ENERGUATE

Overview

Through two corporate entities, DEOCSA and DEORSA (commercially known as Energuate), we are one of the two large energy distributors in Guatemala and the largest distribution company in Central America measured by population served. We operate in 21 of Guatemala's 22 departments, distributing energy to a service area of 101,914 km^2 with approximately 11.8 million inhabitants. As of June, 30 2017, our service area represented approximately 93.6% of the country's territory in which approximately 72.8% of its total population resides. As of June 30, 2017, we provided services to approximately 1.7 million regulated customers in Guatemala, which we estimate represent approximately 56.0% of Guatemala's population and approximately 54.3% of Guatemala's regulated distribution customers. We operated approximately 70,380 km of distribution lines in Guatemala, representing approximately 83.1% of Guatemala's distribution lines as of June 30, 2017. We hold government authorizations to provide energy distribution services within our service area until 2048.

In the six-month period ended June 30, 2017 and 2016, energy demanded by Energuate customers equaled 1,123 GWh and 1,220 GWh, respectively, which represented appoximately 28.9% and 29.5.0% of the total energy purchased in Guatemala for such periods. We purchase the energy and capacity we distribute to our customers principally through long-term PPAs with the generation companies. In the six-month period ended June 30, 2017, we purchased US$166,220 thousand in energy under our PPAs and US$25,580 thousand in energy on the spot market, which represented 86.7% and 13.3%, respectively, of the total amount of energy purchased by us for such period. As of June 30, 2017, we maintained 88 PPAs with 44 generators and with a weighted average life of 12 years. We are required, under the current regulations, to have enough contracted capacity to satisfy the projected demand of our customers for the current calendar year and for the following year. However, if the contracted capacity and energy under our PPAs are insufficient to meet the demand of our customers or if energy pricing conditions under those PPAs are higher than the spot market price, we occasionally make purchases on the spot market.

Distribution Tariffs and VAD Charges

Our liquidity and results of operations are principally affected by the base tariffs and changes in the regulated tariffs that we charge for energy transmitted through our distribution system, and are also affected, to a lesser extent, by the tariffs we negotiate with unregulated customers. Regulated customers, which are subject to regulated tariffs, accounted for 97.7% of the volume of energy we delivered in the six-month period ended June 30, 2017, compared to 91.4% of the volume of energy delivered for the six-month period ended June 30, 2016. Our tariffs for regulated customers consist of three components: (1) energy and capacity charges designed to cover the cost of energy and capacity purchased by us for delivery to regulated customers, (2) transmission tolls for the use of the transmission grid, and (3) a Distribution Value Added ("VAD") charge designed to cover the operating expenses, capital expenditures and cost of capital of a model efficient distribution company operating in our service areas. The CNEE adjusts these components at different intervals based on the methodology established by the General Electricity Law and related regulations.

The VAD charges applicable to us are established every five years under procedures set forth in the General Electricity Law and related regulations. The VAD charges currently applicable to us were established in January 2014 and are scheduled to be reassessed in January 2019. For DEOCSA, the VAD charges -revised on a semiannual basis- applicable to us as of June 30, 2017, were Q103.9 (US$14.1) per kW monthly for low-voltage tariffs and Q61.8 (US$8.4) per kW monthly for medium-voltage tariffs. For DEORSA, the VAD charges applicable to us as of June 30, 2017, were Q99.2 (US$13.5) per kW monthly for low-voltage tariffs and Q82.3 (US$11.2) per kW monthly for medium-voltage tariffs.

In addition, our results of operations, liquidity and financial condition are affected by temporary differences in the energy and capacity charges included in our regulated tariffs and the actual cost we pay for them. These differences arise mainly due to changes in the timing of the pass through of energy and capacity charges to final customers. Over longer periods of time, however, the energy tariff setting process is designed to be neutral from a distribution company standpoint.

Energy and capacity charges consist of a base tariff and an energy adjustment surcharge. The base tariff is reset on May 1 of each year by the CNEE based on the projected cost of energy and capacity purchases that we are expected to incur during the following year. The energy adjustment surcharge is set quarterly by the CNEE to reflect variations in the actual cost of energy and capacity purchased from the projected cost. Any resulting variation in each quarter is considered by the CNEE for the determination of the applicable energy adjustment surcharge for the next quarter. However, the CNEE may, with the consent of the relevant distributor, defer the application of any such adjustment to avoid significant variations in the tariff. For example, the CNEE may defer the adjustment if energy prices are expected to vary significantly within a year. The decision by the

CNEE to impose positive or negative energy adjustment surcharges in the future is merely an adjustment mechanism of the energy charge that applies to subsequent periods.

The results of this tariff adjustment process is reflected by the CNEE through quarterly resolutions and communicated to DEOCSA and DEORSA for its application in subsequent periods. Pursuant to the CNEE resolutions published in April 2017, the energy adjustment surcharge applicable to us for the period from May 1, 2017 to July 31, 2017 was determined to be a net reduction of our energy charges of approximately US$6,763 thousand. In addition, the April 2017 resolution established an amount (outstanding balance following the net reduction applied from May 1, 2017 through July 31, 2017) of US$25,202 thousand to be applied to reduce energy charges in future periods as agreed between us and the CNEE.

As of June 30, 2017, we owed our customers regulatory liabilities of US$37,043 thousand, compared to US$37,103 thousand accrued as of December 31, 2016. This liability is not recorded in our financial statements because it does not meet the definition of a liability according to IFRS.

Demand Network Inputs

Our network inputs in the six-month period ended June 30, 2017 were 1,575 GWh, or a 2.45% increase over the same period in 2016. The demand growth is primarily explained by i) an increase of 55 thousand customers as of June 30, 2017 compared to June 30, 2016, intrinsic to the nature of our operations, ii) a 3.94% increase in energy consumption by distribution toll customers, supported by a strong economic activiy due to an increase in remittances in the geography where we operate and iii) a 1.1% increase in daily average consumption by commercial clients.

The main factors which offset the rate of growth of demand were i) a 14.8% reduction in public lightning consumption as a result of a switch to more efficient lightning technologies such as LED and fluorescent lightning by municipalities and ii) a 2.3% decrease in average demand by residential customers, from 2.75 kWh/day per customer for the six-month period ended June 30, 2016 to 2.70 kWh/day per customer for the six-month period ended June 30, 2017, primarily driven by lower temperatures during 2017 as a result of the El Niño weather phenomenon.

Energy Losses

Our total energy losses in the six-month period ended June 30, 2017 and 2016 were 19.9% and 18.0% of our total energy received, respectively. Although the distribution tariffs that we charge our regulated customers provide for an allowance determined by the CNEE for losses incurred in the distribution of energy, (currently approximately 15.0% of our costs associated with energy losses) our losses may continue to exceed such allowance and, therefore, we may have to continue to bear the cost of such losses. Such loss is reflected as a decrease in our gross profit since the cost of purchasing the energy lost is not compensated by a corresponding sale of energy.

The main factors which affected the energy losses during the the period were i) a change in billing estimation methodology for customers located in “conflict zones” implemented in 2016 which led to an increase in reported energy losses starting in the third quarter of 2016; the effect of such change in methodology is expected to finalize during the second quarter of 2018, and ii) a 3 GWh decrease in public lightning demand, from 22 GWh during the six-month period ended June 30, 2016 to 19 GWh during the six-month period ended June 30, 2017 due to factors previously described, which led to a reduction in the calculation base for the energy losses indicator.

Collections

Our collection ratio (which reflects the amounts collected divided by the total billed amounts) in the six-month period ended June 30, 2017 and 2016 was 95.4% and 94.8%, respectively. Collections have been positively affected by i) higher collections with respect to residential customers as a result of increased effectiveness in management of past-due accounts (>180 days), ii) increase in monthly average cuts, from 31 thousand to 40 thousand or a 21% increase in such activities and iii) the execution of debt agreements with12 municipalities for unpaid services.

Service Quality Indicators

With respect to the Total Time of Interruptions per Installed KvA (TTIK) regulatory indicator, which measures the length of time of each interruption of service to end users over a 12-month period, our TTIK indicator as of June 30, 2017 and 2016 was 36.3 hours and 37.5 hours, respectively, registering a net reduction of 1.2 hours or 3.0%.

With respect to the Medium Frequency Interruptions per Installed KvA (FMIK) regulatory indicator, which measures the frequency of interruption of service to end users over a 12-month period, our FMIK indicator as of June 30, 2017 and 2016 was 7.7 times and 8.9 times, respectively, registering a net reduction of 1.2 times or 13.2%.

These improvements were primarily driven by an increase in the execution of product and technical services quality projects, including but not limited to the installation of new voltage regulation modules, construction of new substations, network reconduction, installation of reclosers and automated switches to support operating flexibility, preventive maintenance plans, as well as the installation of new back-up structures for increased recovery of service with respect to power outages.

Tax Claim Payments

In connection with certain tax claims asserted by the SAT, relating to actions taken by our prior owner in connection with its leveraged buy-out of our company, in August 2016, we paid US$17,171 thousand in alleged back taxes to the SAT for fiscal years 2011 and 2012, excluding fines and interest. In light of the SAT's actions, and in order to avoid the initiation of complaints by the SAT concerning fiscal years 2013, 2014 and 2015 and any fines and interest, upon instruction of the SAT, we revised our tax returns for these years and, on August 9, 2016, we made a payment of US$18,093 thousand for the years 2014 and 2015 and, on August 19, 2016, we paid US$13,189 thousand for the year 2013. In order to make these payments to the SAT, we used cash in hand and amended our then existing syndicated loan agreements to provide for additional lines of credit, pursuant to which we drew down US$28,000 thousand and Q93,000 thousand under our syndicated loan agreements.

In addition, in December 2016, following discussions with, and upon the instruction of the SAT, and in order to avoid other potential measures by the SAT, we paid US$25,721 thousand to the SAT in full satisfaction of the interest and fines assessed by the SAT in connection with the alleged 2011 and 2012 back taxes. In order to make these payments, we used cash in hand and the lines of credit available under our then existing syndicated loan agreements, under which we drew down US$30,000 thousand under our syndicated loan agreements. As of June 2017, the total amount paid to SAT due to the aboved mentioned tax claim equals US$85,793 thousand[1].

During 2016 we made pre-payments of our 2016 income taxes of US$5,393 thousand and in January 2017 we made additional pre-payments of our 2016 income taxes of US$2,773 thousand, in each case calculated without including items related to goodwill, depreciation and interest that were subject to the tax claim as deductible amounts. Finally, in May 2, 2017 we made additional payments of income tax in advance for US$1,927 thousand also considering the non-deductability of the goodwill's amortization and interest. If we are successful in our challenge to the tax claims, we intend to claim a refund for the overpayment of these taxes.

[1] With respect to these taxes paid, US$1,526 thousand pertaining to June 2017 were paid in July 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based on, and should be read in conjunction with, our unaudited combined financial statements as of June 30, 2017 and 2016

Combined Results of Operations

Six-Month Period Ended June 30, 2017 Compared to Six-Month Period Ended June 30, 2016

	For the six-month period ended June 30,		
	2017	**2016**	**%**
	(US$ in thousands)		
Revenue:			
Energy sales	281,047	268,983	4.49%
Services rendered	5,808	5,057	14.85%
Other revenues	7,993	7,414	7.81%
Total revenue	294,848	281,454	4.76%
Costs of sales:			
Energy purchases	-191,799	-181,128	5.89%
Other costs of sales	-36,922	-36,166	2.09%
Total costs of sales	-228,721	-217,294	5.26%
Gross profit	66,127	64,160	3.07%
General, selling and administrative expenses	-30,384	-35,328	-13.99%
Financial income	8,848	2,202	301.82%
Financial expenses	-15,925	-12,066	31.98%
Other income	1,539	-	
Profit before income tax	30,205	18,968	59.24%
Income taxes	-13,934	-5,027	177.18%
Profit for the year	**16,271**	**13,941**	**16.71%**

Energy Sales

Our energy sales increased by US$12,064 thousand, or 4.5%, from US$268,983 thousand for the six-month period ended June 30, 2016 to US$281,047 thousand for the six-month period ended June 30, 2017, primarily due to i) a 8% increase in the average base rate of low-voltage tariffs and ii) a 67% increase in the average base rate of medium-voltage tariffs. Our average revenue per kWh increased by US$0.02/kWh, or 9.0%, from US$0.22/kWh for the six-month period ended June 30, 2016 to US$0.25/kWh for the six-month period ended June 30, 2017. The results were positively affected by a 4.2% appreciation of the *quetzal* against the U.S. dollar over the review period, which represented a US$10,641 thousand increase in reported sales.

In addition, the net reduction with respect to tariff adjustments for the six-month period ended June 30, 2017 amounted to US$1,500 thousand, compared to US$5,038 thousand for the six-month period ended June 30, 2016, positively affecting results for the period.

The price increase effect was offset by a 96.8 GWh, or 8%, decrease in energy supplied from 1,220 GWh for the six-month period ended June 30, 2016 to 1,123 GWh for the six-month period ended June 30, 2017 primarily due to i) a US$9,060 thousand reduction in energy sales associated to non-regulated customers as a result of the outflow of 30 clients, a portion of which are now served by our affiliated energy commercialization company and through distribution tolls by us, and ii) a 13.4kWh decrease in average energy consumption by client per month, from 122.7 kWh for the six-month period ended June 30, 2016 to 109.3 kWh for the six-month period ended June 30, 2017, partially affected by a technology transition to LED bulbs by municipalities for public lightning consumption and a 2.31% decrease in average demand by residential customers primarily driven by lower temperatures during 2017 as a result of the El Niño weather phenomenon.

Net aggregate customers' growth as of June 30, 2017 amounted to 54,761, or 3.3%, from approximately 1,658 thousand customers as of June 30, 2017 to approximately 1,712 thousand customers as of June 30, 2017.

Services Rendered

Our revenue from services rendered increased by US$751 thousand, or 14.5%, from US$5,057 thousand for the six-month period ended June 30, 2016 to US$5,808 thousand for the six-month period ended

June 30, 2017 due to an increase of US$751 thousand in distribution tolls collected from 30 non-regulated customers which are now served by our affiliated energy commercialization company.

Other Revenues

Our other revenues increased by US$579 thousand, or 7.8%, from US$7,414 thousand for the six-month period ended June 30, 2016 to US$7,993 thousand for the six-month period ended June 30, 2017.

The increase is primarily due to a US$2,189 thousand increase in revenues recognized as a result of assets transferred from customers in the form of cash necessary to acquire or to build them. This was partially offset by i) a US$1,247 thousand reduction in payments received from hydroelectric plants as a result of breach of contracts and ii) a US$447 thousand decrease in government grants.

Energy Purchases

Our energy purchases increased by US$10,671 thousand, or 5.9%, from US$181,128 thousand for the six-month period ended June 30, 2016 to US$191,800 thousand for the six-month period ended June 30, 2017.

This increase was primarily due to a 6.0% increase in the average purchase cost per kWh, from US$0.12 for the six-month period ended June 30, 2016 to US$0.13 for the six-month period ended June 30, 2017, which represented a US$10,938 thousand increase in energy purchase cost. The increase in average purchase price was primarily driven by a higher average purchase price as a result of the commencement of new PPAs. The US$10,938 thousand increase was partially offset by a 3 GWh or 0.15% decrease in energy purchased, from 1,436 GWh for the six-month period ended June 30, 2016 to 1,433 GWh for the six-month period ended June 30, 2017.

During the six-month period ended June 30, 2017, energy purchases were as follows:

	For the six-month period ended June 30,	
	2017	**2016**
	(US$ in thousands)	
PPAs………	166,220.0	158,353.0
Spot market ………………	25,580	22,775
Total	191,800.0	181,128.0

Other Costs of Sales

Our other costs of sales increased by US$756 thousand, or 2.1%, from US$36,166 thousand for the six-month period ended June 30, 2016 to US$36,922 thousand for the six-month period ended June 30, 2017, as a result of the factors discussed below.

The following table shows the other costs of sales for the periods indicated.

	For the six-month period ended June 30,		
	2017	**2016**	**%**
	(US$ in thousands)		
Depreciation and amortization	13,835	12,580	10%
Personnel expenses	7,457	7,601	-2%
Sundry services	5,494	4,936	11%
Maintenance expenses..	3,773	3,917	-4%
Fees	1,818	1,808	1%
Professional services	1,873	1,463	28%
Cost of Fixed Asset sold or retired	21	1,973	-99%
Maintenance material	530	683	-22%
Provision for obsolete inventories	-	-	
Fuel	227	189	20%
Advertising, marketing and public relations......................	296	136	117%
Travel expenses	182	133	37%
Sundry expenses	326	439	-26%

	For the six-month period ended June 30,		
	2017	2016	%
	(US$ in thousands)		
Leasing and royalty expenses	95	165	-43%
Banking expenses	-	-	
Supplies	19	13	49%
Guarantee expenses works / transportation	-	4	-100%
Total	**36,922**	**36,166**	2%

The decrease of US$756 thousand, or 2.1%, was primarily due to:

- A US$1,255 thousand or 9.9% decrease in Depreciation and Amortization cost primarily due to an increase in electrical instalations which came online during the period.
- A US$856 thousand or 684.8% increase in Provisions related to penalties with respect to incidences of service interruption from previous periods. The increase follows the finalization of the administrative process that determined payment of such penalties.
- A US$558 thousand or 11.3% increase in Sundry Services related to higher activities in terms of meter reading and on-site billing.

The effects of these factors were partially offset by a US$1,952 thousand decrease in Costs of fixed assets sold or retired.

Gross Profit

Our gross profit increased by 3.1% to US$66,127 thousand for the six-month period ended June 30, 2017 from US$64,160 thousand for the six-month period ended June 30, 2016 primarily as a result of the 4.5% increase in revenue from energy sales, driven by the tariff adjustments which permit the recovery of differences between energy costs and our actual cost of energy. The increase was partially offset by the 5.8% increase in the cost of energy purchases as previously explained and the increase to 19.9% in our energy losses as of June 30, 2017. Our gross margin (equal to gross profit divided by total revenue) for the six-month period ended June 30, 2017 was 23.5%, compared to 23.9% for the six-month period ended June 30, 2016.

General, Selling and Administrative Expenses

Our general, selling and administrative expenses decreased by US$4,944 thousand, or 14.0%, from US$35,328 thousand for the six-month period ended June 30, 2016 to US$30,384 thousand for the six-month period ended June 30, 2017, as a result of the factors discussed below. Our general, selling and administrative expenses represented 10.3% of our total revenue for the six-month period ended June 30, 2017 compared to 12.6% of total revenue for the six-month period ended June 30, 2016.

The following table shows the general, selling and administrative expenses combined for the periods indicated.

	For the six-month period ended June 30,		
	2017	2016	%
	(US$ in thousands)		
Impairment losses recognized on receivables from doubtful accounts	12,562	15,710	-20.0%
Personnel expenses	5,278	6,401	-17.6%
Sundry services	4,618	5,969	-22.6%
Professional services	2,427	1,958	24.0%
Maintenance	1,694	1,627	4.1%
Provision	257	113	128.6%
Sundry expenses	318	726	-56.2%
Advertising, marketing and public relations	660	664	-0.6%
Leasing and royalties expenses	545	614	-11.3%
Supplies	675	592	14.1%
Travel expenses	690	394	75.2%
Losses resulting from discounts granted to customers related to accounts receivable	331	92	260.5%
Insurance premiums	195	137	41.8%

	For the six-month period ended June 30,		
	2017	2016	%
	(US$ in thousands)		
Banking expenses………………………………………..	63	168	-62.6%
Fees……………………………………………………	29	93	-68.8%
Maintenance materials…………………………………...	42	70	-40.4%
Total……………………………………………………..	**30,384**	**35,328**	**-14.0%**

The decrease of US$4,944 thousand, or 14.0%, was primarily due to:

- A US$3,613 thousand or 20.0% reduction in Impairment Losses Recognized on Receivables from Doubtful Accounts due to an increase in debt agreements with municipalities, which effectively reduce the expense related to past due accounts.

- A US$1,351 thousand or 22.6% decrease in Sundry Services primarily due to the termination of the operating fee agreement with Arthasan S.A. in January 2016, under which our former executive officers received compensation. Since January 2016, compensation for our executive officers is recorded as personnel expenses;

- A US$1,124 thousand or 17.6% decrease in Personnel Expenses primarily due to i) a US$862 thousand decrease in compensation to employees -including the top management team- given a change in the ownership structure of the companies and ii) a US$391 thousand decrease in severance compensation.

- A US$408 thousand decrease in Sundry Expenses due to accounting adjustments to accounts receivables as a result of conciliations performed between the company's records and commercial balances.

These decreases were partially offset by:

- a US$469 thousand or 24.0% increase in Porfessional Services, primarily affected by a US$687 thousand increase in expenses associated to the implementation of SOX controls methodology, partially offset by a US$214 thousand reduction in audit expenses related to 2016's increased expenses for financial statements restatements.

- A US$401 thousand increase in Fees due to increased taxes payable as a result of processes dating back to 1999 and 2000.

- A US$296 thousand or 75.2% increase in Travel Expenses.

- A US$239 thousand or 260.5% increase in Losses resulting from discounts granted to customers related to accounts receivables due to new debt payment agreements.

- A US$145 thousand or 128.6% increase in Provisions with respect to contingent liabilities related to indemnization processes with the CNEE.

Financial Income

Our financial income increased by US$6,646 thousand, or 301.8%, from US$2,202 thousand for the six-month period ended June 30, 2016 to US$8,848 thousand for the six-month period ended June 30, 2017.

This increase was primarily due to a US$7,323 thousand gain on exchange difference, net, as of June 30, 2017 due to the 4.2% appreciation of the *quetzal* against the U.S. dollar, which was offset by a US$723 thousand decrease in interest on cash balances with financial institutions.

Financial Expenses

Our financial expenses increased by US$3,859 thousand, or 32.0%, from US$12,066 thousand for the six-month period ended June 30, 2016 to US$15,925 thousand for the six-month period ended June 30, 2017. The increase is primarily due to i) a US$2,068 thousand increase in Other Financial Expenses, primarily as a result of increased interest on tax payments and the amortization of transaction costs related to the recent global notes issuance and ii) a US$2,188 increase in interest expense with respect to financial obligations as a result of a net increase in our indebtedness following the recent global notes and the Guatemalan loan. These increases were partially offset by a US$393 thousand decrease in loss on exchange difference, net.

Other Income

Our other income increased by US$1,530 thousand from US$0.0 for the six-month period ended June 30, 2016 to US$1,530 thousand for the six-month period ended June 30, 2017.

This increase was due to the reversal of provision for contingencies recognized with respect to the Hidroxacbal litigation, which final resolution was unfavorable to Energuate. Nevertheless, the CNEE determined that this cost was an energy purchase cost, and as a result the contigencies provision reversion was recognized as other income in 2017.

Provision for Income Taxes

Our provision for income taxes increased by US$8,907 thousand from US$5,027 thousand for the six-month period ended June 30, 2016 to US$13,934 thousand for the six-month period ended June 30, 2017. Our combined effective income tax rate increased to 46.0% for the six-month period ended June 30, 2017 from 27.0% for the six-month period ended June 30, 2016, mainly as a result of i) an amendment of the Annual Income Tax Return of fiscal year 2013 which resulted in US$1,315 thousand increase in taxes payable and ii) an adjustment on our projected effective tax rate, which resulted in a US$2,497 thousand increase in additional accrued taxes payable (non-cash).

Profit

Our profit increased by US$2,330 thousand, or 16.7%, from US$13,941 thousand for the six-month period ended June 30, 2016 to US$16,271 thousand for the six-month period ended June 30, 2017, for the reasons set forth above. Our net margin (equal to profit divided by total revenue) increased to 5.5% for the six-month period ended June 30, 2017 from 5.0% for the six-month period ended June 30, 2016.

Combined Liquidity and Capital Resources

Our principal sources of liquidity are funds generated from operations and lines of credit with financial institutions. Our primary uses of cash are to purchase energy and capacity from generation companies for our operations and to fund our capital expenditures program. We believe that our sources of liquidity are sufficient to satisfy our requirements.

As of June 30, 2017, we had cash and cash equivalents of US$13,390 thousand and outstanding financial debt of US$450,079 thousand. As of December 31, 2016, we had cash and cash equivalents of US$11,119 thousand and outstanding financial debt of US$317,070 thousand. As of June 30, 2017 and 2016, we had negative working capital of US$16,056 thousand and US$173,623 thousand, respectively (including US$61,050 thousand and US$54,779 thousand, respectively, in current liabilities pertaining to customers' deposits). Our management has therefore increased its focus on improving our collection ratio and reducing energy losses. Notwithstanding the foregoing, our management believes that our working capital is adequate for our needs during 2017.

Combined Cash Flows

The following table sets forth certain information about our cash flows for the six-month period ended June 30, 2017 and 2016.

	For the six-month period ended June 30	
	2017	**2016**
	(US$ in thousands)	
Net cash (used in) generated by operating activities		
Profit for the period ………………………………….	16,271	13,941
Adjustments ………………………………………….	43,849	44,211
Changes in working capital ………………………….	(46,768)	(18,673)
Income tax paid ………………………………………	(8,920)	(5,267)
Payment of interest …………………………………...	(7,977)	(8,959)
Total net cash (used in) generated by operating activities	(3,545)	25,253
Net cash flows used in investing activities ……………..	(8,154)	(11,719)
Net cash generated by (used in) financing activities ……	13,254	(45,734)
Net increase (decrease) in cash and cash equivalents …..	1,555	(32,200)
Cash and cash equivalents, at beginning of the period	11,119	41,252
Effects of exchange rate changes on cash and cash changes on cash and cash equivalents ………………….	716	17
Cash and cash equivalents, at end of the period…………	13,390	9,069

Six-Month Period Ended June 30, 2017

Net cash used in operating activities for the six-month period ended June 30, 2017 was US$3,545 thousand. The principal costs included in adjustments to reconcile our profit to net cash generated from operating activities were: (1) depreciation and amortization of US$13,836 thousand; (2) impairment losses recognized on receivables from doubtful accounts of US$12,166 thousand; (3) financial costs of US$11,147 thousand; and (4) income tax expense of US$13,934 thousand. The most significant changes to working capital reflected in net cash generated from operating activities were: (1) an increase in trade and other accounts payable to US$26,874 thousand as a result of payments of energy purchases and other service providers due in 2016 which were made effective in January 2017, and (2) an increase in trade receivables of US$14,562. In addition, we used cash to make payments of interest of US$7,977 thousand and to make income tax payments of US$8,920 thousand.

Net cash used in investing activities for the six-month period ended June 30, 2017 was US$8,154 thousand, which was principally used to make payments of US$12,941 thousand for property plant and equipment.

Net cash generated from financing activities for the six-month period ended June 30, 2017 was US$13,254 thousand, resulting principally from the issuance of US$449,988 thousand in long-term debt, which was partially offset by i) the repayment of US$289,144 of long-term debt and US$60,000 of short-term debt, ii) a US$67,500 increase in accounts receivables and iii) dividend payments of US$42,309.

Six-Month Period Ended June 30, 2016

Net cash generated from operating activities for the six-month period ended June 30, 2016 was US$25,253 thousand. The principal costs included in adjustments to reconcile our profit to net cash generated from operating activities were: (1) depreciation and amortization of US$12,580 thousand; (2) impairment losses recognized on receivables from doubtful accounts of US$15,788 thousand; (3) finance costs of US$8,959 thousand; and (4) income tax expense of US$5,027 thousand. The most significant accounts in working capital reflected in net cash generated from operating activities was i) US$14,610 charge in trade receivables and ii) a US$6,999 amount in trade and other accounts payable. In addition, we used cash to make income tax payments of US$5,267 thousand and to make payments of interest of US$8,959 thousand.

Net cash used in investing activities for the six-month period ended June 30, 2016 was US$11,719 thousand, which was principally used to make payments of US$10,937 thousand for property plant and equipment.

Net cash used in financing activities for the six-month period ended June 30, 2016 was US$45,734 thousand, resulting principally from i) dividend payments of US$28,885 thousand and ii) repayment of long-term and short-term debt of US$18,879 and US$14,000, respectively. These amounts were partially offset by the incurrence of US$14,000 in short-term loans.

Indebtedness

On May 3, 2017, DEOCSA and DEORSA entered into a senior unsecured long-term loan –as Co-Borrowers- with Credit Suisse AG, Cayman Islands Branch for an aggregate principal amount of US$ 330,000 thousand. DEOCSA received US$191,400 thousand -or 58% of the notional amount- of the proceeds of this transaction while DEORSA received US$138,600 thousand -or 42% of the notional amount- of the proceeds of this transaction. The loan accrues interest at a rate of 5.875%, payable semi-annually and one single principal repayment on the final maturity date on May 3, 2027.

In connection with the previously detailed loan transaction, DEOCSA and DEORSA -on an individual basis- entered into Quetzal-denominated loans in the amount of approximately US$72,000 thousand and US$48,000 thousand, respectively. The loans accrue interest on a monthly basis at the weighted average active interest rate (Tasa Activa Promedio Ponderada), as published monthly by the Guatemalan Central Bank, less 6.0% (subject to a floor rate of 7.0%) and considers quarterly principal repayments beginning on September 2020, with final maturity occurring in June 2027.

The proceeds of these transactions were used to repay in full DEOCSA and DEORSA's indebtedness under the syndicated loan, dividend distribution payments and perform a capital reduction.

As of June 30, 2017, no additional indebtedness has been incurred by Energuate.

Combined Capital Expenditures

Our capital expenditures primarily comprise projects to modernize and expand our transmission grid and distribution system in order to, reduce energy losses, improve our billing and collection systems and to improve service quality and customer satisfaction levels.

Our capital expenditures in respect of tangible fixed assets were US$12,941 thousand and US$10,937 for the six-month period ended June 30, 2017 and 2016, respectively.

Off-Balance Sheet Transactions

We are not party to any off-balance sheet arrangements.

Derivatives Transactions

We are not party to any derivative transactions. In the future, we may, from time to time, enter into derivatives transactions in order to mitigate our interest rate and/or exchange rate risks.

Reconciliation of Combined EBITDA to Combined Profit

	For the six-month period ended June 30,	
	2017	2016
	(US$ in thousands)	
Profit for the year	16,271	13,941
Financial expenses	15,925	12,066
Financial income	(8848)	(2202)
Income tax expense (benefit), net	13,934	5,027
Depreciation and amortization	13,835	12,580
Combined EBITDA	**51,117**	**41,412**
Tariff Smoothing Adjustment	1,500	5,038
Adjusted EBITDA	**52,617**	**46,450**

Summary of Combined Operating and Other Data

	For the six-month period ended June 30,	
	2017	2016
Energy sales (GWh)	1,123	1,220
Number of customers (at period end) (in thousands)	1,712	1,658
Number of employees (at period end)	752	785
Energy losses (% of energy purchased)	19.9%	18.0%
Average revenue per kWh (US$)	0.25	0.22

Regulated Customers by Type of Tariff

	For the month ended June 30,			
	2017		2016	
		%		%
Regulated customers				
Social tariff	1,650,678	96.4	1,592,856	96.1
Regular tariff	57,194	3.3	60,192	3.6
Low-voltage peak tariff	1,377	0.1	1,423	0.1
Low-voltage off-peak tariff	2,614	0.2	2,613	0.2
Medium-voltage peak tariff	8	-	12	-
Medium-voltage off-peak tariff	77	-	63	-
Public lighting tariff	298	-	296	-
Total regulated customers	**1,712,246**	**100**	**1,657,455**	**100.0**
Unregulated customers	**108**	-	**138**	**-**
Total	**1,712,354**	**100**	**1,657,593**	**100**

Energy Distribution to Regulated Customers by Type of Tariff

	For the six-month period ended June 30,			
	2017		2016	
	(GWh)	%	(GWh)	%
Regulated customers				
Social tariff	606.6	55.2	604.7	54.2
Regular tariff	232.4	21.2	231.0	20.7
Low-voltage peak tariff	52.3	4.8	54.1	4.9
Low-voltage off-peak tariff	73.6	6.7	75.3	6.8
Medium-voltage peak tariff	7.3	0.7	8.3	0.7
Medium-voltage off-peak tariff	10.7	1.0	12.5	1.1
Public lighting tariff	115.1	10.5	128.9	11.6
Total regulated customers	**1,098.0**	**100.0**	**1,114.8**	**100.0**

Social Tariff

	For the six-month period ended June 30,	
	2017	2016
Regulated customers eligible for the social tariff	1,650	1,593
Energy sold under the social tariff (in thousands)	186,547	160,526
Revenues from sales of energy under the social tariff / Energy sales	66.4%	59.7%
Revenues represented by subsidies received from the INDE / Total revenues	15.2%	16.6%

Distribuidora de Electricidad de Occidente, S. A. – DEOCSA, and Distribuidora de Electricidad de Oriente, S. A. – DEORSA

Unaudited condensed interim combined financial statements as of June 30, 2017, and for the six month period ended June 30, 2017 and Report of Independent Registered Public Accounting Firm

Distribuidora de Electricidad de Occidente, S. A. – DEOCSA and Distribuidora de Electricidad de Oriente, S. A. – DEORSA

Unaudited condensed interim combined financial statements as of June 30, 2017 and for the six month period ended June 30, 2017 and Report of Independent Registered Public Accounting Firm

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders' and Board of Directors of

Distribuidora de Electricidad de Occidente, S. A. – DEOCSA and
Distribuidora de Electricidad de Oriente, S. A. – DEORSA
(Guatemalan Entities)

We have reviewed the accompanying unaudited condensed combined interim statement of financial position of Distribuidora de Electricidad de Occidente, S. A. – DEOCSA and Distribuidora de Electricidad de Oriente, S.A. – DEORSA (together, the "Combined Entities") as of June 30, 2017, and the related unaudited condensed combined interim statements of profit or loss and other comprehensive income for the six and three-month periods ended June 30, 2017, and the related unaudited condensed combined interim statements of changes in shareholders' equity and cash flows for the six and three-months period ended June 30, 2017. These unaudited condensed combined interim financial statements are the responsibility of the Combined Entities' management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such unaudited condensed combined interim financial statements for them to be in conformity with International Accounting Standard N°34 (IAS 34) "Interim Financial Reporting", as issued by the International Accounting Standards Board.

As stated in Note 23 of the combined financial statements as of December 31, 2016, 2015 and 2014 dated April 13, 2017, on December 2, 2016, a reduction in the capital stock was approved by the respective Combined Entities shareholders through the decrease in the nominal value of the Combined Entities' respective shares. According to Guatemala's Commerce Code, the reduction of capital stock can be recorded only when it is registered in the Commercial Register. As of the date of these unaudited condensed interim combined financial statements the above mentioned reduction was not recognized. As a subsequent event, further indicated in the accompanying condensed combined interim financial statements, on July 4 and July 7, 2017 the Capital Reduction mentioned above for the Combined Entities took place.

As stated in Note 30.c) of the combined financial statements as of December 31, 2016, 2015 and 2014 dated April 13, 2017, in July 2016, the Guatemalan Tax Authority (Superintendencia de Administraci6n Tributaria, or the "SAT") filed a criminal complaint against DEOCSA and DEORSA, which requested the initiation of a criminal proceeding for tax fraud, and the payment of alleged back taxes, interest and fines in relation to fiscal years 2011 and 2012, on the grounds that the structure of the 2011 acquisition of DEOCSA and DEORSA was used solely to generate tax deductions in respect of interest and amortization of goodwill. As of December 31, 2016, the Combined Entities paid a total of approximately US$18,093 thousand (Q. 137,505 thousand) for the fiscal years 2014 and 2015 ; and on 19 August 2016, they paid a total of US$13,189 thousand (Q. 100,236 thousand) for the fiscal year 2013 . In addition, during 2016 the Combined Entities made additional payments of income tax in advance by Q. 40,729 thousand (US$ 5,393 thousand) corresponding to fiscal year 2016, not computing as deductible amounts the items related to goodwill, depreciation and interest that were subject of the criminal complaint. The Combined Entities' management considers, based on the opinion of its tax and legal advisors, that the receivable generated by these payments is more likely than not to be recovered as a result of the final outcome of this criminal complaint and of the other recourses to be initiated by the Combined Entities.

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Deloitte.

As stated in Note 8 of the unaudited condensed interim combined financial statements as of June 30, 2017 and for the six and three -month periods ended June 30, 2017, in January 2017 the Combined Entities made an additional payment of GTQ. 20,727 thousand (US$2,773) in advance, not including as deductible the items related to goodwill, depreciation and interest that were subject to the tax claim. Finally, in May 2, 2017 the Combined Entities made additional payments of income tax in advance for GTQ.14,143 thousand (US$1,927) also considering nondeductible the goodwill's amortization and interest.

The Combined Entities' financial statements as of June 30, 2017, reflect a negative working capital of US$16,056, thus the Management will be focused on 2017 on two objectives to revert that situation by: a) expansion of the financial debt and b) reducing the energy loss ratio. See note 17.

This report is intended solely for the information and use of the external auditors of I.C. Power Pte. Ltd. ("ICPS") and Inkia Energy Limited, solely in connection with the review of their condensed interim consolidated financial statements as of June 30, 2017 and for the six-months period then ended, and is not intended to be and should not be used by anyone other than these specified parties.

/s/ Deloitte, Inc.

August 7, 2017
Panama, Republic of Panama

Distribuidora de Electricidad de Occidente, S.A. - DEOCSA and
Distribuidora de Electricidad de Oriente, S.A. - DEORSA

Unaudited condensed interim combined statement of profit or loss and other comprehensive income
For the six and three-month periods ended June 30, 2017
(Stated in thousands of US dollars, except otherwise indicated)

	Notes	For the six-month ended June 30, 2017	For the six-month ended June 30, 2016	For the Three-months ended June 30, 2017	For the Three-months ended June 30, 2016
Revenue:					
Energy sales	5	281,047	268,983	141,642	136,359
Services rendered		5,808	5,057	2,879	2,911
Other revenues		7,993	7,414	4,395	3,183
Total revenue		294,848	281,454	148,916	142,453
Costs of sales:					
Energy purchases	6	(191,799)	(181,128)	(94,843)	(88,979)
Other costs of sales		(36,922)	(36,166)	(19,993)	(18,286)
Total costs of sales		(228,721)	(217,294)	(114,836)	(107,265)
Gross profit		66,127	64,160	34,080	35,188
General, selling and administrative expenses		(30,384)	(35,328)	(15,289)	(18,680)
Financial income	7	8,848	2,202	1,089	793
Financial expenses		(15,925)	(12,066)	(8,206)	(3,527)
Other income		1,539	-	9	-
Profit before income tax		30,205	18,968	11,683	13,774
Income tax	8	(13,934)	(5,027)	(6,947)	(3,451)
Profit for the period		16,271	13,941	4,736	10,323
Other comprehensive income (loss), net of income tax					
Items that will not be reclassified subsequently to profit or loss:					
Translation differences		3,876	(154)	3,837	1,576
Remeasurement of defined benefit obligation		79	(368)	40	(368)
Cash flow hedge		-	270	-	15
Other comprehensive income (loss) for the period, net of income tax		3,955	(252)	3,877	1,223
Total comprehensive income for the period		20,226	13,689	8,613	11,546

The accompanying notes are part of these condensed interim combined financial statements.

Distribuidora de Electricidad de Occidente, S.A. - DEOCSA and
Distribuidora de Electricidad de Oriente, S.A. - DEORSA

Unaudited condensed interim combined statement of financial position
As of June 30, 2017
(Stated in thousands of US dollars, except otherwise indicated)

Assets	**Notes**	**June 30, 2017**	**December 31, 2016**
Non current assets:			
Property, plant and equipment - net	11	531,611	514,768
Intangible assets		129,382	127,209
Trade receivables	9	15,431	12,520
Non-current tax receivable	13	86,816	80,023
Other receivables		5,398	5,658
Total non-current assets		768,638	740,178
Current assets:			
Other assets		252	2,036
Inventory		1,114	1,446
Trade receivables	9	81,741	79,983
Other receivables		2,278	3,118
Tax receivable	13	209	204
Account receivables from related parties	10	67,646	957
Restricted cash		11	4,797
Cash and cash equivalents		13,390	11,119
Total current assets		166,641	103,660
Total assets		935,279	843,838

(Continued)

Distribuidora de Electricidad de Occidente, S.A. - DEOCSA and
Distribuidora de Electricidad de Oriente, S.A. - DEORSA

Unaudited condensed interim combined statement of financial position
As of June 30, 2017
(Stated in thousands of US dollars, except otherwise indicated)

		June 30, 2017	December 31, 2016
Shareholders' equity and liabilities:			
Shareholders' equity:			
Capital stock	14	107,218	107,218
Legal reserve		20,741	20,741
Retained earnings		14,243	26,460
Accumulated other comprehensive loss – remeasurement of defined benefit obligation		(2,966)	(3,045)
Accumulated other comprehensive income / (loss) – translation differences		792	(3,084)
Total shareholders' equity		140,028	148,290
Non-current liabilities:			
Debt with financial entities - long term	12	441,269	249,125
Deferred revenues		141,146	140,666
Provisions		13,705	13,820
Deferred income tax, net		11,110	9,365
Other long-term liabilities		5,324	5,289
Total non-current liabilities		612,554	418,265
Current liabilities:			
Debt with financial entities - short term	12	2,317	67,945
Other financial obligations - short term		77	165
Accounts payables to related parties	10	16,086	27,065
Trade and other accounts payables		82,282	106,444
Creditors		84	48
Current tax liabilities	13	10,199	6,249
Other liabilities		66,006	63,650
Employee benefits payable		5,646	5,717
Total current liabilities		182,697	277,283
Total liabilities		795,251	695,548
Total liabilities and shareholders' equity		935,279	843,838

The accompanying notes are part of these condensed interim combined financial statements.

(Concluded)

Distribuidora de Electricidad de Occidente, S.A. - DEOCSA and
Distribuidora de Electricidad de Oriente, S.A. - DEORSA

Unaudited condensed interim combined statement of changes in shareholders' equity
For the six-month period ended June 30, 2017
(Stated in thousands of US dollars, except otherwise indicated)

				Accumulated other comprehensive income			
	Capital stock	Legal reserve	Retained earnings	Cash flows hedge	Remeasure-ment of defined benefit obligation	Translation differences	Total
Balances as of January 1, 2016	107,218	16,043	52,871	(270)	(2,859)	(4,985)	168,018
Movement for the six-month period ended June 30, 2016							
Transfer to legal reserve	-	3,284	(3,284)	-	-	-	-
Cash dividends declared	-	-	(28,885)	-	-	-	(28,885)
Remeasurement of defined benefit obligation, net of income tax	-	-	-	-	(368)	-	(368)
Loss from cash flows hedge, net of income tax	-	-	-	270	-	-	270
Profit for the period	-	-	13,941	-	-	-	13,941
Translation differences	-	-	-	-	-	(154)	(154)
Balances as of June 30, 2016	107,218	19,327	34,643	-	(3,227)	(5,139)	152,822
Balances as of January 1, 2017	107,218	20,741	26,460	-	(3,045)	(3,084)	148,290
Movement for the six-month period ended June 30, 2017							
Cash dividends declared	-	-	(28,488)	-	-	-	(28,488)
Remeasurement of defined benefit obligation, net of income tax	-	-	-	-	79	-	79
Profit for the period	-	-	16,271	-	-	-	16,271
Translation differences	-	-	-	-	-	3,876	3,876
Balances as of June 30, 2017	107,218	20,741	14,243	-	(2,966)	792	140,028

The accompanying notes are part of these condensed interim combined financial statements.

Distribuidora de Electricidad de Occidente, S.A. DEOCSA and
Distribuidora de Electricidad de Occidente, S.A. DEORSA

Unaudited condensed interim combined statement of cash flows
For the six month period ended June 30, 2017
(Stated in thousands of US dollars, except otherwie indicated)

Cash flows from operating activities:	**For the six month June 30, 2017**	**For the six month June 30, 2016**
Profit for the period	16,271	13,941
Adjustments from:		
Depreciation and amortization	13,836	12,580
Accrued revenue - government grants	(3,084)	(3,531)
Impairment losses recognized on receivables from doubtful accounts	12,166	15,788
Gain on disposal of property, plant and equipment	(154)	1,973
Provisions for severance pay compensation	335	470
Provision for contingencies	1,141	398
Interest from deposits received from consumers	2,632	2,636
Effective cash flows hedge	-	(178)
Finance costs recognized in profit or loss	11,147	8,959
Exchange differences	(5,915)	89
Income tax expense	13,934	5,027
Assets donated	(2,189)	-
Provision for obsolete inventories	-	-
Changes in working capital:		
Inventory	(702)	(1,403)
Other assets	(119)	(321)
Trade receivables	(14,562)	(14,610)
Other receivables	1,273	3,255
Taxes receivables	(4,754)	-
Related parties	1,060	91
Severance pay compensation	(1,239)	(539)
Provisions for contingencies	(596)	(318)
Tax payables	222	281
Other liabilities	(296)	915
Trade and other accounts payable	(26,874)	(6,999)
Creditors	35	6
Employee benefits payable	(216)	969
Cash from operating activities	13,352	39,479
Income tax paid	(8,920)	(5,267)
Payment of interest	(7,977)	(8,959)
Net cash flows generated from operating activities	(3,545)	25,253

(Continued)

Distribuidora de Electricidad de Occidente, S.A. DEORSA

Unaudited condensed interim combined statement of cash flows
For the six month period ended June 30, 2017
(Stated in thousands of US dollars, except otherwie indicated)

	For the six month June 30, 2017	For the six month June 30, 2016
Cash flows from investing activities:		
Restricted cash	4,909	15
Payments for property, plant and equipment	(12,941)	(10,937)
Payments for intangible assets	(297)	(826)
Proceeds from disposal of property, plant and equipment	175	29
Net cash flow used in investing activities	(8,154)	(11,719)
Cash flows from financing activities:		
Loans obtained from Banks - Short term borrowings	30,000	14,000
Loans obtained from Banks - Long term debt	449,988	-
Transactions Cost Debt	(7,731)	-
Accounts receivable/payable to related parties	(67,500)	-
Long-term creditors	41	2,030
Payment of dividends	(42,309)	(28,885)
Payments for financial leasing	(91)	-
Payment of bank loans - Short term borrowings	(60,000)	(14,000)
Payment of bank loans - Long term debt	(289,144)	(18,879)
Net cash flow used in financing activities	13,254	(45,734)
Net (decrease) increase in cash equivalents	1,555	(32,200)
Effects of exchange rate changes on cash and cash equivalents	716	17
Cash and cash equivalents at the beginning of the period	11,119	41,252
Cash and cash equivalents at the end of period	13,390	9,069

(Concluded)

1. Operations of the Combined Entities and basis of preparation of the unaudited condensed interim combined financial statements

a. Operations of the Combined Entities

Distribuidora de Electricidad de Occidente, Sociedad Anónima – DEOCSA (hereinafter “DEOCSA”) a majority-owned subsidiary of DEOCSA B.V., was incorporated on October 28, 1998 in the Republic of Guatemala in accordance with the commercial laws of the country and was authorized to operate for an indefinite term. It is located in the City of Guatemala and its address is Diagonal 6, 10-50, Zona 10.

DEOCSA’s main activity is the distribution of electricity to end consumers in the western departments of the Republic of Guatemala, such as: Quetzaltenango, San Marcos, Totonicapán, Huehuetenango, Chimaltenango, Sololá, Suchitepéquez, Retalhuleu and Quiché.

Distribuidora de Electricidad de Oriente, Sociedad Anónima - DEORSA (hereinafter "DEORSA"), a majority-owned subsidiary of DEORSA B.V., was incorporated on October 18, 1998 in the Republic of Guatemala in accordance with the commercial laws of the country and was authorized to operate for an indefinite term. It is located in the City of Guatemala and its address is Diagonal 6, 10-50, zone 10.

DEORSA’s main activity is the distribution of electricity to end consumers in the eastern departments of the Republic of Guatemala, such as: El Progreso, Santa Rosa, Jalapa, Jutiapa, Chiquimula, Zacapa, Izabal, Baja Verapaz, Alta Verapaz and El Petén.

All the revenues and non-current assets of DEOCSA and DEORSA (hereinafter the “Combined Entities”) are generated and are located, respectively, in Guatemala.

The Combined Entities’ end customers are residential, commercial, and industrial customers, municipalities and government entities. In order to carry out its activity, the Combined Entities buy energy from mainly Jaguar Energy, Instituto Nacional de Electrificación – INDE (National Institute of Electrification), Hidro Xacbal, S. A., Renace S.A., Biomass Energy, Duke Energy Guatemala, Compañía, S.C.A. and others.

Under Agreement No.401-98 of the Ministry of Energy and Mining dated December 14, 1998 the Empresa de Distribución de Energía Eléctrica del INDE (the Electric Energy Distribution Company of INDE) – Western Region – EDEEROC, was authorized to transfer to DEOCSA for a fifty-year period the service of final distribution of electricity in the above mentioned departments in the western region of the Republic of Guatemala (the “DEOCSA Concession”).

Under Agreement No. 381-98 of the Ministry of Energy and Mining dated November 23, 1998 the Empresa de Distribución de Energía Eléctrica del INDE (the Electric Energy Distribution Company of INDE) – Eastern Region – EDEEROR, was authorized to transfer to DEORSA for a fifty-year period the service of final distribution of electricity in the abovementioned departments in the eastern region of the Republic of Guatemala (the “DEORSA Concession” and together with DEOCSA Concession, the “Concessions”).

The authorization granted for the Concessions can either be terminated (i) at the end of the original term or (ii) by the regulatory authorities due to non-compliance of the obligations assumed in the Concessions, in accordance with the procedures set in the Title III, Chapter III of the General Electricity Law. Once the authorization is terminated, rights and assets relating to the Concessions will be auctioned publicly as an economic unit, within one hundred and eighty (180) days. The former holder/holders of the Concessions can participate of the auction process except in the event the authorization had been terminated due to poor quality of the service. From the value obtained in the auction process, the Ministry of Energy and Mining will deduct the expenses incurred and debts that the former holder/holders of the Concessions may have and the remaining amount will be transferred to the former holder/holders of the Concessions. Under the General Electricity Law and the regulations of the National Commission of Electric Energy (CNEE in Spanish), the tariffs that the Combined Entities charge to its customers are subject to the approval of the CNEE. The Combined Entities charge distribution tariffs for all electricity delivered through its distribution system, whether to its customers or wholesale electricity brokers. There are seven different tariffs that are applicable to the Combined Entities' customers.

The Combined Entities' tariffs are comprised of: (1) an electricity charge designed to reimburse the distribution company for the cost of electricity and capacity that it purchases and transmission tolls, and (2) a Value Added Distribution (VAD) charge designed to permit the Combined Entities to cover its operating expenses, complete its capital expenditure plans and recover its cost of capital. The electricity charge consists of a base tariff and an electricity adjustment surcharge. Under the General Electricity Law and the regulations of the CNEE, the base tariff is adjusted annually each May 1 to reflect anticipated changes in the cost of electricity to be purchased by the Combined Entities during the following year. The electricity adjustment surcharge is adjusted quarterly by the CNEE to reflect variations in the actual cost of electricity purchased by the Combined Entities from the projected cost. Any resulting variation in each quarter is considered by the CNEE in the determination of the applicable tariffs for the next quarter or even in subsequent periods, in the latter case if such differences were to be considered significant by the CNEE and agreement with distributors were obtained.

The authorization given by CNEE to increase or decrease tariffs in the future is merely a pricing mechanism that regulates tariffs for the following periods, and does not give rise to an asset or liability and additional or less revenue in the current period. The recovery of the operating loss or the payment of the operating income is included in the calculation of the tariff that the Combined Entities may charge to its customers and should be recognized only when such revenues are received or receivable. It is appropriate to recognize an asset for the recovery of actual costs incurred or a liability for the refund of amounts over billed whenever the right or obligation exists independently of the delivery of future services. It is difficult to determine whether the rights and obligations exist independently, particularly when there is no history of recovery or refund other than through invoices for future service. The results of this tariff adjustment process is reflected by the CNEE through quarterly resolutions and communicated to the Combined Entities for its application in subsequent periods.

The "VAD" component of the tariff is revised every five years with semi-annual adjustments for inflation and local currency exchange rates against the US dollar. The VAD charges are set by a panel of three regulators who are appointed based on certain technical and professional criteria. The VAD charge was last set in January 2014 and will expire in January 2019.

INDE was the former the majority shareholder of the Combined Entities. On December 15, 1998, INDE sold its shares in the Combined Entities to Compañía Distribuidora Eléctrica del Caribe, S.A. – DECSA, a subsidiary of Unión Fenosa Internacional – UFI (an international operator that owned 99.99% of DECSA and subsidiary of Union Fenosa, S.A.). As part of the obligations assumed by UFI, the Combined Entities will implement the rural electrification projects included in the "Agreement of Management Trust – INDE-Western and Eastern Rural Works" and the "Agreement of Construction of Electric Energy Transmission

Works” signed between the Combined Entities and INDE.

DEOCSA, in October 2004, transferred it 90.83% ownership in DEOCSA and its 92.84% ownership in DEORSA to UFI. As a consequence, UFI became the parent company of the Combined Entities.

During the first quarter of 2009, Gas Natural SDG, S. A. acquired 95.2% of Unión Fenosa, S.A. Accordingly, beginning on April 23, 2009, Gas Natural, SDG, S.A. took over the management of the financial and exploitation policies of the Combined Entities.

On May 19, 2011, Actis Investment Fund acquired 90.70% ownership in DEOCSA and 92.70% ownership in DEORSA. The ownership in DEOCSA was held through ASCOED S.A. (which is wholly owned by DEOCSA B.V.) while the ownership in DEORSA was held through ASROED S.A. (which is wholly owned by DEORSA B.V.). Both DEOCSA B.V. and DEORSA B.V. were wholly owned by Actis Investing Fund.

On June 17, 2011 the General Shareholders’ Meeting of DEOCSA agreed to merge DEOCSA with ASCOED, S.A. and the General Shareholders’ Meeting of DEORSA agreed to merge DEORSA with ASROED, S.A through the acquisition of the latter and the acceptance of the inherent rights and obligations from DEOCSA and DEORSA, respectively. The mergers took effect on November 2, 2011 and November 3, 2011, respectively.

As a result of the acquisition, the Combined Entities ceased as being part of the group Gas Natural Fenosa and the operations kept with the companies of such group stopped having effect in 2011.

On January 22, 2016, I.C. Power Ltd., a subsidiary of Kenon Holdings Ltd (“Kenon”), acquired all of the shares of DEOCSA BV, owner of 90.70% of DEOCSA’s capital stock and all of the shares of DEORSA BV, owner of 92.70% of DEORSA’s capital stock.

b. Basis of Preparation of the Unaudited Condensed Interim Combined Financial Statements

The unaudited condensed interim combined financial statements have been prepared in accordance with the International Accounting Standard No.34 Interim Financial Information. Selected explanatory notes are included to explain the events and transactions that are significant for the understanding of the changes in the financial position and the results of the Combined Entities, for the six-month period ended June 30, 2017. These unaudited condensed interim combined financial statements do not include all of the information required by the complete annual combined financial statements prepared in accordance with the International Financial Reporting Standards.

These unaudited condensed interim combined financial statements should be read in conjunction with the Combined Entities’ financial statements as of December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014 issued on April 13, 2017.

The financial information as of December 31, 2016 presented in these unaudited condensed interim combined financial statements is derived from our combined financial statements as of December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014 issued on April 13, 2017.

In the opinion of management, these unaudited condensed interim combined financial statements reflect all normal recurring adjustments, which are necessary for a fair representation of financial results for the interim period presented.

The results of operations for the six-month period ended June 30, 2017 are not necessarily indicative of the results for the full year. The Combined Entities believes that the disclosures are adequate to make the information presented not misleading.

2. Application of new and revised International Financial Reporting Standards

2.1 Adoption of new and revised standards

The Combined Entities have adopted all of the new and revised standards and interpretations issued by the IASB that are relevant to its operations and that are mandatorily effective at June 30, 2017 as described in Note 2.2 to the Combined Entities financial statements as of December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014 issued on April 13, 2017. The new and revised standards and interpretations adopted did not have impact on these unaudited condensed interim combined financial statements.

2.2 New accounting pronouncements

During the six-month period ended June 30, 2017, there were no new accounting pronouncements applicable to the Combined Entities, besides the new and revised IFRSs that have been issued but are not yet mandatorily effective as described in Note 2.1 to the combined financial statements as of December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014 issued on April 13, 2017. The management of the Combined Entities foresee that the application of these new or revised standards will not have a material impact over these unaudited condensed interim combined financial statements except for IFRS 15 and IFRS 16 that the Combined Entities are evaluating and cannot, at this time, estimate the potential impact on its future financial condition, results of operations and cash flows.

3. Significant accounting policies

The accounting policies applied by the Combined Entities in these unaudited condensed interim combined financial statements are consistent with those followed in the preparation of the annual combined financial statements as of December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014 issued on April 13, 2017, except for the adoption of new standards and interpretations effective as of January 1st, 2017. The Combined Entities have not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The preparation of unaudited condensed interim combined financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed interim combined financial statements, the significant judgements made by management in applying the Combined Entities' accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined financial statements as of December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014 issued on April 13, 2017.

4. Monetary unit and exchange rate

The legal currency of Guatemala is the Quetzal, represented by the symbol "Q" in the unaudited condensed interim combined financial statements.

As of June 30, 2017 the reference exchange rate published by the Central Bank of Guatemala was Q7.33 (December 31, 2016: Q7.52).

There are no exchange restrictions in Guatemala for the repatriation of capital, payment to creditors or for any other purpose; foreign currency may be freely negotiated for any amount in banks of the banking system or in authorized foreign currency exchange offices, in accordance with the current law in effect, per Decree number 94 -2000 Law of Free Negotiation of Currencies.

5. Energy sales

Revenue from energy sales for the six and three-month periods ended June 30, 2017 and 2016, is presented as follows:

	Six month periods ended June 30,		Three-month periods ended June 30,	
	2017	**2016**	**2017**	**2016**
Simple LV	32,390	40,131	17,315	20,566
Social Rate LV	186,547	160,526	92,902	82,264
Public Lighting	25,764	29,204	12,992	14,722
Non-regulated tariff	4,452	8,867	2,102	3,774
LV on demand OP	17,331	15,180	8,985	7,538
LV on demand P	10,520	9,779	5,343	4,877
MV on demand OP	2,276	1,739	1,243	787
Non-regulated special tariff	658	2,322	323	1,285
MV on demand	1,109	1,235	437	546
	281,047	268,983	141,642	136,359

The abbreviations indicated above correspond to:

LV: Low voltage; MV: Medium voltage; OP: Off-peak; P: Peak

Revenues associated with Low Voltage tariff increased during the six months ended on June 30, 2017, primarily due to high average base rate approved by CNEE in Spanish of (8%) and lower energy supplied of 1%. Revenues associated to the non- regulated tariff decreased due mainly to the outflow of 30 clients during the six-months ended on June 30, 2017.

6. Energy purchases

During the six and three-month periods ended June 30, 2017 and 2016, electric energy purchases were as follows:

	Six-month periods ended June 30,		Theree-month periods ended June 30,	
	2017	2016	2017	2016
Contracts with suppliers	166,220	158,353	77,000	77,171
Spot market	25,579	22,775	17,843	11,808
	191,799	181,128	94,843	88,979

The Combined Entities manages an average of 60 days of credit with its suppliers from the receipt date of the invoice. Suppliers do not charge interest on late payment of outstanding invoices.

During the six-month period ended June 30, 2017, energy purchases increased by US$10,671, compared to the corresponding period in 2016. The increase was primarily due to a higher average purchase price originated by the entry of new power purchase agreements.

7. Financial income

During the six and three-month periods ended June 30, 2017 and 2016, financial income were as follows:

	Six-month periods ended June 30,		Three-month periods ended June 30,	
	2017	2016	2017	2016
Compensatory interest	1,149	1,107	565	533
Interest income on bank accounts	372	1,095	274	260
Gain on exchange difference-net	7,327	-	250	-
	8,848	2,202	1,089	793

8. Income tax

Income tax expense is provided on an interim basis based on management’s estimate of the annual effective income tax rate and includes the tax effects of certain discrete items, such as changes in tax laws or tax rates or other unusual or nonrecurring tax adjustments in the interim period in which they occur. Management regularly monitors the assumptions used in estimating its annual effective tax rate and adjusts estimates accordingly. If actual results differ from management’s estimates, reported income tax expense in future periods could be materially affected.

For the six-month period ended June 30, 2017, the income tax expense was US$13,934 (June 30, 2016: US$5,027). The related effective tax rates were 46% (June 30, 2016: 27%). The higher effective income tax rate for the Combined Entities during the six-month period ended June 30, 2017 is mainly explained by amendment of Annual Income Tax Return FYE 2013, adjusted in effective tax rate, adjusted in bad debt provision, expenses regarding with the bonds emission, which are non-deductible for income tax purposes.

a. The Combined Entities joint tax claim

In 2011, the previous owners of DEORSA and DEOCSA acquired the companies through a Leveraged Buy-Out (LBO) transaction. Years after the transaction, the Guatemalan Tax Authority (Also known as Superintendencia de Administracion Tributaria or the "SAT" in Spanish) raised question concerning tax deductions for interest expenses and goodwill's amortization that derived from that transaction. This culminated in the issuance in February 2015 of two binding tax opinions, one for DEOCSA and other for DEORSA (the "Binding Opinions") addressing the deductions.

The Guatemalan Government changed in January 2016. After the new Government took power, in July 2016, the SAT filed a complaint against DEORSA and DEOCSA (the "Complaint") in disregard of its own conclusions stated in the Binding Opinions, said Opinions remain in force as of this date. The Complaint requests the payment of alleged back taxes, interest, and fines in relation to tax years 2011 and 2012.

On August 9, 2016, the court hearing the Complaint ordered the Combined Entities to pay GTQ. 130,499 thousand (US$17,171) in alleged back taxes immediately, plus interest and fines within 60 days following the court order, as a condition to lift an order to freeze all bank accounts of the Combined Entities. Pursuant to this and another court order of December 12, 2016, on August 10, 2016, the Combined Entities paid GTQ. 130,499 thousand (US$ 17,171) to the Tax Authority (SAT) corresponding to the alleged back taxes, and, on December 13, 2016, they paid GTQ. 192,974 thousand (US$ 25,721) corresponding to the alleged fines and interest.

Due to the actions of the Government and in order to avoid the initiation of complaints concerning tax years ending 2013, 2014, and 2015, and the corresponding imposition of further fines and interest, the Combined Entities followed the instructions of the SAT and paid the alleged back taxes and interest for those years as follow: On August 9, 2016, the Combined Entities paid a total of GTQ. 137,505 thousand (approximately US$ 18,093) for the years 2014 and 2015; and on August 19, 2016, they paid a total of US$ 13,189 (GTQ. 100,236 thousand) for the year 2013. During the year 2016 the Combined Entities made additional payments of income tax in advance for GTQ. 40,729 thousand US$ 5,393) for the year 2016 and in January 2017 made an additional payment of GTQ. 20,727 thousand (US$2,773) in advance, not including as deductible the items related to goodwill, depreciation and interests that were subject to the tax claim. Finally, in May 2, 2017 the Combined Entities made additional payments of income tax in advance for GTQ.14,143 thousand (US$ 1,927) also considering nondeductible the goodwill's amortization and interests.

The above mentioned measures were adopted in order to not to put in risk the continuing operation and prevent irreversible damage to the Combined Entities. All payments were made under protest and subject to a broad reservation of rights, including but not limited to seeking restitution of such payments. The Combined Entities and their legal and tax advisors are of the view that the deductions for interest expenses and amortization of goodwill are legitimate tax deductions and are confident of their position under applicable legal frameworks.

The Combined Entities are defending against the SAT Complaint and considering all available remedies with respect to this matter. Hence, the Combined Entities' Management considers, based on the opinion of its tax and legal advisors that the receivable generated by these payments is more likely than not to be recovered as a result of the final outcome of this claim and of the other recourses to be initiated by the Combined Entities.

9. Trade receivables

As of June 30, 2017 and December 31, 2016, the balance for trade receivables is detailed as follows:

	June 30, 2017	**December 31, 2016**
Commercial, industrial, residential zones, public lighting, rates and tariffs a/	264,106	239,547
Instituto Nacional de Electrificación – INDE c/	14,835	18,567
Energy consumed not billed d/	23,715	24,270
Client tolls	559	415
Other clients	136	132
	303,351	282,931
Long term accounts receivable with payment agreements	(11,393)	(10,072)
Long term accounts receivable from municipalities b/	(20,680)	(17,735)
Provision for uncollectable accounts from municipalities	16,642	15,287
	(15,431)	(12,520)
	287,920	270,411
Less		
Collection by offsetting a/	(54,123)	(52,296)
Allowance for uncollectible accounts b/	(130,762)	(122,845)
Allowance for uncollectable accounts from municipalities b/	(21,294)	(15,287)
Short term accounts receivable	81,741	79,983

a/ Collection under compensation corresponds to the balances payable to the municipalities for the municipal tariff of public lighting that the Combined Entities billed to the users on behalf of the municipalities. The Combined Entities include this balance as part of the trade accounts receivable based on the right acquired through the contracts with municipalities to collect the public lighting tariff and offset it with the receivable balances from the energy billing to the same municipalities.

b/ Uncollectible Accounts - The activity of the allowance for uncollectible accounts during the six-month periods ended as of June 30, 2017 and 2016, are shown as follows:

	Six-month periods ended June 30,	
	2017	2016
Balance at the beginning of the period	138,132	118,757
Impairment loss for the period	12,166	16,112
Application of provisions	(1,834)	(269)
Translation differences	3,592	(322)
	152,056	134,278

The Combined Entities records the allowance for uncollectible accounts segmenting the accounts receivable portfolio in three categories: a) normal management, b) differentiated management and c) municipalities.

The allowance for the normal management portfolio is calculated based in accounts receivable balances with more than 180 days past-due, less collections that should be compensated and term-payments agreements.

The differentiated management portfolio includes the total receivable balance, less the collections under compensation, the guarantee deposits and its corresponding generated interests, and term payment agreements; and, for the balances from municipalities, the receivable balance with more than two years past-due less term payment agreements is provisioned.

The impairment loss for the six -month period ended June 30, 2017 amounted to US$12,166 (June 31, 2016: US$16,112).

c/ Account receivable from INDE corresponds to the billing of the adjustment of "Solidaridad INDE" to the users who are beneficiaries under the Social Tariff Act, according to the deed of INDE a-38-2013-2.A. The a mount to be billed by the Combined Entities is determined by the monthly resolutions issued by the National Commission of Electric Energy - CNEE. The amount is due within 30 days after the issuance of the invoice.

d/ It corresponds to the estimated amount of services accrued, but not billed, from the sale of electric energy and toll at June 30, 2017, net from the estimate of technical and not technical loss. This value is billed in full in the next billing cycle.

10. Related parties

Accounts receivable from and payable to related parties as of June 30, 2017 and December 31, 2016 are made up of the following balances:

	June 30, 2017	December 31, 2016
Accounts receivable		
Inkia Energy Limited a/	67,500	-
Redes Eléctricas de Centroamérica, S.A. RECSA	17	833
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	129	124
	67,646	957
Accounts payable		
Deocsa, B.V. b/	6,755	13,369
Deorsa, B.V. b/	8,755	13,303
Puerto Quetzal Power LLC	138	53
IC Power Chile	163	89
Kallpa	23	7
Inkia Energy Limited	2	-
Comercializadora Guatemalteca Mayorista, S.A.	250	244
	16,086	27,065

a/ This amount corresponds to an advance paid by the Combined Entities to Inkia Energy Limited in relation with their capital reduction, once this reduction is finalized this balance will be offset.

b/ As of June 30, 2017, the balance corresponds to dividends payable.

The main transactions between related companies are as follows:

	Six-month period ended June 30,		Three-month period ended June 30,	
	2017	2016	2017	2016
Toll billing to				
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	777	330	396	140
Toll Service				
Redes Eléctricas de Centroamérica, S. A. - Toll of secondary system in distribution lines	406	370	203	162
Operation fee				
Arthasan, S.A. c/	-	2,193	-	-
Purchase energy sales to spot market				
Puerto Quetzal Power LLCC	242	53	163	53
Energy supplied to substations				
Redes Eléctricas de Centroamérica, S.A. RECSA	12	10	5	6
Leasing of vehicles				
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	-	120	-	80
Technical assistance				
IC Power Chile d/	788	530	470	530
Reimbursable expenses				
IC Power Chile	60	157	29	157
Kallpa Generación, S.A.	29	-	29	-
Inkia Energy Limited	2	-	2	-
Energy sales to spot market				
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	292	43	200	43

c/ DEOCSA and DEORSA executive officers did not receive compensation directly from the Combined Entities until January 22, 2016, since each of them had been an executive officer of Arthasan, S.A. and had received compensation directly from Arthasan, S.A. Since that date, Combined Entities' executive officers have received compensation directly from DEOCSA and DEORSA by approximately US$1,770 for 2017 (US$293 for 2016).

The Combined Entities has recorded expenses for an amount of US$ 2,193 related with the final payment of the contract with Arthasan that was terminated on January 21, 2016. This amount was not contractually determined, but agreed by the parties.

d/ Technical advice of networks and electrical substations, of purchasing of electrical power and other operational and commercial matters.

11. Property, plant and equipment

During the six-month period ended June 30, 2017, the Combined Entities acquired assets at a cost of US$ 13,507 mainly for the construction of distribution lines and devices for measurement and control.

The detail and movements as of June 30, 2017 and for the six-month period ended on June 30, 2017and 2016 of the items of the property, plant and equipment and their corresponding accumulated depreciation is as follows:

Description	Land and construction	Technical installations	Other installations machinery tools furniture and equipment	Assets under construction	Inventory of materials	Total
2017						
Acquisition cost:						
Balance at the beginning of 2017	4,650	874,377	20,755	12,703	8,478	920,963
Translation differences	120	22,375	537	330	224	23,586
Additions	-	2,857	(4)	12,458	1,049	16,360
Disposals	-	-	(175)	(6,542)	-	(6,717)
Transfers	236	9,972	1,454	(5,119)	-	6,543
Total cost at June 30, 2017	5,006	909,581	22,567	13,830	9,751	960,735
Accumulated depreciation:						
Balance at the beginning of 2017	(2,413)	(388,147)	(15,800)	-	-	(406,360)
Additions	114	11,631	577	-	-	12,322
Disposals	-	-	-	-	-	-
Translation differences	(291)	(33,236)	(1,559)	-	-	(35,086)
Total accumulated depreciation at June 30, 2017	(2,590)	(409,752)	(16,782)	-	-	(429,124)
Carrying value at June 30, 2017	2,416	499,829	5,785	13,830	9,751	531,611

Description	Land and construction	Technical installations	Other installations machinery tools furniture and equipment	Assets under construction	Inventory of materials	Total
2016						
Acquisition cost						
Balance at the beginning of 2016	4,347	848,535	19,025	6,608	7,768	886,283
Translation differences	(26)	(2,531)	(110)	(36)	(47)	(2,750)
Additions	-	-	-	10,915	1,193	12,108
Disposals	-	(7,594)	(47)	-	-	(7,641)
Transfers	23	1,213	216	(1,451)	-	-
Total cost at June 30, 2016	4,344	839,623	19,084	16,036	8,914	888,000
Accumulated depreciation						
Balance at the beginning of 2016	(2,199)	(366,850)	(14,423)	-	(701)	(384,173)
Additions	(83)	(10,682)	(557)	-	-	(11,322)
Disposals	-	5,622	34	-	-	5,656
Translation differences	13	2,314	85	-	4	2,416
Total accumulated depreciation at June 30, 2016	(2,269)	(369,596)	(14,861)	-	(697)	(387,423)
Carrying value at June 30, 2016	2,075	470,027	4,223	16,036	8,217	500,577
Carrying value at December 31, 2016	2,238	486,230	4,955	13,580	7,765	514,768

12. Debt with financial entities

The balances of the debt with financial entities, were as follows:

	June 30, 2017	December 31, 2016
Credit Suisse AG Cayman Islands Branch	330,000	-
Banco Industrial	120,079	-
Banco Agromercantil de Guatemala, S. A.	-	317,070
Cost of debt long term	(9,566)	-
Interest payable	3,073	-
Less		
Cost of debt short term	756	-
Interest payable short term	(3,073)	-
Short term portion	-	(67,945)
Long term debt with financial entities	441,269	249,125

The movement during the six-month period ended June 30, 2017 and 2016 is presented as follows:

	June 30, 2017	June 30, 2016
Initial balance	317,070	283,450
Exchange difference	(5,915)	89
Loans obtained	477,044	8,107
Payments made	(347,055)	(26,957)
Cost of debt	(6,448)	
Translation effect	8,890	(183)
	443,586	264,506

Obligations

On May 3, 2017, the Combined Entities entered into a senior unsecured long-term loan –as Co-Borrowers- with Credit Suisse AG, Cayman Islands Branch for an aggregate principal amount of US$ 330,000 thousand. DEOCSA received US$191,400 thousand -or 58% of the notional amount- of the proceeds of this transaction while DEORSA received US$138,600 thousand -or 42% of the notional amount- of the proceeds of this transaction. The loan accrues interest at a rate of 5.875%, payable semi-annually and one single principal repayment on the final maturity date on May 3, 2027.

In connection with the previously detailed loan transaction, DEOCSA and DEORSA -on an individual basis- entered into Quetzal-denominated loans with Banco Industrial in the amount of approximately US$72,000 thousand and US$48,000 thousand, respectively. The loans accrue interest on a monthly basis at the weighted average active interest rate (Tasa Activa Promedio Ponderada), as published monthly by the Guatemalan Central Bank, less 6.0% (subject to a floor rate of 7.0%) and considers quarterly principal repayments beginning on September 2020, with final maturity occurring in June 2027.

The previously described transactions are subject to limitations on additional indebtedness based on compliance with incurrence tests as follows:

i) LTM Net Leverage Ratio < 4.5x before December 31, 2018 and 4.0x thereafter and;
ii) LTM Interest Coverage Ratio > 2.0x

The calculation of the ratios described above is carried out over a combined basis of the financial results of the Combined Entities. As of June 30, 2017 there was no infringement on the related financial agreements.

During the six-months period ended June 30, 2017, there was a decrease in financial expenses, because the Company had a gain on foreign exchange difference of US$ 6,004 due to the foreign exchange effect when bank loans were translated into US dollars.

13. Taxes assets and liabilities

	June 30, 2017	December 31, 2016
Long-term tax receivables		
Income tax payments	86,816	80,023
	86,816	80,023
Taxes receivable:		
Others	209	204
	209	204
Taxes payable:		
Income Tax Payments a/	6,300	2,663
Property Tax (municipal levy)	2,520	37
Value Added Tax - VAT	416	2,299
Value Added Tax Withholdings - WVAT	533	544
Income Tax Withholdings payable -WIT	430	706
	10,199	6,249

a / The increase is due to the provision of income tax for the six months from January to June for US$1,055; and the provision of the effective tax rate for the year ending 2017 for US$2,517.

14. Capital stock

On December 2, 2016, a reduction in the capital stock subscribed and paid was approved at an extraordinary shareholders' meeting through Minute AG-004-2016, which approved the decrease in the nominal value of the entity's shares. The nominal value per share went from US$0.04 (Q. 0.34) to US$ 0.01448 (Q. 0.10.) for DEOCSA and from US$0.07 (Q.0.50) to US$ 0.02434 (Q0.14) for DEORSA. This implies a reduction in the capital subscribed and paid for an amount of US$43,460,021 for DEOCSA and US$29,171,121 for DEORSA, which will leave DEORSA's subscribed and paid capital at US$19,740,128 for DEOCSA and US$ 14,846,171 for DEORSA. According to the Guatemala's Commerce Code the reduction of capital can be recorded when is inscribed in the Commercial Register. As of the date of this unaudited condensed interim combined financial statements the inscription in the Commercial Register is pending, as such no reduction was recognize. See Note 18.

The minute also considers the increase of the authorized capital which was modified to US$67,120,172 for DEOCSA and US$53,032,252 for DEORSA, divided and represented by 4,635,370,983 common shares, nominal or bearer, with a value of Q.0.01448 per share for DEOCSA and by 2,178,810,682 common shares, nominal or bearer, with a value of US$0.02434 per share for DEORSA.

Through the annual ordinary general shareholders' meeting of DEOCSA and DEORSA, both held on April 25, 2017, the distribution of dividends was agreed, which was approved in deed no. AG001-2017. The dividends declared for distribution to the shareholders were in the amount of US$10,941,083.14 (Q. 80,300,985.57), which represents US$0.008 (Q. 0.0589) per share for DEOCSA and of US$17,547,094.01 (Q. 128,785,141.80), which represents US$ 0.0288 (Q. 0.211) per share for DEORSA.

15. Contingencies

There were no significant developments in the contingencies for legal proceedings as of June 30, 2017 with respect to those described in Note 30 of the combined financial statements as of December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014 issued on April 13, 2017. See note 17 for the subsequent event.

16. Commitments

There were no significant changes in the commitments as of June 30, 2017 with respect to those described in Note 33 of the combined financial statements as of December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014 issued on April 13, 2017.

17. Financial instruments

The Combined Entities manage their capital structure to ensure the continuity as going concern, while it maximizes the return to its shareholders through the optimization of the debt and equity balances. The Combined Entities' overall strategy remains unchanged from December 31, 2016.

The working capital structure of the Combined Entities is constituted by indebtedness as a financial cost (loans), offset by cash and cash equivalents, and restricted cash, and equity comprising issued capital, reserves, retained earnings, attributed to the shareholders.

Management of financial risk

The Combined Entities are exposed continuously to credit, liquidity, and market risks originated by exchange rate, interest rate, and price variations. These risks are managed through specific policies and procedures established by the Combined Entities' financial management. There have been no changes in the risk management or risk management policies applied by the Combined Entities since December 31, 2016.

Financial instruments that are not measured at fair value

The carrying amounts of financial assets and liabilities related to cash and cash equivalents, restricted cash, accounts receivables from related parties, other receivables, trade receivables, creditors, trade and other accounts payable, accounts payable to related parties, other liabilities and debt with financial entities included in the unaudited condensed interim combined statement of financial position as of June 30, 2017, approximate to their fair values. Debt with financial entities is subsequently measured at amortized cost considering the effective interest rate method, which approximate its fair value since the debt is agreed at variable interest rates which are reviewed periodically. The other financial assets and financial liabilities measured at amortized cost, approximate their fair value due to their short-term maturity or because they are agreed at interest rates similar to market interest rate.

Fair value measurements recognized in the statement of financial position

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into a three-level fair value hierarchy as mandated by IFRS 13, as follows:

- Level 1: Fair value measurements are those derived from inputs from quoted market prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: Fair value measurements are those derived from unobservable inputs for the assets or liabilities.

Between December 31, 2016 and June 30, 2017, there have been no significant changes in business or economic circumstances affecting the fair value of the Combined Entities' financial assets and liabilities (either measured at fair value or amortized cost).

In addition, no transfer has occurred among the different hierarchies used to determine the fair value of the Combined Entities' financial instruments.

As of June 30, 2017 and December 31, 2016, financial assets and liabilities of the Combined Entities are made up as follows:

	June 30, 2017	December 31, 2016
Financial assets:		
Measured at amortized cost:		
Trade receivables	97,173	92,503
Other receivables	7,624	8,776
Cash and cash equivalents	13,390	11,119
Restricted cash	11	4,797
	118,198	117,195
Financial liabilities:		
Measured at amortized cost:		
Debt with financial entities	443,587	317,070
Other liabilities	71,330	68,939
Trade and other accounts payable	82,282	106,444
Creditors	84	48
	597,283	492,501

Liquidity risk

The Combined Entities practice a careful liquidity risk management and, therefore, keep cash and other instruments liquid, as well as available funds. However, as of June 30, 2017, the combined financial statements reflect a negative working capital of US$16,056, thus the Management will be focused on 2017 on two objectives to revert that situation: a) expansion of the financial debt and b) reducing the energy loss ratio.

To comply with those objectives, Management has planned to perform the following:

a) Follow up the creation of dialogue and negotiation tables with community leaders and municipal authorities to improve collection timing, prevent non-technical losses;
b) Reduce technical and non-technical losses;

Management of the Combined Entities considers that the liquidity risk exposure is low since the Combined Entities have been generating constant and solid cash flow from its operating activities, supported on strong profits, have access to loans and financial resources, as explained in (Note 24) of the combined financial statements as of December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014, issued on April 13, 2017. Additionally, the Combined Entities´ Management does not anticipate making significant payments during 2016 related to Deposits Received from Consumers (see Note 3 of the combined financial statements as of December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014, issued on April 13, 2017).

18. Subsequent events

The Combined Entities have evaluated subsequent events as of June 30, 2017 to assess the need for potential recognition or disclosure on these combined financial statements. Such events were assessed until August 7, 2017, the date these unaudited condensed interim combined financial statements were available to be issued. Based on this evaluation, the following subsequent events are disclosed:

Capital reduction

DEOCSA
As of July 7, 2017, the Guatemalan Commercial Registry registered the Capital Reduction of Distribuidora de Electricidad de Occidente, Sociedad Anónima, under # 5 of corporation registration number 39341, page 471 of book 131 of Corporations (Sociedades Mercantiles). File N° 30721-1998.

DEORSA
As of July 4, 2017, the Guatemalan Commercial Registry registered the Capital Reduction of Distribuidora de Electricidad de Oriente, Sociedad Anónima, under # 6 of corporation registration number 39340, page 470 of book 131 of Corporations (Sociedades Mercantiles). File N° 30719-1998.

19. Approval of unaudited condensed interim combined financial statements

The unaudited condensed interim combined financial statements as of June 30, 2017 were approved by the Combined Entities' Management Committee on August 7, 2017.

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