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On April 5, 2013, the Company and La Fiduciaria S. A. subscribed to said contract with the purpose of constituting a trust of irrevocable designation, for which the Company transferred the trust assets on fiduciary domain to La Fiduciaria. This trust agreement was signed in order to guarantee the financial obligations assumed which Banco Internacional del Peru S.A.A. for the constructions of the hydroelectric plants. See note 10.

The purpose of the contract is the following:

- (i) Administer the trust assets and the trust bank accounts.
- (ii) The Trust Equity can be used as payment means of the guaranteed obligations.
- (iii) The Trust Equity can be used as guarantee of faithfully and timely compliance of the guaranteed obligations.

*(d) Approval of financial statements*

The financial statements for the year ended December 31, 2014, have been approved and authorized for their issuance by Management and will be submitted to the Board of Directors and the General Shareholders' Meeting for their approval within the terms established by law. In Management's opinion, said financial statements will be approved without modification.

**2. Operating regulation and legislation that affect the activities of the electricity industry**

The main regulations affecting the Company's activities are the following:

*(a) Electrical concessions law—*

In Peru, the electricity sector is ruled by the Electrical Concessions Law, Decree-Law N°25844, enacted on November 19, 1992, its Regulation, Supreme Decree N° 009-93-EM, enacted on February 25, 1993, and its amendments and extensions, such as Law N° 28632, "Law to Ensure the Efficient Development of Electric Generation".

Pursuant to the Electrical Concessions Law, the electricity sector is divided into three main sub-sectors, each one comprising a different activity: electricity generation, transmission and distribution. In accordance with said Law and the "Law to Ensure the Efficient Development of Electricity Generation", the operation of power generation plants and transmission systems are subject to the provisions of the Economic Operation Committee of the National Interconnected System (COES-SINAC, by its Spanish acronym), with the purpose of coordinating said operation at a minimum cost, preserving the safety of electric energy supply and the best usage of energy resources, as well as the planning of the SEIN development and the short-term market administration. COES-SINAC determines the pricing of the power and energy transfers between generators.

The main changes introduced by the Law are related to the participation in short-term market of distribution companies and large free customers, including distributors and customers, besides generation companies, as members of COES-SINAC, modifying the structure of this organization. Also, it regulates the procedure for distribution companies to convene biddings to ensure energy supply to the regulated market. This law has also amended the legal framework for the electricity transmission activities.

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