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23. Financial risks management

The activities of the Company expose it to a variety of financial risks, including the effects of variations of exchange rates, credit and liquidity. The risk management program of the Company tries to minimize the potential adverse effects on its financial performance.

Management is aware of the existing market conditions and based on its knowledge and experience, controls the liquidity risk, exchange rate risk and credit risk by following the policies approved by the Board. The most important aspects in the management of these risks are the following:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates due to changes in market prices. Market prices comprise three risk types: interest rate risk, exchange rate risk and commodity prices risk. In the case of the Company, the financial instruments affected by market risk include deposits and financial obligations, which are exposed to exchange rate risk and interest rate risk.

The sensitivity analysis presented in the following section relates to the position as of December 31, 2014 and 2013. The sensitivity analysis has been prepared considering that the proportion of financial instruments in foreign currency remains constant.

(i) Interest rate risk

Interest rate risk is defined as a risk whereby a fair value, or a financial instrument's future cash flow, fluctuates as a result of changes to interest rates in the market. The Company's exposure to market interest rate risk relates principally to long-term financial obligations with variable interest rates.

The Company's policy is to mainly obtain financing at fixed interest rate. The Company's Management considers that interest rate's risk is not significant due to the interest rates of its financing agreements are not significantly different from the market interest rates of similar financial instruments. To manage this risk, the Company entered into cross currency interest rate swaps, see note 12.

The short-term and long-term debts are agreed at fixed rates, therefore, any change in interest rates will not affect the results of the Company.

(ii) Exchange rate risk

Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in the exchange rates. The Company's exposure to exchange rates is related mainly to its operating activities. To manage this risk, the Company entered into cross currency interest rate swaps, see note 12.

The following table presents the effects on income before income tax of a reasonable variation in the exchange rate, considering constant the rest of variables, described in note 21:

	Increase (decrease) in basis points	Effect on income before income tax S/,(000)
2014	+10 basis points	(9,274)
2014	-10 basis points	9,274
2013	+10 basis points	(9,146)
2013	-10 basis points	9,146

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