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## Hidroeléctrica Santa Cruz S.A.C. Notes to the financial statements

As of December 31, 2014 and 2013

1. Identification and business activity

**(a) Identification**

Hidroeléctrica Santa Cruz S.A.C. (hereafter "the Company") is a Peruvian entity incorporated on December 21, 2006, in the city of Lima, subsidiary of Latin America Power Perú S.A.C. (a Subsidiary of Latin America Power Holding B.V., domiciled in the Netherlands), which holds 65.7 percent of the voting shares of the Company's capital stock (a 30.54 percent direct participation, and a 35.16 percent indirect participation through HSC Holding S.A.C.).

**(b) Business activity**

The Company is dedicated to the generation and sale of electricity to local private and state-owned companies, as well as to engineering activities, and actions related to its business activity. Its legal domicile is Av. del Pinar N° 152, Oficina N° 508, Santiago de Surco, Lima, Peru.

As of December 31, 2014 and 2013, the Company is developing the Santa Cruz III Hydroelectric Plant, which is located all along the Santa Cruz River (Caraz, department of Ancash). Said plant will have 2.8 MW of generation capacity. Construction started in January 2015 and commercial operations are estimated to start by July 2016.

On January 12, 2012, and February 15, 2012, the Company started the commercial operations of Group 1 and Group 2, respectively, of the Huasahuasi I Hydroelectric Plant, which has 10.0 MW of generation capacity. Said plant is located in the basins of the Huasahuasi and Huacuas rivers, Huasahuasi district, province of Tarma, department of Junín.

On April 18, 2012, and May 5, 2012, the Company started the commercial operations of Group 1 and Group 2, respectively, of the Huasahuasi II Hydroelectric Plant, which has 10.0 MW of generation capacity. Said plant is located in the basins of the Huasahuasi and Huacuas rivers, Huasahuasi district, province of Tarma, department of Junín.

In 2010, the Company started operations of the Santa Cruz II Hydroelectric Plant, has 7.4 MW of generation capacity.

In 2009, the Company started operations of the Santa Cruz I Hydroelectric Plant, which is located on the Santa Cruz River (15 km north of the city of Caraz, department of Ancash), which has 6.0 MW of generation capacity.

In 2008, the Company entered to the Regime of Investment Promotion on Electricity Generation by Using Renewable Energy Resources (hereafter "RER"), through which the Company supplies the National Interconnected Electric System (SEIN under its Spanish acronym) with the energy generated by its four hydroelectric plants that are currently operating. For this purpose, the Company and the Peruvian government signed RER contracts which have a 20-year period maturity, which establish that, through the mechanism of RER Auctions, the Company receives a fixed fee adjusted for WPS5OP3500 rate (finished goods less food and energy) per megawatt established for each hydroelectric plant.

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