

A long-exposure photograph of a waterfall, creating a sense of motion and flow. The water is blurred, giving it a silky, ethereal appearance. The colors range from deep blues to bright whites where the water is most turbulent.

Annual Report **2014**

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LETTER FROM THE SENIOR VICE PRESIDENT FOR SOUTH AMERICA

Dear shareholders,

It is with great pleasure that I present the annual report and financial statements of Statkraft Perú S.A. corresponding to the year ended December 31, 2014, which provide information on the company's processes and results.

In 2014 the operations of Statkraft Perú S.A. have benefited from the investments made to increase the capacity of its assets. The rains and runoffs in that year correspond to normal wet years in the basins where the company operates. In 2014 the company generated 1,728.2 GWh, a figure below the maximum historical output from the previous year by 45.7 GWh. The Operations and Maintenance team succeeded in having assets available more than 97% of the time. The Yaupi HPP also recorded a production of 888.4 GWh, and managed to surpass the maximum historical output (865.6 GWh in 2013).

The second phase of the Cahua HPP Overhaul, which involved the intake, headrace tunnel and associated transmission lines, was completed. With this project the failure probability in a plant that had required more maintenance compared to the other plants in the company's portfolio was significantly reduced. On the other hand, the process to prepare for the commercial operation of the Cheves HPP was started this year by the handover team aimed at incorporating the Cheves project into the operating model of Statkraft Perú S.A. In this process, 22 employees were involved and received training in Peru and abroad, as well as on-the-job training with the different contractors. The company also continued investments on the remote control program for plants, intakes and dams, and entered the monitoring and controls signals of Malpaso and Cahua Hydropower Plants into SCADA (Lima and La Oroya). The "Cheves HPP Remote Control Project" was also commenced.

On the commercial front, the strategy of Statkraft Perú S.A. relies upon the regular follow up of market conditions, the forecasts of short-term and long-term marginal costs to establish the optimum portfolio for the company, and the permanent monitoring of the hydrological behavior of the basins in which the company operates. The decisions to enter into agreements are made based on the risk assessment guidelines approved by the company's Board of Directors. Based on this methodology, contract opportunities are detected to add value to the company's contribution margin and decrease market risks.

In 2014 the capacity contracted with distribution companies was 29%, and with free clients 71.3%. Throughout the year, El Porvenir Mining Unit from the Milpo Group and the head office of Banco Continental were incorporated into the client portfolio, and the agreement with mining company Chinalco Perú S.A. was extended.

Customer service for Statkraft Perú S.A. is the most important aspect to set apart the service it renders and maximize the company's contribution margin, and aims at establishing long-term relations with clients through the identification of their needs and the development of solutions for the company to be regarded as a strategic business partner by its clients.

Optimizing the dispatch of energy from hydropower plants is a task entrusted to the Commercial Management, which uses the best mathematical models. In 2014, discharge methods were supported for the benefit of the Peruvian electrical system.

With regards to financial results, the revenues for sales of energy, capacity and secondary transmission decreased by 17.2%, from US\$ 127.6 MM as recorded in 2013 to US\$ 105.7 MM as recorded at year-end in 2014. This decrease was primarily due to less energy purchases compared to 2013; in 2014 energy was purchased from generation company Kallpa to supply clients of Statkraft Peru. The

generation and transmission cost totaled US\$ 42.8 MM, which represents a 29.0% decrease compared to 2013. This is mainly explained by the energy purchase from Kallpa for trading purposes.

Administrative and selling expenses amounted to US\$ 12.6 MM, which represents a 15.2% decrease compared to 2013. These savings are explained by the fact that tasks were performed by the company's own personnel instead of hiring consultants in order to find efficiencies. The operating profit at year-end was US\$ 57.6 MM, 5.5% above the figure recorded in 2013, which is explained by the extraordinary revenues in 2014 due to the telecommunication project undertaken with Minera Chinalco Perú S.A.

As part of the human talent management, in 2014 the company invested 1.5% of the total payroll cost to provide 1,694 hours of external training to workers. Another 52 hours of in-house training were also provided as part of the in-house facilitator program created in 2013 to ensure know-how transfer, which achieved high satisfaction levels among attending personnel. Six corporate induction sessions were conducted, where the different areas are introduced to create commitment and identity among our new employees.

The professional growth and development of employees was followed up through the Goal and Development Dialogue. The professional and personal goals and the goals related to the company values of all employees were defined and measured. The different development and leadership programs facilitated 16 internal, vertical and horizontal, position changes, thus contributing to professional growth. The Compass survey, which measures employees' commitment, yielded 76%, a result above the group's average.

As part of the Corporate Social Responsibility management, work has been undertaken with 32 communities within the area of influence of the company's operations under the community relations strategy, which includes the implementation of 32 local development projects with focus on capacity building, productive development and coexistence. Four of these projects are in the commercial stage and have generated direct economic revenues amounting to PEN 92,078.00 for 139 beneficiary families. The operations of Statkraft Perú S.A. created different labor opportunities within the areas of influence: 100 local villagers were engaged by the company's contractors as unskilled labor.

Let me conclude by extending our appreciation to board members, executives and employees in all our premises for the commitment and responsibility with which they take on the challenges and objectives in the company. We also want to acknowledge the trust placed by investors on the way we are managing the company's processes to consolidate the growth of Statkraft Perú S.A. in the country.

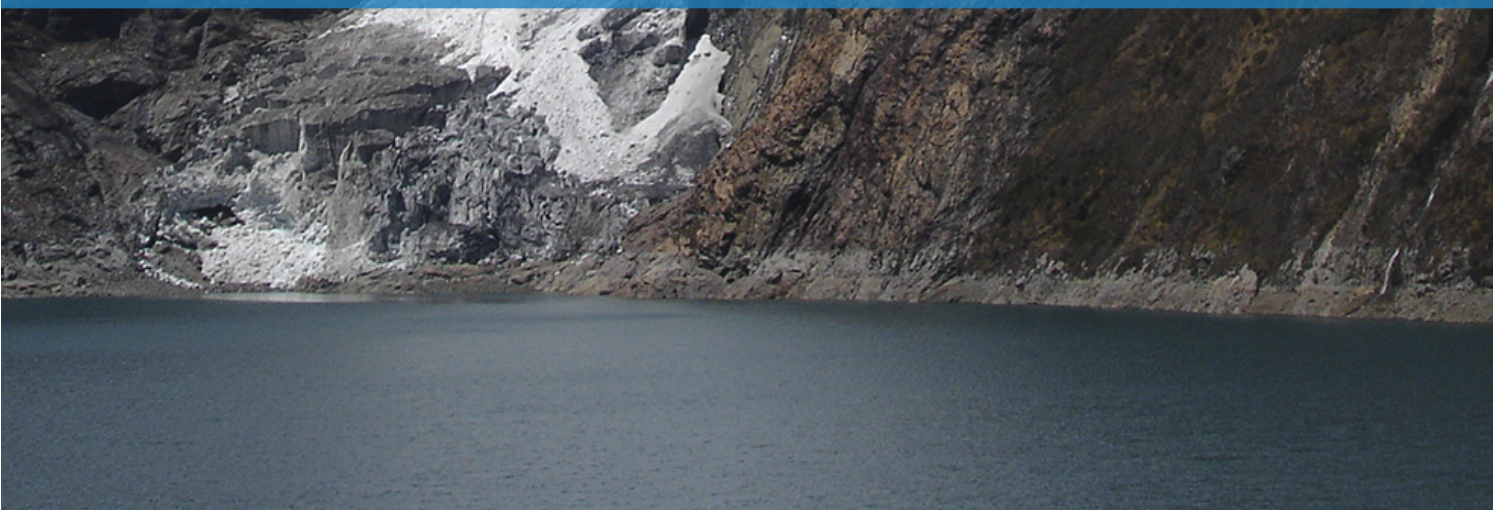


Laine Powell

Senior Vice President for South America



1. GENERAL INFORMATION



1. GENERAL INFORMATION

1.1 LIABILITY STATEMENT

This document contains accurate and sufficient information on the development of business activities of **Statkraft Perú S.A.** during 2014.

Without prejudice to the liability of the issuer, the undersigned are liable for the contents hereof pursuant to applicable legal provisions.

Lima, July 2015.



Juan Antonio Rozas Mory
General Manager
Statkraft Perú S.A.



Álvaro Porturas Ingunza
Administration and Finance Manager
Statkraft Perú S.A.

1.2 CORPORATE INFORMATION

CORPORATE NAME AND ADDRESS

Corporate name: Statkraft Perú S.A.

Legal address: Av. Felipe Pardo y Aliaga N° 652, Int. 203, San Isidro, Lima 27

Phone: (01) 700-8100

Fax: (01) 422-0348

INCORPORATION AND REGISTRATION IN PUBLIC RECORDS

Incorporated on February 15th, 2001 under Inversiones Elegia S.R.L., and registered in Electronic Entry No. 11264232 of the Registry of Companies in and for Lima. Subsequently, it modified its corporate structure to a corporation and its corporate name to Electroandes S.A., which then merged with Empresa de Generación Eléctrica Cahua S.A. on January 1st, 2010, changing its corporate name to SN Power Perú S.A. As from July 30th, 2014, the company changed its corporate name to Statkraft Perú S.A.

HOLDING COMPANY

The Company is an indirect subsidiary of Statkraft IH Holding AS from Norway, which owns 99.99% of capital shares through its subsidiary Statkraft Perú Holding S.R.L.

CORPORATE PURPOSE AND TERM

The corporate purpose includes the provision of administration, support, assistance, management, consultancy, advisory services and any other corporate activity on financial, commercial, social responsibility, legal, human resources, budget control, occupational health and safety, administrative, accounting, logistics, product supply matters, and any other corporate activity in favor of third parties or legal entities from any economic sector.

CAPITAL STOCK

As of December 31st, 2014, the capital is represented by 719,660,948 fully subscribed and paid-in ordinary shares, with a nominal value of PEN 1 each, all of which have been issued..

SHAREHOLDING STRUCTURE

The shareholding structure of the company, as of December 31st, 2014, is as follows:

Statkraft Perú Holding S.R.L. holds 99.99 % of the capital stock.

There are six minority shareholders of the remaining shares representing 0.01% of the capital stock.

THE SHAREHOLDING STRUCTURE OF THE COMPANY IS OUTLINED IN TABLE 1.

Table 1

Shareholding	Number of shareholders	Ownership interest
Less than 1 %	6	0,001
Between 1 % - 5 %	0	0,000
Between 5 % -10 %	0	0,000
More than 10 %	1	99,99
Total	7	100,000

There are no shares without voting rights or investment shares.

INTEREST IN OTHER COMPANIES OF THE STATKRAFT GROUP

Since November 30th, 2010, Statkraft Perú S.A. holds an ownership interest of 88.74% in Empresa de Generación Eléctrica Cheves S.A.

AUTHORIZATIONS AND AGREEMENTS FOR THE UNDERTAKING OF ACTIVITIES

The company is in possession of all due authorizations from the Ministry of Energy and Mines, the National Water Authority and other Peruvian entities for the undertaking of its activities.

Additionally, the company is supervised and overseen by the Supervisory Agency for Energy and Mining Investment (OSINERGMIN), the National Labor Inspection Superintendence (SUNAFIL) and the Agency for Environmental Assessment and Enforcement (OEFA).

The company represents to know the Water Rights and Infrastructure Easements Acknowledgement Agreement entered into by and between Empresa Minera del Centro del Perú S.A. (Centromin) and Empresa de Servicio de Agua Potable y Alcantarillado de Lima (Sedapal) on December 2nd, 1996, effective for 10 years. The company agrees to take the contractual position of Centromin in such agreement. On May 22nd, 2007, the company entered into the First Addendum in order to amend the Third Clause of the original agreement to extend the original term by 6 additional years. The company represents to know that, by virtue thereof, the Pachachaca and Oroya hydropower plants may be affected, and waives the right to the easement right or any compensation in case such plants are affected.

DESCRIPTION OF OPERATIONS AND DEVELOPMENT

A The line of business of Statkraft Perú S.A. is coded CIIU 4010.
The company will remain in existence for an indefinite term.

COMPANY'S EVOLUTION

Empresa de Generación Eléctrica Cahua S.A.

In 2001, American company NRG acquired Nordic Power Invest del Perú S.A. and Empresa de Generación Eléctrica Cahua S.A. to Consortium Vattenfall-Skanska. On November 20th, 2003, SN Power Perú Holding S.R.L. acquired Group NRG's investments in Empresa de Generación Eléctrica Cahua S.A. and Energía Pacasmayo S.R.L., companies which were merged on May 10th, 2004, the former as the absorbing company.

Electroandes S.A.

On May 7th, 2002, at a Shareholders' Meeting of Inversiones Elegia S.R.L., it was unanimously agreed to turn Inversiones Elegia S.R.L. into a corporation. At such meeting, it was agreed to modify the Articles of Association and to change the corporate name from Inversiones Elegia S.A. to Electroandes S.A. Also at the Shareholders' Meeting it was agreed to merge Inversiones Elegia S.A. with Empresa de Electricidad de los Andes S.A., and to transfer the assets and liabilities of Empresa de Electricidad de los Andes S.A., which was dissolved without going into liquidation as a result of the merger, to Electroandes S.A. The merger became effective on June 1st, 2002.

On October 17th, 2007, the shares of PSEG, majority shareholder of Electroandes S.A., were transferred to Inversiones Eléctricas de los Andes S.A.C., a Peruvian subsidiary of SN Power Perú Holding S.R.L., which, in turn, is a local subsidiary of the SN Power Group. As a consequence, SN Power became the owner of 99.99% of the company's shares. On June 22nd, 2009, the merger between Transamerica Energy Company S.A.C. and Inversiones Eléctricas de los Andes S.A.C., both companies from the SN Power Group, was registered in the Public Records of Lima. As a result of such merger, Transamerica Energy Company S.A.C. was merged by absorption into Inversiones Eléctricas de los Andes S.A.C., the latter remaining as the majority shareholder of Electroandes S.A. Finally, on April 22nd, 2010, the merger by absorption of Inversiones Eléctricas de los Andes S.A.C. into SN Power Perú Holding S.R.L. was registered, the latter holding 99.99% of the company's interest.

From SN Power Perú S.A. to Statkraft Perú S.A.

On November 30th, 2009, the General Shareholders' Meeting of Electroandes S.A. (thereafter SN Power Perú S.A. and, subsequently, Statkraft Perú S.A.) and Empresa de Generación Eléctrica Cahua S.A. (absorbed company) approved the merger of both companies, which became effective on January 1st, 2010.

At the same General Shareholders' Meeting of Electroandes S.A., it was agreed to modify its articles of association, including the change of the corporate name to SN Power Perú S.A. As a result of the modification of the articles of association, registered on July 30th, 2014, the name of the company changed to Statkraft Perú S.A.

SPECIAL RELATIONS BETWEEN THE GOVERNMENT AND THE COMPANY

On November 24th, 2010, as an investing company making capital contributions to Empresa de Generación Eléctrica Cheves, the company entered into a Legal Stability Agreement. Such agreement guarantees, during its effective term, inter alia, the stability of the income tax regime in force at the time the agreement was entered into, with respect to the dividends or profit sharing. The term of the agreement is subject to the effective period of the Supply Concession Agreement of Empresa de Generación Eléctrica Cheves S.A., and such concession was granted for 15 years, starting from the start of commercial operations of the Cheves Hydropower Plant.

GENERAL DESCRIPTION OF MAIN ASSETS

Statkraft Perú S.A. is a power generation company that is a member of the Committee for the Economic Operation of the National Interconnected System (COES).

Its generation capacity comes from eight hydropower plants: Yaupi (112,68 MW), Malpaso (48,02 MW), Cahua (43,11 MW), Gallito Ciego (38,15 MW), Pachachaca (9,65 MW), Oroya (9,48 MW), Arcata (5,05 MW) and Pariac (4,95 MW); located in the departments of Pasco, Junín, Lima, Cajamarca, Arequipa and Ancash, with a combined effective capacity of 271,10 MW.

NUMBER OF EMPLOYEES

Table 3 shows the number of active employees from 2010 to December 2014. In 2014, temporary workers were employed and some permanent positions were replaced.

Table 3 (includes temporary positions)

2010	2011	2012	2013	2014
155	202	196	193	224

1.3 ORGANIZATION

BOARD OF DIRECTORS

Austin Laine Powell, native of Austin, Texas (US). He has more than 20 years of experience in the electrical industry in Latin America. He has worked in Mexico, Guatemala, Dominican Republic, Colombia, Bolivia, Brazil, Argentina, Chile and Venezuela. Since June 2013, he serves as the Senior Regional Vice President of Statkraft, in the International Hydro division, and is responsible for the activities in Brazil, Chile and Peru. Previously, he served as general manager in Tinguiririca Energía in Chile, a joint venture between SN Power and Pacific Hydro, and as general manager in SN Power Chile.

Jon Anders Holtan, of Norwegian nationality, is Director since March 2005. He is an economist with studies in Bergen, Copenhagen, Kiel and Trondheim, with specializations in International Economics, Finance and Energy. Since 2005 he has held several management positions in Statkraft in several countries, and has worked mainly in market analysis for the Nordic and European markets, hydropower, risk management, power trading and commercial strategy development.

Tron Engebretsen, of Norwegian nationality, is Director since March 2014. He holds a master's degree in electrical engineering from the NTH – Trondheim, Norway. He has held several management positions in Statkraft and SN Power since 1996, including Technical Manager in Statkraft, Communications Manager in Statkraft, O&M and Greenfield Director in Statkraft Nordics for 17 years, Executive Vice President (EVP) in SN Power and Senior Vice President (SVP) in International Hydro in Statkraft. He was responsible for operations abroad as from 2000 in Nepal, Laos and Turkey, and subsequently in SN Power until its restructuring in 2014.

Marco Antonio Vargas Darville, of Chilean nationality, is member of the Board since January 2013. He holds a bachelor's degree in Business Administration and French from the Weber State University, with an MBA from the Brigham Young University. Since June 1st, 2013, he serves as General Manager in Statkraft Chile, after joining the company in 2008 as an employee in SN Power, a Statkraft subsidiary. He previously worked for General Electric, Merrill Lynch and Union Bank of Switzerland.

Fernando de la Puerta Montoya, Deputy Director, of Spanish nationality. He holds a master's degree in Business Administration and Law from the University of Madrid, Spain, and an MBA from the IESE School of Business in Barcelona, Spain. He has worked for the Statkraft Group for the last 6 years in different positions in Norway, Brazil and Panama, where he currently serves as Country Director. He previously worked for Iberdrola, ABN Amro Bank and Banco Santander.

MANAGEMENT TEAM

Juan Antonio Rozas Mory, economist graduated from the Pontifical Catholic University of Peru. He holds an MBA from ESAN University, and a postgraduate degree in Project Evaluation from the Pontifical Catholic University of Chile. He has more than 15 years of experience in the Peruvian electrical sector, in the Development and Commercial areas. In 2008 he was appointed Commercial Manager of the company, and since August 1st, 2014 he serves as the Country Manager.



Milagros Paredes Paredes, a psychology graduate, she holds a master's degree on Strategic Management of the Human Factor and Consulting from the Peruvian University of Applied Sciences, and a specialization on Corporate Responsibility from the Harvard University. She has more than 19 years of experience in strategic leadership of stakeholder management in transnational companies with operations in Peru. She currently serves as the Chief Corporate Affairs Officer.



Juan Manuel López Teves, an electrical mechanical engineer from the National University of Engineering (UNI), he holds an MBA from the San Ignacio de Loyola University (USIL), and holds a master's degree on Energy Regulation from the Peruvian University of Applied Sciences (UPC). He has 27 years of experience in the Peruvian electrical sector in several positions related to project areas, rational energy usage, power trading and portfolio management.



He currently serves as the Commercial Manager.

Alvaro Antonio Porturas Ingunza, an economics graduate from the University of Lima, he holds an MBA from the Pacific University and a specialization in finance from the University of Chicago Booth School of Business. He has more than 18 years of experience leading work teams in the finance, planning, management control and project evaluations in companies (financial, hydrocarbon, retail, construction, and textile sectors). He currently serves as the Chief Financial Officer. He is also a professor of Corporate Finance in the University of Lima School of Business.



Alfredo Manuel Villaverde Ospina, a mechanical and electrical engineer from the National University of Engineering, he holds an MBA from the Institute of Market Studies (IEB), a master's degree on power systems from the National University of Engineering. He has more than 18 years of experience leading work teams in O&M in the power business. He currently serves as Chief Operating Officer.



Ronald Augusto Breña Barnett, a professional with 16 years of experience in hydropower project and operation management in the power, industry and services sector. He is a Plant Machinery Maintenance Technician from TECSUP; a professional in business administration from the AB Freeman School of Business of the Tulane University and the School of Business of the Pontifical Catholic University of Peru, CENTRUM. He also holds an MBA from the University of Quebec in Montreal-UQAM. He has managed the project, contracts and corporate social responsibility, lands and permits areas in companies related to the hydropower and service sectors, such as ALSTOM, RELSA, SN Power Perú and Empresa de Generación Eléctrica Cheves. He currently serves as Project Development Manager.





2. LINE OF BUSINESS

2. LINE OF BUSINESS

2.1 INTRODUCTION

In Peru, the Electrical Concession Law (LCE No. 25844) stipulates that the activities in the electrical sector are to be divided into power generation, transmission and distribution (the latter two are regulated activities). Generation activities are conducted by companies that generate power through hydraulic energy, geothermal energy, wind, sun, fossil fuels or other resources. Statkraft Perú S.A. is a power generation company that only uses water resources in its hydropower plants.

Statkraft Perú S.A. also has assets that are part of the Secondary Transmission System; the transmission activities are conducted by companies that charge a toll fee for the energy that is conveyed through their lines and substations. On the other hand, power distribution activities are conducted by companies that require and purchase electricity from generation companies, through bilateral agreements or tenders, before selling it to end users. These companies also charge a regulated toll fee for the use of the grids.

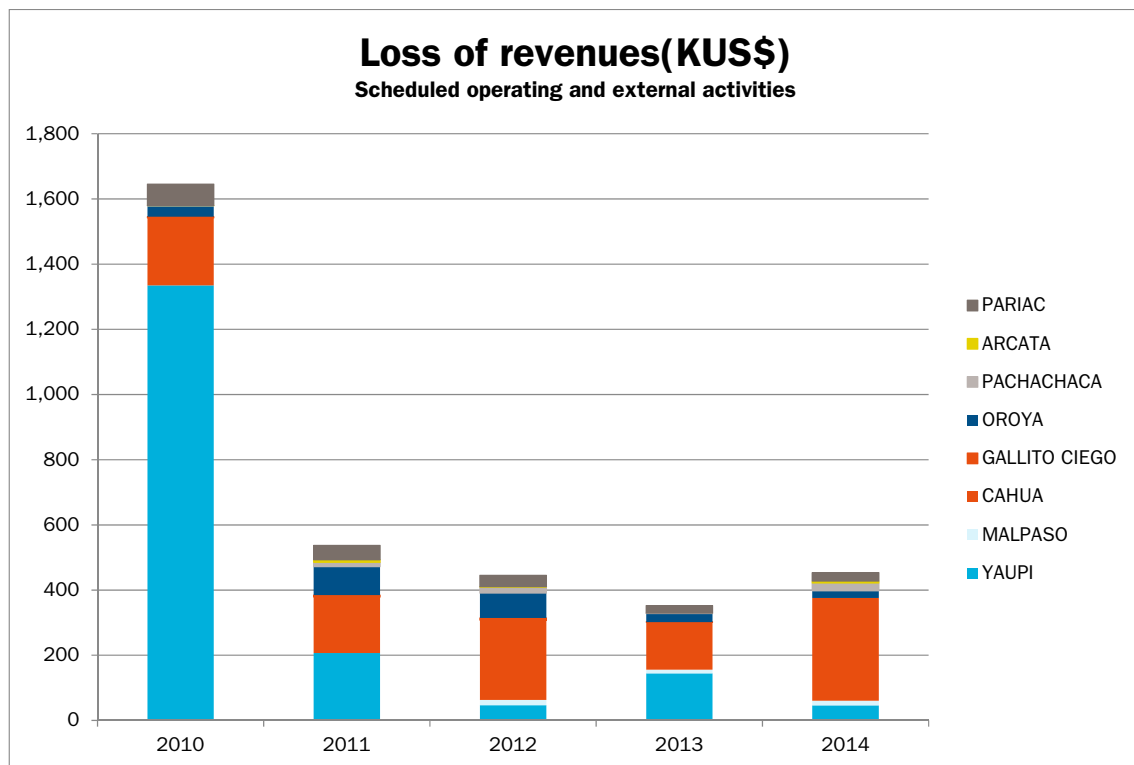
2.2 OPERATION MANAGEMENT

The gross power generation of Statkraft Perú S.A. in 2014 totaled 1,728.30 GWh, 2.57 % lower than the generation in 2013. This decrease is explained by hydrological factors, mainly due to the extremely dry year in the Jequetepeque river catchment area, where the Gallito Ciego hydropower plant is located. However, this was offset by the optimization of operating processes, such as the optimized usage of water at the Yaupi hydropower plant, avoiding discharges in view of the cascade generation with the Yuncan HPP from company Enersur, the improved generation capacity of the Cahua hydropower plant after the overhaul, and the optimized usage of water at the Malpaso hydropower plant when discharging the water from the Junín Lake up to a useful volume of 44 MMC.

In 2014, the mean capacity was 197.29 MW, and the company’s power output accounted for approximately 4.14% of the total output of all generation companies that are members of COES-SINAC. Statkraft Perú S.A. was ranked sixth in power production (source: COES).

Chart 1 shows the improved operation management of Statkraft Perú S.A., by reducing loss of revenues. In 2014 one of the lowest figures of the last 5 years was recorded, which shows a sustained decrease of losses.

Chart 1



Source: Prepared in-house.

On the other hand, since the O&M philosophy is based on the overhaul, condition monitoring and remote control, in 2014, through the “Superador” training program, the competences of technicians were

developed aimed at the condition monitoring of generation and transmission assets. As a result, the asset intervention and/or maintenance times are optimized, thus maximizing their availability, and increasing power generation.

2.2.1 GENERATION

Since 2014, an analysis stage has been included into the remote control to identify significant improvements in order to optimize the operation, e.g. upgrading some critical systems for the operation. To this end, O&M personnel have played an important role to accomplish these improvements. Additionally, a network is being developed through Android applications in order to have real-time information from mid-sized power plants, and an analysis of monitored operating parameters, with which the equipment condition will be determined in real time.

TOTAL VOLUME OF WATER USED FOR GENERATION

In 2014, the company used 3,635.1 Mm³ of water from rivers and lakes where it holds concession rights for power generation. In such process, after the water spins the turbines, it is returned to the river with the same volumes and under the same conditions it was taken in.

Table 4

Hydropower plant	Turbined volume (MMC)	Equivalent reservoir (MMC)
Yaupi	864.2	28.6
Malpaso	1,465.3	59.2
Cahua	546.6	4.7
Gallito Ciego	406.8	187.5
Pachachaca	108.4	13.5
Oroya	139.3	13.5
Arcata	48.8	3.7
Pariac	55.7	4.1

POWER GENERATION PER PLANT

In 2014 the company generated 1,728.2 GWh, which is below the maximum historical output recorded the previous year by 45.7 GWh. Additionally, the maximum historical output of the Yaupi plant was surpassed (865.6 GWh - 2013). Table 5 shows the production at each plant.

Table 5

Hydropower plant	2014 (GWh)
Yaupi	888.4
Malpaso	275.2
Cahua	304.5
Gallito Ciego	101.3
Pachachaca	44.3
Oroya	56.8
Arcata	26.9
Pariac	30.9
Total	1,728.3

AVAILABILITY OF POWER PLANTS

The company is performing maintenance on its eight hydropower plants in accordance with a maintenance plan to ensure maximum availability. This plan integrates high-quality tools, such as the 5S methodology, the root cause analysis (RCA), and the reliability centered maintenance (RCM). As a result, in 2014, the weighted availability of Statkraft Perú S.A. was 99.2%.

The plant availability in 2014 is shown in Table 6 below.

Cuadro 6

Hydropower plant	Availability %
Yaupi	99.7
Malpaso	99.8
Cahua	97.3
Gallito Ciego	99.4
Pachachaca	99.9
Oroya	99.6
Arcata	99.5
Pariac	96.7

Moving forward, the O&M team will integrate the condition monitoring to its management tools. This methodology uses a series of sensors installed in the plant components to measure oil quality, temperature and vibrations. In this manner, plant operators are able to predict the failure probability and act proactively, thus reducing costs and losses due to asset unavailability.

2.2.2 TRANSMISSION

In 2014, the following availability level was recorded in transmission lines and power Transformers in the Transmission System.

Table 7

Transmission lines	Own availability %
Voltage from 30 to 60 kv	99.86
Voltage from 60 to 100 kv	99.94
Voltage over 100 kv	91.98
In all statkraft peru	97.34

Table 8

Substation (SS) or transformers	Own availability %
Bellavista SS	99.38
Paramonga Existente SS	99.87
Oroya Nueva SS	99.89
Paragsha I SS	99.92
San Cristobal SS	99.95
Huicra SS	99.96
Carhuamayo SS	99.97
Chumpe SS	99.98
Excelsior SS	99.98
San Juan SS	99.99
Cobriza I SS	100
Cobriza II SS	100
Morocochoa SS	100
Casapalca SS	100
Andaychagua SS	100
San Mateo SS	100
Antuquito SS	100
Casapalca Norte SS	100
Marh Tunel SS	100
Nueva Morocochoa SS	100
San Antonio SS	100
In all Statkraft Peru	99.94

2.2.3 MAINTENANCE

The main maintenance activities performed in 2014 at the hydropower plants and transmission assets were the following.

GENERATION

Yaupi

- In April, the optic fiber was installed between the Yuncán, Santa Isabel and Yaupi reservoirs.
- In April and July, preventive maintenance was performed on the five generation units.
- The drawings of the protection, control and instrumentation systems were updated.
- The level measuring system of the Yuncán intake dam was upgraded.

Malpaso

- Preventive maintenance was performed on the protection, control and instrumentation systems of the four generation units.
- Information on the instrumentation was compiled, and databases prepared.

Cahua

- In January, preventive maintenance was performed on the two generation units.
- In February, the turbine of generation unit No.2 was replaced.
- In June, the turbine and the watertight rings of the inlet valve in generation unit No.1 were replaced.
- In June, the partial discharge equipment was installed in the two generation units.
- The cellphone communication system was implemented at the plant.
- In December, the overhaul was conducted on the intake, the headrace tunnel, the plant and associated transmission lines.
- Voltage relief works were performed on generators to extend their life.
- By improving the oil-hydraulic system of generation unit No.1 (replacement of the distributor servomotor, change of proportional valves and reconfiguration of the control system), the temperature rises that have been occurring were controlled.
- Flow, temperature and oil level sensors were replaced and installed in generation units.
- A phone and a satellite phone were installed for communication from the forebay and the Cahua Intake, respectively.
- Differential protection was installed in order to improve the protection of 10 kV busbars.

Gallito Ciego

- In March and September, preventive maintenance was performed on the two generation units.
- In June, partial discharge equipment was installed in the two generation units.

Pachachaca

- In January and October, preventive maintenance was performed on the three generation units.

La Oroya

- In June, preventive maintenance was conducted on generation unit No.1

- In April, the gasket in the spherical joint of turbine A of generation units No.2 and No.3 was replaced.
- In June, preventive maintenance was performed on generation units No.2 and No.3.
- In August, the two butterfly valves of generation unit No.2 were replaced.

Arcata

- In July, the transformer covers were replaced at the Huayllacho HPP, which resolved the issue of the sudden plant outage due to a voltage variation.

Pariac

- In August, planned maintenance was performed on generation units No.1 and No.2 in HPP2.
- In February and May, planned maintenance was performed on generation units No.1 and No.2 in HPP3.
- In February and August, planned maintenance was performed on generation units No.1 and No.2 in HPP4.

TRANSMISSION

Main maintenance activities were the following:

- Preventive maintenance on 220/50/13.8 kV transformers bank at the Oroya Nueva substation.
- Preventive maintenance on 50kV transmission lines L-6535, L-6532, L-6533 and associated cells in the San Mateo, Carlos Francisco, Casapalca and Antuquito substations.
- Preventive maintenance of 50 kV transmission lines L-6529, L-6530 de 50 kV and associated cells in the Nueva Morococha and Pachachaca substations.
- Preventive maintenance of 50 kV Mahr Túnel substation.
- Preventive maintenance of 69 kV line L-6601 and the Chumpe and Oroya Nueva substations.
- Maintenance of 50 kV lines L-6514 and L-6515 and associated cells in the Carhuamayo Substation.
- Preventive maintenance of 50 kV lines L-6516 and L-6517 and associated cells in the Carhuamayo substation.
- Preventive maintenance of lines L-6520, L-1704 and the Paragasha I and Huicra substations.

TELECOMMUNICATIONS

- The optic fiber system was implemented in the Shelby SS – Excélsior SS – Paragsha I SS.
- The WAN network bandwidth was optimized in Yaupi, Cahua and Malpaso HPPs.
- The industrial and corporate data networks were separated in Yaupi and Cahua HPPs.
- A structured cabling system was installed in Cahua HPP.
- The microwave system layout was optimized in Lima, Suche Hill link – Pardo y Aliaga building – Torre Real building, in order to move the communication system to the new office in Lima.
- The office for the Cheves Project handover team and the office in Lima were integrated with the optic fiber link Cheves SS – Huacho SS and Internexa communication service Huacho SS – Lima office.

2.2.4 SYSTEM OPERATION

The following activities were performed in 2014 as part of the operation:

- Integration to the SCADA system (Lima and La Oroya) of the monitoring and control signals of the Malpaso and Cahua Hydropower Plants, and development of displays for operation.
- Physical transfer of the SCADA system (servers and control room), in view of the moving of Statkraft offices in Lima, in August.
- Expansion of the SCADA system display system in Lima with the installation of a new workstation for the panoramic display of the generation system with three 75” monitors.
- Upgrade and expansion of the call recording system to 10 channels in the control center in Lima.
- Availability for submitting information to COES in real time averaged 87% (NTIITR: Technical Standard for Real-Time Information Exchange), whereas the required availability is 90%. Worth noting is the upgrade of RTUs D25 at the Cobriza I and Cobriza II substations, as well as the change of communication protocol from DNP 3.0 to IEC-60870-104, in December 2014.
- Implementation of the capacity, frequency and time logging system of 13 generation units to send the information to COES in compliance with Procedure COES P-021 (Spinning Reserve for Primary Frequency Regulation).
- Implementation of web display for internet data upload of main water discharge variables in the Jequetepeque Valley.
- Implementation of 1 workstation in Lima for connectivity and logging of failures and/or events in 6 substations (Cahua, Paramonga Existente, Oroya Nueva, Carhuamayo, Paragsha and Yaupi), in compliance with Procedure COES P-040 (Application of paragraph 3.5 of the NTCSE).
- Review of pre-operating and operating studies with operating influence in Statkraft system prepared by companies such as Minera Chinalco Perú S.A., Electrocentro S.A., ENGEC S.A.C., Minera Ariana S.A., etc.
- Planning and starting the execution of the “Cheves Hydropower Plant Remote Control Project”.

2.2.5 EXPANSION AND IMPROVEMENT PROJECT MANAGEMENT

MID-SIZE HYDROPOWER PLANT REMOTE CONTROL PROJECT

Field signals were integrated, the Plant SCADA and TELVENT’s PLCs and REIVAX’s voltage and speed regulators for the Yaupi, Malpaso, Cahua and Gallito Ciego HPPs were configured; and functional remote control tests were conducted from the SCADA in Lima.

TRANSMISSION

- Installation of failure logging equipment in compliance with the Regulatory Procedure of COES and OSINERGMIN in Yaupi HPP, transmission lines L-1701, L-1704, L-1702 and substations, such as Oroya Nueva, Carhuamayo, Paragsha I, Paramonga Existente and Cahua.
- Transfer of the condenser bank from the Morococha Antigua substation to the Nueva Morococha substation as part of the project conducted by mining company Chinalco.
- Installation of the electric arc protection in 13.8 kV cells in the Paramonga Existente substation.

- In 2014, the easement clearance of transmission lines was conducted. As of 2014, the percentage required by OSINERGMIN was complied with. The main activities included negotiations with owners and execution of the transmission line variants.
- Overhaul of 138 kV transmission lines L-1101, L-1102 and L-1033. As a result, 11 high-voltage structures were replaced.
- Overhaul of transmission line L-6527 span A, including the replacement of the phase conductor, overhead cable and hardware.
- Supply and supply of gas analyzer and temperature meter of 138 kV transformers in the Cahua substation.

CIVIL INFRASTRUCTURE

Yaupi

- In January, a collapse in the Ushapata channel was manually cleared. Shaping and scaling works were also conducted on the upper slope.
- From January to April, an evaluation of the Malpaso, Huangush Bajo, Altos Machay, Huisca Huisca and Huarahuarco dams was conducted.
- In February, a rockfall on the Jaico channel was cleaned.
- In February, maintenance was conducted on the Lechecocho syphon.
- In March, a segment of the Tingocancha – Jaico road was cleaned.
- In April, gabions were constructed to improve the slope stability for structure E10 of line 2265.
- In April, the sediments in the Manto intake were cleaned and disposed of.
- In May and November, the gates of the Huangush Bajo dam were repaired.
- In May, the access bridge to the Manto intake was repaired.
- In June, the sediments in the Santa Isabel intake were cleaned and disposed of.
- In August, the discharge bed of the Altos Machay dam was cleaned.
- In August, cleaning was performed on the access road up to the communication shed in the Shalipayco hill.
- In November, maintenance was conducted on the heavy machinery in Yaupi HPP.
- In November, construction, remedial and repair activities were conducted in the Huangush Bajo dam.

Malpaso

- In September, staff gauges were installed in the Upamayo dam.
- In October, the Vicco river bed and Chinchaycocha lake bed were cleaned.

Cahua

- In January and March, the landslides on the road due to rains were cleaned.
- In August, maintenance was conducted on the Cahua intake invert.
- In November, maintenance was conducted on the heavy machinery in Cahua HPP.

Gallito Ciego

- No activities were performed.

Pachachaca

- In February and March, the stave pipe was cleaned and repaired.
- In April, the Pachachaca was cleaned and repaired.
- In August, the affected areas in the Pachachaca channel were repaired.

La Oroya

- In January, the channel in chainage 01+000 was rehabilitated due to the falling of large boulders from 80 m in height.
- In February, the scouring on the slope of a segment in the Oroya channel was repaired.
- In May, destructive and non-destructive tests were conducted on the penstock in Oroya HPP.
- In September and October, the bathymetric and topographical survey of the Mantaro river was conducted.
- In October, the Mantaro riverbed was cleaned.

Arcata

- In November, cleaning and maintenance activities were conducted in the channels of San Ignacio and San Antonio HPPs.
- In November, cleaning of the channel and forebay of the Misapuquio HPP was conducted.

Pariac

- In October, sediments in Channel HHP4 were cleaned.
- In October, the perimeter fence of HPP4 and HPP3 was improved.

CHEVES HANDOVER

The handover process aims at ensuring that the Cheves HPP starts operation in an adequate manner, minimizing failures and start-up risks. At the same time, it aims at inserting the Cheves HPP into the operating model of Statkraft Perú S.A., in all aspects, as another plant in the portfolio.

In this sense, a number of activities were identified that were not part of the project construction or were not included in the construction budget when making the investment decision or in subsequent reviews, but that are necessary to ensure the adequate start-up of the Cheves HPP. After reviewing the contractual obligations of the contractors responsible for the project construction, the O&M Agreement and other additional activities, activities included in the sub-projects category were identified. Each sub-project derived into a Project Charter that describes the scope and estimated costs as well as the terms and priority level compared to other sub-projects.

The “Preparedness for the Commercial Operation” process was started in February 2014 with the planning of activities, and on June 10th, 2014, an investment budget for USD 3.8 million was approved in addition to the Cheves Project.

The necessary activities to guarantee the commissioning as well as the handover of the Cheves Project (from the construction to the commercial operation stage) were planned and managed as a top priority project (the same as for the Cheves construction).

PG personnel started mobilization in April 2014. Initially, only 3 people were mobilized, and by December 2014, 22 employees were assigned to the handover process.

In 2014, Statkraft personnel attended the FAT tests of the control system, power transformers, control center and switchboard, and received formal training from Rainpower in Norway, ABB in Switzerland on GIS and Generator Circuit Break, ABB in Peru on Power Transformers, and Cummins in Peru on emergency units. On the other hand, since April 2014, technical personnel are receiving on-the-job training from contractors.

The most important activities included the preparation of the Emergency Response Plan in the event of the breakage of the Checras dam, the Risk and Vulnerability Analysis of the Plant, and the follow-up of the legal compliance matrix for the commercial operation. Additionally, the RCM analysis is under way to identify critical spare parts in addition to those we will receive under the contract.

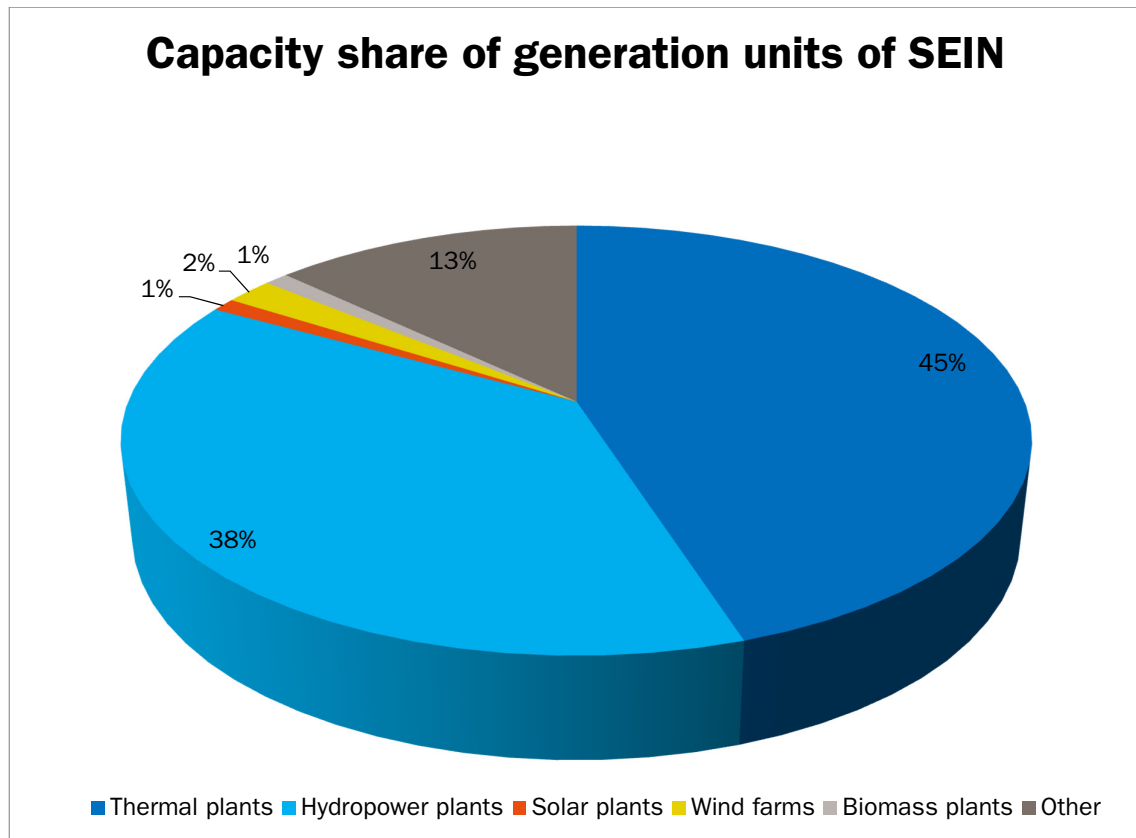
2.3 COMMERCIAL MANAGEMENT

2.3.1 CHARACTERISTICS OF THE PERUVIAN ELECTRICAL SECTOR

The Committee for the Economic Operation of the National Interconnected System (COES - SINAC) reported that in 2014 the energy demand in the National Interconnected Electrical System (SEIN) was 41,796 GWh. Such figure exceeds by 5.4% that from 2013, when a demand of 39,669 GWh was recorded. With respect to the capacity, the maximum demand was 5,737.3 MW, 2.9% higher than in 2013, which was 5,575.2 MW.

The effective capacity of generation units in SEIN amounted to 8674 MW in 2014; 45.8 % of which corresponds to thermal plants running on natural gas, 38.0% to hydropower plants, 0.9% to solar plants, 1.7% to wind farms, and 0.5% to biomass plants. The remaining generation share (13.0%) uses other fuels, such as coal, biodiesel and residual oils. Compared to 2013, the percentage of plants running on this type of fuels decreased in view of the relative increase of plants running on natural gas and the decommissioning of several units of Duke Energy in 2014.

Chart 2



In 2014, new generation facilities were incorporated to SEIN with the commercial start-up of the following plants:

- Huanza Hydropower Plant (96.76 MW), owned by Empresa de Generación Huanza.
- Runatullo II and III Hydropower Plants (20 MW each), owned by Empresa de Generación Eléctrica de Junín S.A.C.
- Fénix Thermal Plant (570.10 MW), owned by Fénix Power Perú (AEI).
- Marcona Wind Farm (32 MW), owned by Empresa Parque Eólico Marcona S.C.R.L (Consorcio Cobra Perú S.A.).
- Cupisnique and Talara Wind Farms (83.15 MW and 30 MW respectively), both owned by Energía Eólica S.A.

Additionally, Emergency Decree No.049-2008, “Emergency Decree that Ensures Continuity of the Electricity Service,” published on December 18th, 2008, remained in force and effect in 2014, with a first extension until December 31st, 2013 through Emergency Decree No.079-2010, and a second extension through Law No.30115 until December 31st, 2016. Such decree modifies the regulatory framework of the sector, with the following changes:

- The short-term marginal costs are determined under two assumptions: i) there are no restrictions for natural gas transportation or power transmission, and ii) an administrative ceiling is set (equal to PEN 313.5/MWh) for the marginal cost. Both measures result in an artificially low price for transactions in the short-term market, referred to as the spot market.
- In order to cover for the operating costs of units not profiting as a result of the aforementioned methodology, additional charges are incorporated into the main system connection toll. Consequently, costs are transferred to end consumers.
- Withdrawals made by distribution companies are allocated without contracts, based on the positive balance of annual efficient firm energy of generation companies. The additional costs incurred by generation companies to process these withdrawals are incorporated into the main system connection toll, which results in costs being allocated to the demand. It should be noted that in 2014 no demand was allocated to Statkraft Perú S.A. without contract.

Under these conditions, the average marginal cost in 2014 amounted to USD 24.07/MWh, 4.4% lower than 2013, which recorded USD 25.18/MWh. The highest monthly average of the marginal cost in 2014 was recorded in March, with USD 34.31/MWh.

In 2014, Directorial Resolution No.004-2014-ANA-DEPHM was passed by the Bureau of Multisector Hydraulic Project Studies of the National Water Authority (ANA) to extend for 2 additional years the validity of Directorial Resolution No.004-2013-ANA-DEPHM. With this resolution, the maximum and minimum elevations to be kept at the Junín Lake were approved. The maximum elevation was 13,419 masl, equivalent to a useful volume of 314.74 Hm³.

2.3.2 COMMERCIAL DEVELOPMENT OF STATKRAFT PERÚ S.A.

INTRODUCTION

Statkraft Perú S.A. is a power generation company that trades energy and power with free and regulated clients. It is also involved in the short-term market operated by COES – SINAC, where generation companies bridge the gaps between the injections from plant production and the withdrawals to meet contractual commitments at short-term marginal costs. Additionally, the company earns revenues for transmission services from the secondary transmission networks it owns.

In 2014, the total volume of energy sold by Statkraft Perú S.A. (both to clients and to the spot market) amounted to 1,806.4 GWh. This volume of energy sold was 17.2% lower than that recorded in 2013 (2,183.6 GWh).

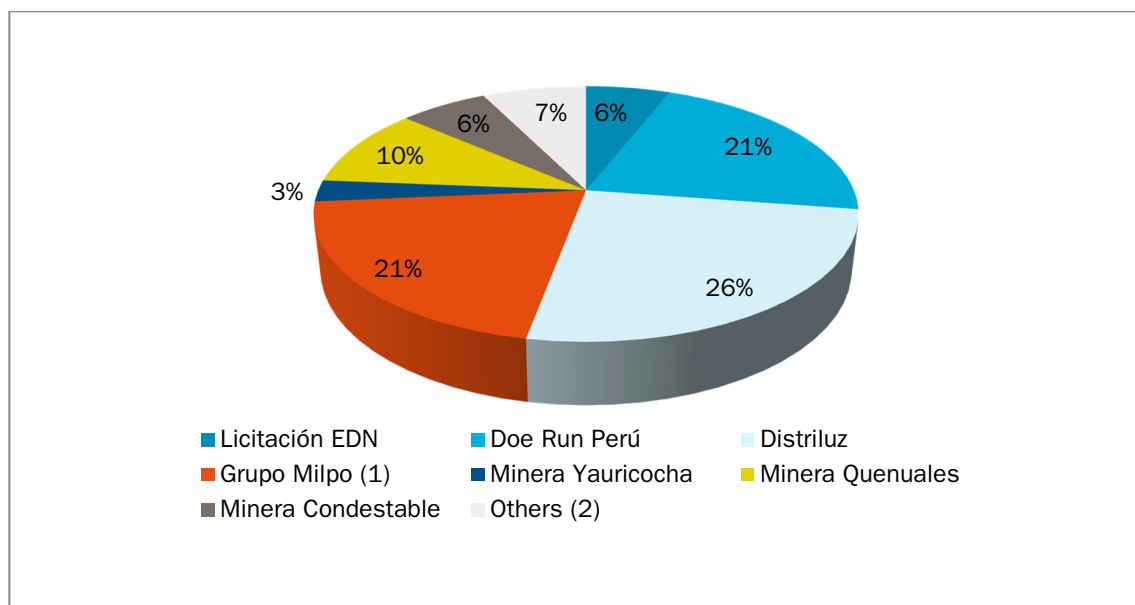
Even though in 2014 there was an increased consumption from the Milpo Group due to the contract of El Porvenir Unit (15 MW) for contracted capacity, the sales by Statkraft Perú decreased by 17.2% compared to the previous year, due to i) the expiration of one of the contracts entered into with Edelnor (decreased from 530.9 GWh in 2013 to 89.7 GWh in 2014), and ii) the diminished consumption of Doe Run Perú due to the partial suspension of its operations at La Oroya Unit (201.8 GWh less compared to 2013).

As a consequence, in 2014 the energy purchases to Kallpa were also reduced, which were aimed at covering the supply contract with Doe Run Perú – La Oroya Unit. No net purchases in the spot market were made.

Similarly, it can be observed that 35% of the invoicing of energy and capacity through supply contracts are to power distribution companies, whereas 65% corresponds to free clients.

Chart 3 shows in detail the company's invoicing of energy and capacity through contracts in 2014, broken down per clients.

Chart 3



The revenues from the secondary transmission system (SST) tolls went down by 4.9% due to a lower demand than the forecast. This difference will be recovered next year during the annual SST revenues settlement process.

The revenues for energy and capacity transfers in COES – SINAC went up by 55.5% compared to 2013 due to a reduction of withdrawals from the spot market as a result of lower sales through supply contracts.

CLIENTS

Statkraft Perú S.A. deems the trading and customer service to be of paramount importance to set apart the service it provides and to maximize the company's contribution margin.

As a result, the company has close relations and is in constant coordination with clients through electronic mails, phone and letters. The most relevant aspect regarding the interrelation with clients is the coordination of operational issues such as the maintenance of transmission systems, and the coordination of invoicing and accounting issues, including the timely submission of invoices and bank deposits in the company's accounts.

In 2014, the company had 20 clients in all, as shown in Table 9 according to the type of clients: free clients and distribution companies.

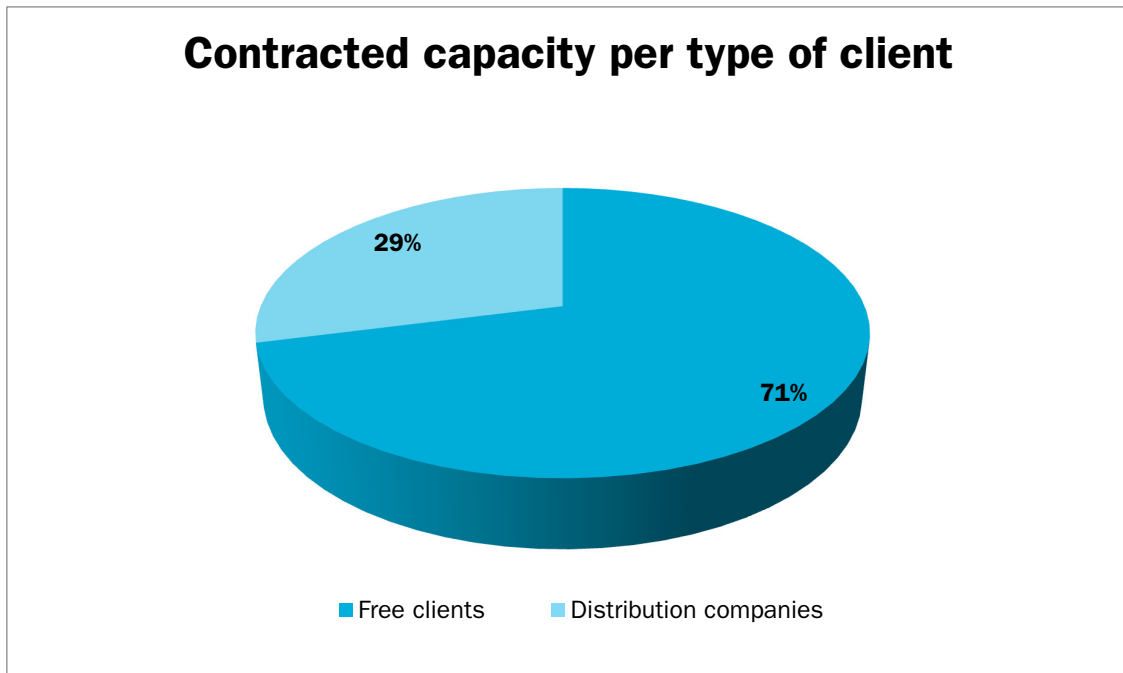
Table 9

Type	CONTRACT	Period
Free Clients	DOE RUN PERU S.R.L. - La Oroya Unit	01/01/2009 - 31/12/2015
	DOE RUN PERU S.R.L. - Cobriza Unit	01/07/2009 - 31/12/2016
	MINERA CHINALCO PERÚ S.A.	15/09/2005 - 31/12/2016
	AZULCOCHA MINING S.A.	01/01/2011 -30/11/2014
	COMPAÑÍA MINERA MILPO S.A.A. - Cerro Lindo Unit	01/09/2010 - 31/05/2016
	COMPAÑÍA MINERA MILPO S.A.A. – Atacocha Unit	01/02/2012 - 31/05/2016
	COMPAÑÍA MINERA MILPO S.A.A. - El Porvenir Unit	01/02/2014 - 31/05/2016
	TREVALI PERU S.A.C.	01/02/2013 - 31/12/2016
	EMPRESA MINERA LOS QUENUALES S.A.	01/01/2013 - 31/12/2017
	COMPAÑÍA MINERA CONDESTABLE S.A.	09/02/2014 - 28/02/2019
	SOCIEDAD MINERA CORONA S.A.	01/11/2013 - 31/10/2023
	BANCO CONTINENTAL	01/12/2014 - 31/12/2019
Distribution Companies	ADINELSA	01/10/2011 - 31/12/2014
	COELVISAC	01/01/2013 - 31/12/2022
	ELECTROCENTRO	01/01/2013 - 31/12/2022
	ENOSA	01/01/2013 - 31/12/2022
	ENSA	01/01/2013 - 31/12/2022
	HIDRANDINA	01/01/2013 - 31/12/2022
	EDELNOR	01/01/2014 - 31/10/2014
	LUZ DEL SUR S.A.A.	01/01/2014 - 31/10/2014
	SEAL	01/01/2014 - 31/10/2014
	ESEMPAT	01/09/2009 - 30/09/2015
	COCHAS DISTRICT MUNICIPALITY	01/02/2009 -31/12/2015

Free clients enter into contracts under a free price regime, whereas distribution companies –electricity utility suppliers- enter into supply contracts through: i) long-term auction processes, or ii) bilateral contracts, in which case the prices regulated by OSINERGMIN apply.

In 2014, the contracted capacity with distribution companies totaled 28.7%, compared to 71.3% of free clients, as shown in Chart 4.

Chart 4



COMMERCIAL STRATEGY

The electrical market is experiencing low marginal costs for consecutive years. This is explained by the oversupply of existing generation, the auctions called by the government to increase production with hydropower and non-conventional renewable energy, and the low demand growth. Moreover, as described in section 2.2.1, the spot market has been intervened with Emergency Decree No.049-2008 and Law No.30115.

In this sense, the commercial strategy of Statkraft Perú S.A. takes into consideration the aforementioned context and encompasses the risk assessment guidelines, which are put forward to the company's Board, as well as the monthly marginal cost forecasts in order to detect contract opportunities to add value to the contribution margin.

As a consequence, the commercial strategy of Statkraft Perú S.A. takes into consideration the total sales of maximum energy authorized in the commercial mandates, according to which the company is authorized to sell energy through bilateral contracts or auction processes. In 2014, Statkraft Perú S.A. entered into a new supply contract with the Banco Continental for 3.3 MW, effective from December 2014 to December 2019 (5-year period). Additionally, an addendum was entered into with Minera Chinalco Perú S.A. to extend the validity of the contract for another 2 years, with a contracted demand of 0.8 MW. This contract becomes effective in January 2015.

HYDROLOGICAL INFORMATION

As part of the commercial strategy, the company constantly monitors the hydrological behavior of the basins where it operates. In 2014, the results, according to the hydrological classification, were as follows:

1. **Paucartambo (Yaupi hydropower plant):** extremely wet, with a flow of 44.17 m³/s, greater than that in 2013 (42.64 m³/s).
2. **Mantaro Alto (Malpaso hydropower plant):** wet, with a flow of 31.44 m³/s, slightly greater than that in 2013 (30.28 m³/s).
3. **Pativilca (Cahua hydropower plant):** wet, with a flow of 41.37 m³/s, greater than that in 2013 (37.60 m³/s).
4. **Jequetepeque (Gallito Ciego hydropower plant):** dry, with a flow of 18.65 m³/s, much lower than that in 2013 (32.53 m³/s).

The classification of each basin is shown in Charts 5 to 8.

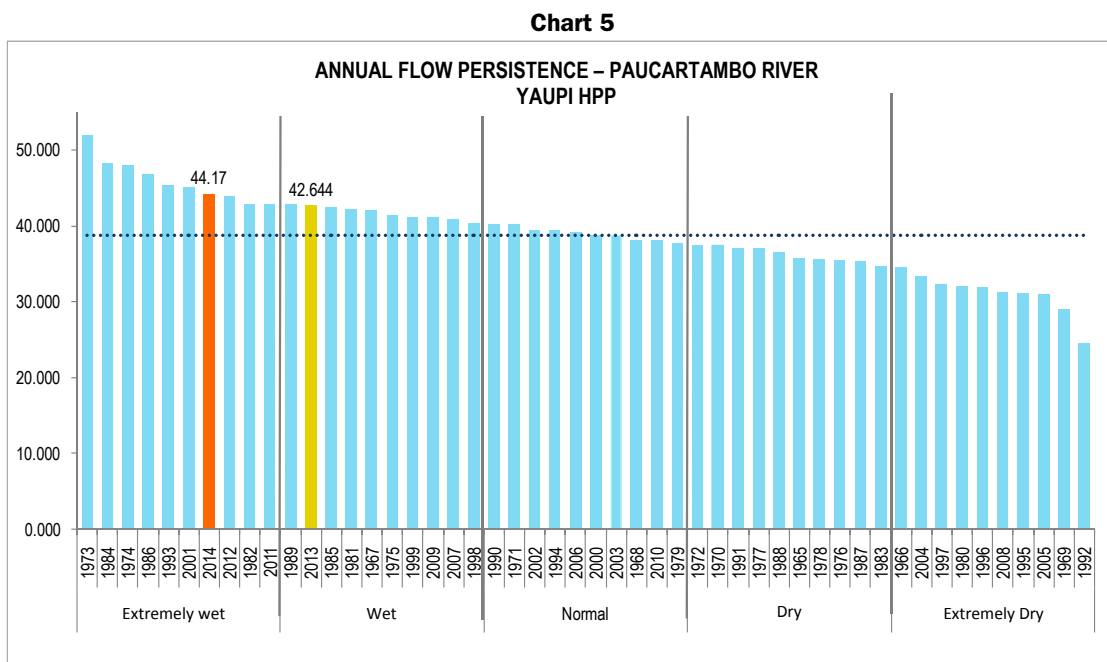


Chart 6

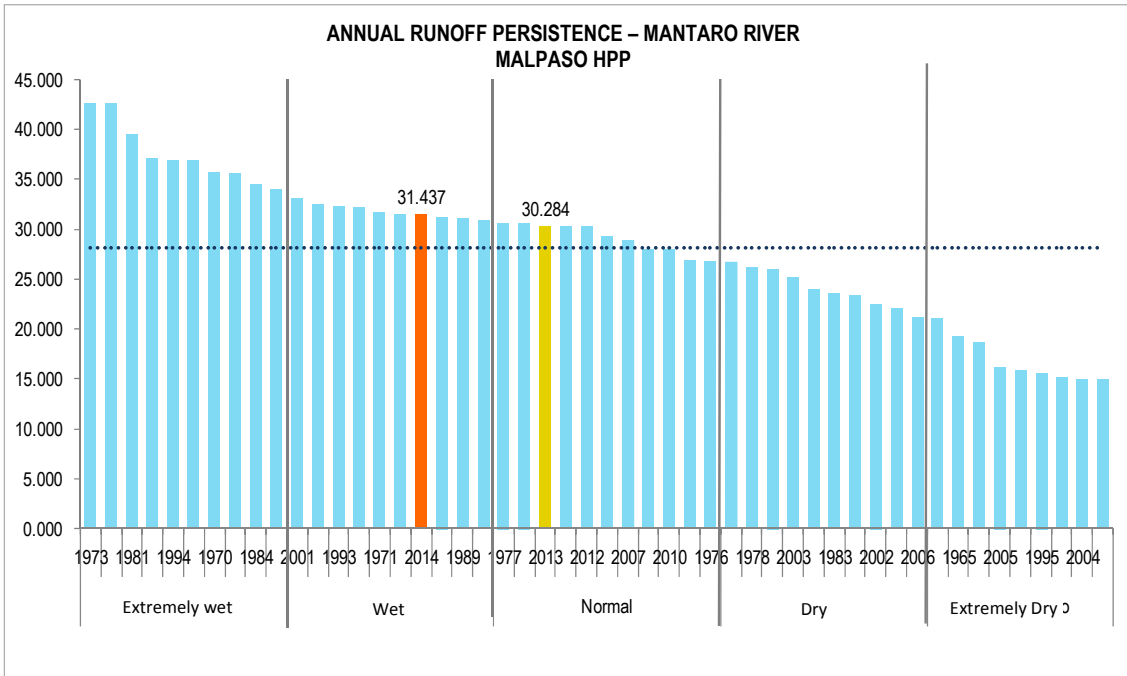


Chart 7

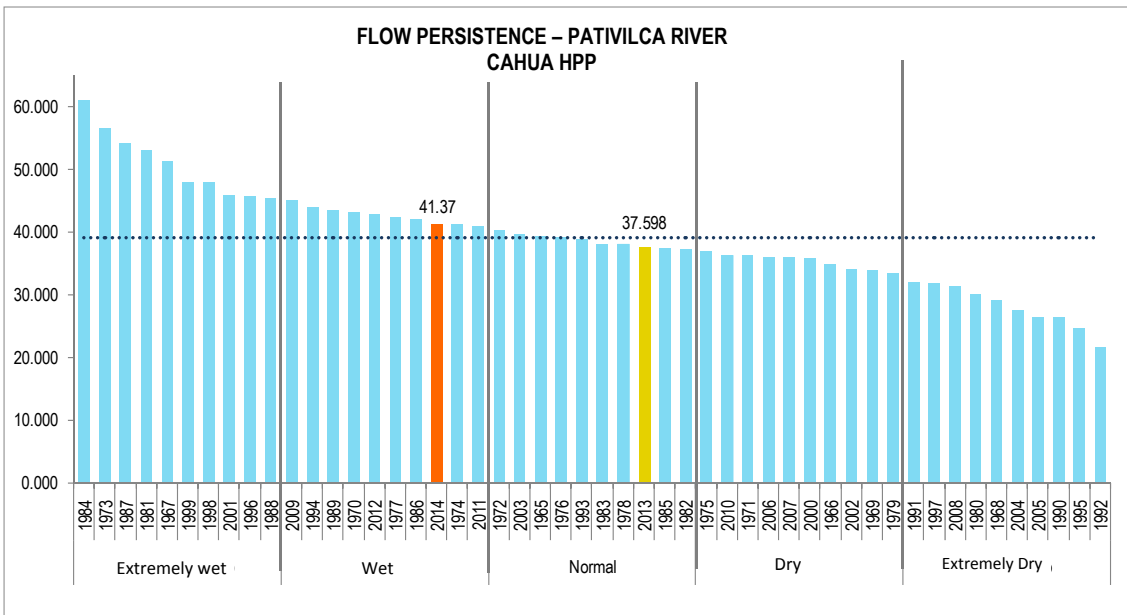
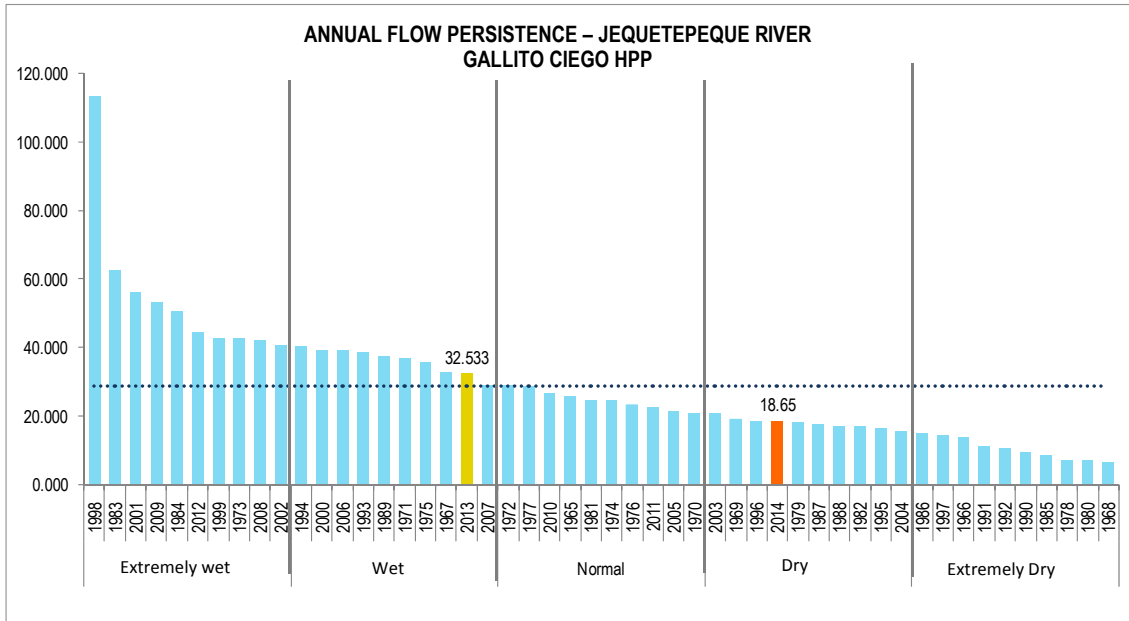


Chart 8



2.4 GENERATION PROJECT PORTFOLIO

2.4.1 FOCUS OF STATKRAFT PERU

Statkraft has a global growth strategy, and its goal is to grow 4,000 MW between 2014 and 2018. In South America this strategy is made evident with the increase of its interest in Desenvix in Brazil and the acquisition of a hydropower plant in Chile, including 3 hydropower projects with several permits and studies completed.

Peru is a major component of this strategy, and as such, in 2014 not only was the Cheves project (168 MW), the ninth power plant of Statkraft in Peru, completed, but also the Project Development Management was created to foster growth through hydropower project portfolio and the acquisition or projects or plants in operation.

2.4.2 STATKRAFT PERU'S PROJECT PORTFOLIO

As of 2014, Statkraft Peru has 7 projects in its portfolio, all in different stages of development, that combined add up to 400 MW: Rapay 1, Rapay 2, Uchuhuerta, El Caño, Cheves 2, Cheves 3 and the expansion of the Yaupi HPP.

In 2014, the company focused on the optimization of the Rapay 1 and 2 Hydropower Projects. Additionally, the company is further developing El Caño project (120 MW) located in the Atlantic catchment area, in the Paucartambo river, downstream of the Yaupi Hydropower Plant also owned by Statkraft Peru, and whose installed capacity is scheduled to be increased by 40 MW.



3. BUSINESS SUPPORT

3. BUSINESS SUPPORT

3.1 OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT

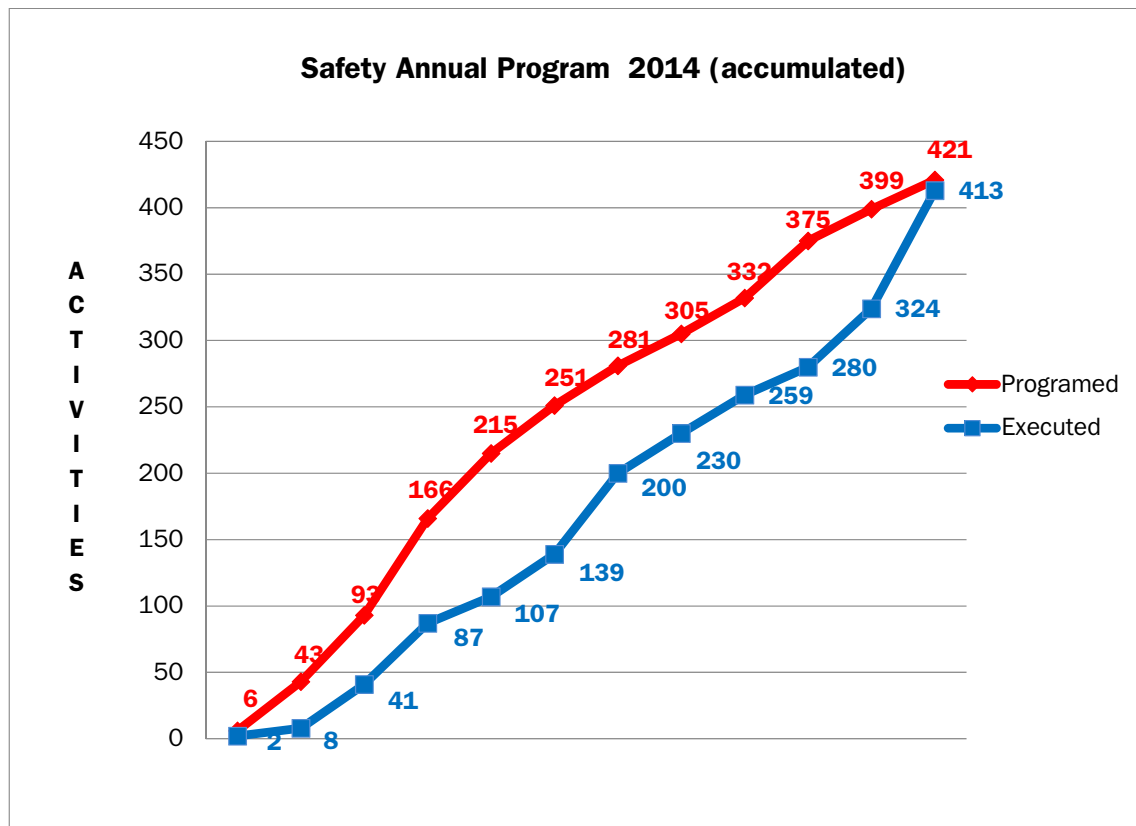
Statkraft Perú S.A. generates energy in compliance with project management, operation and development policies and in accordance with the corporate business principles. As a consequence, the company performs its activities with priority given to environmental care, safety, occupational health of everyone working for and on behalf of the company, as well as the security of its facilities and assets.

3.1.1 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

OCCUPATIONAL HEALTH AND SAFETY PROGRAM

As part of the company's Occupational Health and Safety annual program, 421 activities, including inspections, training sessions, drills, safety meetings, etc., were conducted in 2014. The program activities were performed at 98.10%, with 520.67 man-hours of training, as shown in Chart 9.

Chart 9



ACCIDENT RATE, OCCUPATIONAL DISEASES AND LOST TIME INJURIES

Recorded accidents

The company monitors accidents as part of its Occupational Health and Safety Policy, and in compliance with Law No.29783, Law on Occupational Health and Safety, its amendments and regulation, and the Regulation of Safety and Health in Electrical Activities (RM No.111-2013-MEM/DM).

In 2014, no fatalities but a serious accident, according to the definition of the Regulation of Occupational Health and Safety in Electrical Activities of the Ministry of Labor and Employment Promotion were recorded. As a consequence, a frequency indicator of 0.96 was obtained, which means that there are 0.96 accidents per one million man-hours worked in the company. This percentage includes contractors.

The accident reported to the supervisory agency resulted in a 10-day medical leave for the employee, as shown in Table 10.

Table 10

Accidents recorded in 2014		
Category	Detail	Medical leave (days)
Contractor	<p>During the cleaning and silicone coating of insulators of line L-1033/1012, the technician of company VCN started cleaning the third insulator chain, and after 30 minutes, while silicone coating the fourth disc, the connection rod between the second and third disc of the insulator chain broke.</p> <p>The technician fell 16 m from the structure, and ended up hanging 06 m from the ground as he was using a nylon rope as a lifeline, which snapped. The technician fell on the conductor and on the canopy of some trees, which minimized the damage.</p>	10
	Total	10

Accident severity index

The severity index (SI) provides information on the number of days lost due to accidents or occupational diseases reported per one million man-hours worked. In 2014, a total of 10 days lost were recorded.

In 2014, a severity index of 9.6 was recorded, including contractors.

Occupational diseases

The occupational diseases rate (TEP) provides information on the number of occupational diseases reported per one million man-hours worked. In 2014, no diseases were reported as a result of the activities performed by the company or contractors.

Absence rate

The absence rate (TA) provides information on the days lost throughout the year with respect to the expected work days. Table 11 illustrates the results.

Table 11

Premise	Absence rate per premise in 2014
Arcata	0.44 %
Cahua	0.94 %
Gallito Ciego	0.50 %
Lima	1.14 %
Malpaso	1.19 %
Oroya	0.91 %
Pachachaca	0.00%
Pariac	7.16 %
Yaupi	1.55 %
Cheves	0.00 %

3.2 ADMINISTRATION AND FINANCE MANAGEMENT

In 2014, Statkraft Peru restructured the internal organization of the company to improve the efficiency in support processes. To this effect, the Logistics area established a new process to improve service times of different requirements and also successfully completed the moving into the new administrative offices. Additionally, the camp improvement project was started across the country.

In the finance area, the management focused on the financing of the Cheves Hydropower Project, as well as on starting the merger project of Statkraft with the Cheves Project in order to restructure the total debt of both companies, thus significantly improving the debt conditions.

The activities performed by the areas composing the Administration and Finance areas are described in further detail below.

ACCOUNTING

In order to further improve the efficiency of accounting activities, the organization of the area was restructured, and the project to merge Statkraft Perú S.A. and Empresa de Generación Eléctrica Cheves S.A. was started to optimize the tax shield through the accelerated depreciation of the new assets of the new Cheves Hydropower Plant.

Additionally, in 2014, the formalities for the early recovery from the government of more than USD 21 million (exchange rate: PEN 2.8 = USD 1) for VAT of Empresa de Generación Eléctrica Cheves S.A. were continued.

Finally, as from the second quarter of 2014, a new work attendance control system (CAS) was implemented by the Accounting area. By year end, this process generated significant savings for the company in terms of man-hours spent to perform this activity.

FINANCE

In 2014, the fourth and fifth disbursement of the loan granted by the International Finance Corporation (IFC) were completed for a total sum of USD 65.4 million to finance the construction of the Cheves Hydropower Project, these being the two last tranches of the total loan with the IFC. Additional loans were requested to the head office for USD 22.7 million.

In the last quarter of 2014, the Finance area led a team comprising several areas to carry out the project for the merger of Statkraft Peru and Empresa de Generación Eléctrica Cheves S.A., in order to profit from the accelerated depreciation of the latter and restructure the debt of the new company, thus improving its financial conditions.

With regards to the treasury management, during the middle part of the year, the Finance area promoted the setting up of the Collection Committee (composed of the Finance and Commercial areas) in order to implement improvements to the company's collection processes. Collection times were thus significantly reduced.

Moreover, at the beginning of 2014, the administration and control of personal insurance was incorporated into the duties of the Treasury area in order to improve this process. With regards to corporate insurance, a reduction of USD 400 k in the global policy was obtained by changing the premium scheme.

ADMINISTRATION AND SERVICES

In 2014, the Logistics area was focused on improving service quality, generate efficiencies in the processes and the administration of allocated resources in order to optimize the communication with users and to increase the wellbeing and quality of life of employees based outside Lima.

In the Procurement area, worth noting are the publication and training on the new procedure for the procurement of goods and services, which reformulated the criteria for processing requisitions in order to organize and optimize the service. 48 critical and recurring suppliers were approved in accordance with the standard required by the head office on environmental and occupational safety. With a more stringent control of the new process, invoicing was reduced by 35% with a manual purchase order, with which the service provided was systematized.

During this period, savings for USD 371,000 were obtained through the effective negotiation by purchasers and timely support in major projects for the company, such as the overhaul phase II of the Cahua Hydropower Plant, the turbine replacement in the Gallito Ciego Hydropower Plant, and the implementation and moving into the new administrative offices in Lima.

With respect to the General Services area, in 2014, the new vehicle fleet, composed of 21 own vehicles, was distributed and operated in eight locations across the country. An agreement was entered into for the preventive and corrective maintenance of the fleet. The monitoring via GPS was also implemented, which contributed to the reduction of accident rates.

In August, the moving into the new administrative offices was successfully completed under the supervision of the General Services area. In parallel, the furniture from the old office was sold to Odebrecht, which represented extraordinary and significant revenues for USD 350,000.

Finally, the phase II of the camp improvement project was started, Cahua HPP being the first to benefit from these improvement activities, which included the demolition of the old dining area and the construction of a new one, as well as the construction of a training room and restrooms for the personnel. These facilities are scheduled to be completed in the first quarter of 2015.

3.3 IT

In 2014, the IT area continued to improve the technological support to the main areas of the organization. IT services were extended to all hydropower plants and main substations, and the Datacenter infrastructure was consolidated after the outsourcing agreement with GMD expired in 2013. Additionally, the migration of some technological services to the cloud was started, and new applications and services were developed to improve the efficiency of business processes. IT also played an active role in the moving of the administrative office with the implementation of the IT infrastructure, including the construction of a state-of-the-art Datacenter in compliance with strict safety technical standards, where all ITC solutions are housed.

In September, the IT and Telecommunications areas, reporting to the Administration and Finance Management and the Operations Management, respectively, were integrated into a single area referred to as Information and Communications Technology (ICT). The creation of this area brought about changes to the organization structure, with the formation of key areas to improve the control of technological activities in order to provide adequate support across the organization. As from September, the ITC area is composed of the following areas:

- Service Desk
- Data Center Operations
- Application Development
- Networks and Communications
- Information Security
- ICT Projects

The main achievements in 2014 are the following:

1. Internal consolidation of the IT infrastructure, with the improvement of the support capabilities to the business processes.
2. Consolidation of some IT services in the cloud, with the improvement of information access capabilities and availability of some business services.
3. Implementation of the IT infrastructure of the new administrative office in Lima, with the activation of all necessary IT services to maintain the operating continuity of the organization. This activity resulted in significant savings for the organization by reducing costs for the following concepts: fee to the Ministry of Transportation and Communications (for not using one of the relay stations), monthly lease of the space in the building where this station was located, electricity bill and preventive maintenance.
4. Implementation of the Service Desk in order to resolve IT issues in the organization. This was also the result of the expiration of the outsourcing contract with a local provider until November 2013.
5. Implementation of a state-of-the-art Datacenter following international technical and security standards, which houses the company's IT infrastructure.
6. Implementation and improvement of the wireless connectivity at Mirahuay, La Oroya HPP and Yaupi HPP.
7. Optimization of the bandwidth and main communication links (Statkraft's microwaves) and backup (Telefonica's satellite service) at the Cahua HPP, with the implementation of the structured system, and separating the industrial network from the corporate network.

8. Bandwidth usage optimization, both for the industrial and corporate networks, at the Yaupi HPP, Cahua HPP, Malpaso HPP, La Oroya HPP and office in Lima, with the implementation of new multiplexer systems.
9. The logistics process was started to award the project to provide the Paragsha I and Excelsor Substations with an optimum main communication link (optic fiber) in compliance with the Technical Standard for sending signals to COES.
10. The availability for sending signals to the Control Center and COES was improved to 89.2% as of December 2014. The ICCP failures of COES and Telefonica's mass outages caused by third parties were not included.
11. Finally, for the Cheves Project:
 - o A supplementary means of communication was implemented with the installation of a portable satellite system.
 - o The cellphone signal coverage inside the Powerhouse tunnel, and at the Picunche, Checras and Huaura dams was improved.
 - o The Mirahuay 3 office and the Lima office were integrated for the provision of phone, data and internet services to personnel. The optic fiber link in Cheves HPP – Huacho Substation was extended with an 8 Mbps bandwidth. This, in turn, is used as a communication backup for users located in Mirahuay 2.

3.4 HUMAN TALENT MANAGEMENT

Statkraft Perú S.A., in compliance with its corporate policies and business principles, does not tolerate any form of discrimination based on race, religion, gender, age, nationality or origin at all levels and in all processes involving people management.

The company performs regular reviews and benchmarking of positions and new employments to ensure that they are consistent with the company's challenges, and that the contract scheme is the most adequate in each case and in observance with statutory requirements.

In 2014, given the regulatory labor context and the market supply conditions, the human talent management in Statkraft Perú S.A. focused on three aspects:

1. Strengthening of the organizational culture;
2. Consolidation of multi-functional skills;
3. Leadership development.

As part of the Human Resources strategy, the company created opportunities for development per segments: technical training, comprehensive formation, leadership, and individual development plans. Retention tools, of monetary and non-monetary nature, were also implemented.

3.4.1 EMPLOYEES' CLASSIFICATION

The employees of Statkraft Perú S.A. are in the 20 to 63 age range, and the majority are male (83%). The latter is explained by the high demand of engineering professionals or technicians, where the female population is reduced.

The characteristics of company's employees in 2014 compared to the previous year, based on gender, region where they work, and age, are shown below.

CLASSIFICATION OF EMPLOYEES PER CATEGORY AND GENDER

Table 12

Categories	2013		2014	
	Female	Male	Female	Male
Managers	1	3	1	5
Leaders	4	19	13	47
Employees	25	141	23	135
Total	30	163	37	187

As shown in Table 12, there is female presence in the three categories. In total, female employees account for 20% of all company's employees.

CLASSIFICATION OF EMPLOYEES PER WORKPLACE AND GENDER

Table 13

Location	2013		2014	
	Female	Male	Female	Male
Arcata	0	10	0	9
Cahua	0	16	0	15
Gallito Ciego	0	5	0	3
Lima	29	53	35	65
Malpaso	0	4	0	4
Oroya	1	53	0	49
Pachachaca	0	6	0	3
Pariac	0	8	0	7
Yaupi	0	8	0	7
Cheves	0	0	2	18
Other areas of interest	0	0	0	3
Rapay	0	0	0	4
Total	30	163	37	187

Table 13 shows that the premise with the greatest number of employees is the main office in Lima, where 54% is female.

NUMBER OF EMPLOYEES PER AGE

Table 14

Edad	2013	2014
20 to 30 years old	42	62
31 to 40 years old	58	64
41 to 50 years old	41	41
51 to 60 years old	45	49
61 years old or older	7	8
Total	193	224

The greatest concentration of employees per age range is in the 31 to 40 years old segment, followed by the 20 to 30 years old segment, as shown in Table 14.

NUMBER OF EMPLOYEES PER TIME OF SERVICE

Table 15

Employees' time of service	2013	2014
From 0 to 5 years	93	119
From 6 to 10 years	21	29
From 11 to 15 years	16	14
From 16 to 20 years	10	11
From 21 to 25 years	15	10
From 26 to 30 years	16	19
From 31 to 35 years	17	13
From 36 to 40 years	5	7
More than 41 years	0	2
Total	193	224

As observed in Table 15, the greatest concentration of employees per time of service is in the 0 to 5 years segment, i.e. personnel joining the company in 2010 and 2014. However, 23% of personnel have been working in the company for more than 20 years, i.e. personnel staying in the company after the merger between Electroandes and Cahua.

CHARACTERISTICS OF REMUNERATION PER GENDER

Statkraft Perú S.A. makes no gender distinction when ascertaining and assigning economic compensation of employees. The compensation of each position is defined based on the duties assigned, the complexity of the position, and the area of influence; as a consequence, there is a distinction between the main areas and the business support areas.

- In the Management Team –six managers, including the Country Manager–, female managers account for 17% of the total. Without taking the Country Manager into consideration, the salary gap between men and women is 32%, i.e. the salary of female managers is higher in that percentage.
- Among heads of areas, the economic compensation earned by men is 2% lower than that of women. Heads are mostly men and the work they perform is in important areas of influence for the company.
- In the rest of labor categories, the salary gap between men and women is 3%, i.e. compensation of women is 3% lower than that of men.

3.4.2 TRAINING

The company invested 1.5 % of the total payroll cost to provide training to employees in 2014.

TRAINING PLAN AND POLICY

As part of the business principles of Statkraft Perú S.A., the company fosters employees' development; one way is through the training module, whose policy establishes that a budget be allocated per management to be invested in training courses in accordance with the priorities and objectives of the year, considering long-term goals.

Through this policy, the company facilitates tools for developing the knowledge, skills and competences of employees, which contributes to reaching business objectives and personal and professional growth, thus preparing internal talent for horizontal and vertical development opportunities.

PERFORMANCE MANAGEMENT

Statkraft Perú S.A. monitors the performance of its employees through the performance management program. Based on this program, the objectives to be reached by employees and the competences that they are to develop during the year are set. Line managers are responsible for monitoring and evaluating the performance of his/her direct reports, for setting realistic goals and providing them with feedback and guidelines to improve their personal competences.

In 2014, the achievement and progress of objectives, goals and competences were followed up. All employees participated in the performance management program.

TRAINING PROGRAMS

In 2014, three types of training were provided: internal, where a company employee imparts the course to his/her co-workers, in this category were the technical courses in the Commercial and Operations Managements, and Excel update courses in the Administration and Finance Management; external, where a supplier provides in-class or virtual training, this category comprised the most of the training investment; and in-house, where an external supplier provides group training.

Superador Program for developing multi-functional skills

The Superador program is aimed at operation personnel working directly in the operation, maintenance and control of hydropower plants.

This program provides internal and external training to improve the know-how regarding the operation of the company's power plants, and provides knowledge to improve behaviors for multi-functional positions, as well as teamwork, solution of problems or adequate stress management.

In 2014, the formation of employees was complemented with soft skills workshops related to communication and teamwork, competences that will help them to improve their professional performance.

***Megatrainees* Program for talent development**

Of the trainees selected in 2014 for the specialized areas in the Operations Management, Commercial Management and ICT Sub-Management to develop specialized know-how required in the company, 7 megatrainees were engaged to take on bigger responsibilities and continue with their formation. In 2014, the Megatrainee program was aimed at people with higher and technical education.

3.4.3 COLLECTIVE BARGAINING WITH THE UNION

Statkraft Peru accepts and promotes free association of its employees to the workers' union, composed of 54 employees representing 62% of the technical personnel.

The relations with union representatives is positive, monthly meetings are held with a common agenda; a special committee has also been set up with employees from the different areas in the company to evaluate and resolve issues raised at the meetings, with the involvement of all areas in the companies on union management issues.

3.5 COMMUNICATION MANAGEMENT

The communication of Statkraft Perú S.A. with the different stakeholders is bidirectional, which gives the company the opportunity to understand the concerns and expectations of each target audience in order to give priority to their handling and the channels to be used.

3.5.1 STAKEHOLDERS OF STATKRAFT PERU

The company has identified nine stakeholders that it is engaging, as shown in Chart 10.

Chart 10

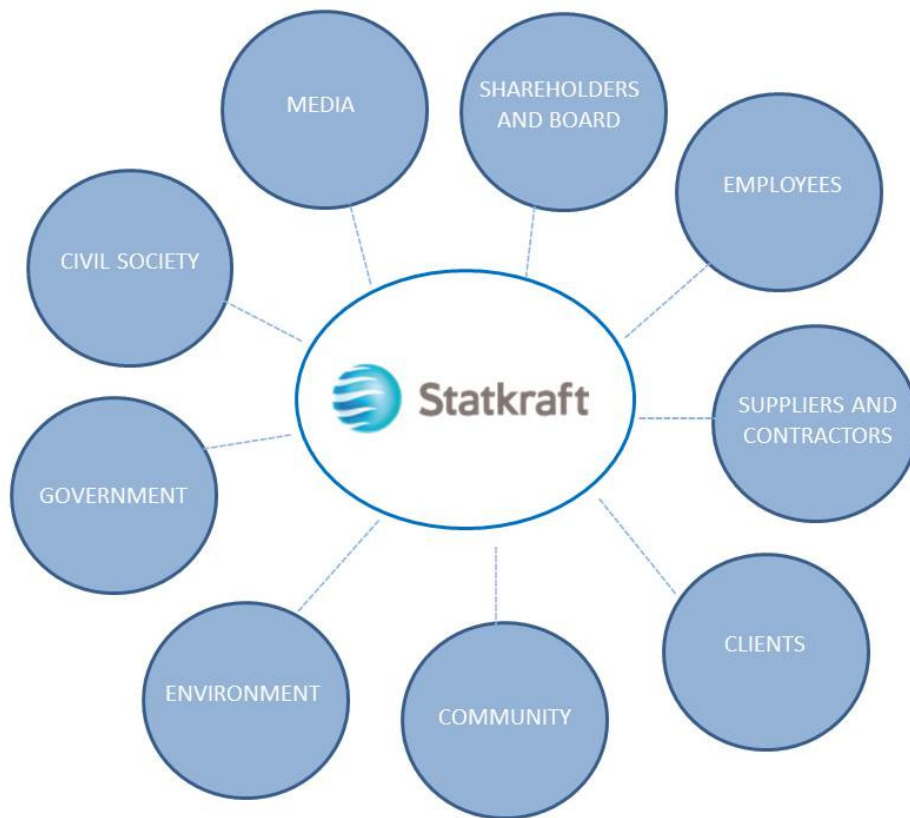


Table 16 shows in detail all stakeholders of Statkraft Peru and their composition.

Table 16

DEFINITION OF STAKEHOLDERS	SUB-STAKEHOLDERS	
STAKEHOLDER 1: SHAREHOLDERS AND BOARD		
Individuals and legal entities owning shares in Statkraft Peru, and the Board that looks after their interest	Sub-stakeholder 1	Statkraft (66%)
	Sub-stakeholder 2	Norfund (34%)
STAKEHOLDER 2: EMPLOYEES		
Employees (directors, line managers, advisory and support personnel) hired for indefinite term, fixed term and through internship contracts	Sub-stakeholder 1	Managers
	Sub-stakeholder 2	Sub-managers / heads of area
	Sub-stakeholder 3	Supervisors / coordinators
	Sub-stakeholder 4	Analysts / assistants / engineers
	Sub-stakeholder 5	Technicians / aids
STAKEHOLDER 3: SUPPLIERS AND CONTRACTORS		
Companies providing goods and services to Statkraft Peru	Sub-stakeholder 1	Suppliers providing critical services for the company. Without these services, the plants could not be operated
	Sub-stakeholder 2	Non-critical suppliers providing support services to the company, and although important, the operation of plants would not be affected
STAKEHOLDER 4: CLIENTS		
Companies and individuals requesting products to Statkraft Peru	Sub-stakeholder 1	Free clients (Doe Run Perú S.R.L., Minera Chinalco Perú S.A., Azulcocha Mining S.A., Compañía Minera Milpo S.A.A, Trevali Perú S.A.C., Empresa Minera Los Quenuales S.A., Compañía Minera Condestable S.A., Sociedad Minera Corona S.A., Banco Continental)
	Sub-stakeholder 2	Distribution companies (Adinelsa, Coelvisac, Electrocentro, Enosa, Ensa, Hidrandina, Edelnor, Luz del Sur S.A.A., SEAL, Esemopat, Cochabamba District Municipality)
	Sub-stakeholder 3	Clients in communities (Cahua and Macashca)

STAKEHOLDER 5: COMMUNITY

Village from the areas of influence of operations or construction projects of Statkraft Peru	Sub-stakeholder 1	The 21 communities located in the center area (area of influence of Oroya, Malpaso, Pachachaca and Yaupi power plants) as they are geographically located close to the plants or reservoirs.
	Sub-stakeholder 2	The 11 communities located to the south (2) and north (9), within the influence area of the Arcata, Pariac, Gallito Ciego and Cahua power plants, as they are geographically located close to the plants or reservoirs.
	Sub-stakeholder 3	The 14 communities located within the area of direct influence of the Cheves Project as they are geographically located in the vicinity of the new plant, reservoirs or transmission line

STAKEHOLDER 6: ENVIRONMENT

Environment where Statkraft Peru operates, including air, water, soil, natural resources, flora, fauna, human beings and their interrelations.	Sub-stakeholder 1	Population from the communities within the area of direct influence of the operations of Statkraft Peru.
	Sub-stakeholder 2	Ministry of the Environment (MINAM)
	Sub-stakeholder 3	Junín Regional Government
	Sub-stakeholder 4	Lima Regional Government
	Sub-stakeholder 5	Pasco Regional Government
	Sub-stakeholder 6	Arequipa Regional Government
	Sub-stakeholder 7	Ministry of Energy and Mines (MEM) – General Bureau of Energy Environmental Affairs
	Sub-stakeholder 8	Supervisory Agency for Energy and Mining Investment (Osinermin)
	Sub-stakeholder 9	National Water Authority (ANA) and Local Water Authorities (ALA) in the areas where we operate
	Sub-stakeholder 10	General Bureau of Environmental Health (DIGESA) – DISA Callao
	Sub-stakeholder 11	Agency for Environmental Assessment and Enforcement (OEFA)
	Sub-stakeholder 12	National Service of Natural Protected Areas (SERNANP)

STAKEHOLDER 7: GOVERNMENT

Governmental entities, bodies regulating and supervising compliance with legal standards as well as payment of national taxes and duties. They have the authority to impose sanctions, issue regulations that imply higher costs for the company, and issue licenses and collect taxes	Sub-stakeholder 1	Regulatory entities (MEM, MINAM, MEF, OSINERGMIN)
	Sub-stakeholder 2	COES
	Sub-stakeholder 3	Congresspersons of the energy commission
	Sub-stakeholder 4	IFC, CONASEV, SUNAT
	Sub-stakeholder 5	Other institutions (Ministry of Labor, ESSALUD)

STAKEHOLDER 8: CIVIL SOCIETY

Civil society organizations, e.g. NGOs and associations, of relevance for Statkraft Peru, whether with favorable or negative opinion towards the company's activities	Sub-stakeholder 1	Associations (SNMPE, AFIN, COMEX, AMCHAM, Peruvian Nordic Chamber of Commerce)
	Sub-stakeholder 2	NGOs and other organizations (Perú 2021, Fundades)

STAKEHOLDER 9: MEDIA

Peruvian printed media, radio and television	Sub-stakeholder 1	National press specialized on economic and energy matters
	Sub-stakeholder 2	Local press composed of journalists and media from the area of direct influence of the Statkraft Peru's operations and the Cheves Project

3.5.2 MEANS OF COMMUNICATION AND TOPICS WITH STAKEHOLDERS

In 2014, some communication channels that were previously used were maintained, and others were created to improve the communication and interaction with the internal public (employees). Additionally, and as part of the strategy to engage the internal public in provinces, events were decentralized with general informative meetings and management breakfasts held in Lima and provinces.

In addition, changes were made to the local intranet (Powernet) to optimize the information exchange with employees. An internal bulletin (Newsletter) was also implemented to communicate the main internal news in the company.

In printed format, the COMPower stopped being produced, and was replaced with People&Power, which is produced in full at the head office; however, last year this magazine covered news from all countries, thus reinforcing the global approach of the organization.

With respect to the external public –companies, government, suppliers and community-, a communication strategy was developed to start the positioning of Statkraft Peru and its global corporate management model. In 2014, the activities worth noting was the presence of our Country Manager in the national media, in specialized publications and in events in the sector, which generated positive results regarding the way we conduct the business. Additionally, we took part in a corporate social responsibility contest, which contributed to show how we live by the corporate business principles in the company, sustainable development, corporate responsibility and technical know-how of the team.

Table 17: Means of communication and topics with stakeholders

	Stakeholders				
	Employees	Shareholders	Clients	Community	Government
Communication and Involvement Mechanisms	<ul style="list-style-type: none"> ▪ FLASH electronic bulletin ▪ People & Power ▪ Notices ▪ POWER hotline ▪ Powernet (Intranet) ▪ Monthly meeting with workers' union ▪ Corporate induction ▪ General informative meeting ▪ Monthly alignment meeting (leaders) ▪ Internal communication campaigns 	<ul style="list-style-type: none"> ▪ Electronic mail ▪ Phone ▪ Shareholders' general meeting ▪ Publications 	<ul style="list-style-type: none"> ▪ Electronic mail ▪ Phone ▪ Publications in national media ▪ Corporate events ▪ Sector events 	<ul style="list-style-type: none"> ▪ Interpersonal communication ▪ Phone ▪ Boards ▪ Publication in national media ▪ Assemblies ▪ Dialogue meetings 	<ul style="list-style-type: none"> ▪ Electronic mail ▪ Phone ▪ Reports

	Stakeholders				
	Employees	Shareholders	Clients	Community	Government
Dialogue topics	<ul style="list-style-type: none"> ▪ Organizational culture ▪ Projects ▪ Plant-related operating issues ▪ HSS ▪ Social responsibility projects ▪ Company growth ▪ Good environmental practices 	<ul style="list-style-type: none"> ▪ Social: corporate governance ▪ Financial results ▪ Political setting 	<ul style="list-style-type: none"> ▪ Operational: to guarantee good service ▪ Economic and commercial: invoicing and collection 	<ul style="list-style-type: none"> ▪ Social: commitments undertaken ▪ Social: local development programs ▪ Local labor ▪ Activities to be conducted in the areas of influence 	<ul style="list-style-type: none"> ▪ Social: corporate governance ▪ Power supply ▪ Sector issues

3.6 CORPORATE RESPONSIBILITY MANAGEMENT

Statkraft Perú S.A. contributes to the economic growth and development of the country as a hydropower generation company. Its production has an impact on the human and natural environment where its projects are developed and operated, and, as a result, the way it conducts its business is of paramount importance. Within this context, the company has implemented a corporate responsibility strategy to contribute to the sustainable development of the populations within the areas of direct influence of its operations and projects, and to contribute to the environmental care and fight against climate change.

3.6.1 SOCIAL MANAGEMENT INVESTMENT

The company's community relations strategy gives priority to development projects in the communities within the area of direct influence of its operations and projects. Similarly, Statkraft Perú S.A. implements a management plan to prevent, control and mitigate any environmental impact by its operations and projects.

3.6.2 CORPORATE SOCIAL RESPONSIBILITY PROJECTS AND ACTIVITIES

Statkraft Perú S.A. implements a community relations strategy in the area of direct influence of its operation, which is conducted based on three main drivers: productive development, capacity building and coexistence programs. As a result, the relation between the company and the community has been strengthened, and contributions were made to improve the quality of life of the population through the tools provided during training and infrastructure improvements.

COMMUNITY RELATIONS PLAN

In 2014, the company executed 90% of the actions included in its Local Development Plan, a key line of action of the Community Relations work. The programs included in this plan were implemented in 32 communities located in the area of influence of its 8 hydropower plants.

The programs were the following:

- **Productive Development Program:** local development program that fosters harmonious relations between the company and the population through the preparation of studies, profiles, dossiers, and promotes and finances productive projects of community interest. The program seeks to contribute to the local development, promoting the organization of producers for the improvement of technical production, product trading, and generation of more income for households. Mid-term and long-term investments were made.
- **Capacity Building Program:** local program that seeks to develop technical and management competences in villagers, as well as their capabilities and skills to increase their income. These activities mainly include quick-impact investments. Training is imparted to transfer methodological and technical know-how on agriculture, animal husbandry and capacity building in order to improve techniques with quick impact on their own activities and capacities in the communities.
- **Coexistence programs or discretionary funds:** this program provides quick and direct assistance to communities, and maintains our presence and engagement of communities. The activities

include: school campaign, Christmas campaign, attendance in festivities, direct involvement with infrastructure support and donation of supplies, etc.

Table 18 details the main activities of the Communities Relations Plan performed for the operations of Statkraft Perú in 2014.

Activity	Community	Beneficiaries (Direct)	Main Achievements
I COMMUNITY RELATIONS			
A. Local development			
1. Productive development			
Sustained implementation of technical assistance of Good Agricultural Practices for the production of rocoto and granadilla to improve farmers' productivity	Llaupi – Annexed villages and El Milagro	15 Producers of rocoto 12 producers of granadilla	<ul style="list-style-type: none"> Development and formation focused on seedling production and management, final plantation and phytosanitary control of 15 rocoto producers.
Implementation of the pilot project on quinoa cultivation, first stage of the quinoa productive diagnostics project	Huachon	300	<ul style="list-style-type: none"> Usage of 02 types of seeds, distributed in 10 parcels of different ground composition and altitude, adding up to approximately 2 Ha.
Capacity building to improve fruit production	Cahua	32 fruit producers	<ul style="list-style-type: none"> 934 cases of direct technical assistance in parcels for know-how transfer to producers. 89.47% of mango producers (equivalent to 6.7 ha), performed the technical-commercial pruning (late pruning for a better commercial window 2015). 55% more revenues (36628.00 n/s) for the total sale compared to the sales in 2013.
Implementation of a pilot module for technified trout farming	Huachon	80 families	<ul style="list-style-type: none"> 1 internship in Huari. Training on maintenance and cleaning of trout ponds, and implementation of farms with trouts and fries by local producers and as the basis for future production.
Installation of pine forest plantations	Santa Isabel	200 families	<ul style="list-style-type: none"> Installation of 20,596 pine seedlings (Tecunumanii variety).

2. Capacity building			
Technical training on motorcycle maintenance - SENATI.	Llaupi	20	<ul style="list-style-type: none"> • 20 villagers from the Llaupi community were trained on preventive mechanical maintenance of motorcycles. • 40 effective training hours.
Technical training on food processes – SENATI.	Llaupi	40	<ul style="list-style-type: none"> • 40 villagers from the Llaupi community were trained on the preparation of banana chips and nectar. • 40 effective training hours.
Training of appointed teachers – 2nd specialization by the Pedro Ruiz University	Macashca, San Nicolas and Toclla	24 teachers	<ul style="list-style-type: none"> • 17 teachers completed the Educational Information Technology program. • 07 teachers completed the Consultancy and Tutorship Program in January 2015.
Strengthening of capacities of Pay Pay women – fruit producers	Cahua	62 fruit producers and weaving women	<ul style="list-style-type: none"> • 5 workshops for leaders and 6 group workshops to Pay Pay weaving women and Cahua producers. • 90% of associates receive a psychological evaluation to know their interpersonal relation skills. • 70% of the leaders of strengthened associations are trained on group management and decision making.
Strengthening of teachers and students – learning techniques	Cahua	80 teachers from 10 schools 136 students	<ul style="list-style-type: none"> • 40 hours of sessions. • 77% of teachers have a passing grade after completing the training. • 97% of teachers rated the course as good or excellent. • 100% of schools take part in the school contest, with 100% of attendance by students.
I phase of basic training on artisanal textiles.	Llaupi - La Victoria	33 weaving women	<ul style="list-style-type: none"> • The learning by doing technique was used, which resulted in direct revenues to attendants of PEN 9,282.00.
Exchange of teaching labor experience and training with La Asociación Española para la Enseñanza de las Ciencias de la Tierra - AEPECT.	Quiparacra - San Pedro de Parí	55 teachers	<ul style="list-style-type: none"> • The event was conducted by 05 education specialists from Spain, as well as active involvement of specialists from UGEL Pasco and Junin.

Cooking training	Cahua - Pay Pay	25 women and men in Cahua 60 women in Pay Pay	<ul style="list-style-type: none"> 17 cooking and baking workshops. 88% of attendance in the cooking workshops in Pay Pay. 63 hours of practical training in cooking and baking workshops.
Weaving project - Pay Pay weaving women	Gallito Ciego	37 women	<ul style="list-style-type: none"> Direct revenues for labor in scarf production (307 units) for PEN 7675.00.
3. Coexistence			
School campaign	All	4578	<ul style="list-style-type: none"> 4578 school kits were handed out in 103 schools within the areas of influence of operations.
Christmas campaign	All	5941	<ul style="list-style-type: none"> 5942 children were beneficiaries.
Construction of dirt roads	Llaupi, Yungul, Pampa Seca, Paucartambo	184	<ul style="list-style-type: none"> Contribution with 450 gallons of fuel for the opening of a dirt road to the Yungul Chico production unit.
Construction of the sport court of the Elementary School of Huachon	Huachon	500	<ul style="list-style-type: none"> Hiring of a local community company for the construction of the sport court.
Improvement of pedestrian bridge	Pampa Hermosa	23	<ul style="list-style-type: none"> Improvement of the safety and pedestrian traffic conditions in the Pampa Hermosa community.
Construction of toilet facilities	Santa Isabel	200	<ul style="list-style-type: none"> Handout of basic materials for the construction of toilet facilities.
Construction and installation of floating dock	San Pedro de Pari	100	<ul style="list-style-type: none"> Floating dock built in the Chinchaycocha Lake to promote tourism in the San Pedro de Pari community, fostering the sustainable use of natural resources of the Chinchaycocha Lake.
Supply of materials for the construction of the community building	Yungul	40 households	<ul style="list-style-type: none"> Supply of plastering materials, doors, windows and others to complete the construction of the multi-purpose community building. Direct beneficiaries are 40 families.

B. Strategic alliances with the government and businesses			
1. Business alliances			
Joint labor agreement Chinchaycocha Lake: Environmental Management Plan	San Pedro de Pari	5000	<ul style="list-style-type: none"> Agreement with ELECTROPERU for the preparation of the Environmental Management Plan (65% ELECTROPERU / 35% STATKRAFT)
C. Supplier promotion			
1. Local supplier promotion			
Additional revenues for local families	Huachon Quiparacra Oroya	100	<ul style="list-style-type: none"> 100% of contractors of STATKRAFT PERÚ S.A. that required unskilled labor to perform activities at the company's facilities engaged local labor.
D. Access into New Areas			
1. New Areas			
Engagement of communities within the area of influence of the project	Rapay Project	300 families	<ul style="list-style-type: none"> Start of communications, introduction of the community relations team to communities in the area.
Engagement of communities within the area of influence of the project	Caño & Uchuhuerta Projects	50 families	<ul style="list-style-type: none"> Support for the engagement of communities and start of communications to enter into the project area.
Completion and submission of the investment project (PIP) "Water and Sewage Llaupi- Junin"	Llaupi	568 families	<ul style="list-style-type: none"> The Investment Project Bureau of the Junin region will assess the submitted project to proceed into the dossier preparation stage.
E. Socially and environmentally responsible employees			
1. Informative			
Report of activities performed by the CR area, since 2010 to August 2014		100 employees	<ul style="list-style-type: none"> 70% of all internal and external employees were trained in power plants and communities.
2. Participatory			
Christmas campaign		5 volunteers	<ul style="list-style-type: none"> 100% of volunteers were involved in Christmas activities, and were made aware of the reality in the communities within the area of direct influence.

2. OTHER ACTIVITIES

Social and environmental management

Delimitation of the marginal strip of the Arcata Lake	Arcata	NA	<ul style="list-style-type: none"> Setup of the multi-sector negotiation table. We continued to attend the meetings called by the Arequipa Regional Government.
---	--------	----	--

O&M Support

Expansion and optimization of the Microwave Telecommunication System	Oroya - Llaupi - Pariac – Pachachaca	NA	<ul style="list-style-type: none"> CR managed to negotiate 9 social cases related to maintenance activities in the different areas where infrastructures are located.
Negotiation to clear the easement strip in the spans with deficiencies	Oroya - Llaupi - Carhuamayo - Junin – Cobriza	16 families	<ul style="list-style-type: none"> 100% of compliance as planned by the O&M area for annual report to OSINERGMIN.
Cleaning of channels in the Chinchaycocha Lake	Carhumayo, Junin, San Pedro de Pari, Huachon, Quiparacra	75 workers	<ul style="list-style-type: none"> Induction to contractors, to more than 75 people for the activities to be performed at the Vicco community: cleaning of Chinchaycocha Lake, maintenance of the Jaico and Tingocancha dams, and in Quiparacra and Puagmaray for the second phase of the activities in Huangush.

Closing of liabilities

Negotiation of closing conditions	Pariac	100	<ul style="list-style-type: none"> CR managed to negotiate the definitive closing of 5 liabilities at the Pariac HPP (Huaraz).
Negotiation of closing conditions	Arcata	10	<ul style="list-style-type: none"> CR managed to negotiate the definitive closing of two commitments undertaken with local families, in the Arcata HPP (Arequipa).

3.6.3 ENVIRONMENTAL MANAGEMENT

The environmental management approach of Statkraft Perú S.A. is based on the prevention, control and minimization of negative environmental impacts related to the use and consumption of natural resources, effluent discharge and generation, handling and final disposal of waste.

QUALITY OF THE COMPANY'S DISCHARGE WATER

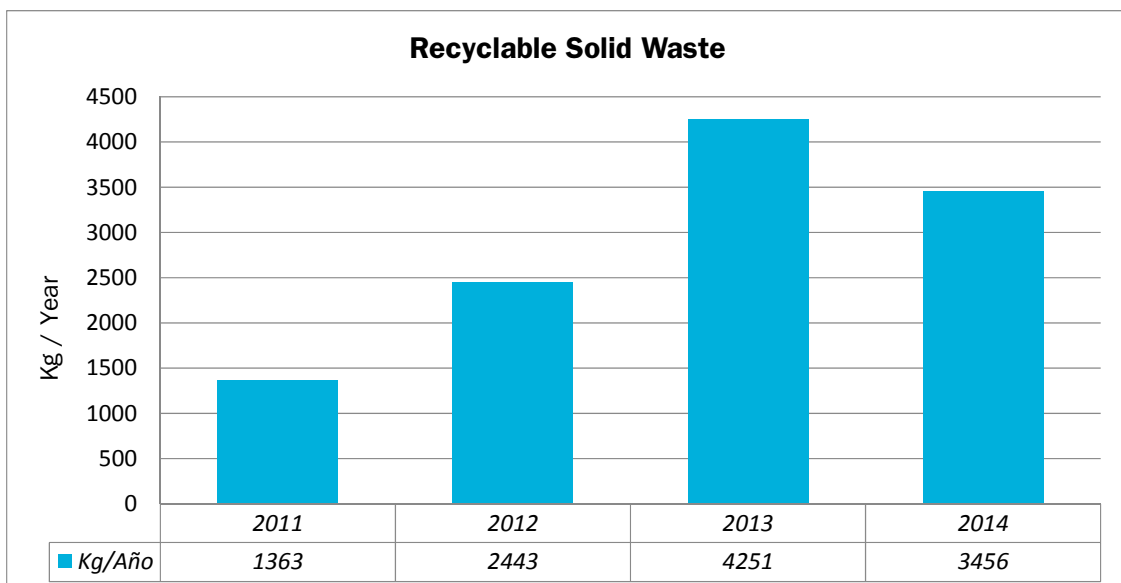
Statkraft Perú S.A. conducts a monthly monitoring of the water after being used for power generation. For the measurement, the parameters set out in Directorial Resolution No.008-97-EM/DGAA were considered: temperature, pH, oil and grease (mg/l) and suspended solids (mg/l).

Since hydropower generation is a clean process (the physical and chemical characteristics of the water resource are not altered), in 2014, Statkraft Perú S.A. continued with the project to amend regulation 029-94/EM, Regulation for Environmental Protection in Electrical Activities, to exclude turbined water from the concept of discharge or effluent (008-97-EM/DGAA).

WASTE MANAGEMENT

In the last 4 years, the management of recyclable solid waste has significantly increased, which contributed to the protection of the environment. Between 2011 and 2014, a better solid waste management was conducted by company EPS-RS and Statkraft Peru, including projects, such as the Cheves Hydropower Plant. The solid waste management specifically focuses on the recycling of plastic, paper, cardboard, glass, metal waste by the EPS company. This management is expected to be maintained or improved in the next few years.

Chart 11
Solid waste recycling





4. FINANCIAL INFORMATION

4. FINANCIAL INFORMATION

4.1 ANALYSIS OF OPERATING RESULTS AND ECONOMIC AND FINANCIAL STATUS

The analysis of the main items of the audited Financial Statements of the company for the year ended December 31, 2014 is presented below.

4.1.1 GENERAL BALANCE

WORKING CAPITAL

As of December 2014, the working capital was positive and amounted to USD 18.7 MM, which represented a 150% increase compared to 2013 (USD 7.5 MM). This is explained by the improvement made to the collection process in 2014, mainly to distribution companies.

As a consequence, the current asset increased by 30.2%, from USD 47.2 M in December 2013 to USD 61.4 M at year ended December 31, 2014.

Additionally, the current liabilities increased 7.5% from USD 39.7 M in December 2013 to USD 42.7 M, mainly due to the increase of the short-term debt, and in 2013 the loan interests were not considered as short-term debts.

INVESTMENT IN SUBSIDIARIES

As of December 31, 2014, the investment account had a balance of USD 169.3 MM, which represents the significant investments made by the company for the construction of the Cheves hydropower plant.

PROPERTY, MACHINERY AND EQUIPMENT

At year ended December 31, 2014, the properties, plant and equipment account amounted to USD 189.5 MM, which is equivalent to USD 0.2 MM more than recorded in the same period in 2013. The slight increase is explained by the priority given by Statkraft Peru to the Cheves project.

NON-CURRENT LIABILITIES

In the reported period, non-current liabilities decreased 10.1%, from USD 197.1 MM in 2013 to USD 177.2 MM, mainly due to the repayment of the long-term syndicated loan (USD 15.4 MM) and the mid-term loan (USD 3.3 MM).

NET EQUITY

The company's net equity at year ended December 31, 2014 is represented by 719,660,948 ordinary shares, fully subscribed and paid-in, with a nominal value of PEN 1 each. Compared to 2013, the total equity increased by 10.1%, from USD 310.2 MM to USD 341.6 MM at year end. This positive variation is explained by:

- Increase of USD 29.1 MM for the result of year 2014.
- Increase of USD 2.9 MM in legal reserves.

4.1.2 INCOME STATEMENT

INCOME

In 2014, the net power generation was 1,654 GWh, 1.2% lower than generation in 2013, which is mainly explained by the fact that in the northern part of the country it was a dry year, which affected power generation in Gallito Ciego.

Income for sale of energy, capacity and secondary transmission decreased by 17.2%, from USD 127.6 MM in 2013 to USD 105.7 MM as recorded in 2014.

This decrease is mainly explained by the fact that in 2014 less energy was purchased from generation company Kallpa to supply clients of Statkraft Perú S.A. than in 2013. It should be noted that the profit for this transaction was minimum because while the income increased, the expenses for energy purchase also increased.

GENERATION AND TRANSMISSION COST

As of December 31, 2014, the generation and transmission cost amounted to USD 42.8 MM, which represented a 29.0 % decrease compared to 2013. This is mainly explained by the purchase of energy from generation company Kallpa for subsequent trading.

ADMINISTRATION AND SALES EXPENSES

The administration and sales expenses amounted to US\$ 12.6 MM, which represents a 15.2 % decrease compared to 2013. These savings are explained by the fact that the work was performed with own personnel instead of employing consultants in order to find efficiencies.

OPERATING INCOME

As a result of the company's income and expenditure, the operating income at year ended December 31, 2014 amounted to USD 57.6 MM, 5.5% higher than that in 2013. This is explained by the

extraordinary income earned in 2014 as a result of the telecommunication project with Minera Chinalco Perú S.A.

FINANCIAL ITEMS

At year end, the financial expenses (net of financial income) amounted to USD 11.5 M, 12.7 % lower than the amount recorded in 2013, which is mainly explained by the decrease of interest payments due to the reduction of the debt principal.

INCOME BEFORE PROFIT SHARING AND INCOME TAX

At year end, the income before income tax amounted to USD 46.1 MM, 11.2% higher than that recorded in 2013, which is explained above.

4.1.3 FINANCIAL INSTRUMENTS

In 2014, all existing financial debt commitments were fulfilled, and all payment obligations were met.

In this regard, all promissory notes for working capital with Banco de Crédito BCP (USD 1.8 MM) and BBVA Banco Continental (PEN 3.2 MM) were paid in full. Similarly, by mid-year the company closed a financial leasing agreement with BBVA Banco Continental for PEN 220k for the procurement of 3 vehicles for the corporate fleet.

Table 20

	Identifier	Balance closing Dec. 2014	Expiration	Repayment
Syndicated Loan	Tranche A	\$92,608,696	Ago – 2022	Semi-annually
	Tranche B	\$51,041,667	Jan - 2018	Semi-annually
	BCP 2012	\$43,478,261	Nov - 2024	Semi-annually
	Leasings	\$592,053	Jun - 2017	Monthly
	Total	\$187,720,677		

4.1.4 GUARANTEES

The company has trusts to guarantee 100% of its financial obligations (except for the leasing), and entered into trust agreement with La Fiduciaria S.A. under the following terms and conditions:

ASSET TRUST

- Concessions and authorizations for generation and transmission.
- Assets and corresponding licenses related to trust concessions and authorizations.

CASH FLOW TRUST

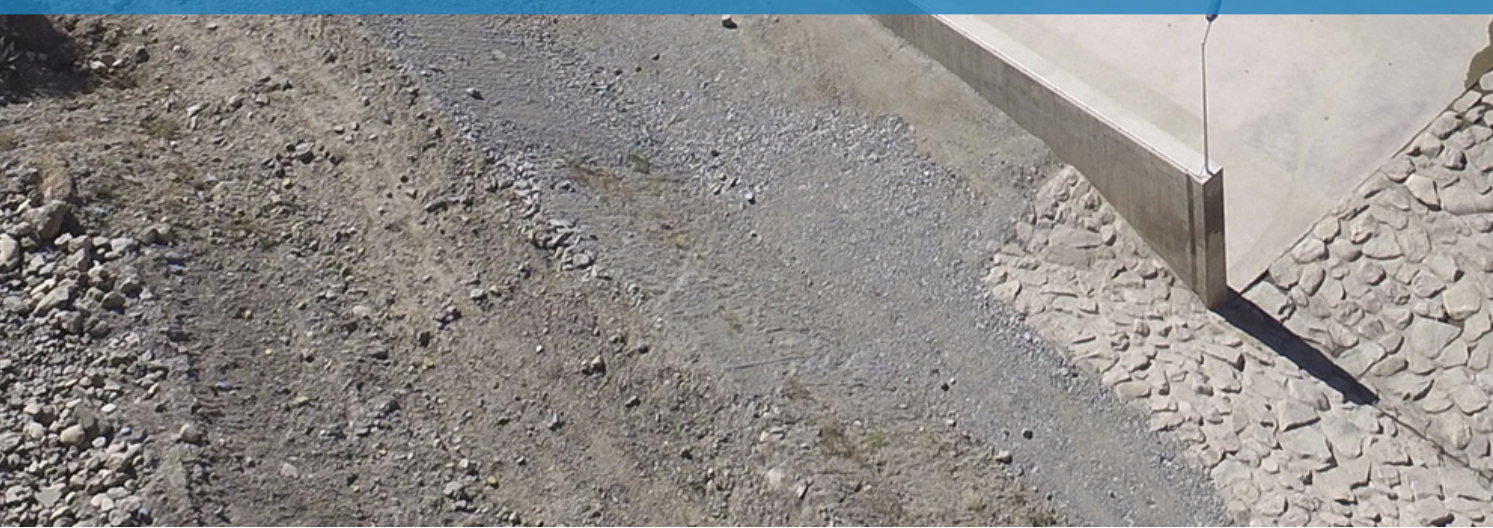
- Collection rights and cash flows from commercial operations conducted by the company.
- Collection rights for loss of revenues of the corporate insurance program.

4.1.5 AUDITED FINANCIAL STATEMENTS

In the following link you can download the audited financial statements. [CLICK HERE](#)



5. CORPORATE GOVERNANCE



5. CORPORATE GOVERNANCE

Information on compliance with Good Corporate Governance Principles for Peruvian corporations.

(Corresponding to year 2014)

Name of the Company : STATKRAFT PERÚ S.A.

(hereinafter THE COMPANY)

Taxpayer Registration
Number (RUC) : 20502597061

Address : Avenida Felipe Pardo y Aliaga N° 652,Int. 203

San Isidro, Lima

Phone : 7008100

Fax : 4220348

Website :

Electronic mail :

Stock Exchange
Representative : N/A

Corporate name of
auditing company¹ : N/A

SECTION ONE: EVALUATION OF 26 PRINCIPLES

Shareholders' Rights

Principle	Compliance				
	0	1	2	3	4
1. Principle (I.C.1. second paragraph): <i>Generic matters shall not be incorporated into the Order of the Day. Items to be dealt with shall be duly specified in such manner that each subject may be discussed separately, facilitating its analysis and preventing the rendering of a joint decision over matters that may have a difference of opinion.</i>				X	
2. Principle (I.C.1. third paragraph): <i>The general meeting of shareholders shall be held in a venue that facilitates the attendance of shareholders.</i>				X	

- a. Indicate the number of shareholders' meetings called by THE COMPANY during the fiscal year subject matter hereof.

1.1.1.1.1.1 Type	Number
General Meeting of Shareholders	2

- b. If meetings of shareholders were called, provide the following information for each of them.

Call date*	Date of meeting	Venue of meeting	Type of meeting		Quorum %	N° of shareholders in attendance	Duration	
			Special	General			Start time	End time
13/03/15	24/03/14	Víctor Andrés Belaunde 280, piso 2, San Isidro		X	99.99	1	16:00	17:00
05/06/14	17/06/14	Víctor Andrés Belaunde 280, piso 2, San Isidro		X	99.99	1	08:00	09:00

* In case of more than one call for meeting, please state the date for each meeting.

c. In addition to the provisions set forth in Article 43 of the General Corporations Act, which other means does the company use to call meetings?

- Electronic mail
- Directly in the company
- By phone
- Website
- Regular mail
- Other
- None

d. Indicate whether the means of communication specified in the previous question are regulated in any document of the COMPANY.

Bylaws	Internal Regulation Handbook	Other	Name of the document*
			BYLAWS

e. If the COMPANY has a corporate website, is it possible to view shareholders' meeting minutes via this site?

	Yes	No
Only for Shareholders		X
For the general public		X

DOES NOT HAVE A WEBSITE.

Principle	Compliance				
	0	1	2	3	4
<p>3. Principle (I.C.2): <i>Within reasonable limits, shareholders must have the opportunity to include items in the Order of the Day of the general meetings for its discussion. Any items added to the agenda must be of corporate interest and suitable to the legal or statutory competence of the meeting. The Board of Directors must not reject such requests without giving the shareholder reasonable justification.</i></p>				X	

- a. Indicate whether shareholders are permitted to include items for discussion into the Order of the Day through a mechanism other than that stipulated in the General Corporations Act (Article 117 for regular corporations (SA), and Article 255 for publicly traded corporations (SAA)).

() Yes (X) No

- b. In case the answer to the previous question was positive, please detail the alternative mechanisms.

- c. Indicate whether the mechanisms described in the previous question are regulated in any COMPANY's document(s).

Bylaws	Internal Regulation Handbook	Other	Name of the document*

* Indicate the name of the document, except in case of the COMPANY's bylaws.

- d. Indicate the number of requests made by shareholders during the fiscal year subject matter hereof, to include into the agenda topics to be discussed in the meetings.

Number of requests		
Received	Accepted	Rejected
0	0	0

Principle	Compliance				
	0	1	2	3	4
4. Principle (I.C.4.i.): <i>Bylaws must not impose any limits to the entitlement of a shareholder to the right to be represented, by a person appointed by the shareholder, in the General Meetings of Shareholders.</i>					X

- a. In accordance with the provisions of Article 122 of the General Corporations Act, indicate whether the corporate bylaws limit the right to representation, by reserving it:

- () For another shareholder
 () For a board member
 () For a manager
 (X) The right to representation is not limited

- b. For each meeting held during the fiscal year subject matter hereof, please indicate the following information:

Type of meeting		Date of meeting	Holdings (%) of total shares with voting rights	
General	Special		By proxy	Directly
X		24/03/14	99.99%	N/A
X		17/06/14	99.99%	N/A

- c. Indicate the requirements and formalities set forth for a shareholder to be represented in any meetings.

Formality Indicate whether the Company required a regular letter, notarial letter, public deed or other.	Regular letter, cable, telex, telefax, public deed or any other means with proof of receipt
Advance notice Number of days prior to the meeting for the proxy to be submitted	One day in advance
Cost Indicate whether the company requires payment to this effect; and is so, indicate the amount.	None

- d. Indicate whether the requirements and formalities described above are regulated in any document of the COMPANY.

Bylaws	Internal Regulation	Handbook	Other	Name of the document*
X				

* Indicate the name of the document, except in case of the COMPANY's bylaws.

() NOT REGULATED.

Equal treatment of shareholders

Principle	Compliance				
	0	1	2	3	4
5. Principle (II.A.1, third paragraph): <i>It is advisable for any company issuing investment shares or other securities without voting rights, to offer its holders the opportunity to exchange them for ordinary shares with voting rights or to allow this possibility at the time of issuance.</i>	N/A				

a. Has the COMPANY started any exchange of investment stock in the past five (5) years?

Yes No Not applicable.

Principle	Compliance				
	0	1	2	3	4
6. Principle (II.B): <i>A sufficient number of directors shall be elected capable of exercising independent judgment on tasks where there is a potential for conflict of interest, being able, for such purpose, to take into consideration the participation of shareholders lacking control. Independent directors are appointed for their professional standing, and not for being related to the company's management or to the company's controlling shareholders.</i>			X		

a. Indicate the number of dependent and independent directors of the COMPANY.

Directors	Number
Dependent	5
Independent	0
Total	5

b. Specify any special requirements (other than those required to become a director) in order to be an independent director of the COMPANY.

No special requirements.

- c. Indicate whether the special requirements described above are regulated in any document of the COMPANY.

Bylaws	Internal Regulation Handbook	Other	Name of the document*
			N/A

* Indicate the name of the document, except in case of the COMPANY's bylaws.

(X) Not regulated.

- d. Indicate whether the directors of the COMPANY are relatives in the first or second degree of kinship, or on the first degree of affinity, or spouse of one of the following:

Full name of director	Relationship to:			Full name of shareholder / director / manager	Affinity	Additional information
	Shareholder	Director	Manager			
N/A						

^{1/} Shareholders with interest equal to or greater than 5% of the shares of the COMPANY (per class of share, including investment shares).

^{2/} If there should be any relation with a shareholder, include his/her stock interest. If the relation should be with any member of the management staff, include the position.

- e. If any member of the Board of Directors holds, or has held during the fiscal year subject matter hereof, any managerial position in the COMPANY, please indicate the following information:

Full name of the Director	Managerial position previously or currently held	Date in the management position	
		Start	End
N/A			

- f. In case a member of the Board of Directors of the COMPANY is or has been, during the fiscal year of this report, a member of the Board of Directors of another company or other companies listed in the Stock Market's Public Registry, please provide the following information:

FULL NAME OF DIRECTORS	NAME OF THE COMPANY(IES)	DATE	
		START	END
N/A			

Disclosure and Transparency

Principle	Compliance				
	0	1	2	3	4
<p>7. Principle (IV.C, second, third and fourth paragraph): Although, generally, independent audits focus on issuing a report about financial information, they can also refer to specialized reports dealing with the following aspects: accounting examinations, operational audits, system audits, project evaluation, cost system evaluation or implementation, tax audits, appraisals for asset adjustment, portfolio evaluation, inventory matters and other special services.</p> <p>The recommendation is for these services to be performed by different auditors; or if conducted by the same auditors, it should not affect the independence of their opinion. The company must disclose all of the auditor's specialized audits and reports conducted and prepared.</p> <p>Information must also be provided with regard to all services provided by the audit firm or auditor to the company, specifying the percentage represented by each service, as well as its share in the earnings of the audit firm or auditor.</p>					X

- a. Indicate the following information about the audit firm that has provided services to the COMPANY in the past five (5) years.

Name of the audit firm	Service*	Period	Compensation**
Ernst & Young Asesores S.Civil de R. L.	Tax audit	2010 - 2014	US\$ 188,537.33
Beltrán, Gris y Asociados Sociedad Civil (Deloitte)	Financial information audit	2010 - 2014	US\$ 143,454.03
Vila Naranjo & Asociados	Fixed assets audit	2010 - 2014	US\$ 48,554.23
Medina, Zaldívar, Paredes & Asociados S. Civil de R.L.	Financial information audit	2010 - 2014	US\$ 122,570.39

* Include all types of services such as opinions on financial information, expert accounting reports, operation audits, system audits, tax audits or any other special services.

** Of the total amount paid to the audit firm for all concepts, please specify the percentage corresponding to remuneration for financial audit services.

- b. Describe any pre-established mechanisms applicable to the hiring of audit firms to provide an opinion on the annual financial statements (include the identification of the corporate body responsible for choosing the audit firm).

The audit firm is designated by the Board of Shareholders at the Annual General Meeting of Shareholders (AGM) or such designation is delegated to the Board of Directors. At the AGM in March 2007, the Board of Shareholders directly designated the auditors; at the AGM in March 2008, the Board of Shareholders delegated the designation to the Board of Directors. The Board of Directors designated firm Medina, Zaldívar, Paredes & Asociados, at the meeting held on June 4th, 2008, after explaining the process followed to that effect. At the AGM held on March 31, 2009, the Board of Shareholders appointed Medina, Zaldívar, Paredes & Asociados, a firm member of Ernst & Young, as its auditors for 2010. At the AGM held on March 26, 2010, the Board of Directors was delegated the designation of the audit firm. The Board of Directors designated Ernst & Young. At the AGM held on March 23, 2011, the firm DeloitteToucheTohmatsu was designated. At the AGM held on March 30, 2012, firm DeloitteToucheTohmatsu was designated. At the AGM held on March 27, 2013, the firm DeloitteToucheTohmatsu was designated. At the AGM held on March 24, 2014, the firm Beltrán, Gris y Asociados S.R.L., member of DeloitteToucheTohmatsu, was designated as external auditors of the COMPANY.

() There are no pre-established mechanisms.

- c. Please state whether the mechanisms described above are contained in any document of the COMPANY.

Bylaws	Internal Regulation Handbook	Other	Name of the document *
X			

* Indicate the name of the document, except in case of the COMPANY's bylaws.

() Not regulated.

- d. Indicate whether the audit firm hired to issue an opinion on the COMPANY's financial statements of the , also issued an opinion on the same fiscal period's financial statements of other companies of the company's economic group.

(X) Yes () No

Name of the company(ies) of the economic group
Statkraft Perú S.A., Statkraft Perú Holding SRL and Empresa de Generación Eléctrica Cheves S.A.

- e. Indicate the number of meetings held between the area responsible for internal audit and the hired audit firm, during the fiscal year subject matter hereof.

Number of meetings							
0	1	2	3	4	5	More than 5	Not applicable
							X

Principle	Compliance				
	0	1	2	3	4
8. Principle (IV.D.2): <i>Specific requests for information submitted by shareholders, investors or stakeholders must be channeled through a responsible authority and/or personnel appointed for such purpose.</i>				X	

- a. Indicate the means or manner(s) in which the shareholders or stakeholders of the COMPANY can requests information for their request to be considered.

	Shareholders	Stakeholders
Electronic mail	X	X
Directly with the company	X	X
Telephone	X	X
Website	X	X
Mail	X	X
Other (Please detail)		

- a. Without prejudice to the information responsibilities of the General Manager pursuant to Section 190 of the Business Corporations Law, indicate which is the area and/or person in charge of receiving and processing the requests for information received from the Stockholders. If it is a person, include also his/her position and area.

Responsible area	General Management
-------------------------	--------------------

Responsible person		
Full name	Position	Area
Rozas Mory, Juan Antonio	General Manager	General Management

- b. Indicate if the procedure of the COMPANY to process the requests for information from the Stockholders and/or Stakeholders of the COMPANY is regulated in any document(s) of the COMPANY.

Bylaws	Internal Regulation Handbook	Other	Name of the document *

* Indicate the name of the document, except in case of the COMPANY's bylaws.

- () The COMPANY has a procedure in place; however, it is not regulated.
 (X) Not applicable. There is no procedure established.

- c. Indicate the number of requests for information submitted by shareholders and/or stakeholders of the COMPANY during the fiscal year subject matter hereof.

Number of requests		
Received	Accepted	Rejected
0	0	0

- d. If the COMPANY has a corporate website, does it include a special section on corporate governance or stockholders and investors relations?

Yes No

- e. During the fiscal year of this report, please indicate whether or not any type of complaint has been filed regarding limitation to access to information on the part of any particular shareholder.

Yes No

Principle	Compliance				
	0	1	2	3	4
9. Principle IV.D.3.: Any cases of doubt over the confidential nature of information requested by shareholders or stakeholders related to the company should be resolved. The criteria should be adopted by the Board of Directors and ratified at the General Shareholders' Meeting, as well as included in the bylaws or internal regulations of the company. In any event, the disclosure of information must not jeopardize the company's competitive position or be likely to affect the normal undertaking of its business.			X		

- a. Who decides on the confidential nature of any given information?

- Board of Directors
 General Manager
 Other: as applicable, it may be the Board of Directors or General Manager

- b. Please give details of pre-established criteria based on which certain data are classified as confidential. Additionally, indicate the number of information requests submitted by shareholders, during the fiscal year subject matter hereof, which were rejected due to the confidential nature of the information.

There are no established criteria.

c. Indicate whether the criteria described above is contained in any document of the COMPANY.

Bylaws	Internal Regulation	Handbook	Other	Name of the document *
				N/A

* Indicate the name of the document, except in case of the COMPANY's bylaws.

(X) Not regulated.

Principle	Compliance				
	0	1	2	3	4
10. Principle (IV.F, first paragraph): <i>The company must have an internal audit area. In the exercise of its duty, the internal auditor must keep a professional-independent relationship with the company. The auditor must act in accordance with the principles of diligence, loyalty and secrecy that are required from the Board of Directors and Management.</i>		X			

a. Indicate whether the COMPANY has an independent area responsible for internal audit.

() Yes (X) No

b. If the answer to the previous question is affirmative, please indicate, in terms of the COMPANY's organizational structure, which area the internal auditors are part of and to whom they report.

Part of:	
Reports to:	

c. Please indicate the main responsibilities entrusted to the internal auditors and whether they perform other duties unrelated to internal audits.

N/A

- d. Please indicate whether any of the responsibilities described above are regulated in any of the COMPANY's document(s).

Bylaws	Internal Regulation Handbook	Other	Name of the document*

* Indicate the name of the document, except in case of the COMPANY's bylaws.

(X) Not regulated.

Responsibilities of the Board of Directors

Principle	Compliance				
	0	1	2	3	4
11. Principle (V.D.1): <i>The Board of Directors shall perform certain key duties, including: the evaluation, approval, and direction of corporate strategy; establishment of objectives and goals, as well as major plan of action, risk monitoring, control and management policy, annual budgets and business plans; monitoring of the implementation thereof; and overseeing major capital expenditures, investments, acquisitions, and divestitures.</i>					X

- a. If the COMPANY's Board of Directors is in charge of the duty described in this principle, please indicate whether this duty of the Board is included in any of the COMPANY's document(s).

Bylaws	Internal Regulation Handbook	Other	Name of the document*
X			

* Indicate the name of the document, except in case of the COMPANY's bylaws.

(...) THE BOARD OF DIRECTORS IS RESPONSIBLE FOR THE DUTY IN QUESTION, BUT IT IS NOT REGULATED.

(...) NOT APPLICABLE. THE BOARD OF DIRECTORS IS NOT RESPONSIBLE FOR THIS DUTY.

Principle	Compliance				
	0	1	2	3	4
The Board of Directors shall perform certain key duties, namely:					
12. Principle (V.D.2): <i>Select, control, and, when required, replace the main executives, as well as determine their compensation.</i>				X	
13. Principle (V.D.3): <i>Evaluate the compensation of the main executives and of members of the Board of Directors, guaranteeing that the procedure followed to choose directors is formal and transparent.</i>				X	

- a. If the COMPANY'S Board of Directors is in charge of the duties described in this principle, please indicate whether these duties of the Board are mentioned in any of the COMPANY'S document(s).

Bylaws	Internal Regulation Handbook	Other	Name of the document*
X			

* Indicate the name of the document, except in case of the COMPANY'S bylaws.

(...) THE BOARD OF DIRECTORS IS RESPONSIBLE FOR THE DUTY IN QUESTION, BUT IT IS NOT REGULATED.

(...) NOT APPLICABLE. THE BOARD OF DIRECTORS IS NOT RESPONSIBLE FOR THIS DUTY.

- b. Please indicate which body is in charge of the following:

Duty	Board of Directors	General Manager	Other (please specify)
Hiring and replacing the General Manager	X		
Hiring and replacing the Management Staff		X	
Determine the remuneration of the main executives	X		
Assess the remuneration of the main executives		X	
Evaluate the remuneration of the Directors			Shareholders' Meeting

- c. Please indicate whether the COMPANY has internal policies or established procedures for the following:

Policies for:	YES	NO
Hiring and replacing main executives	X	
Determining the remuneration of main executives	X	
Evaluating the remuneration of main executives	X	
Evaluating the remuneration of the Directors	X	
Appointing Directors	X	

- d. In case the answer to the previous question is affirmative, please indicate if such procedures are regulated in any document of the COMPANY.



Annual Report 2014
Statkraft Peru

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Av. Felipe Pardo y Aliaga
N° 652, Int. 203,
San Isidro, Lima 27

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Web: www.statkraft.com.pe