shareholders	14	—	—
Other accounts payable to related parties		211	1,266
		85,137	92,715
Non-current liabilities			
Financial liabilities	11	71,436	81,031
Other accounts payable		—	—
Deferred income		—	63
Loans payable to shareholders	14	—	—
Deferred tax liability	14	10,961	11,052
		82,397	92,146
Total liabilities		167,534	184,861
Shareholders' equity, net			
Issued capital	15a	188,956	148,309
Investment shares		94,475	74,153
Other capital reserves		14,059	11,279
Retained earnings		51,263	70,282
Translation results		6,830	4,622
Total net equity		355,583	308,645
Total liabilities and net equity		523,117	493,506

The accompanying notes are an integral part of this consolidated statement.

Soldex S.A. (formerly Soldaduras Peruanas S.A.) and Subsidiaries

Consolidated Statements of comprehensive income

For the three and nine months ended September 30, 2012 and 2011

		1 July to 30 September		1 January to 30 September	
	Notes	2012	2011	2012	2011
		S/.(000)	S/.(000)	S/.(000)	S/.(000)
Net sales	17	87,346	95,573	269,708	95,573
Cost of sales	18	(51,380)	(57,584)	(161,334)	(57,584)
Gross profit		35,966	37,989	108,374	37,989
Selling costs	19	(12,606)	(13,658)	(38,703)	(13,658)
Administrative expenses	20	(6,043)	(8,030)	(19,544)	(8,030)
Other operating expenses, net	22	(491)	(401)	(1,001)	(401)
Operating profit		16,826	15,900	49,126	15,900
Financial expenses	23	(2,000)	(2,362)	(6,279)	(2,362)
Financial income		36	73	406	73
Exchange difference, net		1,853	(667)	3,474	(667)
Profit before income tax		16,715	12,944	46,727	12,944
Income tax	14 (b)	(5,123)	(4,087)	(14,798)	(4,087)
Net Income		11,592	8,857	31,929	8,857
Other comprehensive income		—	—	—	—
Total comprehensive income		11,592	8,857	31,929	8,857
Basic and diluted earnings per share stated in nuevos soleses	24	0.052	0.04	0.144	0.04

The accompanying notes are an integral part of this consolidated statement.

Soldex S.A. (formerly Soldaduras Peruanas S.A.) and Subsidiaries

Consolidated statements of cash flows

For the nine months ended September 30, 2012 and 2011

	January 1 to September 30,	
	2012	**2011**
	S/.(000)	S/.(000)
Operating activities		
Profit before income tax	31,929	8,857
Adjustments to reconcile profit before income tax to net cash flows		
Depreciation and amortization	3,594	2,891
Impairment losses	218	—
Deferred income tax	14,626	—
Cost of sales of property, plant and equipment, net	(76)	—
Working capital variations:		
Decrease (increase) in trade and other accounts receivable	(8,297)	5,441
Decrease (increase) in prepaid expenses	(126)	158
Increase (decrease) in inventories	6,196	1,270
Increase in trade and other accounts payable	(16,953)	13,568
Payment of interests	1,479	2,081
Other adjustments	427	(708)
Net cash and cash equivalent provided by from operating activities	33,017	33,558
Investing activities		
Received from (Payments for):		
Sale of financial instruments	100	—
Sale of property, plant and equipment	93	—
Purchases of property, plant and equipment	(4,173)	(2,190)
Net cash and cash equivalent used in investing activities	(3,980)	(2,190)
Financing activities		
Payment of financial liabilities	(16,588)	(4,017)
Net cash and cash equivalents used in financing activities	(16,588)	(4,017)
Net increase (decrease) in cash and cash equivalents for the year before exchange rates	12,449	27,351
Effect of exchange rates on cash and cash equivalents	(432)	(67)
Net increase (decrease) in cash and cash equivalents for the year	12,017	27,284
Cash and cash equivalents at the beginning of the year	30,560	10
Cash and cash equivalents at year-end	42,577	27,294

The accompanying notes are an integral part of this consolidated statement.

1. Identification and business activity

Soldex S.A. (formerly Soldaduras Peruanas S.A., hereinafter “the Company” or “Soldex”) is a Peruvian company incorporated on July 22, 2010, engaged in the welding business. As explained in Note 2 below, the Company received the equity block of the welding business from Soldexa S.A through a reorganization process and changed its legal name as of May 26, 2011, to the current name. The main shareholder of the Company is Inmuebles Limatambo S.A, which holds 44.42 percent of the capital stock. See note 2.

The Company's legal domicile is Nicolas Arriola Avenue No. 767, Santa Catalina, Lima, Peru.

The consolidated financial statements as of December 31, 2011 and for the year ended on that date were approved for their issuance by the Management on February 16, 2012.

The economic activity of the Company includes the manufacture, processing, industrial exploitation, representation, development, research, distribution, transportation, import and export of welds, other chemicals products and metal in general, and their inputs, accessories, related and derivatives.

As of September 30, 2012 and December 31, 2011, the consolidated financial statements include the financial statements of the Company and of the following subsidiaries (hereafter, “the Group”): Soldaduras West Arco, Soldaduras Megriweld, Comelven, Solvensol and Nitrocorp.

We describe below the activities of the main subsidiaries:

- Soldaduras West Arco was incorporated on April 23, 2008 under the laws of the Republic of Colombia. It is engaged in the manufacturing and trading of all kinds of items related to the metalworking industry, such as electrodes and welding wires, welding equipment and other chemical and metallurgical products in general, and their inputs, accessories, related and derivatives.

- Comelven C.A. was incorporated on September 27, 2000 under the laws of the Bolivarian Republic of Venezuela. It is engaged in the trading and distribution of electrodes and welding wires.

- Megriweld Welding Ltda. was incorporated on September 10, 1993 under the laws of the Republic of Colombia and is engaged in the production, manufacturing, distribution and trading of all kinds of products related to the metalworking sector, especially the welds industry.

2. Simple Reorganization

The General Meeting of Shareholders of 24 March 2011 approved the process of simple reorganization of the Group, for the purpose of separating the real estate business from the welding business to create an independent unit specialized in welding. The reorganization did not modify the corporate structure under which the Group operates nor produced any variation of its equity structure.

For the implementation of the reorganization, Soldexa (now Futura Consorcio Inmobiliario S.A.) identified the assets and liabilities of the businesses above mentioned and transferred them to Soldaduras Peruanas S.A. (today Soldex SA) the equity block corresponding to the welding business. The results generated in the first six months of welding business were not transferred in the equity block and are not part of the Company's results for the year 2011.

The composition of the net income generated by the welding business not transferred to the Company is as follows:

	Results from January 1 to June 30, 2011
	S/.(000)
Net sales	94,894
Cost of sales	(59,376)
Gross profit	35,518
Administrative expenses	(9,133)
Selling costs	(10,166)
Other income and expenses, net	300
Operating profit	16,519
Financial income	189
Financial expenses	(4,895)
Exchange difference, net	1,978
Profit before income tax	13,791
Income tax	(4,583)
Net Income	9,208

On July 1, 2011, the Company proceeded to the implementation of such agreement based on the financial statements of Soldexa as of June 30, 2011, transferring assets for the amount of S/.434,673,000 and liabilities for the amount of S/.142,215,000. Subsequently, the Company's Management determined that the amounts transferred required certain adjustments as assets and liabilities of welding business included concepts belonging to the real estate business.

Consequently, the management of Soldex S.A. and the management of Futura Consorcio Inmobiliario S.A. agreed to record the corresponding adjustments to properly reflect the assets and liabilities of each business. We describe below the assets and liabilities of the welding business and the corresponding transfer adjustments made:

	Initial transfer of assets and liabilities	Adjustments	Assets and liabilities transferred
	S/.(000)	S/.(000)	S/.(000)
Assets			
Current Assets	33,125	(5,409) (c)	27,716
Inventories	50,139	—	50,139
Financial Investments	324,647	—	324,647
Property, plant and equipment, net	23,021	(1,497) (a)	21,524
Other assets	3,741	—	3,741
Total Assets	434,673	(6,906)	427,767
Liabilities			
Total liabilities	(142,215)	6,906 (b)	(135,309)
Equity block transferred	292,458	—	292,458

(a) Property, plant and equipment, net: This refers to improvements related to the property in Lurin for an amount of S/.1,497,141, included under the item facilities.

(b) Liabilities:

(b.1) Other accounts payable: This refers to provisions for the cost of financial audits, tax audits, and consulting services for the amount of S/.118,186.

(b.2) Deferred tax on profits: This refers to the tax effect of unrealized profits, due to changes in the fair value of the vailable-for-sale investment held in EXSA S.A., for the amount of S/.2,023,966.

(b.3) Current income tax: This refers to the tax on the current income of the welding business, retained in the equity package of Futura Consorcio Inmobiliario, for the amount of S/.4,764,229.

(c) Cash and cash equivalents: This refers to a proportional adjustment of the modified assets and liabilities.

The modifications made in the balances of transferred assets and liabilities have been approved by the Management as of the date of the reporting date.

3. Basis of Preparation and Summary of Significant Accounting Policies

3.1 Basis of Presentation -

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

For all former periods up to and including the fiscal year ended on 31 December 2010, the Group prepared its financial statements in accordance with local generally accepted accounting practices (local GAAP). These financial statements for the fiscal year ended on December 31, 2011 are the first financial statements prepared by the Group in accordance with IFRS.

The consolidated financial statements were prepared based on the historical cost model.

The consolidated financial statements are expressed in Peruvian neuvo soles and all values are rounded to the nearest thousand (S/. 000), unless otherwise stated.

3.2 Basis of Consolidation -

The consolidated financial statements include the financial statements of the company and of its subsidiaries as of September 30, 2012.

The subsidiaries are fully consolidated from the date of acquisition, which is the date on which the Group acquires control, and continue to be consolidated until the date such control ceases. The financial statements of the subsidiaries are based on the same reporting period as those of the company, and uniform accounting policies are applied. All balances, transactions, unrealized comprehensive income arising from transactions between the Group entities and dividends, are eliminated completely.

A change in the interest held in a subsidiary, without losing control thereof, is reported as an equity transaction. When the Group loses control of a subsidiary:

- It writes off the assets (including capital gains) and liabilities of the subsidiary;
- It writes off the book value of any non controlling interest;
- If writes off accumulated conversion differences recorded in the equity account;
- It recognizes the fair value of the consideration received;
- It recognizes the fair value of any retained residual investment;
- It recognizes any positive or negative balance as results (profit/loss); and
- It reassigns to the results or accumulated results, according to each case, the interest of the controlling entity in the components previously recognized in other combined results.

3.3 Summary of significant accounting policies -

The Company's significant accounting policies used in the preparation of its consolidated financial statements are described below:

3.3.1 Transactions with entities under common control -

Merger

IFRS do not prescribe a specific accounting treatment for the legal merger of a parent company with its subsidiaries; therefore, the Group has adopted the following accounting policy, as per International Accounting Standard (IAS) 8 and the Conceptual Framework:

A legal merger where the subsidiaries are absorbed by the parent company is, essentially, a redemption of shares of subsidiaries in exchange for the assets and liabilities of these subsidiaries. Accordingly, assets and liabilities to be joined are recognized in the carrying amounts that remain in the consolidated financial statements from the date of the legal merger. These carrying amounts include any goodwill, intangible assets and / or price allocation adjustments when the subsidiary was acquired, net of amortization, depreciation or impairment losses that were applicable. The difference between: (i) the amounts allocated to the assets and liabilities in the separated financial statements of the Company after the legal merger and (ii) the carrying amount of investments in subsidiaries acquired which are held at cost is recognized in the statements of comprehensive income.

3.3.2 Financial Instruments: Initial recognition and subsequent valuation -

(a) Financial Assets -

Recognition and initial valuation -

Financial assets under IAS 39 are classified as financial assets at fair value with changes in income, loans and accounts receivable, investments held to maturity, available-for-sale financial investments, purchase options, or

derivatives designated as hedge instruments in effective hedging, as appropriate. The Company and subsidiaries determine the classification of their financial assets at initial recognition.
All financial assets are recognized initially at fair value plus, in the case of assets not carried at fair value through profit or loss, transaction costs are directly attributable.

Purchases or sales of financial assets that require delivery of the assets within a period of time fixed by a rule or market convention are recognized on the date of the purchase and sale transaction, that is, on the date that the group agrees to buy or sell the asset.

The financial assets of the Company and subsidiaries include cash and cash equivalents, commercial and miscellaneous accounts receivable, and available-for-sale financial investments.

Subsequent Measurements -
The subsequent valuation of financial assets depends on their classification as follows:

Financial Assets at Fair Value through profit or loss-
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivate financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in finance income or finance costs in the consolidated statements of comprehensive income.

The Group did not designate any financial asset under this classification as of September 30, 2012 and as of December 31, 2011.

Loans and Receivables -
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortization is included in finance income in the consolidated statements of comprehensive income. The losses arising from impairment are recognized in the consolidated statements of comprehensive income in finance costs.

Investments Held until Maturity -
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Group and subsidiaries have the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of comprehensive income. The losses arising from impairment are recognized in the consolidated statements of comprehensive income in finance costs.

The Group held no investment within this category during the period ended as of September 30, 2012 and as of December 31, 2011.

Available-for-Sale Financial Investments -
Available-for-sale financial investments include equity and debt certificates. Investments in equity certificates classified as available for sale are those not classified as held for negotiation or at fair value, with changes in income. After initial recognition, available-for-sale financial investments are measured at fair value, and unrealized gains or losses are recognized other comprehensive income in the available-for-sale reserve until investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statements of comprehensive income in finance costs and removed from the available-for-sale reserve.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statements of comprehensive income.

The Group maintains investment in shares as an available-for-sale investment as of September 30, 2012 and as of December 31, 2011.

Write-offs -
A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is written off upon:

(i) The expiry of contractual rights to receive the cash flows produced by the asset; or

(ii) The transfer of contractual rights over the cash flows produced by the asset, or assumption of the obligation to pay to a third party the totality of those cash flows without significant delay, through an intermediation agreement, and (a) the substantial transfer of all the risks and benefits attached to ownership of the asset; or (b) the transfer of control over the asset, even if all the risks and benefits attached to ownership of the asset have not been transferred or retained.

Where the contractual rights to receive the cash flows produced by an asset are transferred, or a transfer agreement is executed, but all the risks and benefits attached to the ownership of the asset are not substantially transferred or retained, and control over the asset is not transferred, that asset will continue to be recognized to the extent that the Company and subsidiaries remain linked to that asset.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

A firm commitment that takes the form of a guaranty over the asset transferred is measured as either the original book value of the asset or the maximum consideration that could be payable by the Group, whichever is lower.

(b) Impairment of financial assets -

At the close of each reporting period, the Group evaluates if there is any objective evidence that a financial asset or set of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with default.

Financial Assets Recorded at their Amortized Cost -
For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence of a loss due to deterioration of value, the amount of the loss is measured as the difference between the book value of the asset and the current value of estimated future cash flows (excluding expected future credit losses that have not yet occurred). The current value of estimated future cash flows is discounted at the original EIR of the financial assets. If a loan accrues a variable interest rate, the discount rate used to measure any loss due to deterioration of value is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated stamente of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred

to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If the estimated loss decreases, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. If a future write-off is later recovered, the recovery is credited to finance costs in the consolidated statements of comprehensive income.

Available-for-Sale Financial Investments -
For available-for-sale financial investments, the Group assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of comprehensive income, is removed from other comprehensive income and recognized in the consolidated statements of comprehensive income. Impairment losses on equity investment are not reversed through the consolidated statements of comprehensive income. Increases in their fair value after impairments are recognized directly in other comprehensive income.

(c) Financial Liabilities -

Initial Recognition and Measurement -
Financial liabilities under IAS 39 are classified as financial liabilities at fair value with changes in income, sale options on the non controlling interest, loans and accounts payable, or or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of financial liabilities at the time of initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Group's financial liabilities include commercial and miscellaneous accounts payable and financial obligations.

Subsequent Measurement -
The subsequent measurement of financial liabilities depends on their classification, as follows:

Financial Liabilities at Fair Value with Changes in income -
Financial liabilities at fair value with changes in income include financial liabilities held for trading and financial liabilities designated at the time of initial recognition at fair value with changes in income.

Financial liabilities are classified as held for trading if acquired with the intention to negotiate them in the near future. Gains or losses on liabilities held for trading are recognized in the consolidated statements of comprehensive income.

The Group has not designated any financial liability at fair value with changes in income as of September 30, 2012 and as of December 31, 2011.

Debts and Loans that Accrue interest -
After initial recognition, financial obligations are measured at their amortized cost, using the EIR method. The combined results are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized, as well as through the process of amortization of the EIR.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortization of the EIR is recognized as a financial cost in the consolidated statements of comprehensive income.

Write-offs -
A financial liability is written off when the respective obligation is paid in full, discharged, or expires. When an existing financial liability is replaced by another from the same lender under substantially different conditions, or the conditions of an existing liability are substantially modified, this change or modification is treated by eliminating the original liability and recognizing the new liability, and the difference between the respective book values is recognized in the consolidated statements of comprehensive income.

(d) Offsetting of Financial Instruments -
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(e) Fair Value of Financial Instruments -
On the closing date of each reporting period, the fair value of the financial instruments negotiated in active markets is determined based on their market price, or on the prices quoted by market agents (bid price for long positions and ask price for short positions), without deduction of transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation methods. These can include the use of recent market transactions between independent, unrelated and well informed parties, reference to the fair value of other substantially similar financial instruments, ta discounted cash flow analysis or other valuation methods.

3.3.3 Transactions in Foreign Currency -
The consolidated financial statements of the Group are expressed in Peruvian nuevo soles, which is also the functional currency.

Transactions and Balances -
Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the consolidated statements of comprehensive income, should the specific criteria be met.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

At the time of preparing and presenting the consolidated financial statements, the Company translates the balances appearing in the financial statements of subsidiaries in their respective functional currencies into nuevo soles. The conversion methodology used, which is consistent with IAS 21, “Effects of Foreign Exchange Rate Variations,” is described below:

(i) Asset, liability, and net equity balances have been translated using the closing exchange rates effective on the closing date of each consolidated financial statement.

(ii) Income and expenditure amounts have been translated using the average exchange rates for each month.

(iii) Exchange differences arising from the process of translation to the Company's reporting currency (neuvo soles) have been recognized separately in the consolidated statement of changes in net equity.

3.3.4 Cash and Cash Equivalents -

The item cash and cash equivalents in the consolidated financial statements includes all cash on hand and deposited in banks, including time deposits whose maturities are three months or less. For the purpose of the consolidated statements cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.3.5 Inventories:

Inventories are valued at the lower of cost or net realization value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Merchandise, Raw Materials, Containers, Packaging, and Supplies -
- Purchased cost. The cost is determined using the weighted average method.

Finished Products and in-Process Products -
- Cost of direct supplies and materials, third-party services, direct labor costs, and a proportion of general manufacturing costs at normal operating capacity, excluding financing costs and exchange differences.

Pending Inventories -
- Purchased cost.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.3.6 Property, Plant and Equipment -

Property, plant and equipment item is presented at cost, net of accumulated depreciation and/or accumulated losses due to impairment, if any. This includes the cost of replacing components of property, plant and equipment, and financing costs for long-term construction projects, provided that they meet the requirements for recognition. The capitalized value of a finance lease is also included within property, plant and equipment. For significant components of property, plant and equipment that need periodic replacement, the Company and subsidiaries write off the replaced component and recognize the new component with the respective useful life and depreciation. In the same way, when a major inspection is carried out, its cost is recognized as a replacement to the extent that the recognition criteria are satisfied. All other routine repair and maintenance costs are recognized as expenditures in the consolidated statements of comprehensive income as they are incurred.

The depreciation of assets used in production is charged to cost of production and is calculated on a straight-line basis over the estimated useful life of the asset described as follows:

Description	**Years**
Building and other constructions	From 6 to 71
Machinery and equipment	From 5 to 18
Transportation units	5
Furniture and fixtures	10
Computer equipment	4 and 10

The asset's residual value, useful lives and methods of depreciation/amortization are reviewed at each reporting period, and adjusted prospectively if appropriate.

An item of property, plant and equipment or any significant component that was initially recognized is written off after the item is disposed of, or if no future economic benefit is expected from its use or disposal. Any gain or loss from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income when the asset is written off.

3.3.7 Borrowing Costs -

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily requires a substantial period of time to be ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other financial costs are expensed during the period in which they occur. Borrowing costs include interest costs and other costs incurred by an entity in connection with the borrowing of funds.

The Group capitalizes borrowing costs for all qualified assets that began to be built on or after the adoption of IFRS (on 1 January 2009). Where funds are specifically obtained to finance a project, the capitalized amount represents the actual borrowing costs incurred. Where surplus funds from financing for a specific project are available for a short term, the income from the temporary investment of those amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project are part of general financing, the capitalized amount is calculated based on the weighted average rates applicable to pertinent general financing of the company and subsidiaries during that period. All other financing costs are recognized in the consolidated statements of comprehensive income in the period in which they are incurred.

3.3.8 Leases -

A determination that an agreement is or contains a lease must be based on the essence of the agreement at the time of execution, whether performance of the agreement depends on the use of a specific asset or the agreement grants the right to use that asset, even if such right is not explicitly specified in the agreement.

Financial leases that transfer to the Company and Subsidiaries substantially all the risks and benefits attached to ownership of the leased asset are capitalized on the commencement date of the lease, at the fair value of the leased property, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between financial 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 recognized under financial costs in the consolidated statements of comprehensive income.

A leased asset is depreciated over the useful life of that asset. However, if there is no reasonable assurance that the Company and Subsidiaries will obtain the ownership of the asset at the end of the lease period, the asset will be depreciated

over the lesser of the estimated useful life of the asset or the lease term. Payments under operating leases are recognized as operating expenses in the consolidated statements of comprehensive income on a straight-line amortization basis over the entire lease term.

3.3.9 Intangible Assets -

Separately acquired intangible assets are initially measured at cost. The cost of intangible assets acquired in businesses combinations are measured at fair value on the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful life of intangible assets can be finite or indefinite. Intangible assets with finite useful lives are amortized using the straight-line method over their useful economic life, which is five years (computer software licenses) and and are reviewed to determine whether they had any impairment in the extent that there is any indication that the intangible asset may be impaired. The period and method of amortization applied for an intangible asset with a finite useful life are reviewed at least at the close of each reporting period. Changes in the expected useful life or expected consumption pattern of the asset are taken into account by modifying the period or method of amortization, as appropriate, and treated as changes in accounting estimates. The cost of amortization of intangibles with finite useful lives is recognized in the consolidated statements of comprehensive income in “administrative expenses".

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The gains or losses that arise from writing off an intangible asset are measured as the difference between the net disposal amount and the book value of that asset, and recognized in the consolidated statements of comprehensive income when the respective asset is eliminated.

3.3.10 Business Combinations and Goodwill -

Business combinations are recognized using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, at its fair value on the acquisition date, and the amount of any non controlling interest in the acquiree. For each business combination, the acquirer measures the non controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.. The acquisition costs incurred are recorded as expenses in the consolidated statements of comprehensive income.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at its fair value on the acquisition date. Subsequent changes in the fair value of that contingent consideration, treated as an asset or liability, are recognized in accordance with IAS 39 as either an income gain or loss, or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured, and every later settlement will be recorded as equity. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the applicable IFRS.

Goodwill is initially measured at cost, represented by the excess over the amount of the consideration transferred and the amount recognized for the non controlling interest, in respect of the net identifiable assets acquired and liabilities assumed. If this consideration turns out to be less than the fair value of the net assets acquired, the difference is recognized in the comprehensive statement of income on the acquisition date.

After initial recognition, Goodwill is measured at cost, minus any accumulated impairment loss. For the purpose of impairment testing, goodwill is allocate to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.3.11 Impairment of Non Financial Assets -

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the book value of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of comprehensive income. The following criteria are also applied in assessing impairment of the goodwill:

The impairment test of goodwill is performed at each reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each cash-generating unit to which goodwill belongs. Where the recoverable amount of each cash-generating unit is less than its carrying amount is recognized an impairment loss. Impairment losses related to a goodwill cannot be reversed in future periods.

3.3.12 Provisions -

Provisions are recognized when the Group has a present obligation (legal or implicit) arising from a past event that may require to be settled with an outflow of resources, and it is possible to reliably estimate the amount of the obligation. If the Group expects the provisions to be reimbursed in whole or in part, e.g., under an insurance contract, the reimbursement is recognized as a separate asset only if practically certain. The cost related to any provision is presented in the consolidated statements of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost in the consolidated statements of comprehensive income.

3.3.13 Employee Benefits

The Group has short term obligations for Employee Benefits, which include salaries, severance contributions, legal bonuses, performance bonuses and profit distributions. These obligations are recorded monthly and charged to the consolidated statements of comprehensive income on an accrual basis.

3.3.14 Taxes -

Current Income Tax -
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in Peru in the case of the Company, and Colombia and Venezuela, countries in which the Company and its subsidiaries operate and generate taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax -
The deferred income tax is recognized using the liability method over temporary differences between the taxable base of assets and liabilities and their book values on the closing date of the reporting period.

Deferred tax liabilities are recognized for all taxable temporary differences, except taxable temporary differences related to investments in subsidiaries, associates and interest in joint ventures, 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.

Deferred tax assets are recognized taking into account all deductible temporary differences, and future offsets of tax credits and non used carryover tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in subsidiaries and associates, where deferred assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The book value of deferred tax assets is reviewed at the end of each reporting period and reduced if it is no longer probable that sufficient taxable profit will be available to permit the deferred tax assets to be used in whole or in part. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to be applicable during the fiscal period in which the asset is realized or the liability is written off, based on the tax rates and rules approved as of the end of the reporting period, or in process of approval expected to be completed by then.

The deferred tax is recognized in respect of the taxable item within other comprehensive income or directly within the net equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current profit tax assets and liabilities, and if the deferred taxes are related to the same tax authority and the same tax jurisdiction.

Sales Tax -
Income derived from ordinary activities, assets and liabilities is recognized net of sales tax amounts (such as added-value tax), except:

(i) Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

(ii) Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax expected to be recovered from, or payable to, the tax authority is presented as an account receivable or account payable in the consolidated financial statements, according to each case.

3.3.15 Revenue Recognition -

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Group reached the conclusion that it acts as the principal in all its revenue agreements. The following specific recognition criteria must also be met before recognizing income:

Sale of Goods -
Revenue from sales of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, on delivery of the goods.

Interest Income -
The revenue is recognized when the interest accrues using the effective interest rate. Interest income is included in finance income in the consolidated statements of comprehensive income.

3.4 Judgment, estimation, and significant accounting assumptions -
Various amounts included in the consolidated financial statements involve the use of judgment and/or estimates. This judgment and estimates are based on Management's best understanding of relevant facts and circumstances, taking into account prior experiences; however, the results obtained may differ from the amounts included in the consolidated statements of comprehensive

income. The information regarding those judgments and estimates are contained in the accounting policies and/or notes to the financial statements. Key areas are summarized here.

Any difference between estimates and actual subsequent results is recorded in the income statement of the year in which it occurs.

4. New International Financial Reporting Standards (IFRS) issued but not effective as of the date of the financial statements -

Below is a list of the IFRS issued but not effective at the time of submission of the consolidated financial statements of the Company and Subsidiaries. Hence, reference is made to the IFRS that the Company and Subsidiaries reasonably foresee that will be applicable in the future. The Company and Subsidiaries intend to adopt those Standards when they enter into effect:

- IAS 1 "Submission of financial statements - submission of other comprehensive results." The modifications in IAS change the grouping of items presented in other comprehensive results. The items that may require re-classification in the future should be presented separately from items never expected to be re-classified to results. This modification will have an impact only at the level of presentation and not at the level of the Company's financial position or results. These modifications are effective for annual periods beginning on or after January 1, 2012.

- IAS 12 "Income Taxes - Recovery of Underlying Assets"
  The modification clarified the method used to determine deferred taxes in the case of investment properties measured by their fair value. The modification introduces the assumption, which admits evidence to the contrary, that the deferred tax on investment properties measured by the fair value method under IAS 40 should consider that the book value of the asset will be recovered by selling it. Likewise, the modification introduces the requirement that the deferred tax on non depreciable assets measured using the revaluation model of IAS 16, be always calculated assuming the sale of the asset. The modification is valid for annual periods beginning on or after January 1, 2012.

- IAS 19 "Employee Benefits " (amendment)
  The IASB enacted various modifications to IAS 19 effective for annual periods beginning on or after January 1, 2013. These changes include profound modifications, such as the elimination of the corridor method and the concept of expected return of active plans, as well as certain conceptual clarifications. The Company is evaluating the impact, if any, of the adoption of these modifications.

- IAS 27 "Separate Financial Statements"
  This treatment is applied to subsidiaries, joint ventures and associated businesses, where the entity decides to prepare separate financial statements. These modifications are applicable to annual periods beginning on or after January 1, 2013.

- IAS 28 "Investment in associates and joint ventures" (revised in 2011)
  As a consequence of the new IAS 11 and IAS 12, IAS 28 has been renamed as "Investments in associates and joint ventures," and describes the application of the method of participation in joint ventures in addition to investments in associates. These modifications are effective for annual periods beginning on or after January 1, 2013. The Company is evaluating the impact, if any, of the adoption of these modifications.

- IFRS 7 "Financial Instruments: Disclosures - Transfer of Financial Assets"
  The modification requires additional disclosures about financial assets transferred but not written off from accounting records, to permit the user of financial statements to understand the relationship between the financial assets not written off and related financial liabilities. The modification also requires disclosure about the significance for the reporting entity of financial assets not written off, to permit the user to evaluate the nature of that continuous interest and the risks associated thereto. The modification is effective for annual periods beginning on or after July 1, 2011. This modification affects only disclosures and has no effect on the Company's financial statement or financial performance.

- IFRS 9 "Financial Instruments: Classification and Measurement"
  IFRS 9, as issued, reflects the first stage of the IASB's work to replace IAS 39, and applies to the classification and measurement of financial assets and liabilities as defined in IAS 39. The Rule is effective for annual periods beginning on or after 1 January 2013. In subsequent stages, the IASB will broach hedge accounting and value deterioration of financial assets. This project is expected to be completed during 2012. The adoption of the first stage of IFRS 9 will have an impact on the classification and measurement of the Company's financial assets, but possibly no impact on the classification and measurement of financial liabilities. The Company will quantify that impact together with other stages when it reports thereon, in order to present a comprehensive view.

- IFRS 10 "Consolidated Financial Statements"
  Published in May 2011 by the IASB, defines principles for the presentation and preparation of consolidated financial statements when one entity controls one or more additional entities. IFRS 10 replaces the consolidation requirements contained in IAS 12 Consolidation - Special Purpose Entities, and in IAS 27 "Consolidated and Separate Financial Statements" and is effective for annual periods beginning on or after January 1, 2013. The Company is still evaluating the impact, if any of the adoption of this standard.

- IFRS 11 "Joint Arrangements"
IFRS 11 replaces IAS 31 - Interests in Joint Ventures, and IAS -13 Joint Ventures - non monetary contributions of participants. This standard establishes two types of joint arrangements: joint operations and joint businesses. To verify the existence of joint control, IFRS 1 uses the control definitions of IFRS 10. IFRS 11 eliminates the option of using the proportional consolidation accounting method for jointly controlled entities. This IFRS is effective for annual periods beginning on or after January 1, 2013.

- IFRS 12 “Disclosure of Interests in Other Entities”
Published in May 2011 by the IASB, is a new comprehensive standard requiring a wide range of disclosures about an entity's interests in other entities, subsidiaries, joint arrangements, associates, and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is still evaluating the impact, if any, of the adoption of this standard.

- IFRS 13 “Fair Value Measurement”
Published in May 2011, establishes new fair value measurement and disclosure requirements. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is still evaluating the impact, if any, of the adoption of this standard.

5. Cash and Cash Equivalents

(a) The composition of this item is described below:

	30/09/2012	31/21/2011
	S/.(000)	S/.(000)
Petty cash	88	83
Funds in transit	—	1,545
Current accounts and saving accounts (b)	26,576	22,186
Time deposits (c)	15,913	6,746
	42,577	30,560

(b) The Group maintains checking and savings accounts denominated in local currency and in foreign currency with various financial entities. These funds are freely available and non-interest bearing, except for term deposits, which bear interest at market rates that vary according to financial institutions in the countries in which they operate.

(c) As of September 30, 2012 and December 31, 2011, this refers to term deposits with 30-day maturity periods.

(d) No restrictions apply to balances in cash and cash equivalents as of September 30, 2012 and December 31, 2011.

6. Trade Accounts Receivable, net

(a) The composition of this item is presented below:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Third party		
Invoices (b)	45,641	39,590
Notes (b)	3,923	4,678
	49,564	44,268
Less - Allowance for doubtful accounts receivable	(444)	(382)
	49,120	43,886
Related parties, note 15(b)	182	376
	49,302	44,262

(b) Invoices receivable and notes receivable are denominated in neuvo soles and in US dollars, have current maturities, are not specifically secured, and do not bear interest.

7. Other Accounts Receivable, net

(a) The composition of this item is presented below:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Value added tax credit (c)	1,027	2,382
Income tax credit	6,326	640
Accounts receivable from workers	650	547
Claims to third parties	11	139
Loans to third parties	19	90
Others	1,454	1,494
	9,477	5,292
Less - Allowance for doubtful accounts receivable	—	—
Total	9,477	5,292

(b) Miscellaneous accounts receivable have current maturities, are not specifically secures, and do not bear interest.

(c) The value added tax credit for income tax arises principally from disbursements for the purchase of inventories, fixed assets, and other disbursements related to operations of the Company and Subsidiaries. In the opinion of the Management, the value added tax credit will be recovered through current business operations of the Company and Subsidiaries.

8. Inventories, net

The composition of this item is presented below:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Merchandises, note 18	40,742	40,822
Finished goods, note 18	15,531	14,204
Products in process, note 18	3,449	4,114
Materials and supplies, note 18	22,918	27,198
Packaging, note 18	1,290	1,541
Supplies, note 18	4,872	5,283
Inventories in transit	2,517	4,705
	91,319	97,867
Provision for impairment of inventories	(943)	(2,333)
	90,376	95,534

9.Property, Plant and Equipment

(a) The composition and movement of cost and accumulated depreciation in this caption is presented below:

	Land	Buildings and other constructions	Machinery and equipment	Transportation units	Furniture and fixtures	Other equipment	Works in progress	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Cost								
As of December 31, 2011	23,059	18,637	87,877	6,189	3,342	2,417	1,020	142,541
Additions	—	144	1,652	15	158	123	2,113	4,205
Disposals or Sales	—	29	(1,244)	(2,508)	(325)	(738)	—	(4,786)
Transfers	—	123	150	126		2	(401)	—
Translation effect	678	435	616	25	51	7	8	1,820
As of September 30, 2012	23,737	19,368	89,051	3,847	3,226	1,811	2,740	143,780
Accumulated depreciation								
As of December 31, 2011	—	2,950	60,831	4,277	1,292	1,656	—	71,006
Additions (b)	—	319	2,131	416	277	183	—	3,326
Disposals or Sales	—	—	—	—	—	—	—	—
Transfers	—	—	(859)	(2,671)	(248)	(623)	—	(4,401)
Translation effect	—	12	97	4	12	(5)	—	120
As of September 30, 2012	—	3,281	62,200	2,026	1,333	1,211	—	70,051
Net book value								
As of December 31, 2011	23,059	15,687	27,046	1,912	2,050	761	1,020	71,535
As of September 30, 2012	23,737	16,087	26,851	1,821	1,893	600	2,740	73,729

(b) The distribution of depreciation for the year is as follows:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Cost of sales, note 18	1,935	1,946
Selling costs, note 19	1,004	1,107
Administrative expenses, note 20	387	441
	3,326	3,494

(c) As of September 30, 2012 and December 31, 2011, the Group has taken insurance for all its assets. In Management's opinion, its insurance policies are consistent with international practice in the industry and the risk of potential losses for claims considered in the insurance policy is reasonable given the type of assets held by the Group.

(d) As of September 30, 2012 and December 31, 2011, based on Management's projections of the results expected over the next few years, there is no indication that the recoverable value of property, plant and equipment are less than their carrying values, so it is not necessary to provide any provision for impairment for these assets at the date of the consolidated statements of financial position.

(e) Compliance with the Company's obligations under the loan agreements with Banco de Crédito del Perú described in note 11, is secured by a mortgage over a property of 260 hectares owned by Futura Consorcio Inmobiliario S.A. (a related company), located on the old road to the South Pan Lurin district. The home warranty is duly registered in the Real Property of Lima.

10. Intangibles and Goodwill, net

The composition of this item is described below:

(a) Intangibles, net -
Movement in the intangibles item and the respective accumulated amortization for the years 2012 and 2011 are as follows:

	Trademarks and Licences	Contracts, relationships with distributors and others	Software	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Cost				
Balance as of December 31, 2011	17,713	103,210	3,963	124,886
Additions	—	37	—	37
Transfers	—	—	6	6
Translation effect	697	3,994	—	4,691
Balance as of September 30, 2012	18,410	107,241	(3,957)	129,608
Accumulated amortization				
Balance as of December 31, 2011	—	1,617	1,981	3,598
Additions (b)	—	—	297	297
Translation effect	—	—	—	—
Balance as of September 30, 2012	—	1,617	2,278	3,895
Net book value				
As of December 31, 2011	17,713	101,593	1,982	121,288
As of September 30, 2012	18,410	105,624	1,679	125,713

As of September 30, 2012 and as of December 31, 2011, based on the Management's projections of expected income for the next few years, there is no evidence that the recoverable value of intangible assets are less than their carrying amounts, therefore, it is not necessary to register any provision for impairment for these assets as of the date of the consolidated statements of financial position.

(b) Goodwill-

The composition of this account is presented for each subsidiary (cash generating unit) below:

	30/09/2012	31/12/2012
	S/.(000)	S/.(000)
Subsidiaries		
Soldaduras West Arco Ltda.	126,711	119,847
Soldaduras Megriweld S.A.	2,099	1,987
Comercializadora de Electrodes de Venezuela - Comelven S.A.	2,174	2,218
Book value	130,984	124,052

11. Financial Liabilities

(a) As of September 30, 2012 and as of December 31, 2011, this item includes:

Type of obligation	Original Currency	Maturity	30/09/2012	31/12/2011
			S/.000	S/.000
Notes				
Banco de Bogotá	Dollars	2012	5,196	5,933
Banco BBVA	Dollars	2012	2,612	6,942
Banco BBVA	Pesos	2012	—	278
Bancolombia	Dollars	2012	3,796	1,541
Banco Santander	Dollars	2012	2,407	—
Loans				
Banco de Crédito del Perú	Soles	2016	16,318	18,131
Banco de Crédito del Perú	Dollars	2018	69,424	77,614
Other financial liabilities				
Factoring	Soles	2012	1,983	2,372
Factoring	Dollars	2012	153	123
Letter of credit/Bank Acceptances	Dollars	2012	2,360	2,264
Roca Trading	Dollars	2012	2,167	2,249
Others	Pesos	2012	40	0
Total			106,456	117,447
Less current portion			(35,020)	(36,416)
Less noncurrent portion			71,436	81,031

Management regularly monitors compliance with financial ratios established with the objective of maintaining a strong financial position. The required financial ratios are shown below:

	Requested
Leverage ratio (total liabilitites/total assets)	Less than 1
Ratio of debt service	More than 1.3

The company complied with these financial constraints as of September 30, 2012 and as of December 31, 2011.

12. Trade Accounts Payable

(a) The composition of this item is shown below:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Bills payable - local	6,264	13,741
Bills payable - foreign	12,702	14,843
	18,966	28,584

(b) Invoices payable are owed to various suppliers of raw materials and goods sold by the Company and Subsidiaries; the invoices have current maturities and do not bear interest.

13. Other Accounts Payable

(a) The composition of this item is shown below:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Taxes	3,363	5,842
Remunerations and workers benefits	9,579	5,797
Bank acceptances	—	4,742
General services	2,152	2,833
Income tax	10,087	1,911
Interest on bank loans	2,698	1,180
Provision for workers bonuses	608	753
Board of Directors' fees	391	666
Royalties	208	513
Social security and Pension Fund Administrator	764	342
Dividends	31	31
Others	1,059	1,839
	30,940	26,449

(b) Miscellaneous accounts payable have current maturities, do not bear interest, and are not covered by specific guarantees.

14. Deferred Tax Assets and Liabilities

(a) The composition of this item is shown according to the source account:

	As of December 31, 2011	Additions & Reversals	Translation Effect	As of September 30, 2012
	S/.000	S/.000	S/.000	S/.000
Deferred Assets				
Provision for vacations	520	64	—	584
Provision for impairment of inventories	541	(406)	—	135
Provision for tax loss	—	—	—	—
Other provisions	32	57	0	89
Total deferred income tax assets	1,093	(285)		808
Deferred Liabilities				
Differences in depreciation rates	(194)	15	—	(179)
Amortization of SAP	(129)	87	—	(42)
Revaluation of property, plant and equipment	(12,711)	113	(434)	(13,032)
Provision for impairment of receivables	889	560	35	1,484
Total deferred income tax liabilities	(12,145)	775	(399)	(11,769)
Total deferred liabilities, net	(11,052)	490	(399)	(10,961)

(b) The reconciliation of the effective income tax rates as of September 30, 2012 and as of December 31, 2011 is shown below:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Income before income tax	46,727	41,637
Income tax with legal rate of each country (*)	14,953	13,324
Permanent differences	(155)	435
Income tax with effective rate (2012 and 2011)	14,798	13,759

(*) Calculated based on average rates of income tax applicable to each country where the Group operates.

15. Equity

(a) Issued Capital
As of September 30, 2012 and as of December 31, 2011, the issued capital stock is represented by 148,309,615 common shares of S/.1 each, at par, fully issued and paid in. The Company's common shares are listed on the Lima Stock Exchange.

(b) Investment Shares -
As of September 30, 2012 and December 31, 2011, there were 74,152,925 investment shares valued at S/.1 each, at par. The Company's investment shares are traded on the Lima Stock Exchange.

Investment shares do not have voting rights or participate in shareholder's meetings but do participate in the distribution of dividends. Investment shares confer upon the holders thereof the right to participate in dividends distributed according to their nominal value, in the same manner as common shares. Investment shares also confer the holders thereof the right to: (i) maintain the current proportion of the investment shares in the case of capital increase by new contributions; (ii) increase the number of investment shares upon capitalization of retained earnings, revaluation surplus or other reserves that do not represent cash contributions; (iii) participate in the distribution of the assets resulting from liquidation of the Company in the same manner as common shares; and (iv) redeem the investment shares in case of a merger and/or change of business activity of the Company.

(c) Legal Reserve -
In accordance with the Peruvian Companies Act, this reserve is created through the transfer of 10% of the earnings for the year up to a maximum of 20% of the paid-in capital. The legal reserve must be used to compensate for losses in the absence of non-distributed earnings or non-restricted reserves, and transfers made to compensate for losses must be replaced with future earnings. This reserve may also be used to increase capital stock but the balance must be restored from future earnings.

(d) Gain on Translation-
Corresponds to the exchange difference resulting from the translation of financial statements of foreign subsidiaries into the presentation currency of the Company.

16. Tax Status

(a) The Group is subject to the tax rules of the countries in which its members operate and are taxed separately, based on their non consolidated financial results. As of September 30, 2012 and December 31, 2011, the income tax rates on taxable profits were 30, 33 and 34 percent in Peru, Colombia and Venezuela, respectively.

In accordance with the legal rules effective in Peru as on September 30, 2012 and December 31, 2011, the cash dividends distributed to non domiciled shareholders are subject to income tax at a rate of 4.1 percent in Peru, while Colombia and Venezuela cash dividends are exempt from tax.

(b) Since Law N° 29308 was passed, the exonerations to Peruvian Income Tax Law were extended until December 31, 2009. In that sense, gains on market value through centralized mechanisms and credits to public sector are exonerated of this tax.

Those exemptions have been extended to 2010, therefore, since that year the tax cost corresponds to the market value as of 31 December 2009.

(c) For purposes of determining income tax and general sales tax, transfer pricing of transactions with related companies and companies residing in areas of low or no taxation, must be supported with documentation and information on methods of valuation used and the criteria used for its determination. Based on the analysis of the operations of the Company and its Subsidiaries, Management and its legal counsel believe that, as a result of the application of these standards will not result in significant contingencies for the Company and its Subsidiaries as of September 30, 2012 and December 31, 2011.

(d) At present, rules that regulate transfer prices are in effect in Peru, Colombia and Venezuela; these rules establish that transactions with related local or foreign companies must be carried out at market values (arm's length values).

Tax authorities have the right to demand information on transfer prices. Based on the analysis of transactions by the Company and its Subsidiaries, the Management and legal counsel consider that no significant contingencies from the application of these rules will arise for the Company and its Subsidiaries as of September 30, 2012 and December 31, 2011.

(e) Tax authorities have the right to review and, if necessary, adjust the income tax calculated by the Company and its Subsidiaries, principally for a period of four years following submission of the income tax return. The income tax and sales tax (IGV) returns for the years 2007 to 2012 are pending review by the Tax authorities.

Due to possible interpretations by the tax authorities of the legal rules applicable to the Company and its Subsidiaries, it is not possible to determine at present whether or not such reviews will result in liabilities for the Company and its Subsidiaries. Therefore, any higher tax or surcharge that might result from tax reviews would be recorded to the financial statements in the

year of assessment. In Management's opinion and its legal advisors, any additional tax assessment would not significantly affect the consolidated financial statements as of September 30, 2012 and December 31, 2011.

17. Net Sales

The composition of this item is shown below:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Conventional	140,857	141,690
Special	43,323	41,539
Equipment and accessories	45,348	38,328
Automatic	36,069	37,879
Services and others	4,111	4,439
	269,708	263,875

18. Cost of Sales

The composition of this item is shown below:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Initial inventory of raw materials, packaging and supplies, note 8	34,022	31,691
Initial inventory of merchandises, note 8	40,822	23,443
Initial inventory of products in process, note 8	4,114	4,031
Initial inventory of finished products, note 8	14,204	16,168
Transfer of block equity	—	5,948
Purchases and consumption and raw materials	130,761	140,534
Provision for impairment and losses	312	758
Personnel expenses, note 21(a)	13,420	12,148
Depreciation, note 9(b)	1,935	1,946
Amortization	5	—
Other manufacturing expenses	10,541	10,038
Provision for inventory obsolescence and impairment	312	758
(-)Final inventory of raw materials, packaging and supplies, note 8	(29,080)	(34,022)
(-)Final inventory of merchandises, note 8	(40,742)	(40,822)
(-)Final inventory of products in process, note 8	(3,449)	(4,114)
(-)Final inventory of finished products, note 8	(15,531)	(14,204)
Cost of services	—	—
	161,334	153,543

19. Selling Expenses

The composition of this item is shown below:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Personnel expenses, note 21(a)	19,920	22,207
Freights & transportation	4,691	5,501
Taxes	1,398	2,020
Leases	1,639	1,938
Services provided by third parties	3,280	3,637
Advertising expenses	1,311	1,585
Travel expenses	806	1,206
Consumption supplies	946	1,164
Depreciation, note 9(b)	1,004	1,107
Communication and basic services	876	1,042
Sundry provisions	1,707	1,957
Royalties	1,125	755
	38,703	44,119

20. Administrative Expenses

The composition of this item is shown below:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Personnel expenses, note 21(a)	11,397	9,552
Sundry provisions	764	3,604
Consultancy and advisory services	5,433	3,994
Taxes	844	3,175
Depreciation, note 9(b)	387	441
Board of Directors compensation	427	422
Amortization, note 10	292	192
	19,544	21,380

21. Personnel Expense

(a) The composition of this item is shown below:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Wages and salaries	22,878	21,476
Contributions	5,631	6,260
Social Benefits	2,457	2,361
Gratifications	3,103	2,571
Vacations	1,900	1,835
Workers 'profit sharing	1,467	1,691
Others	7,301	7,713
	44,737	43,907

(b) Employee benefits expenses are allocated as follows:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Cost of sales, note 18	13,420	12,148
Administrative expenses, note 19	19,920	22,207
Selling expenses, note 20	11,397	9,552
	44,737	43,907

22. Other Income (Expense), net

The composition of this item is shown below:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Income		
Leases	24	16
Sale of materials and fixed assets	1,554	461
Recovery of expenses	595	682
Others	563	141
	2,736	1,300
Expenses		
Allowance for doubtful accounts	123	73
Miscellaneous expenses	964	903
Cost of materials and disposal of fixed assets	2,034	357
Other expenditures	17	19
Management bonuses	563	—
Others, net	36	194
	3,737	1,546
	(1,001)	(246)

23. Financial Expenses

The composition of this item is shown below:

	30/09/2012	31/12/2011
	S/.(000)	S/.(000)
Interest on loans and borrowings	6,048	4,505
Other financial charges	231	148
	6,279	4,653

24. Earnings per Share

The calculation of weighted average shares and basic and diluted earnings per share is shown below:

	Outstanding shares	Days effective until year-end	Weighted average shares
2011			
Balance as of January 1, 2011	222,462,540	365	222,462,540
Balance as of December 31, 2011	222,462,540		222,462,540
2012			
Balance as of January 1, 2011	222,462,540	365	222,462,540
Balance as of September 30, 2012	222,462,540		222,462,540

The calculation of basic and diluted earnings per share as of September 30, 2012 and December 31, 2011 is shown below:

	30/09/2012			31/12/2011		
	Earnings (numerator)	**Shares (denominator)**	**Earnings per share**	**Earnings (numerator)**	**Shares (denominator)**	**Earnings per share**
	S/.(000)		S/.	S/.(000)		S/.
Basic and diluted earnings for common and investment shares	31,929	222,462,540	0.143725	27,878	222,462,540	0.125316

The basic and diluted earnings per share have been calculated based on the weighted average common and investment shares outstanding as on the date of the consolidated financial statements. As of September 30, 2012 and December 31, 2011, the Company has no financial instruments with effects diluted, so earnings per basic and diluted share are the same.

25. Impairment Test of fixed assets and intangibles

The Company conducted its annual test for impairment at December 31, 2011. The Company's management believes that there is no impairment. The Company's management has determined the value in use of the CGU based on the income approach and the application of the method for estimating free cash flows ("FCFF") to be generated by the CGU, and determining the economic value of them based on their updated with a discount rate appropriate to their level of risk.

Budgeted cash flows were updated to reflect the demand for goods and services. The discount rate before tax applied to the cash flow projections was 11.25 percent.

Cash flows beyond a five-year period were extrapolated taking a growth rate of 4.5 percent, similar to the average long-term growth rate for the industry. As a result of this analysis, Management did not recognize any impairment charges.

Key assumptions used -

The principal assumptions used by the Management in the impairment analysis are detailed below:

- The cash flow accounts were calculated and projected by management for a period longer than 5 years.
- Revenues: Revenues grew at rates of 11.8 percent per annum on average from 2011 to the last projection year. Here are the main items that compose:
- Welds Income: also grow at high rates for the growth phase of the industry.
- Net income increased 47%, 55%, 8% and 9% in 2013, 2014, 2015 and 2016, respectively. The years 2015 and 2016 were calculated by applying a trend factor (simple regression) considering an implied growth rate equal to 4.5 percent annually. The years after 2015 were calculated assuming a perpetuity growth rate equal to 4.5 percent annually.
- Depreciation is located at an average annual rate of 1.5 percent per annum on the total revenue from the year 2012.
- Investment in working capital: Estimation of the Management shows how the calculation was made of the account, resulting in a need for approximately 30.5 percent.
- Discount rate: To estimate the value in use of the CGU, management has used a discount rate in nominal terms estimated basis and after tax of 11.25%.

Sensitivity to changes in key assumptions used
With regard to the assessment of value-in-use of the fire prevention equipment unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

For the cash-generating unit, the estimated recoverable amount is equal to its carrying value and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implications of the key assumptions for the recoverable amount are discussed below:

- Growth rate assumptions - Management recognizes that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts included in the budget, but could yield a reasonably possible alternative to the estimated long-term growth rate of 11.8%.

26. Financial Risk Management Objectives and Policies

The Company's principal financial liabilities include financial obligations, commercial accounts payable, miscellaneous accounts payable, and related items. The main purpose of these financial liabilities is to finance the Company's operations. The Company also holds cash and short-term deposits, commercial accounts receivable and various receivables directly derived from its operations. The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Finance Management provides assurance to the senior management of the Company that the financial risks assumed by the Company are governed by appropriate corporate policies and procedures, and that those financial risks are identified, measured and managed in accordance with the Company's policies and risk-taking preferences.

The Board of Directors reviews and approves the policies for managing each of the risks which are summarized below:

Credit Risk

The Company's credit risk arises from the inability of debtors to be able to fulfill their obligations, to the extent to which they are overdue. The Company is exposed to credit risk from its operating activities (primarily accounts receivable) and from its financing activities, including deposits with banks and financial institutions.

Credit Risk related to accounts receivable: Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. The balances of accounts receivable are periodically reviewed to ensure their recovery; in addition, the Company has a broad customer data base.

Credit Risk related to financial instruments and bank deposits: Credit risk from balances with banks and Financial Institutions is managed by Group's treasury In accordance with The Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The maximum credit risk exposure as of September 30, 2012 and December 31, 2011 is the carrying amount of the balance of cash and cash equivalents shown in note 6.

Consequently, in Management's opinion, the Company has no concentration which represents significant credit risk as of September 30, 2012 and December 31, 2011.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: (i) interest rate risk and (ii) currency risk". All financial instruments of the Company are affected by these risks.

The sensitivity analyses in the following sections refer to positions as of September 30, 2012 and December 31, 2011. They are also based on the net debt amount, fixed interest rate ratio, and position in foreign currency instruments remain constant.

The sensitivity analyses have been prepared on the basis that sensitivities in the statements of comprehensive income are the effect of the assumed changes in respective market risk. This is based on the assets and liabilities held at September 28, 2012 and December 31, 2011.

(i) Interest Rate Risk -

As of September 30, 2012 and December 31, 2011, the Company holds financial instruments bearing fixed interest rates on leading financial institutions in the country. The Company's operating cash flows are substantially independent of changes in market interest rates; therefore, in the opinion of management, the Company has no significant exposure to interest rate risks.

(ii) Exchange Rate Risk -

The exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in exchange rates. Management is responsible for identifying, measuring, monitoring and reporting the overall risk exposure of the Company and its Subsidiaries. An exchange risk arises when the Company and its Subsidiaries present mismatches between their asset, liability, and off-balance sheet positions in the various currencies they operate with, namely, nuevo soles (functional currency) and U.S. Dollars. The current position in foreign currency includes assets and liabilities expressed at the exchange rate effective on the date of the consolidated financial statement. Any devaluation/revaluation of the foreign currency would affect the consolidated statements of comprehensive income.

As of September 30, 2012 and December 31, 2011, the Group held the following assets and liabilities, by currency :

	30/09/2012	31/12/2011
	S/.000	S/.000
US Dollars (000) -		
Assets -		
Cash and cash equivalents	16,212	11,540
Receivables	18,397	19,210
Other assets	954	440
	35,563	31,190
Liabilities -		
Financial obligations	(17,028)	(30,140)
Commercial accounts payable	(13,044)	(23,510)
Other accounts payable	(2,554)	(1,351)
Long-term financial obligations	(69,424)	(77,614)
	(102,050)	(132,615)
Net Liabilities	(66,487)	(101,425)
Strong Bolivar (000) -		
Assets -		
Cash and cash equivalents	16,480	14,466
Receivables	1,081	773
Other assets	1,367	1,536
	18,929	16,774
Liabilities -		
Financial Obligations	—	—
Commercial accounts payable	(61)	(19)
Other accounts payable	(2,411)	(2,547)
Long-term financial obligations	—	—
	(2,472)	(2,566)
Net Liabilities	16,457	14,209
Colombian Pesos (000) -		
Assets -		
Cash and cash equivalents	2,659	1,235
Receivables	14,897	13,376
Other assets	6,446	835
	24,002	15,446
Liabilities -		
Financial obligations	(1,701)	(278)
Commercial accounts payable	(3,091)	(1,055)
Other accounts payable	(15,908)	(14,721)
Long-term financial obligations	—	—
	(20,700)	(16,054)
Net Liabilities	3,302	(607)

As of September 30, 2012 and December 31, 2011, the Company and its Subsidiaries reported a net gain from exchange differences of approximately S/.205,000 and S/ 1,490,000, respectively; this is reflected in the consolidated statements of comprehensive income.

The Company and Subsidiaries manage foreign exchange risk by monitoring and controlling the position values different to functional currency in each country and that is exposed to changes in exchange rates. The Company and Subsidiaries measure

their performance in each country in their functional currency, so if the net foreign exchange position is positive, any depreciation of the U.S. dollar would affect negatively the consolidated statements of financial position of the Company and Subsidiaries. The current position in a foreign currency comprises exchange rate-linked assets and liabilities in that currency. Any depreciation/appreciation of the foreign exchange would affect the consolidated statements of comprehensive income.

Liquidity Risk
Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with financial liabilities when due and to replace funds when they are withdrawn. The consequence would be the default in payment of its obligations to third parties.

Liquidity risk is controlled by matching the maturities of the assets and liabilities, obtaining credit lines with several different financial institutions and maintaining the cash surplus, in order to allow the Company and Subsidiaries to develop their operations normally.

Management of liquidity risk implies maintaining sufficient cash and the possibility of committing or having financing committed through an adequate number of credit sources. In this regard, the Company's management focuses its efforts to maintain sufficient resources to enable it to meet its expenditures.

Capital Management
The Company actively manages a capital base to cover the inherent risks in its activities. The Company's capital adequacy is monitored using, among other measures, ratios set by the Management.

The Company's objectives when managing capital, which is a broader concept than the “Net equity” on the face of the consolidated statements of financial position, are: (i) to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders; and (ii) to maintain a strong capital base to support the development of its business activities.

As of September 30, 2012 and December 31, 2011, there were no changes in the Company's assets and capital management policies. See note 15.

COLFAX CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The Unaudited Pro Forma Condensed Combined Balance Sheet assumes that the acquisition of Soldex S.A. ("Soldex") took place on September 28, 2012 (the "Soldex Acquisition") and combines the September 28, 2012 Condensed Consolidated Balance Sheet of Colfax Corporation ("the Company" or "Colfax") with Soldex's September 30, 2012 consolidated balance sheet. The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2011 and the nine months ended September 28, 2012 assume that the Soldex Acquisition and the acquisition of Charter International plc ("Charter") by Colfax (the "Charter Acquisition") took place on January 1, 2011.

The Unaudited Pro Forma Financial Statements are based upon the historical financial statements of Colfax, Soldex and Charter, as well as publicly available information, and certain assumptions which Colfax believes to be reasonable, which are detailed in "Notes to Pro Forma Condensed Combined Financial Statements" below. These statements were prepared using the acquisition method of accounting under accounting principles generally accepted in the United States of America ("U.S. GAAP"), which are subject to change and interpretation. Colfax has been treated as the acquirer in the Charter Acquisition and the Soldex Acquisition for accounting purposes. Acquisition accounting is dependent upon certain valuations and other studies that have yet to be finalized, and accordingly, the adjustments to record the assets acquired and liabilities assumed at fair value reflect Colfax's best estimate and are subject to change once the detailed analyses are completed. These adjustments may be material.

The historical financial statements of Soldex and Charter have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The Unaudited Pro Forma Financial Statements reflect certain adjustments to the financial statements of Soldex and Charter to align with Colfax's U.S. GAAP accounting policies. The adjustments reflect Colfax's best estimates based upon the information available and are subject to change once detailed information is obtained. On July 1, 2011, the predecessor to Soldex, now known as Futurea Consorcio Inmobiliaro S.A., spun-off its welding business Soldaduras Peruanas ("Peru") and transferred all related assets and liabilities to Soldex for periods prior to July 1, 2011. The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2011 include adjustments to address the results of operations of Peru for the period prior to transfer. Additionally, certain items have been reclassified from the historical financial statements of Soldex and Charter to align with Colfax's financial statement presentation.

The Unaudited Pro Forma Condensed Combined Financial Statements have been translated from Peruvian nuevo soles (S./) and Great British pounds (£) using the following historical exchange rates:

	S.//$	**£/$**
June 30, 2011 average spot rate	0.3634	n/a
December 31, 2011 average spot rate	0.3674	1.6063
September 28, 2012 average spot rate	0.3764	n/a
September 28, 2012 period end rate	0.3851	n/a

The Unaudited Pro Forma Condensed Combined Financial Statements have been prepared for informational purposes only and are not necessarily indicative of what the combined company's financial position or results of operations actually would have been had the acquisitions been completed as of the dates indicated above. In addition, the Unaudited Pro Forma Condensed Combined Financial Statements do not purport to project the future financial position or operating results of the combined company. Although Colfax is aware of transactions between Colfax subsidiaries and Charter subsidiaries during the year ended December 31, 2011, these transactions were not considered material or eliminated in the adjustments discussed in more detail below.

The Unaudited Pro Forma Condensed Combined Financial Statements should be read in conjunction with:

- the Notes to Pro Forma Condensed Combined Financial Statements;
- the consolidated financial statements of Colfax Corporation for the year ended December 31, 2011 and the nine months ended September 28, 2012; and
- the consolidated financial statements of Soldex for the year ended December 31, 2011 and the nine months ended September 30, 2012.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Nine Months Ended September 28, 2012
(In thousands of U.S. dollars, except share amounts and as indicated)

		Pro Forma Adjustments						
	Colfax	Charter Transaction Adjustments	Colfax Pro Forma - Charter Acquisition	Soldex in S/.	Soldex in $	Soldex Transaction Adjustments	Pro Forma Colfax	Note Reference
Net sales	$ 2,886,459	$ 69,425	$ 2,955,884	269,708	$ 101,531	$ —	$ 3,057,415	4(a)
Cost of sales	2,041,904	27,438	2,069,342	161,334	60,734	—	2,130,076	4(a), 4(b)
Gross profit	844,555	41,987	886,542	108,374	40,797	—	927,339	4(a)
Selling, general and administrative expense	661,191	(20,596)	640,595	55,774	20,996	2,170	663,761	4(a), 4(b), 6(b)(ii)
Charter acquisition-related expense	43,617	(43,617)	—	—	—	—	—	4(c)
Restructuring and other related charges	43,066	—	43,066	—	—	—	43,066	
Asbestos coverage litigation expense	8,840	—	8,840	—	—	—	8,840	
Operating income (loss)	87,841	106,200	194,041	52,600	19,801	(2,170)	211,672	
Interest expense	68,280	—	68,280	5,873	2,211	—	70,491	
Income (loss) before income taxes	19,561	106,200	125,761	46,727	17,590	(2,170)	141,181	
Provision for (benefit from) income taxes	86,891	(27,449)	59,442	14,798	5,571	687	65,700	4(f)
Net (loss) income	(67,330)	133,649	66,319	31,929	12,019	(2,857)	75,481	
Less: net income attributable to noncontrolling interest	16,808	—	16,808	—	—	886	17,694	6(d)
Net (loss) income attributable to Colfax Corporation	(84,138)	133,649	49,511	31,929	12,019	(3,743)	57,787	
Dividends on preferred stock	13,879	—	13,879	—	—	—	13,879	
Net (loss) income available to Colfax Corporation common shareholders	$ (98,017)	$ 133,649	$ 35,632	31,929	$ 12,019	$ (3,743)	$ 43,908	
Net (loss) income per share—basic and diluted	$ (1.09)						$ 0.41	6(c)

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

UNAUDITED PROFORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2011
(In thousands of U.S. dollars, except share amounts and as indicated)

			Pro Forma Adjustments								
	Colfax	Charter IFRS in £	Charter IFRS in $	Charter US GAAP Adjustments	Charter Transaction Adjustments	Colfax Pro Forma - Charter Acquisition	Soldex in S/.	Soldex in $	Soldex Transaction Adjustments	Pro Forma Colfax	Note Reference
Net sales	$ 693,392	£ 1,994,000	$ 3,202,962	$ —	$ —	$ 3,896,354	263,875	$ 96,959	$ 34,483	$ 4,027,796	6(b)(iv)
Cost of sales	453,293	1,436,100	2,306,807	(52,685)	21,451	2,728,866	153,543	56,419	24,441	2,809,726	4(b), 5, 6(b)(i), 6(b)(iv)
Gross profit	240,099	557,900	896,155	52,685	(21,451)	1,167,488	110,332	40,540	10,042	1,218,070	
Selling, general and administrative expense	162,761	488,300	784,356	(27,904)	70,530	989,743	64,255	23,610	9,798	1,023,151	4(b), 5, 6(b)(ii), 6(b)(iv)
Charter acquisition-related expense	31,052	—	—	55,050	(86,102)	—	—	—	—	—	4(c), 5
Restructuring and other related charges	9,680	—	—	52,364	—	62,044	—	—	—	62,044	5
Asbestos coverage litigation expense	10,700	—	—	—	—	10,700	—	—	—	10,700	
Operating income (loss)	25,906	69,600	111,799	(26,825)	(5,879)	105,001	46,077	16,930	244	122,175	
Interest expense	5,919	17,200	27,628	(4,016)	83,459	112,990	4,440	1,631	991	115,612	4(d), 5, 6(b)(iv)
Income (loss) before income taxes	19,987	52,400	84,171	(22,809)	(89,338)	(7,989)	41,637	15,299	(747)	6,563	
Provision for income taxes	15,432	19,100	30,680	8,354	23,649	78,115	13,759	5,056	3,568	86,739	4(f), 5, 6(b)(iv)
Net income (loss)	4,555	33,300	53,491	(31,163)	(112,987)	(86,104)	27,878	10,243	(4,315)	(80,176)	
Less: net income (loss) attributable to noncontrolling interest	—	11,400	18,312	(2,731)	—	15,581	—	—	705	16,286	5, 6(d)
Net income (loss) attributable to Colfax Corporation	4,555	21,900	35,179	(28,432)	(112,987)	(101,685)	27,878	10,243	(5,020)	(96,462)	
Dividends on preferred stock	—	—	—	—	20,400	20,400	—	—	—	20,400	4(e)
Net income (loss) available to Colfax Corporation common shareholders	$ 4,555	£ 21,900	$ 35,179	$ (28,432)	$ (133,387)	$ (122,085)	27,878	$ 10,243	$ (5,020)	$ (116,862)	
Net income (loss) per share—basic and diluted	$ 0.10									$ (1.38)	6(c)

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of September 28, 2012
(In thousands of U.S. dollars, except share amounts and as indicated)

	Colfax	Soldex IFRS in S/.	Soldex IFRS in $	Proforma Adjustments: U.S. GAAP Reclassifications	Proforma Adjustments: Transaction Adjustments	Pro Forma Colfax	Note Reference
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 517,343	42,577	$ 16,398	$ —	$ (183,373)	$ 350,368	6(b)
Trade receivables, less allowance for doubtful accounts of $8,920	882,867	49,302	18,988	—	—	901,855	
Inventories, net	519,358	90,376	34,807	—	377	554,542	6(b)(i)
Other current assets	313,948	10,436	4,018	—	770	318,736	6(b)(i)
Total current assets	2,233,516	192,691	74,211	—	(182,226)	2,125,501	
Property, plant and equipment, net	662,294	73,729	28,396	647	—	691,337	6(a)
Goodwill	1,929,436	130,984	50,446	—	63,350	2,043,232	6(b)
Intangible assets, net	745,583	125,713	48,416	(647)	17,192	810,544	6(a), 6(b)
Other assets, net	484,895	—	—	—	—	484,895	
Total assets	$ 6,055,724	523,117	$ 201,469	$ —	$ (101,684)	$ 6,155,509	
LIABILITIES AND EQUITY							
CURRENT LIABILITIES:							
Current portion of long-term debt	$ 34,033	35,020	$ 13,487	$ —	$ —	$ 47,520	
Accounts payable	636,521	19,177	7,386	—	—	643,907	
Accrued liabilities	550,060	30,940	11,916	—	896	562,872	6(b)(iii)
Total current liabilities	1,220,614	85,137	32,789	—	896	1,254,299	
Long-term debt, less current portion	1,659,070	71,436	27,512	—	—	1,686,582	
Other liabilities	996,343	10,961	4,221	—	16,617	1,017,181	6(a), 6(b)(iii)
Total liabilities	3,876,027	167,534	64,522	—	17,513	3,958,062	
Equity:							
Preferred stock	14	—	—	—	—	14	
Common stock	94	94,475	36,386	—	(36,386)	94	
Additional paid-in capital	2,191,064	188,956	72,773	—	(72,773)	2,191,064	
(Accumulated deficit) Retained earnings	(153,520)	65,322	25,158	—	(25,158)	(153,520)	
Accumulated other comprehensive loss	(81,141)	6,830	2,630	—	(2,630)	(81,141)	
Total Colfax Corporation equity	1,956,511	355,583	136,947	—	(136,947)	1,956,511	
Noncontrolling interest	223,186	—	—	—	17,750	240,936	6(d)
Total Equity	2,179,697	355,583	136,947	—	(119,197)	2,197,447	
Total liabilities and equity	$ 6,055,724	523,117	$ 201,469	$ —	$ (101,684)	$ 6,155,509	

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

1. Description of the Transactions

On October 31, 2012, Colfax completed the acquisition of approximately 91% of the outstanding common and investment shares of Soldex, a corporation that is organized under the laws of Peru that supplies welding products from its plants located in Peru and Colombia. Colfax's 91% interest consists of 187,310,251 Soldex common shares and 71,106,571 Soldex investment shares for total consideration of approximately $183.3 million.

On January 13, 2012, Colfax completed the Charter Acquisition for a total purchase price of approximately $2.6 billion. The Charter Acquisition was accounted for using the acquisition method of accounting and accordingly, the Condensed Consolidated Financial Statements of Colfax include the financial position and results of operations from the date of acquisition.

2. Basis of Presentation

The Unaudited Pro Forma Condensed Combined Financial Statements have been compiled from underlying financial statements prepared in accordance with U.S. GAAP and reflects the Soldex Acquisition and the Charter Acquisition prepared using the acquisition method of accounting under existing U.S. GAAP standards. The fair value of the assets and liabilities of Charter and Soldex reflect Colfax's best estimate and are subject to change once detailed analyses are completed. These adjustments may be material.

The process for estimating the fair values of identifiable intangible assets requires the use of significant estimates and assumptions, including estimating future cash flows and developing appropriate discount rates. The excess of the purchase price over the estimated fair value of identifiable assets and liabilities of Soldex as of the effective dates of the Soldex Acquisition will be allocated to Goodwill. Colfax defines fair value in accordance with U.S. GAAP as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The preliminary purchase price allocation is subject to finalizing Colfax's analysis of the fair value of Soldex's assets and liabilities as of the effective date of the Soldex Acquisition and will be adjusted upon completion of the valuation. The use of different estimates could yield materially different results.

Colfax's Condensed Consolidated Balance Sheet as of September 28, 2012 reflected Colfax's best estimate of the aggregate fair value of the assets acquired and liabilities assumed in the Charter Acquisition. These amounts were determined based upon certain valuations and studies that have yet to be finalized, and accordingly, the assets acquired and liabilities assumed, are subject to adjustment once the detailed analyses are completed. There is also a required change of control payment related to a defined benefit pension plan which is based on plan provisions which must be interpreted by an actuary. Such interpretation and the related financial statement impact have not yet been received.

The Unaudited Pro Forma Condensed Combined Financial Statements are not intended to reflect the financial position or results of operations which would have actually resulted had the acquisitions been effected on the dates indicated. Further, the results of operations are not necessarily indicative of the results of operations that may be obtained in the future.

3. Summary of Significant Accounting Policies

The Unaudited Pro Forma Condensed Combined Financial Statements have been compiled consistent with Colfax's accounting policies. These accounting policies differ from those of Soldex and Charter. The adjustments made to align the financial statements of Charter and Soldex prepared in accordance with IFRS with Colfax's U.S. GAAP accounting policies are discussed in Note, 5 "Charter U.S. GAAP Adjustments" and Note 6, "Soldex Transaction Adjustments."

Balances have been translated from £ and S./ to $ using average exchange rates applicable during the periods presented for the Unaudited Pro Forma Condensed Combined Statements of Operations and the period end S./ exchange rate for the Unaudited Pro Forma Condensed Combined Balance Sheet.

4. Pro Forma Adjustments - Charter Transaction Adjustments

The following adjustments have been made to the Unaudited Pro Forma Condensed Combined Financial Statements related to the Charter Acquisition:

(a) In accordance with the acquisition method of accounting, the results of operations of Charter were included in Colfax's Condensed Consolidated Financial Statements beginning on the date of acquisition, January 13, 2012. The Unaudited

Pro Forma Condensed Combined Financial Statements include the following adjustments to include the results of operations of Charter during the period prior to January 13, 2012:

(In thousands of U.S. dollars)		
Sales	$	69,425
Cost of sales		48,889
Gross profit		20,536
Selling, general and administrative expense		20,536

(b) The Charter Acquisition resulted in increased amortization expense associated with identifiable intangible assets and inventory step-up, which was estimated using significant assumptions such as the amount and timing of projected cash flows, the discount rate selected to measure the risks inherent in the future cash flows and the assessment of the asset's life cycle, including competitive trends and other factors. The adjustment to the respective Unaudited Pro Forma Condensed Combined Statement of Operations assuming the transaction closed on January 1, 2011 is summarized as follows:

	Nine Months Ended September 28, 2012		Year Ended December 31, 2011	
	(In thousands of U.S. dollars)			
To record inventory step-up and backlog amortization in first year of acquisition:				
Cost of sales	$	(21,451)	$	21,451
Selling general administrative expense		(41,132)		57,425
To adjust other intangible asset amortization, less the historical Charter amortization and impairment expense:				
Selling general administrative expense		—		13,105

(c) In connection with the Charter Acquisition, Colfax and Charter incurred advisory, legal, audit, valuation and other professional fees, termination payments to Charter executives and realized losses on acquisition-related foreign exchange derivatives. The Unaudited Pro Forma Condensed Combined Statement of Operations for the nine months ended September 28, 2012 reflects the elimination of $43.6 million of transaction expenses incurred by Colfax and the year ended December 31, 2011 reflects the elimination of a total of $81.0 million, approximately $31.0 million and $55.0 million of which were incurred by Colfax and Charter, respectively.

(d) In conjunction with the financing of the Charter Acquisition, on January 13, 2012, Colfax terminated its previous credit agreement with Bank of America and incurred debt consisting of: (i) a $200 million term A-1 facility, (ii) a $500 million term A-2 facility, (iii) a €157.6 million term A-3 facility and (iv) a $900 million term B facility pursuant to a credit agreement (the "Deutsche Bank Credit Agreement") with Deutsche Bank Securities Inc., HSBC Securities (USA) Inc. and certain other lender parties named therein. In addition, the Deutsche Bank Credit Agreement has two revolving credit facilities which total $300 million in commitments. The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2011 includes $83.5 million of incremental interest expense associated with the Deutsche Bank Credit Agreement, including amortization of original issue discount and deferred financing fees and elimination of interest expense on existing debt.

(e) In connection with financing the Charter Acquisition, on January 24, 2012, the Company sold 13,877,552 shares of newly created Series A perpetual convertible preferred stock, referred to as the Series A Preferred Stock. Under the terms of the Series A Preferred Stock, holders are entitled to receive cumulative cash dividends, payable quarterly, at a per annum rate of 6% of the liquidation preference (defined as $24.50, subject to customary antidilution adjustments), provided that the dividend rate shall be increased to a per annum rate of 8% in the Company fails to pay the full amount of any dividend required to be paid on such shares until the date that full payment is made. The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2011 includes an adjustment to reflect the payment of $20.4 million of dividends on the Series A Preferred Stock.

(f) Upon completion of the Charter Acquisition, certain deferred tax assets existing at the date were reassessed in light of the impact of the acquired businesses on expected future income or loss by country and future tax planning, including the impact of the post-acquisition capital structure. This assessment resulted in an increase in the Company's valuation allowance to provide full valuation allowances against U.S. deferred tax assets. The increased valuation allowance resulted in an increase to the Provision for income taxes included in Colfax's Condensed Consolidated Statement of Operations for the nine months ended September 28, 2012. The Unaudited Pro Forma Condensed Combined Statements of Operations for the nine months ended September 28, 2012 includes an adjustment to reverse this impact and it is included as an adjustment in the year ended December 31, 2011 assuming that the Charter Acquisition was effective on January 1, 2011.

5. Pro Forma Adjustments - Charter U.S. GAAP Adjustments

Certain adjustments and reclassifications have been made to the Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2011 to align the Charter financial statements prepared in accordance with IFRS with Colfax's U.S. GAAP presentation and accounting policies. These adjustments and reclassifications are summarized as follows:

	Year Ended December 31, 2011			
	U.S. GAAP Reclassifications	U.S. GAAP Adjustments	Total U.S. GAAP Adjustments	Reference
	(In thousands of U.S. dollars)			
Net sales	$ —	$ —	$ —	
Cost of sales	(47,706)	(4,979)	(52,685)	(c), (d), (f), (k)
Gross profit	47,706	4,979	52,685	
Selling, general and administrative expense	(57,138)	29,234	(27,904)	(a), (c), (d), (e), (f), (g), (h), (j), (l)
Charter acquisition-related expense	55,050	—	55,050	(e)
Restructuring and other related charges	52,364	—	52,364	(c)
Asbestos coverage litigation expense	—	—	—	
Operating income	(2,570)	(24,255)	(26,825)	
Interest expense	(3,856)	(160)	(4,016)	(a), (b), (j)
Income before income taxes	1,286	(24,095)	(22,809)	
Provision for income taxes	1,286	7,068	8,354	(b), (i)
Net (loss) income	—	(31,163)	(31,163)	
Less: net income attributable to noncontrolling interest	—	(2,731)	(2,731)	
Net income attributable to Colfax Corporation	—	(28,432)	(28,432)	
Dividends on preferred stock	—	—	—	
Net (loss) income available to Colfax Corporation common shareholders	$ —	$ (28,432)	$ (28,432)	

(a) To reclassify $2.6 million of interest expense related to retirement benefit obligations to Selling, general and administrative expense, which is consistent with Colfax's policy.

(b) To reclassify $1.3 million of interest expense related to uncertain tax positions to Provision for income taxes, which is consistent with Colfax's policy.

(c) To reclassify $22.8 million and $29.6 million from Cost of sales and Selling, general and administrative expense, respectively, to Restructuring and other related charges, which is consistent with Colfax's policy.

(d) To reclassify $24.9 million of research and development expense from Cost of sales to Selling, general and administrative expense, which is consistent with Colfax's policy.

(e) To reclassify $55.0 million of Charter acquisition-related expense from Selling, general and administrative expense, which is consistent with Colfax's policy. See Note 4 (c) above for further discussion regarding these expenses.

(f) Under IFRS, costs associated with capitalization of intangible assets are classified into research phase costs, which are always expensed and development phase costs, which are capitalized provided they meet specific criteria. Under U.S. GAAP, research and development costs are expensed as incurred. Only under limited circumstances may development costs be capitalized, such as costs for the development of internal use software. The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2011 reflects adjustments to reverse $5.5 million of amortization recorded to Cost of sales under IFRS and to recognize $11.1 million of research and development costs in Selling, general and administrative expense.

(g) Upon initial transition to IFRS, Charter elected to record certain assets at their "fair value as deemed cost" at the date of transition as permitted by IFRS. Under U.S. GAAP, revaluation of fixed assets is not permitted. Accordingly, Selling general and administrative expense in the Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2011 includes an adjustment to reverse $0.3 million of incremental depreciation expense recorded under IFRS.

(h) Under IFRS, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions were recognized by Charter in full in the period in which they occurred directly within equity, in the statement of comprehensive income. Under this IFRS policy option, amounts are not subsequently recognized in the income statement. U.S. GAAP requires that actuarial gains or losses are either recognized in full in the income statement or are deferred using the "corridor approach" (e.g., deferred in accumulated other comprehensive income (AOCI) on the balance sheet in order to reflect the funded status of defined benefit plans, and amortized as a component of net periodic benefits expense over the remaining life expectancy of the plan participants) or any systematic method that results in faster recognition than the corridor approach. The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2011 include the related incremental expense of $7.7 million.

(i) Under U.S. GAAP, an uncertain tax position is measured based on a cumulative probability model, whereby the largest amount of tax benefit/cost that is more likely than not of being realized upon ultimate settlement is the amount recorded. The cumulative probability approach is not permitted under IFRS and instead an expected value or single best estimate of the most likely outcome is used. The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2011 includes the related incremental provision for income taxes of $11.9 million to align the measurements of uncertain tax positions as required by U.S. GAAP.

(j) In determining the amount of provision for a liability that is uncertain in timing or amount of settlement, IFRS requires recognition of the best estimate of the amount that would be required to settle an obligation, and where a range of equally possible outcomes exists, the midpoint estimate is accrued. Under U.S. GAAP, when no amount within a range is a better estimate than any other amount, the low end of the range is accrued. In addition, it is Colfax's policy to not record anticipated future legal defense costs under U.S. GAAP. The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2011 includes the reversal of the release of provisions recognized in Selling, general and administrative expenses under IFRS of $10.9 million associated with the difference in related accruals of legal estimates and defense costs.

(k) Charter recorded warranty expense under IFRS, which exceeded the Colfax policy under U.S. GAAP. The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2011 includes an adjustment to Cost of sales to reverse $0.5 million of incremental warranty expense recorded under IFRS.

(l) The Unaudited Condensed Combined Statement of Operations for the year ended December 31, 2011 includes an adjustment to decrease Selling, general and administrative expense by $0.2 million related to U.S. GAAP treatment for stock-based compensation.

Subtotal of Financial Statement Line Items Impacted by Multiple Adjustments Above:

	Year Ended December 31, 2011		
	Cost of Sales	**Selling, General and Administrative Expense**	**Reference**
Reclassification - interest expense for retirement obligations	—	2,570	(a)
Reclassification - restructuring charges	(22,809)	(29,555)	(c)
Reclassification - research and development costs	(24,897)	24,897	(d)
Reclassification - Charter acquisition-related expense	—	(55,050)	(e)
Adjustment - research and development costs	(5,461)	11,083	(f)
Adjustment - incremental depreciation expense	—	(321)	(g)
Adjustment - pension expense under US GAAP	—	7,710	(h)
Adjustment - legal provisions	—	10,923	(j)
Adjustment - warranty expense	482	—	(k)
Adjustment - stock-based compensation expense	—	(161)	(l)
	(52,685)	(27,904)	

6. Soldex Transaction Adjustments

(a) U.S. GAAP Adjustments

Capitalized software of $0.6 million was reclassified in the Unaudited Pro Forma Condensed Combined Balance Sheet as of September 28, 2012 from Intangible assets, net to Property, plant and equipment, net in order to align Soldex's financial statements prepared in accordance with IFRS with Colfax's U.S. GAAP presentation.

The Unaudited Pro Forma Condensed Combined Balance Sheet as of September 28, 2012 includes an adjustment of $0.7 million to align the measurement of uncertain tax positions at Soldex with U.S. GAAP. See 5(i) above for further discussion regarding the differences between IFRS and U.S. GAAP with respect to uncertain tax positions.

(b) Estimated Purchase Consideration

The estimated purchase price, excess purchase price over net assets acquired and residual Goodwill are as follows (in thousands of U.S. dollars, except share information and as noted):

Total common and investment shares outstanding		283,431,161	
Consideration paid per share		0.7096	
Value of 100% of Soldex[(1)]	$	201,123	
Total common and investment shares purchased by Colfax		258,416,822	
Consideration paid per share		0.7096	
Proforma adjustment to cash and cash equivalents	$	183,373	
Tangible assets acquired		103,631	(i)
Liabilities assumed		(65,207)	
Tangible net assets acquired		38,424	
Excess of 100% value of Soldex over tangible net assets acquired		162,699	
Total identifiable intangible assets		64,961	(ii)
Deferred tax liability, net		16,058	(i), (iii)
Identifiable intangible assets, net of deferred tax liabilities		48,903	
Residual Goodwill		113,796	
Soldex's Goodwill related to historical acquisitions		50,446	
Goodwill adjustment	$	63,350	

(1) Upon completion of the Soldex Acquisition, Colfax has a controlling financial interest in Soldex and its Consolidated Financial Statements will include the assets, liabilities, revenues and expenses of Soldex and the noncontrolling parties' ownership share is presented as a noncontrolling interest. Accordingly, Goodwill is calculated based upon the total fair value of 100% of the net assets of Soldex.

Except as discussed below, the carrying value of Soldex's assets and liabilities are considered to approximate their fair value.

(i) Tangible assets acquired reflect a $2.8 million adjustment to record inventory at fair value, referred to as the inventory step-up. An adjustment of $0.9 million was also made to deferred tax liabilities (included in Accrued liabilities) related to this adjustment. Additionally, an estimate of $2.5 million is reflected in the Unaudited Pro Forma Condensed Combined Balance Sheet as of September 28, 2012 to reduce the value of inventory determined to be obsolete. An adjustment of $0.7 million was also made to deferred tax assets (included in Other current assets) related to this adjustment. The $2.8 million inventory step up was estimated to be amortized through Cost of goods sold within the first year following the Soldex Acquisition based upon inventory turnover calculated from public information.

(ii) The fair value of identifiable intangible assets was estimated using significant assumptions such as the amount and timing of projected cash flows and the assessment of the asset's life cycle, including competitive trends and other factors. The assumptions used by Colfax to arrive at the estimated fair value of the identifiable intangible assets were primarily derived from publicly available information, including market transactions of varying degrees of complexity.

The fair value and weighted-average estimated useful life of identifiable intangible assets are as follows:

	Fair Value	Weighted-Average Estimated Useful Life
	(in thousands of U.S. dollars)	(in years)
Trademarks	$ 10,333	Indefinite
Technology	3,243	10
Customer relationships	51,385	20
Total acquired identifiable intangible assets	64,961	
Soldex's identifiable intangible assets related to historical acquisitions	48,416	
U.S. GAAP intangible asset reclassification	(647)	
Adjustment to intangible assets	$ 17,192	

(iii) Deferred tax liabilities of $20.9 million (included in Other liabilities) were recorded related to amortizable intangible assets, detailed above. Additionally, $4.9 million of deferred tax liabilities were eliminated related to identifiable intangible assets recognized by Soldex in conjunction with historical acquisitions. Deferred tax assets, deferred tax liabilities and the tax impact of the adjustments to the Unaudited Pro Forma Condensed Combined Statements of Operations were calculated using an approximate 32% effective tax rate, which is Colfax's estimate of Soldex's effective tax rate.

(iv) On July 1, 2011, the predecessor to Soldex, now known as Futurea Consorcio Inmobiliaro S.A., spun-off its Peru welding business and transferred all related assets and liabilities to Soldex. Under IFRS, the financial results of Peru were not included in the consolidated statement of operations for Soldex for periods prior to July 1, 2011. To include the results of operations for Peru for the period prior to transfer, the Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2011 include the following adjustments, representing Peru's results of operations for the six months ended July 1, 2011 (in thousands of U.S. dollars):

	Six Months Ended June 30, 2011
Net sales	$ 34,483
Cost of sales	21,576
Gross profit	12,907
Selling, general and administrative expense	6,904
Operating income	6,003
Interest expense	991
Income before income taxes	5,012
Provision for income taxes	1,665
Net income	$ 3,347

(c) Earnings Per Share

The pro forma calculation of basic and diluted EPS was calculated as follows:

	Nine Months Ended September 28, 2012	Year Ended December 31, 2011
Numerator:		
Net income (loss) attributable to Colfax common shareholders	$ 43,908	$ (116,862)
Less: net income attributable to participating securities[1]	5,757	—
	$ 38,151	$ (116,862)
Denominator:		
Weighted-average basic shares outstanding - as reported by Colfax	90,003,515	43,634,937
Adjustment to reflect shares issued to finance the Charter Acquisition[2]	1,955,629	40,917,786
Weighted-average shares outstanding - basic	91,959,144	84,552,723
Weighted-average dilutive shares outstanding - as reported by Colfax	90,003,515	44,268,110
Adjustment to reflect shares issued to finance the Charter Acquisition[2]	1,955,629	40,917,786
Net effect of potentially dilutive securities[3]	825,645	(633,173)
Weighted-average shares outstanding - dilutive	92,784,789	84,552,723
Net income (loss) per share - basic	$ 0.41	$ (1.38)
Net income (loss) per share - diluted	$ 0.41	$ (1.38)

[1] Net income (loss) per share was calculated consistent with the two-class method in accordance with U.S. GAAP as the shares of the Company's Series A Preferred Stock are considered participating securities.

[2] For the nine months ended September 28, 2012, this amount represents the impact of the shares of Colfax Common stock issued to Charter shareholders and the aggregate shares of Colfax Common stock sold to BDT Capital Partners Fund I-A, L.P., Mitchell P. Rales, Steven M. Rales and Markel Corporation pursuant to various securities purchase agreements. For the year ended December, 31, 2011, this amount represents the total of these shares issued as they were issued subsequent to December 31, 2011.

The weighted-average computation of the dilutive effect of potentially issuable shares of Colfax Common stock under the treasury stock method for the nine months ended September 28, 2012 and the year ended December 31, 2011 excludes approximately 1.4 million and 1.8 million outstanding stock-based compensation awards, respectively, as their inclusion would be anti-dilutive.

(d) Noncontrolling Interest

The fair value of the noncontrolling interest, representing the 9% of common and investment shares of Soldex outstanding following the Soldex Acquisition, was calculated as follows (in thousands of U.S. dollars, except share amounts):

Total common and investment shares outstanding		283,431,161
Less: shares purchased by Colfax		258,416,822
Shares held by noncontrolling parties		25,014,339
Consideration paid per share	$	0.7096
Fair value of noncontrolling interest		17,750

Further, the Unaudited Pro Forma Condensed Combined Statements of Operations for the nine months ended September 28, 2012 and the year ended December 31, 2011 include the noncontrolling parties' proportionate share of net income.

7. Financial Statement Grouping

Certain financial statement line items from the financial statements of Soldex and Charter are not separately presented on Colfax's financial statements and were grouped so their presentation would be consistent with Colfax. The groupings below were made prior to the presentation in the Unaudited Pro Forma Condensed Combined Financial Statements.

Charter

The following groupings were made to the Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2011 (in thousands of U.S. dollars):

	Year Ended December 31, 2011	
Selling and distribution costs	$	(242,700)
Administrative expenses		(248,400)
Net finance charge- retirement benefit obligations		(1,600)
Share of post-tax profits of associates and joint ventures		4,400
Selling, general and administrative expense	$	488,300
Other finance charge before losses on retranslation of intercompany loan balances	$	(8,100)
Other finance charge before gains on retranslation of intercompany loan balances		3,700
Net gains (losses) on retranslation of intercompany loan balances		(12,800)
Interest expense	$	17,200
Taxation charge on underlying profits	$	27,100
Taxation on exceptional items and acquisition costs		(4,700)
Taxation on amortisation and impairment of acquired intangibles and goodwill		(1,700)
Taxation on net financing charge- retirement benefit obligations		(700)
Taxation on net gains on retranslation of intercompany loan balances		(900)
Provision for income taxes	$	(19,100)

Soldex

The following groupings were made to the Unaudited Pro Forma Condensed Combined Balance Sheet as of September 28, 2012 (in thousands of U.S. dollars):

	As of September 28, 2012
Current Assets:	
Prepaid expenses	$ (215)
Other accounts receivable, net	(3,688)
Other accounts receivable from related parties	(115)
Other current assets	$ 4,018
Current Liabilities:	
Trade accounts payable, net	$ (7,304)
Other accounts payable from related parties	(82)
Accounts payable	$ 7,386
Equity:	
Other capital reserves	$ (5,415)
Retained earnings	(19,743)
(Accumulated deficit) retained earnings	$ 25,158

The following groupings were made to the Unaudited Pro Forma Condensed Combined Statements of Operations for the periods indicated (in thousands of U.S. dollars):

	Nine Months Ended September 28, 2012	Year Ended December 31, 2011
Selling and distribution costs	$ (14,570)	$ (16,211)
Administrative expenses	(7,357)	(7,856)
Other operating expenses, net	(377)	(90)
Foreign exchange difference	1,308	547
Selling, general and administrative expense	$ 20,996	$ 23,610
Financial expenses	$ (2,364)	$ (1,710)
Financial income	153	79
Interest expense	$ 2,211	$ 1,631