NAUTILUS INKIA HOLDINGS LLC (FORMERLY INKIA ENERGY LTD)

About the Company

Nautilus Inkia Holdings LLC is the successor company to Inkia Energy LTD. We are an international company focused on the electric power sector, specifically on generation and distribution. The Company is based in Latin America with operations in Peru, Chile, Dominican Republic, El Salvador, Bolivia, Nicaragua, Jamaica, Guatemala and Panama. We are focused on Latin American markets that have higher rates of growth of gross domestic product, as well as lower base levels of overall and per capita energy consumption compared to developed markets. We believe that economic growth in Latin American markets will drive increases in overall and per capita energy consumption and therefore require significant additional investments in electricity generation assets.

Regarding generation, we own, operate and develop power plants to generate and sell electricity to distribution companies and unregulated consumers under short-term and long-term power purchase agreements, or PPAs, and to the spot market. Our operating companies use natural gas, water, wind, diesel and heavy fuel oil (HFO) to produce electricity. Our generation capacity is 89% contracted as of December 2018, which reduces the risk related to market prices of electricity and fuel.

Regarding distribution, we own the largest distribution company in Central America, measured by population served, "Energuate", based in Guatemala. The Energuate business includes two electricity distribution companies: Distribuidora de Electricidad de Oriente, S.A. ("DEORSA"), and Distribuidora de Electricidad de Occidente, S.A. ("DEOCSA").

[1]

[1] As of October 19, 2018 we own 100% of Kallpa and Samay.

As of December 31, 2018, the Company's combined installed capacity was 3,450 MW.

Segment	Country	Company	Fuel	MW	COD or Acquisition Date
Peru	Peru	Kallpa	Natural Gas/Hydroelectric	1,618	CC[2] Aug 2012 / LF[3] Apr 2014 / CDA Aug 2016 / CDA mini hydro Oct 2017
	Peru	Samay I	Diesel and Natural Gas	708	May 2016
South America	Bolivia	COBEE	Hydroelectric /Natural Gas	228	Original Asset
	Chile	Central Cardones	Diesel	153	Dec 2011
	Chile	Colmito	Natural Gas and Diesel	58	Oct 2013
Central America	Nicaragua	Corinto	HFO	71	Mar 2014
	Nicaragua	Tipitapa	HFO	51	Mar 2014
	Nicaragua	Amayo I	Wind	40	Mar 2014
	Nicaragua	Amayo II	Wind	23	Mar 2014
	Guatemala	PQP	HFO	55	Sep 2014
	El Salvador	Nejapa	HFO	140	Original Asset
	Panama	Kanan	HFO	124	Apr 2016
	Dominican Republic	CEPP	HFO	67	Original Asset
	Dominican Republic	Agua Clara	Wind	-	Under Construction
	Jamaica	JPPC	HFO	60	May 2014
	Panama	Pedregal	HFO	54	Original Asset
Total Operating Capacity				**3,450**	

Kanan Redevelopment

In April 2017, the Kanan power plant, which consisted of a 37 MW power barge and a 55 MW power barge, experienced a fire. As a result, both power barges were placed off-line permanently and Kanan wrote off US$48 million in assets.

This event was covered by the insurance policy. In October 2017, our subsidiary Puerto Quetzal sold one of its two barges, with an installed capacity of 124 MW to Kanan, which recorded an income for US$74 million equivalent to the acquisition purchase price of this barge net of the insurance deductibles. This amount is presented net of US$48 million, reflecting a net gain of US$25 million in 2017.

Kanan received payments on the insurance claim totaling US$95 million, US$80 million in 2017 and US$15 million in 2018, completing final payment by the insurance company.

Kanan resumed operations and dispatch of energy during the first quarter of 2018, although it reached COD from the National Dispatch Center of the Republic of Panama in May 2018.

Agua Clara Project

Our subsidiary IC Power DR is constructing a 50 MW wind project in the Dominican Republic, which is expected to reach COD by the second quarter of 2019. As part of the project, IC Power DR has entered into a 20 year PPA with a government entity for which the relevant concession has been granted.

[2] Combined Cycle ("CC")
[3] Las Flores Power Plant ("LF")

On October 11, 2017, IC Power DR, entered into an EPC contract with the selected EPC contractor. The total project cost is estimated to be US$103 million and the related financing was closed in March 2018 for US$73.5 million.

As of December 31, 2018, the loan has been fully disbursed and the project construction advancement was 93%.

COBEE Unavailability

On February 14, 2018 a massive flash flood affected 89% of COBEE's generation capacity in the Zongo Valley, destroying water intakes and outfalls of seven plants of our Zongo generation system and 25 out of 60 kilometers of the main road (and bridges) in the valley. No personal damages were registered.

Reconstruction works to progressively re-enable our 100% generation capacity are proceeding positively. As of December 31, 2018, COBEE was operating at a 95% firm capacity. The remaining reconstruction works are estimated to be completed by the end of 2019. Cobee expects that the final costs and business interruption to be immaterial after accounting for property and business interruption insurance coverage.

Inkia Sale

On November 24, 2017, Nautilus Inkia Holdings LLC ("Nautilus Inkia"), a Cayman Islands limited liability company controlled by I Squared Capital, entered into a share purchase agreement with Kenon Holdings Ltd, through its subsidiaries Inkia Energy Ltd ("Inkia") and IC Power Distribution Holding Pte Ltd ("ICPDH"), pursuant to which Inkia and ICPDH agreed to sell all of their interests in power generation and distribution companies in Latin America and the Caribbean (the "Inkia Businesses") in consideration for US$1,341 million, consisting of (i) US$944 million cash proceeds paid by Nautilus Inkia, (ii) retained cash at Inkia of US$222 million, and (iii) US$175 million, which was in the form of a deferred payment obligation bearing interest of 8% per annum, payable in kind by Nautilus Energy TopCo LLC, a parent company of Nautilus Inkia. Nautilus Inkia also assumed Inkia's obligations under Inkia's US$600 million 5.875% senior unsecured notes due 2027. The final purchase price was subject to certain adjustments, including adjustments for working capital, debt and cash at closing. The transaction was completed on December 31, 2017.

As of December 31, 2017, Nautilus Inkia recorded purchase price adjustments and Goodwill on a provisional basis. These amounts were revised during 2018 and therefore updated as follows:

	Provisional	**Adjustments**	**Final**
Total Consideration (US$ Million)	**1,130**	**< 4 >**	**1,126**
Total Identified Net Assets acquired (Book Value)	508	-	508
Fair Value Adjustments	301	< 40>	261
Total Identified Net Assets acquired (Fair Value)	809	< 40>	769
Non-Controlling Interest	-257	-	-257
Total Identified Net Assets net of Non-Controlling Interest	**552**	**< 40>**	**512**
Goodwill	**578**	**36**	**614**

Subsidiaries carve out process

On June 28, 2018, Nautilus Inkia carried out a carve out to Nautilus Distribution Holdings LLC and Nautilus Isthmus LLC ("Permitted Reorganization" as defined in the Inkia 2017 indenture), all 3 entities becoming co-issuers under the Inkia 2027 notes. Nautilus Inkia transferred its equity interests in some of the acquired companies (excluding the Peruvian subsidiaries) in cancelation of the respective loans received, equivalent to the value of the transferred entities as originally planned. The whole process was finished on November 14, 2018.

As a result of this reorganization, the financial information reported as of December 31, 2018 corresponds to the combined financial statements of Nautilus Inkia, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC (together, the "Company").

Purchase of Kallpa and Samay non-controlling interest

On October 16, 2018, Nautilus Inkia entered into a share purchase agreement with, among others, Energía del Pacífico S.A. in order to acquire the minority stakes in both Kallpa Generación S.A. (Kallpa) and Samay I S.A. (Samay). On October 19, 2018, Nautilus Inkia completed the transaction for the acquisition of the 25.1% equity stake in Kallpa and Samay for a purchase price of approximately US$342 million. Nautilus Inkia funded the transaction through a US$200 million bridge loan, US$100 million equity contribution from its shareholder and US$42 million from cash on hand.

Energuate new base tariffs

Over the course of 2018, Energuate has been following the technical – regulatory process to establish new base tariffs for the next 5 years, 2019 – 2023. As part of this process, Energuate has presented before the Guatemala regulator several technical studies. The CNEE (Comisión Nacional de Energía Eléctrica) had until January 31, 2019 to publish the new base tariffs. On January 28, 2019 the CNEE published a resolution keeping the 2014-2019 tariffs and called for an expert arbitration panel ("Expert Panel"), composed of three international experts. The Expert Panel has 60 business days to review and define the parameters and factors that Energuate and CNEE differ. The creation of the Expert Panel is part of the tariff setting process and has been utilized in prior cases. Once the Expert Panel presents its findings, the CNEE has until October 2019 to publish the definitive tariffs that would apply after such publication. In the interim the currents tariffs remain applicable.

JPPC Sale

On January 23, 2019, Inkia Jamaica Holdings Limited, West Indies Development Corporation Limited and Inkia Jamaica Inc. (the "Sellers"), entered in a share purchase agreement with CACAO Holdings Ltd. for the sale of their shares in Inkia Jamaica I Ltd., Inkia Jamaica II Ltd and Inkia Jamaica III Ltd., that directly hold the equivalent of 100% of Jamaica Private Power Company Ltd. (JPPC) for a total consideration of US$10.5 million. Accordingly, the assets and liabilities of the disposal group are presented as held-for-sale in the 2018 combined financial statements. On March 13, 2019 the Government of Jamaica granted final approval and the transaction was closed.

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

The Company adopted IFRS 15 – Revenue from contracts with customers using the cumulative effect method as of January 1, 2018. Therefore, the Company is not required to present comparative information. The results of each company as of December 2018 presented in this report do not consider the accounting reclassification resulting from the application of IFRS 15 in order to be comparative with 2017 figures. This reclassification between revenues and cost of sales has no impact in our adjusted EBITDA. (See page 16 for further detail).

The Company's net income for the year ended December 31, 2018 amounted to approximately US$66 million compared to US$71 million during the year ended December 31, 2017. The Company's results for the period were mainly affected by the following:

Revenues

Our revenue increased by US$12 million, or 1%, to US$1,789 million during 2018 from US$1,777 million during 2017, primarily due to (1) a US$34 million, or 6%, increase in Distribution segment revenue; and (2) a US$29 million, or 4%, increase in Peru segment revenue. These effects were partially offset by a (1) US$28 million, or 35%, decrease in South America segment revenue, and (2) a US$23 million, or 6%, decrease in Central America and Other segment revenue.

Peru Segment

Revenue from our Peru segment increased by US$29 million, or 4%, to US$754 million, during 2018 from US$725 million during 2017, primarily due to:

- a US$117 million, or 20%, increase in Kallpa's revenue mainly as a result of higher energy and capacity sold due to the commencement of a 202 MW PPA with distribution companies in January 2018 and the start of a 120 MW PPA with Southern Copper in April 2017; partially offset by;
- a US$88 million decrease in Samay's revenue as a result of (i) a 96%, or 607 GWh, decrease in spot markets sales due to lower dispatch (during 2017 Samay had an extraordinary volume of energy generation as a result of unavailability of other plants and a delay in the construction of a transmission line), and (ii) a US$13 million lower intercompany revenue billed to Kallpa[4].

South America Segment

Revenue from our South America segment decreased by US$28 million, or 35%, to US$52 million during 2018 from US$80 million during 2017, primarily as a result of:

- *Colmito.* Colmito's revenue decreased by US$16 million, or 73%, to US$6 million during 2018 from US$22 million during 2017 due to the termination and non-renewal of its short-term PPA in December 2017.
- *COBEE.* COBEE's revenue decreased by US$8 million, or 18%, to US$36 million during 2018 from US$44 million during 2017, principally as a result of a 158 GWh, or 15%, decrease in the volume of energy sold due to lower generation in connection to the unavailability of the ZongoValley plants as a result of a flood in February 2018 which affected 89% of the generation capacity in the Zongo Valley.
- *Cardones.* Cardones's revenue decreased by US$4 million, or 29%, to US$10 million during 2018 from US$14 million during 2017, principally as a result of lower recognized capacity (103 MW during 2018 vs 106 MW during 2017) and lower capacity prices.

Central America and Other Segment

Revenue from our Central America and Other segment decreased by US$23 million, or 6%, to US$389 million during 2018 from US$412 million during 2017, primarily as a result of:

[4] Samay Revenues and Kallpa Cost of Sales numbers are presented net of intercompany transactions between both parties for consolidation purposes.

- *JPPC.* JPPC's revenue decreased by US$55 million, or 100%, to nil during 2018, because as of December 31, 2018 JPPC's assets and results were classified as held–for-sale and, therefore, were not included in the results of the continuous operations.
- *Cenérgica.* Cenérgica's revenue decreased by US$10 million, or 56%, to US$8 million during 2018 from US$18 million during 2017 due to the termination and non-renewal of its short-term PPA.

These effects were partially offset by:

- *ICPNH.* ICPNH's revenue increased by US$16 million, or 16%, to US$117 million during 2018 from US$101 million during 2017, principally as a result of (i) a US$10 million, or 13% increase in the revenues of Corinto and Tipitapa due to higher energy prices due to an increase in HFO prices; and (ii) a US$6 million, or 27%, increase in the revenues of the Amayo plants due to a 60 GWh, or 28%, increase in their net generation due to higher wind levels.
- *Kanan.* Kanan's revenue increased by US$15 million, or 22%, to US$83 million during 2018 from US$68 million during 2017, principally as a result of a 40% increase in Kanan's energy prices due to higher HFO prices.

  Nejapa. Nejapa's revenue increased by US$9 million, or 11%, to US$94 million during 2018 from US$85 million during 2017, principally as a result of higher selling prices due to an increase in HFO prices.

Distribution Segment

Revenue from our Distribution segment increased by US$34 million, or 6%, to US$597 million during 2018, from US$563 million during 2017, primarily as a result of (i) a 3.4% increase in the average base rate of low voltage tariffs due to a lower refund of regulatory liability during 2018; and (ii) a 61 GWh or 2.8% increase in the energy supplied to regulated customers.

Cost of Sales

Our cost of sales (including depreciation and amortization and impairment) decreased by US$8 million, or 1%, to US$1,383 million during 2018 from US$1,391 million during 2017, primarily due to:

- a US$56 million, or 5%, decrease in our cost of sales (excluding depreciation and amortization and impairment) to US$1,179 million during 2018 from US$1,235 million during 2017, primarily due to (i) a US$27 million, or 8%, decrease in cost of sales of our Central America and Other segment, primarily driven by the classification of JPPC's assets and results as held-for-sale as of December 31, 2018, (ii) a US$21 million, or 5%, decrease in cost of sales of our Peru segment mainly due to lower generation in Samay; (iii) a US$14 million, or 38%, decrease in cost of sales of our South America segment primarily due to lower energy purchases in Colmito; net of (iv) a US$6 million, or 1%, increase in cost of sales of our Distribution segment mainly due to an increase in energy purchases.
- a US$20 million asset write off recorded during 2017 related to the impairment charge in respect of Inkia's investment in Colombian assets.

Partially offset by:

- a US$68 million, or 50%, increase in depreciation and amortization expenses included in our cost of sales, to US$204 million during 2018 from US$136 million during the year 2017, principally due to (i) a US$17 million increase in amortization as a result of purchase price adjustments resulting from the acquisition performed by Nautilus Inkia (ii) a US$23 million increase in our Distribution segment depreciation due to a change in the estimation of assets useful lives and the inclusion of government grants' amortization[5]; and (iii) a US$22 million increase in Kanan's depreciation as a result of the write-off of several of Kanan's assets, in connection to the fire at our Kanan plant in April 2017.Therefore, depreciation expenses were only recorded for four months in 2017 in Kanan.

[5] During 2017 government grants revenue and its corresponding amortization were presented net. In 2018, government grants revenue and its corresponding amortization are now presented gross.

Peru Segment
Cost of sales (excluding depreciation and amortization and impairment) from our Peru segment decreased by US$21 million, or 5%, to US$409 million during 2018 from US$430 million during 2017, primarily as a result of a US$98 million, or 87%, decrease in Samay's fuel cost due to a 607 GWh, or 96%, decrease in Samay's generation, partially offset by a US$77 million, or 24%, increase in Kallpa's cost of sales as a result of higher transmission cost, energy purchases and fuel cost related to the commencement of its PPAs with Southern Copper and distribution companies in April 2017 and January 2018, respectively.

South America Segment
Cost of sales (excluding depreciation and amortization and impairment) of our South America segment decreased by US$14 million, or 38%, to US$23 million during 2018 from US$37 million during 2017, primarily as a result of a US$16 million, or 84%, decrease in Colmito's cost of sales, as a result of a 100% decrease in Colmito's energy purchases to 1 GWh during 2018 from 284 GWh during 2017 as a result of the termination and non-renewal of its short-term PPA.

Central America and Other Segment
Cost of sales (excluding depreciation and amortization and impairment) of our Central America and Other segment decreased by US$27 million, or 8%, to US$291 million during 2018 from US$318 million during 2017, primarily as a result of:

- a US$46 million, or 100% decrease in JPPC's cost of sales to nil during 2018 from US$46 million during 2017, because as of December 31, 2018 JPPC's assets and results were classified as held-for-sale and, therefore, were not included in the results of the continuous operations.

This effect was partially offset by:
- a US$9 million, or 14%, increase in Nejapa's cost of sales to US$75 million during 2018 from US$66 million during 2017, primarily as a result a US$6 million increase in Nejapa's fuel expense due to a 52 GWh, or 306% increase in Nejapa's generation, and a US$4 million increase in Nejapa's energy purchase expense due to a 26% increase in Nejapa's energy purchase price driven by higher HFO prices.
- an US8 million, or 11% increase in ICPNH's cost of sales to US$79 million during 2018 from US$71 million during 2017, principally as a result of a US$12 million increase in ICPNH's thermal plants fuel costs due to a 6% increase in their generation and higher HFO prices.

Distribution Segment
Cost of sales (excluding depreciation and amortization and impairment) of our Distribution segment increased by US$6 million, or 1%, to US$459 million during 2018 from US$453 million during 2017, primarily as a result of a US$4 million increase in energy purchases due to a 39 GWh, or 1%, increase in the volume of energy purchased.

Administrative Expenses

Our administrative expenses (including depreciation and amortization allocated to general and administrative expenses and severance) decreased by US$14 million, or 12%, to US$104 million during 2018 from US$118 million during 2017, primarily as a result of:

- a US$6 million, or 23%, decrease in the Peru segment general and administrative expenses (excluding depreciation and amortization) mainly due to a (i) US$3 million, or 18%, lower payroll expenses in Kallpa and (ii) a US$2 million, or 50%, lower audit and legal fees.
- a US$5 million, or 42%, decrease in depreciation expense allocated to general and administrative due to a lower amortization corresponding to purchase price adjustments during 2018.

- a US$2 million, or 100%, decrease in JPPC's general and administrative expenses (excluding depreciation and amortization) due to the classification of JPPC as held-for-sale.

Other Income, net

Our other income, net decreased by US$52 million to US$29 million (including Kanan's property damage insurance income) during 2018 from US$81 million during 2017.

During 2018, our net income, net consisted primarily of:

- a US$11 million property damage insurance income recorded in Kanan related to the fire in April 2017;
- a US$10 million non-cash government grants revenue[6] recorded in our Distribution segment;
- a US$4 million property damage insurance income recorded in COBEE related to the flood in the Zongo Valley which affected COBEE's capacity; and
- US$4 million of revenue in connection with transfers of assets from customers of Energuate in the form of cash necessary to acquire or to build them.

During 2017, our other income, net consisted primarily of:

- a US$40 million settlement of liquidated damages as a result of the agreement between Cerro del Aguila (CDA) and its EPC contractor. The EPC contractor agreed to pay US$32 million as liquidated damages for delays and US$8 million as liquidated damages for outages and stoppages of the generator sets;
- a US$25 million net gain on Kanan's write-off, which is the result of the write-off of Kanan's original assets, net of the acquisition price of the power barge Kanan purchased from PQP and the insurance deductibles;
- a US$10 million adjustment in favor of the Company as a result of the finalization of the working capital adjustment related to our acquisition of Energuate; and
- US$5 million of revenue in connection with transfers of assets from customers of Energuate in the form of cash necessary to acquire or to build them.

Profit from Operating Activities

As a result of the above, our profit from operating activities decreased by US$18 million, or 5%, to US$331 million during 2018 from US$349 million during 2017. Our operating margin (representing profit from operating activities as a percentage of revenue) was 19% during 2018 and 20% during 2017.

Financing Expenses, Net

Our financing expenses, net, decreased by US$28 million, or 14%, to US$178 million during 2018 from US$206 million during 2017, as a result of a US$40 million decrease in finance costs, partially offset by a US$12 million, or 67%, decrease in finance income.

Our finance income, including gains from derivative financial instruments, decreased by US$12 million to US$6 million during 2018 from US$18 million during 2017, principally as a result of nil foreign currency income recorded during 2018 compared to US$9 million foreign currency income recorded during 2017, principally as a result of the appreciation of the Guatemalan Quetzal against the US dollar during 2017.

Our finance costs decreased by US$40 million to US$184 million during 2018 from US$224 million during 2017, principally as a result of the issuance of the Inkia 2027 notes and the Kallpa 2027 notes with lower interest rates than the original prepaid debts, the interest rate reduction of the Las Flores lease and the total prepayment of ICPDH's debt in May 2017. This effect was partially offset by a US$25 million exchange loss recorded during 2018 mainly due to the effects of the depreciation of the Guatemalan Quetzal against the US dollar during 2018.

[6] During 2017 government grants revenue and its corresponding amortization were presented net. In 2018, government grants revenue and its corresponding amortization are now presented gross.

Profit from discontinued operation, net of tax

Profit from discontinued operations, net of tax, for 2018 reflected a US$3 million net income from JPPC, which is presented as held-for-sale.

Taxes on Income

Our tax expenses increased by US$17 million, or 23%, to US$90 million during 2018 from US$73 million during 2017. The approximated weighted average tax rate was 29% for the years 2018 and 2017.

Our effective tax rate increased to 59% during 2018 from 51% during 2017. The principal factors causing the deviation between our effective tax rate and the approximate weighted average tax rate for our operating companies during 2018 were (1) the effects of expenses incurred by holding companies in jurisdictions with nil income tax, principally related to the interest expense on Inkia's notes, and administrative expenses incurred by our holding companies, and (2) the non-deductible portion of finance expenses and exchange losses in Energuate, which increased our effective tax rate.

The principal factors causing the deviation between our effective tax rate and the approximate weighted average tax rate for our operating companies during 2017 were (1) the effects of expenses incurred by holding companies in jurisdictions with nil income tax, principally related to the interest expense on Inkia's notes, ICPDH's loan agreement, the impairment loss recorded related to our subsidiary Surpetroil and administrative expenses incurred by our holding companies, which increased our effective tax rate, and (2) the effects of exempt income that we recorded (for example, the working capital adjustment related to our acquisition of Energuate), which reduced our effective tax rate.

Profit for the Period

As a result of the factors described above, our profit decreased by US$5 million, or 7%, to US$66 million during 2018 from US$71 million during 2017. Our net margin (representing profit as a percentage of revenue) was 4% during 2018 and 2017.

Liquidity and Capital Resources

As of December 31, 2018 and December 31, 2017, we had cash and cash equivalents (excluding restricted cash) of US$200 million and US$139 million, respectively. In addition, we had restricted cash of US$11 million and US$18 million, respectively, either because such cash deposits are time deposits or debt service accounts relating to our Peruvian, Bolivian and Chilean assets.

As of December 31, 2018 and December 31, 2017, we had working capital of US$93 million and US$69 million, respectively. We believe that our working capital is currently adequate for our operations.

Our main sources of liquidity have traditionally consisted of cash flows from operating activities, including dividends received from entities in which we own non-controlling interests, short-term and long-term borrowings and sales of bonds in domestic and international capital markets. We do not have funds designated for, or subject to, permanent reinvestment in any country in which we operate. Distributions of the earnings of our foreign subsidiaries are subject to the withholding taxes imposed by the foreign subsidiaries' jurisdictions of incorporation. From time to time, however, we may be unable to receive dividends from our subsidiaries and associated company as a result of a lack of distributable reserves or limitations under our contractual arrangements.

Our main needs for liquidity generally consist of capital expenditures related to the development and construction of generation projects and the acquisition of other generation and/or distribution companies; working capital requirements (e.g., maintenance costs that extend the useful life of our plants); and dividends on our shares. As part of our growth strategy, we expect to develop, construct and operate greenfield projects in the markets that we serve as well as start projects or acquire controlling interests in operating assets within and outside Latin America. Our development of greenfield projects and our acquisition activities in the future may require us to make significant capital expenditures and/or raise significant capital. We believe that our liquidity is sufficient to cover our working capital needs in the ordinary course of our business.

Cash Flow

Cash Flows from Operating Activities

Our main source of operating funds is cash flow generated from our operations. Net cash provided by operating activities was US$522 million during 2018 and US$316 million during 2017.

This US$206 million increase was primarily driven by: (1) a US$110 million increase in Samay's net cash flows from operating activities as a result of higher collections and lower fuel payments both related to the higher dispatch during 2017; (2) a US$70 million increase in Energuate's net cash flows from operating activities as a result of higher payments of energy purchases and other service providers due in 2016 which were made effective in January 2017; (3) a US$56 million increase in Kallpa's net cash flow from operating activities as a result of the increase in the collections to customers due to the increase in revenues and lower tax payments due to a higher tax depreciation; These effects were partially offset by a US$23 million decrease in Nejapa's net cash flow from operating activities due to timing differences in the collections in the year 2017.

Cash Flows Used in Investing Activities

Cash flows used in our investing activities was US$128 million during 2018 and cash flows provided by investing activities during 2017 was US$0.2 million.

During 2018, investing activities for which we used cash primarily consisted of acquisitions of property, plant and equipment of US$155 million, consisting of US$68 million used in the construction the Agua Clara project, US$37 million used by Energuate for various projects to improve its operations, US$20 million used by Kanan in the reconstruction of its power plant, US$5 million invested in Recsa projects and US$25 million related to capital expenditures in connection with maintenance of our other subsidiaries. The effects of these factors were partially offset by (1) the receipt of US$15 million of proceeds of insurance relating to the fire at the Kanan plant in April

2017; and (2) the release of restricted cash and short-term deposits of US$9 million of the net funds received by COBEE and our Chilean subsidiaries.

During the year ended December 31, 2017, investing activities for which we used cash primarily consisted of acquisitions of property, plant and equipment of US$124 million, consisting of US$41 million used to make a payment to the EPC contractor for the CDA plant, US$32 million used by Energuate for various projects to improve its operations, US$19 million used by Kanan in the reconstruction of its power plant and US$32 million related to capital expenditures in connection with maintenance of our other subsidiaries. These effects were completely offset by (1) a US$80 million collection from Kanan's insurance claim, (2) the release of restricted cash of US$36 million of the net funds received by COBEE, Energuate, Cardones, JPPC and our Company; and (3) a US$10 million payment from working capital adjustment from Actis.

Cash Flows from Financing Activities

Cash flows used by our financing activities were US$324 million during 2018 and US$138 million during 2017.

During 2018, we received aggregate proceeds of US$302 million from the incurrence of long-term debt, consisting primarily of (1) proceeds of US$200 million under the Company bridge loan to fund the acquisition of the non-controlling interest in our Peruvian companies, (2) proceeds of US$74 million under the Agua Clara credit facility, and (3) proceeds of US$18 million under a loan agreement entered into by JPPC. In addition, we received a capital contribution of US$100 million from our parent company to fund the acquisition of the non-controlling interest in our Peruvian companies.

During 2018, we used cash (1) to acquire the non-controlling interest in our Peruvian companies for US$342 million, (2) to pay interest in the amount of US$145 million, (3) to repay long-term debt of US$65 million, (4) to pay dividends and distribute proceeds of capital reductions to holders of non-controlling interests of certain of our subsidiaries of US$46 million, (5) to make distributions to our parent company in the amount of US$88 million, and (6) to make payments of our short-term borrowings, net of proceeds of short term borrowings of US$34 million.

During 2017, we received aggregate proceeds of US$1,722 million from the incurrence of long-term debt, consisting primarily of (1) proceeds of US$650 million from the issuance in August 2017 of the Kallpa 2027 notes, (2) proceeds of US$600 million from the issuance in November 2017 and December 2017 of Inkia 2027 notes (3) proceeds of US$330 million under the Energuate Loan Agreement in May 2017, (3); and (4) proceeds of US$120 million under the Energuate Guatemalan Loan Agreements in May 2017.

During 2017, we used cash (1) to repay long-term debt of US$1,416 million, including (i) CDA's obligations under its project finance debt, (ii) DEOCSA and DEORSA's obligations under their then-existing syndicated loan agreements, (iii) Inkia's obligations under its then-existing 2021 notes and (iv) amortization payments under our other outstanding long-term indebtedness, (2) to pay interest in the amount of US$152 million (3) to make payments of our short-term borrowings, net of proceeds of short term borrowings, of US$126 million, primarily consisting of repayments of Energuate's short-term debt and the short-term loan of our subsidiary ICPDH, (4) to pay swap unwinding costs and early prepayment fees and issuance expenses in the aggregate amount of US$71 million relating to the issuance of the Kallpa 2027 notes, the Inkia 2027 notes, the Energuate refinancing and the repayment of CDA's project finance debt, (5) to pay loans to our predecessor parent company of US$42 million; and (6) to pay dividends and capital reductions to holders of non-controlling interests of certain of our subsidiaries of US$37 million.

For the three months ended December 31, 2018

The Company’s net income for the three months ended December 31, 2018 amounted to approximately US$2 million compared to a net income of US$9 million during the same period in 2017. The Company's results for the period were mainly affected by the following:

Revenues

Our revenue increased by US$4 million, or 1%, to US$417 million during the three-month period ended December 31, 2018 from US$413 million during the same period in 2017, primarily due to (1) a US$32 million, or 20%, increase in Peru segment revenue and (2) a US$13 million, or 9%, increase in Distribution segment revenue. These effects were partially offset by a US$39 million, or 41%, decrease in Central America segment mainly due to JPPC’s classification as held-for-sale.

Peru Segment
Revenue from our Peru segment increased by US$32 million, or 20%, to US$192 million, during the three-month period ended December 31, 2018 from US$160 million during the same period in 2017, primarily due to a US$27 million increase in Kallpa’s revenue as a result of higher energy and capacity sold due to the commencement in January 2018 of a 202 MW PPA with distribution companies.

South America Segment
Revenue from our South America segment decreased by US$2 million, or 11%, to US$17 million during the three-month period ended December 31, 2018 from US$19 million during the same period in 2017, primarily as a result of Cardones’ revenue decrease by US$2 million, or 50%, to US$2 million during the three-month period ended December 31, 2018 from US$4 million during the corresponding period in 2017 due to lower recognized capacity (103 MW during 2018 vs 106 MW during 2017) and lower capacity prices.

Central America and Other Segment
Revenue from our Central America and Other segment decreased by US$39 million, or 41%, to US$56 million during the three-month period ended December 31, 2018 from US$95 million during the corresponding period in 2017, primarily as a result of:

- *JPPC.* JPPC’s revenue decreased by US$61 million, or 100%, to nil during the three-month period ended December 31, 2018, because as of December 31, 2018 JPPC’s assets and results were classified as held-for-sale and, therefore, were not included in the results of the continuous operations.

This effect was partially offset by:

- *Nejapa.* Nejapa’s revenue increased by US$10 million, or 56%, to US$28 million during three-month period ended December 31, 2018 from US$18 million during the same period in 2017, principally as a result of (i) higher contracted capacity (140 MW during the three-month period ended December 31, 2018 compared to 101 MW during the same period in 2017) and (ii) higher selling prices due to an increase in HFO prices.
- *Kanan.* Kanan’s revenue increased by US$9 million, or 75%, to US$21 million during the three-month period ended December 31, 2018 from US$12 million during the same period in 2017, mainly due to higher energy sold because Kanan assigned one of its PPAs (ENSA: 34MW) to another generator during the last three-month period ended December 31, 2017 when it was offline.

Distribution Segment
Revenue from our Distribution segment increased by US$13 million, or 9%, to US$153 million during the three-month period ended December 31, 2018, from US$140 million during the same period in 2017, as a result of (i) an increase in the average base rate of low voltage tariffs due to a lower refund of regulatory liability and (ii) higher energy sold during the three-month period ended December 31, 2018.

Cost of Sales

Our cost of sales (including depreciation and amortization and impairment) was US$317 million during both the three-month period ended December 31, 2018 and the same period in 2017. Within cost of sales (including depreciation and amortization and impairment), the differences are explained primarily by:

- a US$22 million or 8%, decrease in our cost of sales (excluding depreciation and amortization and impairment) to US$262 million during the three-month period ended December 31, 2018 from US$284 million during the same period in 2017, primarily due to a US$41 million, or 55%, decrease in cost of sales of our Central America segment primarily driven by the classification of JPPC as held-for-sale, partially offset by a US$20 million, or 24%, increase in cost of sales of our Peru segment due to higher transmission costs and higher energy purchases.

- a US$22 million, or 67%, increase in the depreciation and amortization expenses included in our cost of sales, to US$55 million during the three-month period ended December 31, 2018 from US$33 million during the same period in 2017, principally due to (i) a US$15 million increase in Kanan's depreciation given its operation during the three-month period ended December 31, 2018 compared to the corresponding period in 2017 when Kanan wrote off its barges due to the fire in April 2017, (ii) a US$5 million increase in our Distribution segment depreciation due to a change in the estimation of assets useful lives and the inclusion of the government grants amortization and (iii) a US$3 million increase in amortization as a result of purchase price adjustments resulting from the acquisition performed by Nautilus Inkia. These effects were partially offset a US$3 million decrease in JPPC's depreciation due to its classification as held-for-sale.

  Peru Segment
  Cost of sales (excluding depreciation and amortization and impairment) from our Peru segment increased by US$20 million, or 24%, to US$103 million during the three-month period ended December 31, 2018 from US$83 million during the same period in 2017, primarily as a result of a (i) US$15 million, or 50%, increase in Kallpa's transmission costs and (ii) a US$7 million, or 78% increase in Kallpa's energy purchases, both effects related to the commencement of its PPA with distribution companies in January 2018.

  South America Segment
  Cost of sales (excluding depreciation and amortization and impairment) of our South America segment decreased by US$2 million, or 20%, to US$8 million during the three-month period ended December 31, 2018 from US$10 million during the same period in 2017, primarily as a result of a US$3 million, or 75%, decrease in Colmito's cost of sales, mainly due to a decrease in energy purchases as a result of a 100% decrease in Colmito's energy purchased to nil during the three-month period ended December 31, 2018 from 72 GWh in the same period in 2017 as a result of the termination and non-renewal of its short-term PPA.

  Central America and Other Segment
  Cost of sales (excluding depreciation and amortization and impairment) of our Central America and Other segment decreased by US$41 million, or 55%, to US$34 million during the three-month period ended December 31, 2018 from US$75 million during the same period in 2017, primarily as a result of a US$54 million decrease in JPPC's cost of sale due to its classification as held-for sale. This effect was partially offset by:

  - a US$9 million, or 67%, increase in Nejapa's cost of sales to US$22 million during the three-month period ended December 31, 2018 from US$13 million during the same period in 2017 mainly due to higher energy purchases to supply its higher contracted capacity.
  - a US$5 million, or 50%, increase in Kanan's cost of sales to US$15 million during the three-month period ended December 31, 2018 from US$10 million during the same period in 2017, mainly due to higher energy purchases in connection with higher energy sold because Kanan assigned one of

its PPAs (ENSA: 34MW) to another generator during the last three-month period ended December 31, 2017, when it was offline.

Distribution Segment

Cost of sales (excluding depreciation and amortization and impairment) of our Distribution segment increased by US$1 million to US$118 million during the three-month period ended December 31, 2018 from US$117 million during the same period in 2017.

Administrative Expenses

Our administrative expenses (including depreciation and amortization allocated in general and administrative expenses and severance) increased by US$1 million, or 3%, to US$32 million during the three-month period ended December 31, 2018 from US$31 million during the same period in 2017.

Other Income, net

Our other income, net decreased by US$17 million to US$3 million during the three-month period ended December 31, 2018 from US$20 million during the same period in 2017. During the three-month period ended December 31, 2017, our other income consisted primarily of a US$17 million net gain on Kanan's write-off, which is the result of the write-off of Kanan's original assets, net of the acquisition price of the power barge Kanan purchased from PQP and the insurance deductibles.

Profit from Operating Activities

As a result of the above, our profit from operating activities decreased by US$14 million, or 16%, to US$71 million during the three-month period ended December 31, 2018 from US$85 million during the same period in 2017. Our operating margin (representing profit from operating activities as a percentage of revenue) was 17% during the three-month period ended December 31, 2018 and 21% for the same period in 2017.

Financing Expenses, Net

Our financing expenses, net, decreased by US$12 million, or 21%, to US$45 million during the three-month period ended December 31, 2018 from US$57 million during the same period in 2017.

Our finance income, including gains from derivative financial instruments decreased to US$1 million during the three-month period ended December 31, 2018 from US$3 million during the same period in 2017.

Our finance costs decreased by US$14 million to US$46 million during the three-month period ended December 31, 2018 from US$60 million during the same period in 2017, principally as a result of a US$14 million premium paid in connection to the repayment of Inkia 2021 notes during the three-month period ended December 31, 2017.

Taxes on Income

Our tax expenses increased by US$8 million, or 42%, to US$27 million during the three-month period ended December 31, 2018 from US$19 million during the same period in 2017. The approximate weighted average tax rate for our operating companies was 30% during both the three-month period ended December 31, 2018 and during the same period in 2017.

Our effective tax rate increased to 104% during the three-month period ended December 31, 2018 from 70% during the same period in 2017. The principal factors causing the deviation between our effective tax rate and the approximate weighted average tax rate for our operating companies during the three-month period ended December 31, 2018 were (1) the effects of expenses incurred by holding companies in jurisdictions with nil income tax, principally related to the interest expense on Inkia's notes, and administrative expenses incurred by our holding companies, and (2) the non-deductible portion of finance expenses and exchange losses in Energuate, which increased our effective tax rate.

The principal factors causing the deviation between our effective tax rate and the approximate weighted average tax rate for our operating companies during the three-month period ended December 31, 2017 were (1) the effects of expenses incurred by holding companies in jurisdictions with nil income tax, principally related to the interest expense on Inkia's notes, as well as administrative expenses incurred by our holding companies, which increased our effective tax rate.

Profit for discontinued operations

Profit from discontinued operations, net of tax, for the year ended December 31, 2018 reflected a US$3 million net income from JPPC, which is presented as held-for-sale.

Profit for the Period

As a result of the factors described above, our profit decreased by US$7 million, to a US$2 million net income during the three-month period ended December 31, 2018 from a US$9 million net income during the same period in 2017. Our net margin (representing profit as a percentage of revenue) decreased to nil during the three-month period ended December 31, 2018 from 2% during the same period in 2017.

Appendixes

Combined Income Statement (US$ million)

The results of each company as of December 31, 2018 presented in this report do not consider the accounting reclassification resulting from the application of IFRS 15 – Revenue from contracts with customers (effective since January 1, 2018) in order to be comparative with 2017 figures. This reclassification between revenues and cost of sales has no impact in our adjusted EBITDA.

	For the year ended December 31,				For the three- month period ended December 31,			
	2018	**IFRS 15 Adjustment**	**2018 without IFRS 15**	**2017**	**2018**	**IFRS 15 Adjustment**	**2018 without IFRS 15**	**2017**
Revenues	1,612	177	1,789	1,777	369	48	417	413
Cost of sales	-1,206	-177	-1,383	-1,391	-269	-48	-317	-317
Gross Profit	**406**	**-**	**406**	**386**	**100**	**-**	**100**	**96**
Administrative expenses [1]	-100	-	-100	-118	-28	-	-28	-31
Severance expenses	-4		-4		-4	-	-4	-
Kanan PD insurance income	11	-	11	-	-	-	-	-
Net gain on COBEE write off	4	-	4	-	-	-	-	-
Net gain on Kanan write off	-	-	-	25	-	-	-	17
Other income	20	-	20	68	6	-	6	5
Other expense	-6	-	-6	-12	-3	-	-3	-2
Profit from operating activities	**331**	**-**	**331**	**349**	**71**	**-**	**71**	**85**
Finance income	6	-	6	18	1	-	1	3
Finance costs	-184	-	-184	-224	-46	-	-46	-60
Finance costs, net	**-178**	**-**	**-178**	**-206**	**-45**	**-**	**-45**	**-57**
Share of profit in associate	-	-	-	1	-	-	-	-
Profit before tax	**153**	**-**	**153**	**144**	**26**	**-**	**26**	**28**
Income tax expense	-90	-	-90	-73	-27	-	-27	-19
Profit (loss) from continuing operations	**63**		**63**	**71**	**-1**		**-1**	**9**
Profit from discontinued operations	3		3	-	3		3	-
Profit for the period	**66**	**-**	**66**	**71**	**2**	**-**	**2**	**9**
Attributable to:								
Inkia's equity holders	43	-	43	46	2	-	2	1
Non-controlling interest	23	-	23	25	-	-	-	8
Profit for the period	**66**	**-**	**66**	**71**	**2**	**-**	**2**	**9**
Cost of Sales								
Cost of Sales (excl. Depreciation & Asset write off)	-1,002	-177	-1,179	-1,235	-214	-48	-262	-284
Depreciation & Amortization	-204	-	-204	-136	-55	-	-55	-33
Asset write off	-	-	-	-20	-	-	-	-
Cost of Sales	**-1,206**	**-177**	**-1,383**	**-1,391**	**-269**	**-48**	**-317**	**-317**

1. Includes US$7 million and US$12 million of depreciation and amortization for the year ended December 31, 2018 and 2017 respectively allocated to administrative expenses (US$1 million and US$3 for the three-month period ended December 31, 2018 and 2017 respectively).

Combined Adjusted EBITDA (*)

	For the Year Ended December 31,		For the Three-Month Period Ended December 31,	
	2018	2017	2018	2017
	(in millions of U.S. dollars)			
Net income	US$ 66	US$ 71	US$ 2	US$ 9
Depreciation and amortization	211	148	56	36
Assets write-off	-	20	-	-
Finance expenses, net	178	206	45	57
Share of profit in associate	-	(1)	-	-
Income Tax expense	90	73	27	19
Kanan PD insurance income	(11)	-	-	-
Net gain on COBEE write-off	(4)	-	-	-
Net gain on Kanan write-off	-	(25)	-	(17)
Severance	4	-	4	-
Profit from discontinued operations	(3)	-	(3)	-
Combined EBITDA	**US$531**	**US$492**	**US$131**	**US$104**
Dividends received from Pedregal	1	-	-	-
Combined Adjusted EBITDA (*)	**US$532**	**US$492**	**US$131**	**US$104**

(*) As defined by Inkia Offering Memorandum.

Unconsolidated Operating Cash Flow

	For the Year Ended December 31,		For the Three-Month Period Ended December 31,	
	2018	**2017**	**2018**	**2017**
Distributions received from:				
Kallpa	164	86	60	54
Nejapa and Cenérgica	19	6	4	-
JPPC	15	2	-	1
PQP	9	33	3	33
COBEE	6	20	2	4
Samay	6	-	6	-
Kanan	6	-	6	-
ICPNH	5	4	1	2
Pedregal	1	-	1	-
Energuate	-	104	-	-
Total distributions received	231	255	83	94
Operating expenses	(13)	(10)	(3)	(2)
Unconsolidated Operating Cash Flow	**US$ 218**	**US$ 245**	**US$ 80**	**US$ 92**

Debt by Company

	As of December 31, 2018 US$ million (*)	As of December 31, 2017 US$ million (*)
Short-term Debt		
Samay	45	80
CEPP	4	4
Nejapa	1	-
COBEE	1	-
DEOCSA	-	1
DEORSA	-	2
	51	87
Long-term Debt		
Kallpa (**)	1,069	1,074
Inkia	786	589
Samay	294	302
DEOCSA (**)	262	266
DEORSA (**)	185	188
IC Power DR (Agua Clara)	72	-
COBEE	68	80
Cardones	33	36
Consorcio Eólico Amayo, S.A.	32	37
Consorcio Eólico Amayo (Fase II), S.A.	25	28
Kanan	25	36
Colmito	10	10
Recsa	10	4
CEPP	-	5
Corinto	-	3
Tipitapa Power Company, Ltd.	-	3
	2,871	2,661
Total debt	**US$2,922**	**US$2,748**

(*) Debt is presented at amortized cost (net of transaction costs)
(**) Debt includes purchase price adjustments.

Combined EBITDA reconciliation from operating income

	For the Year Ended December 31,		For the Three-Month Period Ended December 31,	
	2018	**2017**	**2018**	**2017**
	(in millions of U.S. dollars)			
Operating income	331	349	71	85
Depreciation and amortization	211	148	56	36
Kanan PD insurance income	(11)	-	-	-
Net gain on COBEE write-off	(4)	-	-	-
Net gain on Kanan write-off	-	(25)	-	(17)
Severance	4	-	4	-
Assets write-off	-	20	-	-
Total Combined EBITDA	**US$ 531**	**US$ 492**	**US$ 131**	**US$ 104**

Financial Information Summary

For the year ended December 31, 2018

US$ million

Entity	Ownership Interest (%)	Country	Revenues	Cost of Sales[1]	EBITDA
Peru					
Kallpa	100	Peru	707	394	294
Samay I	100	Peru	47	15	31
Subtotal Peru			**754**	**409**	**325**[2]
South America					
COBEE	100	Bolivia	36	18	14
Central Cardones	87	Chile	10	2	6
Colmito	100	Chile	6	3	2
Subtotal South America			**52**	**23**	**22**
Central America and Other					
ICPNH	61-65	Nicaragua	117	79	34
Nejapa	100	El Salvador	94	75	15
Kanan	100	Panama	83	59	24
CEPP	97	Dominican Republic	41	32	7
PQP	100	Guatemala	32	27	4
Guatemel	100	Guatemala	12	10	2
Cenérgica	100	El Salvador	8	6	3
Recsa	100	Guatemala	2	1	1
Inkia & others	100	Various	-	2	(13)
Subtotal Central America and Other			**389**	**291**	**77**
Distribution					
DEOCSA	91	Guatemala	334	255	60
DEORSA	93	Guatemala	263	204	47
Subtotal Distribution			**597**	**459**	**107**
Eliminations			**(3)**	**(3)**	
Total Inkia			**US$1,789**	**US$1,179**	**US$531**

[1] Excluding Depreciation, Amortization and Asset Write Off for US$204 million.

[2] Kallpa and Samay figures are presented net of intercompany transactions. If these effects were not excluded, EBITDA figures would be US$285 million and US$40 million for Kallpa and Samay, respectively.

For the year ended December 31, 2017

US$ million

Entity	Ownership Interest (%)	Country	Revenues	Cost of Sales[1]	EBITDA
Peru					
Kallpa	75	Peru	590	317	291
Samay I	75	Peru	135	113	20
Subtotal Peru			**725**	**430**	**311**[2]
COBEE	100	Bolivia	44	16	22
Central Cardones	87	Chile	14	2	9
Colmito	100	Chile	22	19	3
Subtotal South America			**80**	**37**	**34**
Central America and Other					
ICPNH	61-65	Nicaragua	101	71	26
Nejapa	100	El Salvador	85	66	16
Kanan	100	Panama	68	52	16
JPPC	100	Jamaica	55	46	6
CEPP	97	Dominican Republic	34	29	4
PQP	100	Guatemala	37	36	28
Guatemel	100	Guatemala	10	9	-
Cenérgica	100	El Salvador	18	7	3
Recsa	100	Guatemala	1	1	-
Inkia & others	100	Various	3	1	(7)
Subtotal Central America and Other			**412**	**318**	**92**
Distribution					
DEOCSA	91	Guatemala	314	255	40
DEORSA	93	Guatemala	249	198	36
Subtotal Distribution			**563**	**453**	**76**
Eliminations			**(3)**	**(3)**	**(21)**[3]
Total Inkia			**US$1,777**	**US$1,235**	**US$492**

[1] Excluding Depreciation, Amortization and Asset Write Off for US$156 million.

[2] Kallpa and Samay figures are presented net of intercompany transactions. If these effects were not excluded, the EBITDA figures would be US$271 million and US$40 million for Kallpa and Samay, respectively.

[3] Elimination of PQP's gain on the barge sale to Kanan.

For the three months ended December 31, 2018

US$ million

Entity	Ownership Interest (%)	Country	Revenues	Cost of Sales[1]	EBITDA
Peru					
Kallpa	100	Peru	182	101	74
Samay I	100	Peru	10	2	8
Subtotal Peru			**192**	**103**	**82**[2]
South America					
COBEE	100	Bolivia	12	6	5
Central Cardones	87	Chile	2	1	2
Colmito	100	Chile	3	1	-
Subtotal South America			**17**	**8**	**7**
Central America and Other					
ICPNH	61-65	Nicaragua	28	19	7
Nejapa	100	El Salvador	28	22	4
Kanan	100	Panama	21	15	7
CEPP	97	Dominican Republic	12	9	1
PQP	100	Guatemala	6	4	2
Guatemel	100	Guatemala	4	3	2
Cenérgica	100	El Salvador	2	1	2
Recsa	100	Guatemala	-	1	1
Inkia & others	100	Various	-	-	(3)
Subtotal Central America and Other			*101*	*74*	*23*
JPPC[3]	100	Jamaica	(45)	(40)	(3)
Subtotal Central America and Other including JPPC			**56**	**34**	**20**
Distribution					
DEOCSA	91	Guatemala	88	66	14
DEORSA	93	Guatemala	65	52	8
Subtotal Distribution			**153**	**118**	**22**
Eliminations			**(1)**	**(1)**	**-**
Total Inkia			**US$417**	**US$262**	**US$131**

[1] Excluding Depreciation, Amortization and Asset Write Off for US$55 million.

[2] Kallpa and Samay figures are presented net of intercompany transactions. If these effects were not excluded, the EBITDA figures would be US$72 million and US$10 million for Kallpa and Samay, respectively.

[3] JPPC is presented as asset held-for-sale. Therefore, JPPC's annual contribution in revenues, expenses and EBITDA were excluded in Q4 from the combined income statement and included in a single line as profit from discontinued operations.

For the three months ended December 31, 2017

US$ million

Entity	Ownership Interest (%)	Country	Revenues	Cost of Sales[1]	EBITDA
Peru					
Kallpa	75	Peru	155	78	75
Samay I	75	Peru	5	5	(2)
Subtotal Peru			**160**	**83**	**73**[2]
COBEE	100	Bolivia	11	5	4
Central Cardones	87	Chile	4	1	2
Colmito	100	Chile	4	4	1
Subtotal South America			**19**	**10**	**7**
Central America and Other					
ICPNH	61-65	Nicaragua	27	20	5
Nejapa	100	El Salvador	18	13	5
Kanan	100	Panama	12	10	1
JPPC	100	Jamaica	16	14	2
CEPP	97	Dominican Republic	8	7	-
PQP	100	Guatemala	9	6	23
Guatemel	100	Guatemala	3	3	-
Cenérgica	100	El Salvador	2	2	1
Recsa	100	Guatemala	-	-	-
Inkia & others	100	Various	-	-	(7)
Subtotal Central America and Other			**95**	**75**	**30**
Distribution					
DEOCSA	91	Guatemala	79	66	8
DEORSA	93	Guatemala	61	51	7
Subtotal Distribution			**140**	**117**	**15**
Eliminations			**(1)**	**(1)**	**(21)**[3]
Total Inkia			**US$413**	**US$284**	**US$104**

[1] Excluding Depreciation, Amortization and Asset Write Off for US$33 million.
[2] Kallpa and Samay figures are presented net of intercompany transactions. If these effects were not excluded, the EBITDA figures would be US$65 million and US$8 million for Kallpa and Samay, respectively.
[3] Elimination of PQP's gain on the barge sale to Kanan.

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Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC

Combined Financial Statements

December 31, 2018 and 2017
(Including Independent Auditor´s Reports)

Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC

Combined Financial Statements

December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors
Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC

Opinion

We have audited the combined financial statements of Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC (the Companies), which comprise the combined statement of financial position as at December 31, 2018, the combined statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Companies as at December 31, 2018 and its combined financial performance and its combined cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of the Companies in accordance with the International Ethical Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Restriction on Use and Distribution

We draw attention to Notes 2.A and 2.B to the combined financial statements, which describes the basis of preparation and presentation of these combined financial statements. These combined financial statements do not necessarily represent the financial performance, financial position or related cash flows that would have been obtained if the combined companies had operated as single legal entities. The combined financial statements were prepared to present the combined financial performance and position of the combined companies under indirect common control of I Squared Capital Advisors, LLC ("ISQ"), an independent global infrastructure investment fund manager incorporated in the United States of America. Our opinion is not modified in respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the combined financial statements of the current period. These matters were addressed in the context of our audit of the combined financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition of entities in Latin American and Caribbean

See note 4 *Business Combination*

Key Audit Matter	How the matter was addressed in our audit
On November 24, 2017, Inkia Energy Ltd. and IC Power Distribution Holdings Pte. Ltd. entered into a share purchase agreement (SPA) to sell their Latin American and Caribbean businesses to the Companies. This SPA was amended on December 22, 2017. On December 31, 2017, the Companies completed the purchase of the Latin American and Caribbean businesses. During 2018, the Companies completed the final calculation of the fair value of the assets and liabilities assumed at the date of the acquisition. The accounting for this transaction is complex due to the significant judgments and estimates that are required to determine the values of the consideration transferred and the identification and measurement of fair value of the assets acquired and liabilities assumed. Due to the size and complexity of the acquisition, we considered this to be a key audit matter.	Our audit procedures in this area included, among others (applicable to the provisional accounting and final fair value determination): ▪ obtaining the significant contracts and analysis applicable to this transaction; ▪ involving our own valuation specialists to support us in challenging the valuations produced by the Companies and the methodology used to identify the assets and liabilities acquired; in particular: - the methodologies adopted and key assumptions used in valuing the tangible fixed assets by comparing them with market information; and - the key assumptions used to determine the fair value of the intangible asset; - challenging the fair value of the contingent consideration, . ▪ evaluating the fair value of the consideration transferred and goodwill as a result of this acquisition in accordance with IFRS 3. ▪ evaluating the adequacy of the combined financial statements disclosures, including disclosures of key assumptions, judgments and sensitivities. ▪ evaluating of preliminary and final fair value determination.

Impairment testing of property, plant and equipment (PPE) and intangible and goodwill

See notes 13 *Property, Plant and Equipment (PPE)* and 14 *Intangible Assets and Goodwill.*

Key Audit Matter	How the matter was addressed in our audit
As of December 31, 2018 the Group has recognized PPE and intangible assets and goodwill for US$ 2,797,612 thousand and US$ 1,440,738 thousand, respectively. The annual impairment testing of PPE and intangible assets and goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of	Our audit procedures in this area included, among others: ▪ evaluating the trigger events analysis for PPE prepared by Management to each CGUs; ▪ involving our own valuation specialist to assist in evaluating the appropriateness of the annual impairment testing; in particular: - discount rates applied to each CGUs; - assumptions applied to key inputs such as energy sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing

the Cash Generating Units (CGUs), which is based on the value in use, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future energy sales volumes and prices, operating costs, growth rates and the weighted-average cost of capital (discount rate).	these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry; ▪ performing our own sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows; ▪ evaluating the proper allocation of intangible assets and goodwill to CGUs; and ▪ evaluating the adequacy of the combined financial statements disclosures, including disclosures of key assumptions, judgments and sensitivity analysis.

Responsibilities of Management and Those Charged with Governance for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with IFRS issued by the IASB. These combined financial statements contain an aggregation of financial information related to Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC and were prepared based on the accounting books and records maintained by these entities. Management's responsibility includes determining the acceptability of the preparation basis to the circumstances and for the internal control that management determines is necessary to enable the preparation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Companies' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Companies or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Companies financial reporting process.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companies' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Companies' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Companies to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Companies to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the combined financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lima, Peru

March 27, 2019

Caipo y Asociados

Countersigned by:

Juan José Córdova
Peruvian Certified Public Accountant
Registration 01-18869

Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC

Combined Statements of Financial Position

As at December 31, 2018 and 2017

In thousands of U.S. dollars	*Note*	2018	2017
Assets			
Current assets			
Cash and cash equivalents	*7*	199,976	138,708
Short-term deposits and restricted cash	*8*	11,318	17,890
Trade receivables	*9*	225,218	258,971
Other receivables, including derivative financial instruments	*10*	31,217	44,498
Income tax receivables		10,391	7,759
Inventories	*11*	92,179	91,492
Assets held for sale	*6*	37,702	-
Total current assets		**608,001**	**559,318**
Non-current assets			
Short – term deposits and restricted cash	*8*	4,510	8,394
Trade receivables	*9*	20,074	12,034
Investment in associate	*12*	4,505	5,259
Other receivables, including derivative financial instruments		21,108	19,519
Income tax receivable and tax claims	*10*	27,810	22,892
Deferred income tax assets	*19*	42,910	58,209
Property, plant and equipment	*13*	2,797,612	2,858,027
Intangible assets and goodwill	*14*	1,440,738	1,468,799
Total non-current assets		**4,359,267**	**4,453,133**
Total assets		**4,967,268**	**5,012,451**

In thousands of U.S. dollars	*Note*	2018	2017
Liabilities			
Current liabilities			
Loans from banks, debentures and others	*15*	100,605	141,346
Trade payables	*16*	219,534	185,285
Other payables, including derivative financial instruments	*17*	92,566	93,771
Guarantee deposits from customers	*17*	61,571	59,735
Income tax payables	*17*	12,732	10,214
Liabilities held for sale	*6*	27,833	-
Total current liabilities		**514,841**	**490,351**
Non-current liabilities			
Loans from banks and others	*15*	849,091	619,135
Debentures	*15*	1,972,272	1,987,856
Trade payables	*16*	32,973	38,770
Derivative instruments	*17*	9	56
Government grants	*18*	120,101	137,495
Deferred income tax liabilities	*19*	350,483	307,943
Employee benefits	*17*	13,139	14,171
Other long-term liabilities	*17*	34,399	39,972
Total non-current liabilities		**3,372,467**	**3,145,398**
Total liabilities		**3,887,308**	**3,635,749**
Equity			
Equity attributable to the controlling shareholders		1,040,313	1,119,573
Non-controlling interest	*21*	39,647	257,129
Total equity		**1,079,960**	**1,376,702**
Total liabilities and equity		**4,967,268**	**5,012,451**

The notes on pages 8 to 96 are an integral part of these combine financial statements

Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC
Combined Statements of Profit or Loss
For the year ended December 31, 2018

In thousands of U.S. dollars	***Note***	**2018**
Continuing operations		
Revenue	*22*	1,612,483
Cost of sales	*23*	(1,206,626)
Gross profit		**405,857**
Selling, general and administrative expenses	*24*	(89,400)
Impairment loss on trade and other receivables	*9*	(14,986)
Other income	*26*	35,309
Other expenses	*26*	(5,816)
Profit from operating activities		**330,964**
Finance income	*25*	6,345
Net gain from derivative financial instruments		528
Finance costs	*25*	(184,149)
Finance costs, net		**(177,276)**
Share of loss in associate	*12*	(117)
Profit before income tax		**153,571**
Income tax expense	*19*	(90,123)
Profit from continuing operations		**63,448**
Discontinued operations		
Profit from discontinued operations, net of tax	*6*	3,115
Profit for the period		**66,563**
Attributable to		
Controlling shareholders		43,322
Non - controlling interest	*21*	23,241
Profit for the period		**66,563**

The notes on pages 8 to 96 are an integral part of these combined financial statements

Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC

Combined Statements of Other Comprehensive Income
For the year ended December 31, 2018

In thousands of U.S. dollars	***Note***	**2018**
Profit for the period		66,563
Components of other comprehensive income		
Items that will be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations		4,908
Cash flow hedges – effective portion of changes in fair value		3,643
Cash flow hedges – reclassified to profit and loss		(528)
Income tax expenses relating to cash flow hedges		(663)
		7,360
Items that will not be subsequently reclassified to profit or loss		
Remeasurement of defined benefit obligation		(1,566)
Income tax on defined benefit obligation		374
		(1,192)
Other comprehensive income for the period, net of tax		**6,168**
Total comprehensive income for the period		**72,731**
Attributable to		
Controlling shareholders		48,155
Non-controlling interest	*21*	24,576
Total comprehensive income for the period		**72,731**

The notes on pages 8 to 96 are an integral part of these combined financial statements

Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC

Combined Statements of Changes in Equity

For the year ended December 31, 2018 and for the period from November 20, 2017 to December 31, 2017

In thousands of U.S. dollars	***Note***	**Controlling Shareholders**	**Non-controlling interest**	**Total equity**
Balances as at November 20, 2017		-	-	-
Transactions with owners of the Companies				
Parent investment	*20*	1,119,573	-	1,119,573
Non-controlling interest acquired in business combination	*4*	-	257,129	257,129
Balances as at December 31, 2017		**1,119,573**	**257,129**	**1,376,702**
Comprehensive income for the period				
Profit for the period		43,322	23,241	66,563
Other comprehensive income for the period				
Exchange differences on translating foreign operations		4,720	188	4,908
Cash flow hedges, net of income tax		1,188	1,264	2,452
Remeasurement of defined benefit obligation, net of income tax		(1,075)	(117)	(1,192)
Total other comprehensive income for the period		**4,833**	**1,335**	**6,168**
Total comprehensive income for the period		**48,155**	**24,576**	**72,731**
Transactions with owners of the Companies				
Contributions and distributions				
Distributions to non-controlling shareholders		-	(22,892)	(22,892)
Capital contribution	*20*	100,000	-	100,000
Capital reduction	*20*	(88,102)	-	(88,102)
Capital reduction to non-controlling interest		-	(16,562)	(16,562)
Total contributions and distributions		**11,898**	**(39,454)**	**(27,556)**
Changes in ownership interests				
Acquisition of non-controlling interest without a change in control	*5*	(139,157)	(202,604)	(341,761)
Total changes in ownership interests		**(139,157)**	**(202,604)**	**(341,761)**
Others		(156)	-	(156)
Total transactions with owners of the Companies		**(127,415)**	**(242,058)**	**(369,473)**
Balances as at December 31, 2018		**1,040,313**	**39,647**	**1,079,960**

The notes on pages 8 to 96 are an integral part of these combined financial statements.

Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC

Combined Statements of Cash Flows

For the years ended December 31, 2018 and 2017

In thousands of U.S. dollars	***Note***	**2018**	**2017**
Profit for the period		66,563	-
Adjustments for:			
Depreciation and amortization		211,994	-
Finance costs, net	*25*	177,968	-
Income tax expense	*19(a)*	91,312	-
Loss on disposal of property, plant and equipment		5,302	-
Impairment loss on trade and other receivables	*9*	14,986	-
Inventory write off	*11.C*	522	-
Share of loss in associate	*12*	117	-
		568,764	**-**
Changes in:			
Trade and other accounts receivable		(8,878)	-
Inventories		(7,619)	-
Trade and other accounts payable		16,028	-
Provisions and employee benefits		(2,022)	-
		566,273	**-**
Income tax paid		(45,202)	-
Dividends received		573	-
Net cash provided by operating activities		**521,644**	**-**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(155,147)	-
Acquisition of intangibles		(4,775)	-
Proceeds from insurance claim		15,004	-
Interest received		6,096	-
Restricted cash		5,149	-
Short-term deposits		3,402	-
Business combination, net of cash acquired	*4.i*	2,108	-
Proceeds from sales of plant and equipment		224	-
Acquisition of Latin American and Caribbean businesses, net of cash acquired	*4*	-	(980,865)
Net cash used in investing activities		**(127,939)**	**(980,865)**

The notes on pages 8 to 96 are an integral part of these combined financial statements.

Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC
Combined Statements of Cash Flows
For the year ended December 31, 2018 and 2017

In thousands of U.S. dollars	***Note***	**2018**	**2017**
Cash flows from financing activities			
Payment of short-term loans from banks		(377,201)	-
Purchase of non-controlling interest	*5*	(341,761)	-
Payment of interest		(145,307)	-
Payment of capital reduction to parent company	*20*	(88,102)	-
Payment of long term debt		(65,209)	-
Payments of dividends to non-controlling interest		(23,321)	-
Payment of capital reduction to non-controlling interest		(22,449)	-
Payment of issuance expenses		(5,850)	-
Proceeds of short-term loans from banks		343,474	-
Proceeds of long-term debt		301,534	-
Capital contributions from parent company	*20*	100,000	-
Parent investment	*4.i*	-	1,119,573
Net cash provided by (used in) financing activities		**(324,192)**	**1,119,573**
Net increase in cash and cash equivalents		69,513	138,708
Cash and cash equivalents as at January 1		138,708	-
Effect of changes in the exchange rate on cash and cash equivalents		(2,849)	-
Cash and cash equivalents as at December 31		**205,372**	**138,708**
Included in cash and cash equivalents per Statement of Financial Position		199,976	138,708
Included as assets of held for sale	*6.C*	5,396	-

The notes on pages 8 to 96 are an integral part of these combined financial statements

1. Corporate Information

Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC (hereinafter the "Combined Entities" or "Companies") have operations in Latin America and the Caribbean. These holdings were incorporated in Cayman Islands on November 20, 2017 to complete the acquisition of the assets of Inkia Energy Ltd. (hereinafter "Inkia") in Latin America and the Caribbean in December 2017. See additional information in note 4.

The Companies operate and develop power generation facilities in Latin America and the Caribbean, and are involved in the distribution business in Guatemala. The Companies have operations in Peru, Chile, Dominican Republic, Bolivia, El Salvador, Jamaica, Nicaragua, Guatemala, Panama and an investment in Panama, consisting of power generation plants that utilize a range of fuel sources, including natural gas, hydroelectric, heavy fuel oil, diesel and wind.

The Companies are indirectly wholly-owned subsidiary of I Squared Capital Advisors, LLC ("ISQ"). ISQ is an independent global infrastructure investment fund manager incorporated in the United States of America.

The Companies' administrative office is located in Las Palmeras 435, 8th floor, Lima 27, Peru. The address of their registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Companies have an operating capacity of approximately 3,450 MW as of December 31, 2018 (3,374 MW as of December 31, 2017).

Entity	Country	Percentage of ownership (Rounded)	Energy used to operate	Capacity (MW)
Kallpa	Peru	100%	Natural gas and hydroelectric	1,618
Samay I	Peru	100%	Natural gas and Diesel	708
COBEE	Bolivia	100%	Hydroelectric and natural gas	228
Central Cardones	Chile	87%	Diesel	153
Colmito	Chile	100%	Diesel and Natural gas	58
Nejapa	El Salvador	100%	Heavy fuel oil	140
Kanan	Panama	100%	Heavy fuel oil	124
Corinto	Nicaragua	65%	Heavy fuel oil	71
Tipitapa	Nicaragua	65%	Heavy fuel oil	51
Amayo I	Nicaragua	61%	Wind	40
Amayo II	Nicaragua	61%	Wind	23
CEPP	Dominican Republic	97%	Heavy fuel oil	67
JPPC (a)	Jamaica	100%	Heavy fuel oil	60
PQP	Guatemala	100%	Heavy fuel oil	55
Investments – equity accounted investee				
Pedregal (b)	Panama	21%	Heavy fuel oil	54
Total operating capacity as of December 31, 2018				**3,450**

(a) Classified as held for sale as of December 31, 2018.

(b) Pedregal Power Company S. de R.L. is not consolidated in these combined financial statements and is recorded under the equity method.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these combined financial statements are set out below.

A. Basis of preparation

These combined financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued as by the International Accounting Standards Board ("IASB") and IFRS interpretations as issued by the IFRS Interpretations Committee ("IFRIC"), together defined as IFRS.

The preparation of combined financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the respective accountings policy. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Combined Financial Statements is included in the following notes:

- Note 4 – Fair value adjustments for business combination in accordance with IFRS 3, and the measurement of assets, liabilities and goodwill;
- Notes 13 and 14 – Useful life of the property, plant and equipment and intangible assets;
- Note 14 - Key assumptions used for discounted cash flow projections;
- Note 19 – Utilization of tax losses.
- Note 30 – Probability of occurrence and uncertainty of amount of liabilities for contingent liabilities.

The combined financial statements as of December 31, 2018 have been authorized for issuance by the Management of the Companies on March 15, 2019.

i. Historical cost basis

The combined financial statements have been prepared on the historical cost basis, except for derivative financial instruments and disposal groups held for sale. For further information regarding the measurement of these assets and liabilities see note 2F and 2S.

ii. Changes in significant accounting policies

The Companies adopted IFRS 15 *Revenue from contracts with Customers* and IFRS 9 *Financial Instruments* from January 1, 2018 with no significant impact on the Companies' equity as of that date.

IFRS 15: Revenue from contracts with customers

IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognized. Under IFRS 15, revenues are recognized when a customer obtains control of goods or services. Determining the timing of transfer of control at a point in time or over time requires judgement.

All revenue transactions from January 1, 2018 were accounted for applying accounting policy for revenue recognition described in note 2G.

IFRS 9: Financial instruments
The Companies adopted IFRS 9 Financial Instruments from January 1, 2018. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The main impacts of adoption of this accounting standards follows:

- New measurement categories under IFRS 9 for each class of financial assets and financial liabilities as at December 31, 2017 and December 31, 2018.

- Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

- IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortized cost.

- Companies adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. Additionally, the Companies adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures.

Classification of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measurement at amortized cost, Fair value through other comprehensive income (FVOCI) and Fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the requirement in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 have not had a significant effect on the Companies accounting policies for financial liabilities and derivative financial instruments.

The following table explain the categories formerly used by the Companies under IAS 39 and the new measurement categories under IFRS 9 for each class of the Companies financial assets and financial liabilities:

	Note	Classification under IAS 39	Classification under IFRS 9
Financial assets			
Interest rate swap used for hedging		Fair value-hedging instrument	Fair value-hedging instrument
Cash and cash equivalents		Loans and receivables	Amortized cost
Short term deposits and restricted cash		Loans and receivables	Amortized cost
Trade receivables	*(a)*	Loans and receivables	Amortized cost
Other receivables		Loans and receivables	Amortized cost
Deposits and other receivables		Loans and receivables	Amortized cost
Financial liabilities			
Interest rate swap used for hedging		Fair value-hedging instrument	Fair value-hedging instrument
Loans from banks and others		Other financial liabilities	Other financial liability
Liabilities in respect of finance leases		Other financial liabilities	Other financial liability
Debentures	*(b)*	Other financial liabilities	Other financial liability
Trade payables		Other financial liabilities	Other financial liability
Guarantee deposits from customers		Other financial liabilities	Other financial liability
Other payables		Other financial liabilities	Other financial liability
Other payables (Contingent consideration)		Financial liability at FVTPL	Mandatory at FVTPL - Others

(a) Trade receivables that were classified by the Companies as loans and receivables under IAS 39 are now classified at amortized cost under IFRS 9. An adjustment under IFRS 3 of US$ 13,550 thousand (before deferred income tax), which reduced trade receivables in the distribution business was recognized on the initial balances at December 31, 2017 as part of the fair value determination of the asset acquired and liabilities assumed resulting in a net adjustment (after deferred income tax) of US$ 9,967 thousand (US$ 9,106 thousand to controlling stockholders and US$ 861 thousand to non-controlling interest).

(b) Debentures were classified as other financial liabilities under IAS 39. An adjustment of US$ 13,752 thousand (before deferred income tax) increasing liabilities was recognized at December 31, 2017 as part of the fair value determination of the asset acquired and liabilities assumed in accordance with the requirements of IFRS 3, resulting in a net adjustment (after deferred income tax) of US$ 9,695 thousand (US$ 7,262 thousand to controlling stockholders and US$ 2,433 thousand to non-controlling interest).

Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

In general, the most important financial assets of the Companies, trade receivables, do not contain a significant financing component. Therefore, the simplified approach as established in IFRS 9 has been applied at initial adoption.

As a result of the adoption of IFRS 9, the Companies adopted consequential amendments to IAS 1 *Presentation of Financial Statements* which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income.

Hedge accounting
The Companies have elected to adopt the new general hedge accounting model in IFRS 9. This requires the Companies to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing effectiveness.

The Companies analyzed that the types of hedge accounting relationships that the Companies formerly designated met the requirements of IFRS 9 and are aligned with the risk management strategy and objective. The Companies had not designated more hedge relationships, therefore there have not been significant impact in initial adoption.

Renegotiation of debt instruments not resulting in a de-recognition
IFRS 9 requires that entities must recognize a gain or loss at the date of modification when a financial liability measured at amortized cost is modified without this resulting in de-recognition. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

The Companies have not had significant impact on the initial adoption of IFRS 9 due to the debt instruments as of December 31, 2017 have been recognized at fair value in accordance with the requirements IFRS 3.

iii. Standards issued but not yet effective
A number of new standards are effective for annual periods beginning after January 1, 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these combined financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group´s financial statements in the period of initial application.

IFRS 16: Leases
The Companies are required to adopt IFRS 16 Leases from January 1, 2019. The Companies have assessed the estimated impact that initial application of IFRS 16 will have on its combined statements, as described below. The actual impact of adopting the standard on January 1, 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(a) Leases in which the Group is a lessee
The Companies will recognize new assets and liabilities for their operating leases. The nature of expenses related to those leases will now change because the Companies will record depreciation expenses for right-of-use assets and interest expenses on lease liabilities.

Previously, the Companies recognized operating lease expenses on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.

No significant impact is expected for the Companies finance leases.
Based on the information currently available, the Companies estimate that it will recognize additional lease liabilities of US$ 32,087 thousands as at January 1, 2019.

(b) Transition

The Companies plan to apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach with the cumulative effect of initially applying the Standard recognized at the date of initial application.

The Companies plan to apply the practical expedient to not to apply requirement of IFRS 16 to leases for which the lease term ends within 12 months of the date of initial application.

Other standards

The following amendment standards and interpretations are not expected to have significant impact on the Companies combined financial statements.

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.

B. Basis of Combination

i. Combination criteria

These combined financial statements for the year ended December 31, 2018 and for the period from November 20, 2017 to December 31, 2017 include the following companies (combined companies):

- Nautilus Inkia Holdings LLC and subsidiaries.
- Nautilus Distribution Holdings LLC and subsidiaries.
- Nautilus Isthmus Holdings LLC and subsidiaries.

These companies were combined because they are under shared common control and these combined financial statements were prepared, whenever applicable, in accordance with the concepts and techniques applicable for the consolidation of financial statements as described in this note below.

The combined companies are not operated as a single legal entity. This information is not therefore indicative of results obtained or future earnings if they had been operating a single legal entity. Therefore, the combined financial statements should not be used as a basis for calculating dividends, taxes or for any other corporate or statutory purposes.

The assets and shareholders´ equity in the financial year ended December 31, 2018 comprising the combined balances, with related-party transactions being eliminated, are as follows:

In thousands of U.S. dollars	**Total assets**	**Total equity**
Nautilus Inkia Holdings LLC and subsidiaries	3,604,891	855,236
Nautilus Distribution Holdings LLC and subsidiaries	1,158,176	143,631
Nautilus Isthmus Holdings LLC and subsidiaries	637,176	365,241
Elimination of intercompany balances	(432,975)	(284,148)
Combined balances	**4,967,268**	**1,079,960**

The profit and loss and OCI included as of the financial year ended December 31, 2018 comprising the combined balances, with related-party transactions being eliminated, are as follows:

In thousands of U.S. dollars	**Profit or loss**	**OCI**
Nautilus Inkia Holdings LLC and subsidiaries	53,112	1,690
Nautilus Distribution Holdings LLC and subsidiaries	(10,148)	3,501
Nautilus Isthmus Holdings LLC and subsidiaries	23,946	977
Elimination of intercompany transactions	(347)	-
Combined balances	**66,563**	**6,168**

The assets and shareholders´ equity in the financial year ended December 31, 2017 comprising the combined balances, with related-party transactions being eliminated, were as follows:

In thousands of U.S. dollars	**Total assets**	**Total equity**
Nautilus Inkia Holdings LLC and subsidiaries	5,012,451	1,169,982
Nautilus Distribution Holdings LLC	103,402	103,402
Nautilus Isthmus Holdings LLC	103,318	103,318
Elimination of intercompany balances	(206,720)	-
Combined balances	**5,012,451**	**1,376,702**

On December 31, 2017, the Companies completed the purchase of its Latin American and Caribbean businesses and no profit or loss and other comprehensive income were generated.

The combined financial statements are the only set of financial statements of the entities under shared common control. The Companies used the definition of control set out in IFRS 10 Consolidated Statements, both for evaluating the existence of shared common control and for the consolidation procedure.

All intra-group balances, revenues, expenses and unrealized gains and losses arising from transactions between the combined companies were eliminated when preparing the combined financial statements. Transactions with ISQ group companies, which do not belong to the Companies, have been disclosed as transactions with related parties (see note 31).

ii. Business combinations

The Companies account for business combinations using the acquisition method when control is transferred to the Companies (see (B) (ii)). The consideration paid in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase gain is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

iii. Subsidiaries

Subsidiaries are entities controlled by the Companies. The Companies control an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are consolidated in the combined financial statements of the Companies from the date on which control commences until the date on which control ceases.

The Companies have no interests in structured entities as of December 31, 2018 and 2017.

iv. Non-controlling interest (NCI)

NCI are measured at their proportionate share of the acquiree identifiable net assets at the acquisition date.

Changes in the Companies´ interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

v. Loss of control

When the Companies loss control over a subsidiary, they derecognize the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

vi. Reorganizations under Common Control Transactions

Common control transactions that involve the setup of a new group company and the combination of entities under common control are recorded using the book values of the parent company.

vii. Investment in Associates

Associates are all entities over which the Companies have significant influence but not control or joint control, over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee after the date of acquisition. The Companies investment in associates includes goodwill identified on acquisition. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in Other Comprehensive income (OCI) is reclassified to profit or loss where appropriate.

The Companies share of post-acquisition profit or loss is recognized in the profit or loss, and its share of post-acquisition movements in OCI is recognized in OCI with a corresponding adjustment to the carrying amount of the investment. When the Companies’ share of losses in an associate equal or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the entity’s net investment in the associate, the Companies do not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

viii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Companies' interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

C. Segment reporting

Management evaluated the segment reporting to disclose information to enable users of the financial statements to evaluate the nature and financial effects of the different business activities in which the Companies engage and the economic environments in which it operates.

Management identify the Chief Operating Decision Maker (CODM) that is composed by a group of executives, Companies´ Senior Management, rather than for a specific individual. Companies´ Senior Management team is formed for by the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer – Generation, Chief Investment Officer, Chief Operating Officer – Distribution, Chief Technical Officer and General Legal Counsel. For the purpose of assessing financial, the CODM reviews the commercial and operating performance and making resource allocation decisions. The day to day activities are directly handled by the Senior Management.

The Companies´ activities are organized primarily around its core businesses: energy generation and distribution. On that basis the Companies have established two major business lines.

The CODM reviews net income (loss) for the period as well as adjusted EBITDA (earnings before taxes, excluding financial expenses, net, depreciation and amortization, share of (profit) loss of associates, impairment and gain on bargain purchase). The CODM uses this performance measure because it believes that this information is the most relevant in evaluating the results of the respective segments.

The Companies' reportable segments are comprised by the legal entities in Peru, South America, and Central America and Caribbean for the power generation which have similar characteristics.

Management also, has distribution as a separate reportable segment.

All other segment includes pre-operating companies and holdings in South America, Central America and Caribbean. None of these segments met the quantitative thresholds for reportable segments in the periods presented.

Operating segments may be aggregated into a single operating segment when they have characteristics so similar that they can be expected to have essentially the same prospects. The Companies´ Management evaluated to do the aggregation considering that the segments have similar characteristics.

The revenue, net income and assets covered by the reportable segments represent more than 75% of the Companies' total revenues, net income and total assets. Thus, information on other operating segments can be combined and disclosed under "Other".

The accounting policies used in the determination of the segment amounts are the same as those used in the preparation of the Companies' combined financial statement, excluding business combination effects which are allocated to Other segment. Inter-segment pricing is determined based on transaction prices occurring in the ordinary course of business.

D. Foreign currency translation

i. Functional currency
Items included in the financial statements of each of the Companies are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Combined financial statements are presented in U.S. Dollars, which is the Companies' functional and presentation currency.

ii. Transactions and balances
Transactions in foreign currencies are translated to the respective functional currencies of Companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit and loss.

However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- Available-for sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss); and
- Qualifying cash flow hedges to the extent the hedges are effective.

iii. Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into U.S. Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into U.S. Dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed entirely or partially such that, control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Companies dispose a part of their interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Companies dispose of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

E. Discontinued operation
A discontinued operation is a component of the Companies´ business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit and loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

F. Non-current assets and disposal groups held for sale or distribution
Non-current assets (or group of assets and liabilities for disposal) are classified as held for sale or distribution if it is highly probable that they will be recovered primarily through a sale transaction or a distribution to the owners and not through continuing use. This applies also to when the Company is obligated to a sale plan that involves losing control over a subsidiary, whether or not the Company will retain any post-sale non-controlling interest in the subsidiary.

Immediately before classification as held for sale or distribution, the assets (components of a disposal group) are re-measured in accordance with the Companies´ accounting policies. Thereafter, the assets (or components of a disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group is initially allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not in the scope of the measurements requirements of IFRS 5 such as: inventories, financial assets, deferred tax assets, employee benefits assets, investment property measured at fair value and biological assets, which continue to be measured in accordance with the Companies´ accounting policies. Impairment losses recognized on initial classification as held for sale, and subsequent gains or losses on re-measurement, are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

In subsequent periods, depreciable assets classified as held for sale or distribution are not periodically depreciated, and investment in associates classified as held for sale are not accounted for by the equity method.

G. Revenue
Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Companies recognize revenue when they transfer control over a product or service to a customer, net of value-added-tax, rebates and discounts and after eliminating sales within the Companies.

The revenue recognition model applied to contracts with customers considers a transaction analysis based on five steps to determine whether, how much and when revenue is recognized:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Identify the contract with a customer and performance obligations in the Contract
Revenues from the generation business are recorded based upon energy output delivered and capacity provided at rates specified pursuant to our Power Purchase Agreements (PPAs), or at marginal costs determined on the spot market, if the sales are made on the spot market.

Revenues from the distribution of electric energy are recognized based on the energy delivered to customers, through invoicing and the estimate of sales from the energy supplied which has not been billed yet at the reporting date.

Determine the transaction price and allocation to the performance obligations
Performance obligation in the generation business is the sale of electrical energy and the sale of capacity.

Revenues and costs related to main and secondary toll services are recognized net since the Companies merely pay for the use of the transmission lines, but there is no separate performance obligation.

The Revenue from generation business is determined substantially by long-term, U.S. dollar-linked PPAs. PPAs are usually entered into at prices that are equivalent to, or higher than, the prevailing spot market rates, the majority of which are indexed to the underlying fuel cost of the related long-term supply agreements. Under the terms of the majority of our PPAs, the power purchaser is contractually obligated to purchase its energy requirements, and sometimes capacity and/or ancillary services, from the power generator based upon a base price (denominated either in U.S. Dollars or in the local currency) that is generally adjusted for a combination of some of the following: (1) fluctuations in exchange rates, (2) the U.S. inflation index, (3) a local inflation index, (4) fluctuations in the cost of operating fuel, (5) supply costs of natural gas, and (6) transmission costs. Additionally, in Peru, PPAs include provisions that change the contractual unitary energy prices in the case of an interruption of the supply or transportation of natural gas through the use of a methodology based on spot prices during on the dates in which the interruption event occurred.

Many of the prices in our PPAs differentiate between peak and off-peak periods. As of December 31, 2018, the weighted average remaining life of our PPAs based on firm capacity was 13 years.

The electricity distribution charges consist of a base tariff and an electricity adjustment surcharge. Under the General Electricity Law and the regulations of the National Commission of Electric Energy (CNEE in Spanish), the base tariff is adjusted annually each May 1 to reflect anticipated changes in the cost of electricity to be purchased by the Companies 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 Companies 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 Companies have concluded that the variable considerations in the revenue of the generation and distribution businesses do not need to be estimated and included in the transaction price when determining the revenue due to the contracts contains fixed prices for each kWh of energy supplied and capacity.

Recognition of revenue
The Companies consider, based on all relevant facts and circumstances, that the obligation to deliver energy and capacity is viewed as services that are transferred consecutively over the contract term, which are simultaneously provided and consumed. That means, that the customer immediately consumes each unit of energy (kWh) and capacity.

Management evaluates the impact of the measures of progress over time. The purpose of measuring progress toward satisfaction of a performance obligation is to recognize revenue is a pattern that reflects the transfer of control of the promised good or services to the customer. Based on the contract terms, the amount that will be billed is based on the units of energy transferred to the client. Invoices are usually collected within 30 days.

H. Employee benefits

i. Short - term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Companies have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Companies expect the benefits to be wholly settled.

ii. Defined benefit plans
Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. Remeasurements of the defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Companies determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Interest expense and other expenses related to defined benefit plan are recognized in profit or loss as administrative expenses or as cost of sales.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Companies recognize gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iii. Termination benefits
Severance pay is charged to profit or loss when there is a clear obligation to pay termination of employees before they reach the customary age of retirement according to a formal, detailed plan, without any reasonable chance of cancellation. The benefits given to employees upon voluntary retirement are charged when the Companies propose a plan to the employees encouraging voluntary retirement, it is expected that the proposal will be accepted and the number of employee acceptances can be estimated reliably.

I. Government Grants
Government grants related to the construction of distribution projects under the Rural Electrification Program are not recognized until there is reasonable assurance that the Companies will comply with the conditions attaching to them and that the grants will be received. Government grants are recorded at the value of the grant received and any difference between this value and the actual construction cost is recognized in profit or loss of the year in which the asset is released.

Funds received under such government grants are initially recognized in the combined statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related distribution assets.

J. Finance income and finance costs

The Companies´ finance income and finance costs include:

- Interest income;
- Interest expense;
- The net gain or loss on financial assets at fair value through profit or loss (FVTPL);
- The foreign currency gain or loss on financial assets and financial liabilities;
- The fair value loss on contingent consideration classified as financial liability;
- Impairment losses recognized on financial assets (other than trade receivables);
- The net gain or loss on hedging instruments that are recognized in profit or loss; and
- The reclassification of net gains previously recognized in OCI.

Interest income or expense are recognized using the effective interest method.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial assets; or
- The amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

K. Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- Temporary differences related to investments in subsidiaries and associates to the extent that the Companies are able to control the timing of the reversal of the temporary differences and it is not probable that they will reverse in the foreseeable future; and

- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Companies.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profit improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Companies regularly review their deferred tax assets for recoverability, taking into consideration all available evidence, both positive and negative, including historical pre-tax and taxable income, projected future pre-tax and taxable income and the expected timing of the reversals of existing temporary differences. In arriving at these judgments, the weight given to the potential effect of all positive and negative evidence is commensurate with the extent to which it can be objectively verified.

The Companies believe their tax positions are in compliance with applicable tax laws and regulations. Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The Companies believe that their liabilities for unrecognized tax benefits, including related interest, are adequate in relation to the potential for additional tax assessments. There is a risk, however, that the amounts ultimately paid upon resolution of audits could be materially different from the amounts previously included in income tax expense and, therefore, could have a material impact on tax provision, net income and cash flows.

iii. Uncertain tax provision

A provision for uncertain tax positions, including additional tax and interest expenses, is accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

L. Inventories

Inventories consist of fuel, spare parts, materials and supplies and are valued at the lower of cost or net realizable value. Cost is determined by using the average cost method.

M. Trade receivables

Trade receivables are amounts due from customers for the energy and capacity in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

N. Cash and cash equivalents

In the Companies statement of cash flows, cash and cash equivalents includes cash on hand, time deposits with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within Loans from Banks and others current liabilities in the statement of financial position.

O. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment comprise mainly power station structures, power distribution facilities and related offices. These items are measured at historical cost less accumulated depreciation and accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

- The cost of materials and direct labor;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Companies have an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs.

If significant parts of an item of property, plant and equipment items have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss in the year the asset is derecognized.

ii. Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Companies, and its cost can be measured reliably.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Companies will obtain ownership by the end of the lease term. Land is not depreciated.

The following useful lives shown on an average basis are applied across the Companies:

	Years
Roads	20 - 30
Buildings	2 - 80
Leasehold improvements	3 – 20
Installation, machinery and equipment	
Thermal power plants	1 – 30
Hydro-electric	5 – 60
Solar power plants	22 – 27
Wind power plants	20 – 30
Distribution technical instruments	
Substations, medium voltage equipment and transformers	10 – 40
Meters and connections	10 – 30
Dams	30 – 70
Office furniture and equipment, motor vehicles and other equipment	1 – 16

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

P. Intangible assets

i. Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment; and any impairment loss is allocated to the carrying amount of the equity investee as a whole.
Access road and easement	Comprise the disbursement made by the Companies in easements and public road to access the site and are recognized and measured at cost less the accumulated amortization and any accumulated impairment loss.
Research and development	Expenditure on research activities is recognized in profit and loss as incurred. Development activities involve expenditures incurred in connection with the design and evaluation of future power plant projects before the technical feasibility and commercial viability is fully completed, however, the Companies intend to and have sufficient resources to complete the development and to use or sell the asset. At each reporting date, the Companies perform an evaluation of each project in order to identify facts and circumstances that suggest that the carrying amount of the assets may exceed their recoverable amount.
Concessions	Intangible assets granted by the Energy and Mining Ministry of Guatemala to DEORSA and DEOCSA to operate in defined geographic areas, and acquired as part of business combination. The Companies measure Concessions at cost less accumulated amortization and any accumulated impairment losses.
Client relationships	Intangible assets acquired as part of a business combination and are recognized separately from goodwill if the assets are separable or arise from contractual or other legal rights and their fair value can be measured reliably.
Other intangible assets	Other intangible assets, including licenses, software, patents and trademarks, which are acquired by the Companies and have finite useful lives, are measured at cost less accumulated amortization and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognized in profit or loss as incurred.

iii. Amortization

Amortization is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their useful lives, and is generally recognized in profit or loss. Goodwill is not amortized.

The estimated useful lives for current and comparative period are as follows:

Client relationships	Up to 2036
Access road and easement	20 – 80 years
Licenses	1 – 10 years
Concession licenses*	31 years *

* *The concessions are amortized over the remaining life of the licenses from the acquisition date of the business combination.*

Amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Q. Transfer of assets from customers

In the distribution industry, an entity may receive from its customers items of property, plant and equipment that must be used to connect those customers to a network and provide them with ongoing access to supply electricity. Alternatively, an entity may receive cash from customers for the acquisition or construction of such items of property, plant and equipment. In these cases, where the Companies determine that the items qualify for recognition as an asset, the transferred assets are recognized as part of the property plant and equipment in the statement of financial position in accordance with IAS 16 and measured the cost on initial recognition at its fair value.

The transfer of an item of property, plant and equipment is an exchange for dissimilar goods or services. Consequently, the Companies recognize revenue, see note 26. The timing of the recognition of the revenue arising from the transfer will depend on the timing that the assets are transferred, the Companies have control on the assets and the customers are connected to the distribution network.

R. Service Concessions Arrangements

The Companies have examined the characteristics, conditions and terms currently in effect under its electric energy distribution license and the guidelines established by IFRIC 12. On the basis of such analysis, the Companies concluded that their license is outside the scope of IFRIC 12, primarily because the grantor does not control any significant residual interest in the infrastructure at the end of the term of the arrangement and the possibility of renewal.

The Companies account for the assets acquired or constructed in connection with the Concessions in accordance with IAS 16 Property, plant and equipment.

S. Financial instruments

i. Recognition and initial measurement

The Companies initially recognize trade receivables and debt securities issued on the date that they are originated. All other financial assets and financial liabilities are recognized when the Companies become a party to the contractual provision of an instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs, for an item not at FVTPL, that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement
Financial assets are classified as measured at: amortized cost, fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVOCI). Classification are driven by the Companies business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Companies change its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if: a) it is held within a business model whose objective is to hold assets to collect contractual cash flows, and b) the contractual term give rise on specified dates to cash flows that are solely payments of principal and interest.

All financial assets not classified as measured at amortized cost are measured at FVTPL. This includes all derivative financial assets.

Financial liabilities are classified as FVTPL (derivatives) and other financial liabilities. Financial liabilities classified as other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

iii. Derecognition

Financial assets
The Companies derecognize a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Companies neither transfer nor retain substantially all of the risks and rewards of ownership and it do not retain control over the financial asset.

Financial liabilities
The Companies derecognize a financial liability when its contractual obligations are discharged, cancelled or expire. The Companies also derecognize a financial liability when their terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On de-recognition a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

iv. Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Companies currently have a legally enforceable right to set off the amounts and they intend either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting
The Companies hold derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Companies designated certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transaction arising from changes in interest rates.

At inception of designated hedging relationships, the Companies document the risk management objective and strategy for undertaking the hedge. The Companies also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged instrument are expected to offset each other.

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve in equity. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedge item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedge instrument is sold, expires, is terminated or is exercised, then the hedge accounting is discontinued prospectively. When hedge accounting for cash flows hedges is discontinued, the amount that has been accumulated in the hedging reserve in OCI is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedged future cash flow is no longer expected to occur, then the amount accumulated in equity is immediately reclassified to profit or loss.

T. Share capital – Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity.

U. Impairment

i. Non-derivative financial assets
The Companies shall recognize a loss allowance for expected credit losses (ECL) on a financial asset subsequently measured at amortized cost or fair value through other comprehensive income, a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements apply.

The Companies measure the loss allowance for a financial instrument, at each reporting date, at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Companies consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Companies´ historical experience and informed credit assessment including forward-looking information.

The Companies´ in the generation business assume that have no significant credit risk due to collections are made within 30 days.

The Companies´ in the distribution business assume that the credit risk on a financial asset has increased significantly if it is more than 90 days.

The Companies consider a financial asset to be in a default when:

- The borrower is unlikely to pay its credit obligations to the Companies in full, without recourse by the Companies´ to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive).

Lifetime ECLs are the ECL that results from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Companies are exposed to credit risk.

ECL are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Companies assess whether financial assets carried at amortized cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that financial asset is credit-impaired includes

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Companies on terms that the Companies would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Presentation of allowances for ECL in the statement of financial position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Companies determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Companies´ procedures for recovery of amounts due.

ii. Non-financial assets
At each reporting date, the Companies review the carrying amounts of their non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment or whenever impairment indicators exist.

The recoverable amount of an asset or cash generating unit (hereinafter "CGU") is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an assessment is performed at each reporting date for any indications that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

V. Capitalization of borrowing costs

Specific and non-specific borrowing costs are capitalized to qualifying assets throughout the period required for completion and construction until they are ready for their intended use. Non-specific borrowing costs are capitalized in the same manner to the same investment in qualifying assets, or portion thereof, which was not financed with specific credit by means of a rate which is the weighted-average cost of the credit sources which were not specifically capitalized. Foreign currency differences from credit in foreign currency are capitalized if they are considered an adjustment of interest costs. Other borrowing costs are expensed as incurred.

Income earned on the temporary investment of specific credit received for investing in a qualifying asset is deducted from the borrowing costs eligible for capitalization.

W. Guarantee deposits from costumers

Deposits received from consumers, plus interest accrued and less any outstanding debt for past services, are refundable to the users when they cease using the electric energy service rendered by the Companies. The Companies have classified these deposits as current liabilities since the Companies do not have legal rights to defer these payments in a period that exceed a year. However, the Companies do not anticipate making significant payments in the next year.

X. Energy purchases

Costs from energy purchases either acquired in the spot market or from contracts with suppliers are recorded on an accrual basis according to the energy actually delivered. Purchases of electric energy, including those which have not yet been billed as of the reporting date, are recorded based on estimates of the energy supplied at the prices prevailing in the spot market or agreed-upon in the respective purchase agreements, as the case may be.

Y. Provisions

A provision is recognized if as a result of a past event, the Companies have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Z. Leases

i. Leased assets

Leases of property, plant and equipment that transfer to the Companies substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Asset held under other leases are classified as operating leases and are not recognized in the Companies' combined statement of financial position.

ii. Lease payments

Payments made under operating leases, other than conditional lease payments, are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

AA. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Companies have access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Companies' accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Companies measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Companies use valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

3. Basis of Preparation of Financial Statements

A. Use of judgments and estimates

The preparation of accounting estimates used in the preparation of the Companies' financial statements requires management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Companies prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

The preparation of the Combined financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recorded prospectively.

i. Judgments

Information about judgments in applying accounting policies that have the most significant effects on the amount recognized in the financial statements is included in the following notes:

- Note 4: Fair value adjustments for business combination in accordance with IFRS 3, and the measurement of assets, liabilities and goodwill;
- Note 9: Expected credit losses of trade receivables;
- Notes 13 and 14: Useful life of the property, plant and equipment and intangible assets; and
- Note 14: Utilization of tax losses

Information about assumptions, estimation uncertainties at December 31, 2018 that have a significant risk of resulting in a material adjustments to the carrying amounts of assets and liabilities in the next financial year is included as following notes:

- Note 9 and note 22 – recognition on a monthly basis the amount of the accrued revenue not invoiced on the sale of electric energy estimating the energy delivered since the last measurement date of the consumers and the accounting close period at the tariffs approved by the authorities and the provision of energy purchased not yet billed by estimating the energy received since the last measurement from the supplier;
- Note 19 – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized;
- Note 30 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of resources.

4. Business Combination

On November 24, 2017, Inkia Energy Ltd. and IC Power Distribution Holdings Pte. Ltd. (collectively, the "sellers") entered into a share purchase agreement (SPA) to sell their Latin American and Caribbean businesses to (1) Nautilus Inkia Holdings LLC, (2) Nautilus Distribution Holdings LLC, and (3) Nautilus Isthmus Holdings LLC.

Under the SPA, the consideration agreed was an initial purchase price of US$ 1,177,000 thousand plus an amount of proportionally consolidated group cash of Inkia equal to at least US$ 49,000 thousand. The initial purchase price was subject to certain adjustments, including for changes in working capital and debt compared to balances as of June 30, 2017.

On December 31, 2017, the Companies completed the purchase of the Latin American and Caribbean businesses.

The total consideration received by the sellers at closing amounted to US$ 1,341,091 thousand, consisting of (1) US$ 1,119,573 thousand paid by the Companies and (2) US$ 221,518 thousand of cash accumulated at Inkia Energy Ltd. which was available to sellers at closing.

The estimated final consideration of US$ 1,119,573 thousand reflected base purchase price of US$ 1,177,000 thousand after customary adjustments, including estimated working capital, debt and cash at closing. On May 28, 2018, Nautilus Inkia Holding LLC received from Kenon Holdings Ltd. (ultimate parent company of the sellers) a payment for US$ 2,108 thousand corresponding to the working capital adjustment in the selling price of the Latin American and Caribbean businesses.

In addition, as part of the transaction, the Companies assumed an aggregate principal amount of US$ 600,000 thousand of senior unsecured bonds, which were issued in November and December 2017.

i. Consideration transferred

The following table summarizes the acquisition-date fair value of each major class of consideration transferred:

In thousands of U.S. dollars	***Note***	**2018**
Cash consideration		1,119,573
Contingent consideration	*17.B*	8,255
Post-closing adjustment		(2,108)
Total consideration transferred		**1,125,720**

ii. Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

In thousands of U.S. dollars	***Note***	**2018**
Property, plant and equipment	*13*	2,858,027
Intangible assets	*14*	855,094
Trade receivables	*9*	271,005
Cash and cash equivalent	*7*	138,708
Inventories	*11*	91,492
Other assets		124,100
Loans from banks, debentures and others	*15*	(2,748,337)
Deferred income tax liabilities	*19*	(249,734)
Trade payables	*16*	(224,055)
Government grants	*18*	(137,495)
Guarantee deposits from customers	*17*	(59,735)
Other liabilities		(149,926)
Total identifiable net assets acquired		**769,144**

iii. Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

- Property, plant and equipment was valued considering the market value provided by an appraiser, except for Cobee, PQP and CEPP assets which were also evaluated considering companies´ discounted free cash flows;
- Intangibles were measured based on the valuation of its Concessions;
- Deferred taxes were recorded based on the temporary differences between the carrying amount of the assets and liabilities and their tax basis; and,
- Non-controlling interests were measured as a proportion of the net assets identified on the acquisition date.

iv. Goodwill

Goodwill arising from the acquisition has been recognized as follows:

In thousands of U.S. dollars	***Note***	**2018**
Total consideration transferred	*4.i*	1,125,720
Non-controlling interest		257,129
Fair value of identifiable net assets	*4.ii*	(769,144)
Goodwill		**613,705**

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the Companies into ISQ Group and also to consolidate the Companies position as the largest power generation Company in Peru.

v. Fair value measured on a provisional basis

As of December 31, 2017, the fair value of the assets and liabilities at the acquisition date were measured on a provisional basis. These amounts were revised during 2018 and therefore updated as follows:

	December 31, 2017		
In thousands of U.S. dollars	**Provisional**	**Adjustments**	**Final**
Property, plant and equipment	2,906,975	(48,948)	2,858,027
Intangibles assets	855,051	43	855,094
Trade receivables	270,340	665	271,005
Cash and cash equivalent	138,708	-	138,708
Inventories	91,718	(226)	91,492
Other assets	129,782	(5,682)	124,100
Loans from banks, debentures and others	(2,748,337)	-	(2,748,337)
Deferred income tax liabilities	(264,078)	14,344	(249,734)
Trade payables	(224,055)	-	(224,055)
Government grants	(137,495)	-	(137,495)
Guarantee deposits from customers	(59,735)	-	(59,735)
Other liabilities	(150,308)	382	(149,926)
Total identifiable net assets acquired	**808,566**	**(39,422)**	**769,144**

As a result, the goodwill arising from the acquisition was updated as follow:

	December 31, 2017		
In thousands of U.S. dollars	**Provisional**	**Adjustments**	**Final**
Total consideration transferred	1,129,718	(3,998)	1,125,720
Non-controlling interest	257,069	60	257,129
Fair value of identifiable net assets	(808,566)	39,422	(769,144)
Goodwill	**578,221**	**35,484**	**613,705**

5. Purchase of Kallpa and Samay I Non-Controlling Interest

On October 16, 2018, Nautilus Inkia Holdgins LLC entered into a Share Purchase Agreement with Energía del Pacifico S.A. in order to acquire the shares of both Kallpa Generación S.A. (Kallpa) and Samay I S.A. (Samay).

On October 19, 2018 Nautilus Inkia completed the transaction for the acquisition of the 25.10% equity stake in Kallpa and Samay for a purchase price of US$ 341,761 thousand. Nautilus Inkia funded the transaction through US$ 200,000 thousand million loan, US$ 100,000 thousand equity contribution from its shareholder and US$ 41,761 thousand from cash on hand.

The voting rights coupled to such shares were previously transferred to a trust created in accordance with the laws of the Cayman Islands (the "Cayman Trust") with a view of complying with Peruvian anti-trust regulations. The release of the aforesaid voting rights from the Cayman Trust is conditioned to Instituto Nacional de la Defensa de la Competencia y Protección de la Propiedad Intelectual (INDECOPI) approval of the transaction. Therefore, through this acquisition Nautilus Inkia became the indirect owner of 100% of the outstanding share capital of both Kallpa and Samay.

The carrying amount of Kallpa's and Samay's net assets in the Companies' combined financial statements on the date of the acquisition was US$ 202,604 thousand. The difference of US$ 139,157 thousand against the consideration paid was recorded as a transaction between owners and therefore reduced the equity attributable to owners as follows:

In thousands of U.S. dollars	**2018**
Carrying amount of NCI acquired	202,604
Consideration paid to NCI	(341,761)
A decrease in equity attributable to owners of the Company	**(139,157)**

The decrease in equity attributable to owners of the Companies comprised:

- A decrease in retained earnings of US$ 140,304 thousand; and,
- An increase in hedging reserve of US$ 1,147 thousand.

6. Discontinued Operations and Assets Held for Sale

At the end of 2018, management committed to a plan to sell Jamaica Private Power Company Ltd. (JPPC). On January 23, 2019, Inkia Jamaica Holdings Limited, West Indies Development Corporation Limited and Inkia Jamaica Inc. (the "Sellers"), entered in a Share Purchase Agreement with CACAO Holdings Ltd. for the sale of their shares in Inkia Jamaica I Ltd., Inkia Jamaica II Ltd and Inkia Jamaica III Ltd., that directly holds 100% of Jamaica Private Power Company Ltd. (JPPC) for a total consideration of US$ 10,500 thousand.

Accordingly, the assets and liabilities of the disposal group are presented as held for sale in the Combined Statement of Financial Position. The closing of the transaction was conditioned to the approval by the Government of Jamaica which was received on March 12, 2019.

(a) Results of discontinued operation

In thousands of U.S. dollars	**2018**
Sales	62,235
Cost of sales	(56,137)
Selling, general and administrative expenses	(1,406)
Other income	544
Other expenses	(240)
Finance income	47
Finance costs	(739)
Income tax expense	(1,189)
Net income from discontinued operation, net of tax	**3,115**

(b) Cash flow from discontinued operation

In thousands of U.S. dollars	**2018**
Net cash used in operating activities	(12,436)
Net cash used in investing activities	(3,106)
Net cash provided by financing activities	18,649
Net cash flow from discontinued operations	**3,107**

(c) Assets and liabilities of disposal group held for sale.

As at December 31, 2018, the disposal group has been recorded at fair value less costs to sell and comprised the following assets and liabilities:

In thousands of U.S. dollars	**2018**
Cash and cash equivalents	5,396
Short-term deposits and restricted cash	1,960
Trade receivables	5,589
Other receivable	319
Income tax receivable	117
Inventories	6,932
Deferred income tax assets	9,255
Property, plant and equipment, net	5,787
Intangible assets	2,347
Assets held for sale	**37,702**

In thousands of U.S. dollars	**2018**
Loans from banks	19,099
Trade payables	4,844
Other payables	3,890
Liabilities held for sale	**27,833**

(d) Cumulative income or expenses included in OCI
There are no cumulative income or expenses included in OCI relating to the disposal group.

7. Cash and Cash Equivalents

In thousands of U.S. dollars	**2018**	**2017**
Cash	53	1,437
Checking accounts (a)	198,965	133,088
Time deposits (b)	262	3,825
Mutual funds (c)	696	358
	199,976	**138,708**

(a) Checking accounts are available and earn interest at market rates ranging from 0.05% to 6.03% p.a. (from 0.07% to 4.00% p.a. as of December 31, 2017).

(b) Time deposits corresponds to short-term investments made for periods ranging from one day to three months, depending on immediate cash requirements of the Companies, and earn interest at short-term deposit rates in U.S. dollars and other currencies ranging from 0.01% to 6.15% p.a. (from 0.01% to 6.50% p.a. as of December 31, 2017).

(c) As at December 31, 2018 and 2017, mutual funds are short-term investments managed by Santander Santiago S.A. Administradora General de Fondos.

8. Short-term Deposits and Restricted Cash

In thousands of U.S. dollars	**2018**	**2017**
Restricted cash – current (a)	10,299	13,470
Short-term deposits (b)	1,019	4,420
	11,318	**17,890**
Restricted cash – non-current (a)	4,510	8,394
	15,828	**26,284**

(a) Corresponds to amounts held in escrow accounts as collateral for loans and contractual obligations, such as debt service reserve accounts and time deposits that guarantee letters of credit. They earn interest at market interest rates of 0.62% to 5.01% p.a. (from 0.75% to 6.20% as of December 31, 2017).

(b) Corresponds to up to 102 - day time deposits. They earn interest at market interest rates of 0.21% to 2.60% p.a. (from 2.60% to 3.00% p.a. as of December 31, 2017).

9. Trade Receivables

In thousands of U.S. dollars	**2018**	**2017 (*)**
Trade receivables	258,514	271,005
Less – allowance for doubtful debts	(13,222)	-
	245,292	**271,005**
Trade receivables – current	225,218	258,971
Trade receivables – non current (a)	20,074	12,034
	245,292	**271,005**

(*) See note 4.

(a) Corresponds to the non-current portion of payment agreements signed with customers by distribution companies. Typically, these agreements have a period between 2 to 20 years.

Except for Nicaragua´s, CEPP´s and distribution companies, trade accounts receivables are non-interest bearing, and are mainly denominated in or linked to U.S dollars.

As at December 31, 2018 and 2017, trade accounts receivable aging analysis is as follows:

In thousands of U.S. dollars	**Neither past due nor impaired**	**Past due not impaired < 90 days**	**Past due not impaired > 90 days**	**Total**
2018	136,146	85,091	24,055	245,292
2017	168,278	73,100	29,627	271,005

The Companies exposure and market risk and impairment losses for trade and other receivables, are described in note 28.

The movement of allowance for doubtful accounts during the year was as follows:

In thousands of U.S. dollars	**2018**	**2017**
Balance as at January 1	-	-
Impairment loss on trade receivable recognized in the period	14,986	-
Write-off of customer receivables defined as uncollectable	(1,373)	-
Translation effect	(391)	-
	13,222	**-**

10. Other Receivables, including Derivative Financial Instruments

In thousands of U.S. dollars	**2018**	**2017 (*)**
Insurance claims (a)	18,501	14,560
Prepaid expenses	3,481	5,606
Value added tax (b)	2,584	17,184
Derivative financial instruments (c)	1,600	22
Employees	543	459
Other receivables	4,508	6,667
	31,217	**44,498**
Income tax receivable and tax claims – non current (d)	27,810	22,892
	59,027	**67,390**

(*) See note 4.

(a) As at December 31, 2018, it corresponds to the insurance indemnity related to: (1) the turbines repair of Samay I for US$ 11,500 thousand (note 13.A), and (2) US$ 7,001 thousand to the insurance indemnity related to COBEE river flood in Zongo Valley (note 13.C). As at December 31, 2017, it corresponds to the insurance indemnity related to: (1) the turbines repair of Samay I for US$ 11,500 thousand (note 13.A), and (2) US$ 3,060 thousand to the insurance indemnity related to Kanan fire (note 13.B).

(b) As at December 31, 2018, the VAT corresponds mainly to the disbursements related to the purchases of energy from local suppliers and spare parts of PQP (as at December 31, 2017, corresponds mainly to the disbursements related to the diesel purchases for Samay I's operations).

(c) As of December 31, 2018, the derivatives maintained by the Companies are as follows:

In thousands of U.S. dollars	**Notional amount**	**Fair value 2018**
Hedging derivatives (i)		
Interest rate swap (a)	124,400	3,201
Interest rate swap (b)	35,911	867
Interest rate swap (c)	8,443	42
		4,110
Derivative instruments – current		1,600
Derivative instruments – non current		2,510
		4,110

i. Hedging derivatives

	Entity	**Financing**	**Underlying item**	**Description**	**Fixed rate**	**Expiration**
(a)	Samay I	Syndicated (during construction)	Libor plus 2.125%	93% total debt	4.23%	Dec 2021
(b)	Cardones	Loan	Libor plus 3.2%	38% total debt	5.35% in US$	Aug 2022
		Loan	Libor plus 3.7%	54% total debt	5.8825% in US$	Aug 2027
		Loan	Libor plus 3.7%	8% total debt	5.8825% in US$	Aug 2027
(c)	Amayo II	Syndicated	Libor plus 5.75%	84% - BCIE facility	8.31%	Dec 2019
		Syndicated	Libor plus 5.75%	49% - BCIE facility	8.25%	Sep 2022 (*)

**starts in December 2019*

(d) As at December 31, 2018 and 2017, the non-current income tax receivable and tax claims distribution is as follows:

In thousands of U.S. dollars	***Note***	**2018**	**2017**
Kallpa tax claim	*30.A*	15,235	10,082
Energuate tax claim		7,742	7,710
Income tax credit from Nicaraguan companies		3,150	3,327
Income tax credit from PQP		1,517	1,598
Others		166	175
		27,810	**22,892**

11. Inventories

In thousands of U.S. dollars	**2018**	**2017 (*)**
Fuel (a)	48,017	47,841
Spare parts (b)	44,609	43,651
Less – inventory write off	(447)	-
	92,179	**91,492**

(*) See note 4.

(a) The plants in El Salvador, Nicaragua, Guatemala and Dominican Republic consume heavy fuel, the plant Samay I in Peru and the plants in Chile consume diesel for the generation of electric energy. As of December 31, 2018, US$ 40,729 thousand corresponds to Samay I's diesel inventory (US$ 38,673 thousand as of December 31, 2017). According to its concession agreement, Samay I must keep the equivalent of 15 days of fuel autonomy as cold reserve.

These plants must purchase fuel mainly in the international market and import it into the respective countries. The plants must take into consideration demand for the electric energy, available supply and transportation cost and timing when purchasing fuel.

(b) Corresponds to spare parts held in storage to be used in maintenance work.

(c) During 2018, the Companies recorded inventory write-downs of US$ 522 thousand that are charged to cost of sales to present their inventories at net realizable value.

12. Investment in Associate

In thousands of U.S. dollars	**Interest**	**Beginning balance**	**Business combination**	**Equity share**	**Other**	**Dividend received**	**Total**
Equity accounted Investee 2018							
Associate							
Pedregal	21.22%	5,259	-	(117)	(1)	(636)	4,505
		5,259	**-**	**(117)**	**(1)**	**(636)**	**4,505**
Equity accounted Investee 2017							
Associate							
Pedregal	21.22%	-	5,259	-	-	-	5,259
		-	**5,259**	**-**	**-**	**-**	**5,259**

13. Property, Plant and Equipment, Net

In thousands of U.S. dollars	Land road and buildings	Leasehold improvements	Installation, machinery and equipment	Distribution technical installments	Office, equipment and computers	Vehicles	Dams	Spare parts	Others	Work in progress	December 31, 2018
Cost											
Beginning balance	931,718	4,809	1,172,100	513,998	6,940	3,913	65,886	51,693	5,786	101,184	2,858,027
Additions	(1,683)	431	14,594	35,123	1,156	743	-	7,816	975	84,959	144,114
Translation difference	(96)	(58)	-	(27,169)	(183)	(124)	-	(680)	(79)	(710)	(29,099)
Transfers and reclassifications	80	291	80,546	9,514	59	-	850	158	55	(90,296)	1,257
Disposals	(2,146)	(518)	(14,271)	(4,917)	(13)	(80)	(444)	(44)	(129)	(10)	(22,572)
Reclassifications as held for sale	(113)	-	(5,031)	-	(209)	(11)	-	(1,015)	-	(55)	(6,434)
Ending balance	**927,760**	**4,955**	**1,247,938**	**526,549**	**7,750**	**4,441**	**66,292**	**57,928**	**6,608**	**95,072**	**2,945,293**
Accumulated depreciation											
Beginning balance	-	-	-	-	-	-	-	-	-	-	-
Additions	18,105	583	98,125	40,221	2,037	916	1,897	359	1,777	-	164,020
Translation difference	(2)	(5)	-	(1,129)	(28)	(9)	-	-	(25)	-	(1,198)
Disposals	(5)	(9)	(14,206)	(232)	(3)	(37)	(1)	-	(1)	-	(14,494)
Reclassifications as held for sale	(16)	-	(555)	-	(7)	(6)	-	-	(63)	-	(647)
Ending balance	**18,082**	**569**	**83,364**	**38,860**	**1,999**	**864**	**1,896**	**359**	**1,688**	**-**	**147,681**
Net cost	**909,678**	**4,386**	**1,164,574**	**487,689**	**5,751**	**3,577**	**64,396**	**57,569**	**4,920**	**95,072**	**2,797,612**

In thousands of U.S. dollars	Land road and buildings	Leasehold improvements	Installation, machinery and equipment	Distribution technical installments	Office, equipment and computers	Vehicles	Dams	Spare parts	Others	Work in progress	December 31, 2017 (*)
Cost											
Beginning balance	-	-	-	-	-	-	-	-	-	-	-
Business combination	931,718	4,809	1,172,100	513,998	6,940	3,913	65,886	51,693	5,786	101,184	2,858,027
Ending balance	**931,718**	**4,809**	**1,172,100**	**513,998**	**6,940**	**3,913**	**65,886**	**51,693**	**5,786**	**101,184**	**2,858,027**
Accumulated depreciation											
Beginning balance	-	-	-	-	-	-	-	-	-	-	-
Ending balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net cost	**931,718**	**4,809**	**1,172,100**	**513,998**	**6,940**	**3,913**	**65,886**	**51,693**	**5,786**	**101,184**	**2,858,027**

(*) See note 4.

A. In July 2016, Samay I's plant demonstrated above normal operational indicators. Personnel from Samay I, Posco (EPC Contractor) and General Electric (GE) inspected the units. Those inspections revealed structural damage to three of the four plant units, as compressor and generators shafts were damaged. All four units were declared unavailable to the system.

Based on an external appraisal report, the total estimated cost of the identified damaged parts from Units 2, 3 and 4 amounts to US$ 14.2 million. Samay I´s management deems that this event is covered by the insurance policy.

On January 17 and on January 31, 2017, Management declared Unit 2 and Unit 3 available to the system.

In addition, in September 2017, Samay I filed the claim to the insurance company, under its insurance policy for reimbursement of the total costs for the outage, including repair costs and loss of profit (subject to deductibles). Samay I's Management undergoing communication and negotiations with the insurance company accompanied with specialized legal and insurance advisors.

In December 2018, Samay I's Management reached a preliminary settlement with the insurance company in the following terms:

- Property damages US$ 7.7 million
- Business interruption US$ 1.6 million
- Other expenses US$ 2.2 million

Samay I´s Management expects to finalize the settlement and collect the claim in the short term.

As of December 31, 2018, and 2017, Samay I mantains an account receivable for an amount of US$ 11,500 thousand (note 10(a)).

B. On April 5, 2017, Kanan's power plant experienced a fire. As a result, Estrella del Norte, a 37 MW barge and Santa Inés, a 55 MW barge, were placed off-line.

This event was covered by the insurance policy. Therefore the 124 MW Esperanza barge, owned by Puerto Quetzal Power (PQP) was re-located from Guatemala, as the option for the insurance claim.

On June 20, 2018, the Panamanian National Dispatch Center notified Kanan that the Esperanza barge had received approval for commercial operation, effectively on May 25, 2018.

As of December 31, 2018, Kanan received a total amount of US$ 95,004 thousand from the insurance company, Mapfre Panamá.

C. On February 14, 2018, due to an unusual intense rainfall, there was a River Flood in Zongo valley causing material losses, in different magnitudes, in Zongo hydroelectric system; damage on roads, bridges, housing facilities, water intakes, canals, local service (low voltage) and medium and high voltage distribution networks.

Cobee's management deems that this event is covered by the insurance policy. Therefore, Cobee recorded other receivable for an amount of US$ 7,001 thousand (see note 10(a)). This amount is presented in the combined statement of profit or loss net of US$ 2,551 thousand loss related to the disposal cost of the assets (see note 26).
As of December 31, 2018, Cobee has not received any reimbursement from the insurance company.

D. The amount of borrowing costs capitalized during 2018 was US$ 1,948 thousand.

E. Property, plant and equipment include assets acquired through finance leases. At December 31, 2018 and 2017, the cost and corresponding accumulated depreciation of such assets are as follows:

	As of December 31, 2018			**As of December 31, 2017**		
In thousands of U.S. dollars	**Cost**	**Accumulated depreciation**	**Net cost**	**Cost**	**Accumulated depreciation**	**Net cost**
Land and buildings	11,238	(310)	10,928	11,238	-	11,238
Plant and equipment	76,278	(4,936)	71,342	76,278	-	76,278
Vehicles	309	(35)	274	326	-	326
	87,825	**(5,281)**	**82,544**	**87,842**	**-**	**87,842**

F. On February 18, 2016, IC Power DR submitted before La Comisión Nacional de Energía (CNE), a 50 MW wind project to generate electricity, called "Agua Clara Eolic Farm". On February 7, 2017, DR Operations received the resolution for the exploitation of such project, which is expected to reach COD during the second quarter of 2019.

G. During the year ended December 31, 2018, the Companies acquired assets with a cost of US$ 144,114 thousand, mainly related to Agua Clara project for an amount of US$ 69,070 thousand.

14. Intangible Assets and Goodwill

In thousands of U.S. dollars	**Goodwill (a) (note 4)**	**Client relationships (b)**	**Concessions licenses (c)**	**Development cost (d)**	**Licenses and software**	**Others (e)**	**December 31, 2018**
Cost							
Beginning balance	613,705	562,798	226,087	57,174	5,797	3,238	1,468,799
Additions	-	-	-	1,238	441	20,924	22,603
Retirements	-	-	-	(117)	-	-	(117)
Effect of variation in exchange rate	-	-	-	-	(275)	-	(275)
Reclassification as held for sale assets	-	(2,738)	-	-	-	-	(2,738)
Ending balance	**613,705**	**560,060**	**226,087**	**58,295**	**5,963**	**24,162**	**1,488,272**
Accumulated amortization							
Beginning balance	-	-	-	-	-	-	-
Amortization of the period	-	37,927	7,293	383	2,371	-	47,974
Effect of variation in exchange rate	-	-	-	-	(49)	-	(49)
Reclassification as held for sale assets	-	(391)	-	-	-	-	(391)
Ending balance	**-**	**37,536**	**7,293**	**383**	**2,322**	**-**	**47,534**
Net book value	**613,705**	**522,524**	**218,794**	**57,912**	**3,641**	**24,162**	**1,440,738**

In thousands of U.S. dollars	**Goodwill (a) (note 4)**	**Client relationships (b)**	**Concessions licenses (c)**	**Development cost (d)**	**Licenses and software**	**Others**	**December 31, 2017 (*)**
Cost							
Beginning balance	-	-	-	-	-	-	-
Business combination	613,705	562,798	226,087	57,174	5,797	3,238	1,468,799
Ending balance	**613,705**	**562,798**	**226,087**	**57,174**	**5,797**	**3,238**	**1,468,799**
Accumulated amortization							
Beginning balance	-	-	-	-	-	-	-
Ending balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net book value	**613,705**	**562,798**	**226,087**	**57,174**	**5,797**	**3,238**	**1,468,799**

(*) See note 4.

(a) Goodwill arises from the following entities (cash generating unit):

In thousands of U.S. dollars	**2018**	**2017**
Peruvian entities.	613,705	613,705
Book value	**613,705**	**613,705**

(b) It corresponds to the fair value of Peru's, Nicaragua's, El Salvador's and Jamaica's client relationships identified as a result of the business combination.

(c) It corresponds to the fair value of Distribuidora de Electricidad de Oriente, S.A. (DEORSA) and Distribuidora de Electricidad de Occidente, S.A. (DEOCSA) concessions, which were granted by the (Ministry of Energy and Mines (MEM) in 1998 to DEORSA and DEOCSA to operate in defined geographic areas for a term of 50 years.

(d) Development cost corresponds to expenditures incurred in the design and evaluation of future power plant facilities in the countries in which the Companies currently operates. These projects have different level of advance such as temporal concessions, environmental impact studies in process and others.

As of December 31, 2018 and 2017, development cost mainly corresponds to cost incurred in the construction and improvements of public access roads in connection with Cerro del Águila (CDA) plant, and the development costs of two hydroelectrical projects in Peru and two thermal projects in Chile.

(e) Comprises mainly option agreements signed between Kallpa and distribution companies to extend long term PPAs.

Impairment testing

The recoverable amount of each CGU is based on the estimated value in use using discounted cash flows. The cash flows are derived from the 5-year budget approved by the Board of Directors and its Shareholders.

The key assumptions used in the estimation of the recoverable amount are set below. The values assigned to key assumptions represent management´s assessment of future trends in the power sector and have been based on historic data from external and internal sources.

Discount rate (in percent)	**2018**
Peru	6.6
Terminal value growth rate	2.0

The discount rate is a post-tax measure based on the characteristics of each CGU with a possible debt leveraging of 30% in 2018.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management´s estimate of the long-term inflation.

In addition to the discount and growth rates, the key assumptions used to estimate future cash flows, based on experience and current sector forecasts, are as follows:

- Existing power purchase agreements (PPAs) signed and existing number of clients.

- Investment schedule - The Company Management has used the updated investment schedule in countries in which those companies operate, in order that the supply satisfies the demand growth in an efficient manner.

- The production mix of each country was determined using specifically-developed internal forecast models that consider factors such as prices and availability of commodities, forecast demand of electricity, planned construction or the commissioning of new capacity in the country's various technologies.

- The energy distribution profits were determined using specifically developed internal forecast models that consider factors such as forecasted demand, fuel prices, energy purchases, collection rates, percentage of losses, quality service improvement, among others.

- Fuel prices have been calculated based on existing supply contracts and on estimated future prices including a price differential adjustment specific to every product according to local characteristics.

- Assumptions for energy sale and purchase prices and output of generation facilities are made based on complex specifically-developed internal forecast models for each country.

- Demand - Demand forecast has taken into consideration the best economic performance as well as growth forecasts of different sources.

- Technical performance - The forecast takes into consideration that (1) the power plants have an appropriate preventive maintenance that permits their proper functioning and (2) the distribution network has the required capital expenditure to expand and perform properly in order to reach the targeted quality levels.

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the Peruvian entities to materially exceed its recoverable amount.

15. Loans from Banks, Debentures and Others

This note provides information regarding the contractual conditions of the Companies' interest bearing loans and credit, which are measured based at amortized cost. Additional information regarding the Companies' exposure to interest, foreign currency and liquidity risks, is provided in note 28 in connection with financial instruments.

				2018		2017	
In thousands of U.S. dollars	**Nominal annual interest rate**	**Currency**	**Maturity**	**Current**	**Non-current**	**Current**	**Non-current**
Short-term loans from banks:							
Samay I							
Banco de Crédito del Perú	1.45%	US$	2019	45,000	-	-	-
Scotiabank	1.10%	US$	2018	-	-	40,000	-
Interbank	2.90%	US$	2018	-	-	34,961	-
Interbank	1.40%	US$	2018	-	-	5,000	-
CEPP							
Citibank	1.70%	US$	2019	2,000	-	-	-
Scotiabank	4.75%	US$	2019	1,500	-	-	-
Citibank	2.50%-2.75%	US$	2018	-	-	3,900	-
Nejapa							
Banco Citibank, N.A.	4.15%	US$	2019	1,000	-	-	-
COBEE							
BCP Bolivia	3.45%	US$	2019	750	-	-	-
PQP							
Banco Industrial	LIBOR + 3.00%	US$	2019	500	-	-	-
DEORSA							
Banco G&T, Continental S.A.	LIBOR+3.99%	US$	2018	-	-	2,000	-
DEOCSA							
Banco G&T, Continental S.A.	LIBOR+3.99%	US$	2018	-	-	1,000	-
Sub total				**50,750**	**-**	**86,861**	**-**
Loans from Banks and others:							
Samay I (a)							
Sumitomo/HSBC/Bank of Tokyo	LIBOR+2.125%LIBOR+2.625%	US$	2021	9,223	284,516	8,508	293,739
Nautilus Inkia Holding LLC (b)							
JP Morgan Chase	LIBOR+1.50%-4.00%	US$	2020	-	197,024	-	-
DEOCSA (c)							
Banco Industrial	TAPP minus 6.00%	GTQ	2027	-	67,925	-	71,518
DEORSA (d)							
Banco Industrial	TAPP minus 6.00%	GTQ	2027	-	45,256	-	47,646
IC Power DR Operations (e)							
Citibank	LIBOR+3.75%	US$	2022	-	71,935	-	-
Consorcio Eólico Amayo, S.A.(f)							
Banco Centroamericano de Integración Económica	8.45% - LIBOR+4%	US$	2023	6,415	25,304	5,657	31,719
Central Cardones (g)							
Santander							
Tranche One	LIBOR+3.20%	US$	2022	2,674	8,099	2,661	10,781
Tranche Two	LIBOR+3.70%	US$	2027	118	18,931	117	19,044
Tranche Three	LIBOR+3.70%	US$	2027	18	2,837	18	2,854

In thousands of U.S. dollars	Nominal annual interest rate	Currency	Maturity	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Kanan (h)							
Scotiabank	LIBOR+3.5%	US$	2021	10,951	13,726	10,859	24,607
Consorcio Eólico Amayo (Fase II), S.A. (i)							
Various entities	LIBOR+5.75%, 8.53%,10.76%	US$	2025	3,236	21,884	3,130	25,120
Colmito (j)							
Banco de Crédito del Perú	LIBOR+4.00%	US$	2029	525	9,330	388	9,865
COBEE (k)							
Banco de Crédito del Perú	4.20%	BOB	2027	838	6,283	838	7,121
RECSA (l)							
Tranche One (l)	LIDER + 4.30%	GTQ	2033	141	3,467	-	-
Tranche Two (l)	LIBOR + 4.75%	US$	2033	-	6,390	-	-
Banco G&T Continental (m)	TAPP minus 6.63%	GTQ	2020	-	-	953	3,336
Empresa Energética Corinto Ltd.							
Banco de América Central (BAC)	8.35%	US$	2018	-	-	3,402	-
Tipitapa Power Company, Ltd.							
Banco de América Central (BAC)	8.35%	US$	2018	-	-	3,328	-
Jamaica Private Power Company							
Burmeister & Wain Scandinavian Contractor A/S	3.59%	US$	2018	-	-	232	-
				34,139	**782,907**	**40,091**	**547,350**
Liabilities in respect of finance leases							
Kallpa Generación							
Banco de Crédito del Perú (k)	5.08%	US$	2023	5,602	66,184	3,920	71,785
				5,602	**66,184**	**3,920**	**71,785**
Sub total				**39,741**	**849,091**	**44,011**	**619,135**
Debentures							
Kallpa Generación							
CDA Bonds (l)	4.125%	US$	2027	-	642,186	-	641,452
Kallpa Bonds (m)	4.875%	US$	2026	-	355,611	-	356,463
Nautilus Inkia Holding LLC (n)							
Inkia Bonds	5.875%	US$	2027	-	589,378	-	588,498
Energuate (o)							
DEOCSA Bonds	5.875%	US$	2027	-	193,921	-	194,512
DEORSA Bonds	5.875%	US$	2027	-	139,942	-	140,336
COBEE							
Bonds Cobee IV – 1A (s)	6.00%	US$	2018	-	-	3,999	-
Bonds Cobee IV – 1B (s)	7.00%	US$	2020	1,996	1,000	992	2,996
Bonds Cobee IV – 1C (bolivianos) (s)	7.80%	BOB	2024	-	12,042	-	12,036
Cobee Bonds IV Issuance 3 (s)	6.70%	US$	2019	2,496	-	2,490	2,496
Cobee Bonds IV Issuance 4 (bolivianos) (s)	7.80%	BOB	2024	-	15,052	-	15,045
Cobee Bonds IV Issuance 5 (bolivianos) (s)	5.75%	BOB	2026	1,954	14,983	761	16,935
Bonds Cobee III-1C (bolivianos) (t)	9.00%	BOB	2020	1,586	1,586	1,586	3,172
Bonds Cobee III-3 (bolivianos) (t)	7.00%	BOB	2022	1,540	4,620	-	6,160

In thousands of U.S. dollars	Nominal annual interest rate	Currency	Maturity	2018 Current	2018 Non-current	2017 Current	2017 Non-current
CEPP							
CEPP Bonds	6.00%	US$	2019	-	-	-	4,984
COBEE							
Cobee Bonds (Premium)			2017-2024	542	1,951	646	2,771
Sub total				**10,114**	**1,972,272**	**10,474**	**1,987,856**
Total				**100,605**	**2,821,363**	**141,346**	**2,606,991**

TAB: "Tasa Activa Bancaria". Short-term credits average interest rate calculated by Chile's Bank's Association

IBR: "Indicador Bancario de Referencia". Bank Indicator of Reference calculated by Colombia's Central Bank.

TRE: "Tasa de Referencia". Weighted average for time deposits rates, calculated by Bolivia's Central Bank.

TAPP: "Tasa de interés promedio ponderada de cartera de créditos". Credit average interest rate calculated by Guatemalan's Central Bank.

A. In December 2014, Samay I S.A. signed a project finance credit agreement with: The Bank of Tokyo-Mitsubishi, Sumitomo Mitsui Banking Corporation and HSBC Bank in order to finance US$ 311,000 thousand, approximately 82% of the total cost of the project. This loan bears interest at the rate of LIBOR plus 2.125% per annum, increasing to LIBOR plus 2.375% in December 2017 and to LIBOR plus 2.625% in December 2020 through maturity in December 2021. On December 18, 2014 Samay I entered into an interest rate swap closing at a fixed all-in interest rate of 2.919% (Libor at 0.794 plus 2.125%) for 40% of total notional and only during the construction period. On September 16, 2015 Samay I entered into an interest rate swap closing at a fixed all-in interest rate of 4.2343% for 93% of total notional beginning after the construction period. As of December 31, 2018, the outstanding principal amount under this agreement was US$ 293,739 thousand (US$ 302,247 thousand as of December 31, 2017). This amount is shown net of US$ 2,202 thousand (US$ 2,954 thousand as of December 31, 2017) of transaction costs.

B. Nautilus Inkia Bridge Loan – In September 2018, Nautilus Inkia Holdings LLC, signed a credit agreement with JP Morgan Chase Bank as administrative agent and lender, Credit Suisse AG as lender, and Bank of Nova Scotia as lender, in order to finance US$ 200,000 thousand, approximately 58% of the total cost of the acquisition of the 25% equity stake in Kallpa Generación S.A. and Samay I S.A. from Energía del Pacífico S.A. The loan bears interest rate per annum equal to the greater of (i) the product of (a) the LIBOR in effect for such interest period and (b) statutory reserves established by the Board of Governors of the Federal Reserve System of the United States and (iii) 0%, each plus the applicable margin. The applicable margin floors are (i) 1.50% for the first three months, (ii) 1.75% from the fourth to the sixth month, (iii) 2.00% from the seventh month to the ninth month, (iv) 2.50% from the tenth to the twelfth month, (v) 3.50% from the thirteenth to the fifteenth month, and (vi) 4.00% from the sixteenth month thereafter. The loan is paid quarterly until final maturity in March 2020.

As of December 31, 2018, the outstanding principal amount under this agreement was US$ 197,024 thousand. This amount is shown net of US$ 2,976 thousand of transaction cost.

C. DEOCSA Loan Agreement – In May 2017, DEOCSA entered into a senior unsecured Quetzal-denominated loan with Banco Industrial for Q. 528,480 thousand (approximately US$ 72,000 thousand). The loans accrue interest on a monthly basis at the weighted average active interest rate (Tasa Activa Promedio Ponderada - TAPP), as published monthly by the Guatemalan Central Bank, less 6.0% (subject to a floor rate of 7.0%) and quarterly principal repayments beginning on September 2020, with final maturity occurring in June 2027. As of December 31, 2018 the outstanding amount of these loans were US$ 67,925 thousand (US$ 71,518 thousand as of December 31, 2017).

D. DEORSA Loan Agreement – In May 2017, DEORSA entered into a senior unsecured Quetzal-denominated loan with Banco Industrial for Q. 352,320 thousand (approximately US$ 48,000 thousand). The loans accrue interest on a monthly basis at the weighted average active interest rate (Tasa Activa Promedio Ponderada - TAPP), as published monthly by the Guatemalan Central Bank, less 6.0% (subject to a floor rate of 7.0%) and quarterly principal repayments beginning on September 2020, with final maturity occurring in June 2027. As of December 31, 2018 the outstanding amount of these loans were US$ 45,256 thousand (US$ 47,646 thousand as of December 31, 2017).

E. On March 16, 2018, IC Power DR Operations signed a credit agreement with Citibank in an aggregate amount of US$ 73,500 thousand. This loan bears an interest of 3-month LIBOR plus 3.75% up to September 2021, increasing to 4.25% for the remaining time of the Loan. If the company reduces the amount of the Loan outstanding by at least US$ 20,000 thousand, the loan will bear an interest of 3-month LIBOR plus 4.00%. As of December 31, 2018, the outstanding principal amount under this loan was US$ 71,935 thousand (net of US$ 1,565 thousand transaction costs).

F. In October 2007, Amayo I entered into a 15 year US$ 71,250 thousand loan agreement with Banco Centroamericano de Integración Económica (CABEI). This loan is secured by a first degree mortgage over all the improvements executed on Amayo I´s project site, cessation of all the project contracts and the creation and maintenance of a reserve account for US$ 2,400 thousand, to be controlled by CABEI. Part of this loan (US$ 50,343 thousand) bears an interest rate of 8.45% and the other part (US$ 20,907 thousand) an interest rate of LIBOR+4.00%, and is payable in quarterly installments until final maturity in February 2023.

As of December 31, 2018, the outstanding balance under this loan was US$ 31,719 thousand (US$ 37,376 thousand as of December 31, 2017).

G. In August 2017, Central Cardones refinanced its remaining US$ 33,202 thousand debt with Banco Santander Chile consisting of three facilities: (i) Tranche A loan for US$ 13,591 thousands, bearing interest of 6-month LIBOR plus 3.20% repaid until August 2022, (ii) Tranche B loan US$ 19,411 thousand, bearing interest of 6-month LIBOR plus 3.70% repaid until August 2027, and (iii) Tranche C a new credit of US$ 2,909 thousand, bearing interest of 6-month LIBOR plus 3.70% repaid until August 2027. Central Cardones entered into an interest rate swap closing: 100% of Tranche A was swapped at a fixed all-in interest rate of 5.35% and 100% of Tranche B and C was swapped at a fixed all-in interest rate of 5.8825%; both CDS are until maturity. As of December 31, 2018, the outstanding principal amount under these loans was US$ 32,677 thousand (US$ 35,475 thousand as of December 31, 2017).

H. On January 15, 2016, Kanan Overseas I received a 60-day bridge loan in the aggregate amount of US$ 61,000 thousand from Bank of Nova Scotia, as part of the three Credit Facilities approved. These proceeds were used to repay US$ 50,000 thousand of an intercompany loan with Inkia Energy Ltd.; reimburse costs and expenses incurred in the project; and purchase fuel, raw material and other expenses. The original expiration of this loan was extended up to May 31, 2016.

   On May 23, 2016 this loan was replaced by a US$ 55,000 thousand 5-year credit facility and by a US$ 6,000 thousand short term loan. The credit facility bears interest on a quarterly basis at Libor 3M plus a margin of 3.00% with a floor of 3.5%. Scheduled amortizations of principal are payable quarterly commencing in June 2016 through maturity in March 2021. The loans are guaranteed by all of Kanan's assets. As of December 31, 2018 the outstanding balance under this loan was US$ 24,677 thousand (US$ 35,466 thousand as of December 31, 2017).

I. In November 2010, Amayo II entered into a 15 year US$ 45,000 thousand loan agreement with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V (FMO) Banco Centroamericano de Integración Economica (CABEI). This syndicated loan is secured by a list of guarantees. Loans under this credit agreement bear interest rates of 10.76%, 8.53% and LIBOR+5.75%. Loans with variable interest rate are swapped at an all-in rate of 8.31% until December 2019 and 8.25% from December 2019 until September 2022. All three loans are payable in quarterly installments until final maturity in September 2025. As of December 31, 2018, the outstanding balance under this loan was US$ 25,120 thousand (US$ 28,250 thousand as of December 31, 2017).

J. In December 2017, Colmito refinanced US$ 10,500 thousand debt with Banco de Crédito Chile. This loan bears an interest rate of LIBOR plus 4.00% and is paid semiannually until final maturity in December 2029. The remaining outstanding amount was paid with an intercompany loan from its Parent Company on December 15, 2017. As of December 31, 2018, the outstanding balance under this loan was US$ 9,855 thousand (US$ 10,253 thousand as of December 31, 2017).

Liabilities in respect of finance leases

K. In April 2014, Kallpa entered into a capital lease agreement with Banco de Crédito del Perú for US$ 107,688 thousand in order to finance the acquisition of the 193MW single turbine natural gas fired plant Las Flores from Duke Energy. Under the lease agreement, Kallpa makes quarterly payments beginning in July 2014 until the expiry of the leased in October 2023. The lease bears a fixed interest rate of 7.15% p.a. In May 2017, Kallpa renegotiate its conditions on the existing lease agreement reducing the fixed interest rate to 5.08% p.a. As of December 31, 2018, the aggregate outstanding principal amount under this lease was US$ 71,785 thousand (US$ 75,704 thousand as of December 31, 2017).

Debentures

L. Kallpa Bonds due 2027 – In August 2017, Kallpa issued senior notes for an aggregate principal amount of US$ 650,000 thousand in the international capital market under the rule 144A Regulation S. The notes accrues interest bi-annually at a rate of 4.125% payable in February and August of each year. Principal will be fully paid at maturity. The proceeds from this issue were used to repay in full the outstanding balance of the Cerro del Aguila senior secured syndicated credit facility. The remainder of the proceeds were used for general corporate purposes. As of December 31, 2018, the outstanding amount of these notes were US$ 642,186 thousand, net of transaction cost (US$ 641,452 thousand as of December 31, 2017, net of transaction costs).

M. Kallpa Bonds due 2026 – In May 2016, senior notes for an aggregate principal amount of US$ 350,000 thousand in the international capital market under the rule 144A Regulation S. The notes accrues interest biannually at a rate of 4.875% in May and November of each year. Principal will be fully paid at maturity. The proceeds from this issue were used to repay in full the outstanding balance of: (i) the finance lease agreements (Kallpa II and Kallpa III); (ii) the Kallpa bonds due 2022, (iii) the syndicated loan and (iv) the US$ 45,000 thousand short term loans. The remainder of the proceeds were used for general corporate purposes. As of December 31, 2018, the outstanding amount of these notes was US$ 355,611 thousand, net of transaction costs (US$ 356,463 thousand as of December 31, 2017, net of transaction costs).

N. On November 9, 2017, Inkia Energy Ltd. issued senior unsecured notes for an aggregate principal amount of US$450,000 thousand. The notes accrue interest at a rate of 5.875% and will be payable semi-annually in May and November of each year with final maturity in November 2027. The proceeds of the notes were used to repay in full Inkia Energy Ltd.'s 2021 8.375% notes.

On December 14, 2017, Inkia Energy Ltd. reopened its 5.875% senior notes due 2027 for an aggregate principal amount of US$ 150,000 thousand. The new notes have terms and conditions identical to the initial US$ 450,000 thousand notes issued on November 9, 2017.

As a part of the acquisition of the Latin American and Caribbean businesses, Inkia Energy Ltd. transferred the obligations related to the senior unsecured notes to Nautilus Inkia Holdings LLC.

As of December 31, 2018, the outstanding principal amount under these notes was US$ 589,378 thousand (US$ 588,498 thousand as of December 31, 2017).

O. Energuate Bonds due 2027 – In May 2017, DEOCSA and DEORSA issued senior notes for an aggregate amount of US$ 330,000 thousand in the international capital market under the rule 144A Regulation S. The notes accrues interest biannually at a rate of 5.875% in May and November of each year. Simultaneously, DEOCSA and DEORSA entered into a Q. 528,480 thousand (approximately US$ 72,000 thousand) and Q. 352,320 thousand (approximately US$ 48,000 thousand) respectively, loan agreement with Credit Suisse AG. The loan bears interest at a rate of TAPP less 6.00% (with a floor rate of 7.00%) through maturity on June 2027. The proceeds from these issue and indentures were used to repay in full outstanding of ICP Distribution credit agreement with Credit Suisse AG, US$ 113,364 thousand DEOCSA and US$ 173,706 DEORSA loan agreements with Banco Agromercantil de Guatemala. The reminder of the proceeds were used for general corporate purposes.

As of December 31, 2018, the outstanding amount of these notes were US$ 333,863 thousand (net of transaction cost) (US$ 193,921 thousand for DEOCSA and US$ 139,942 thousand for DEORSA).

As of December 31, 2017, the outstanding amount of these notes were US$ 334,848 thousand (net of transaction cost) (US$ 194,512 thousand for DEOCSA and US$ 140,336 thousand for DEORSA).

P. Bonds Cobee IV - In May 2013, COBEE approved a bond program under which COBEE is permitted to offer bonds in aggregate principal amount of up to US$ 60,000 thousand in multiple series. In February 2014, COBEE issued and sold three series of notes in the aggregate principal amount of US$ 19,934 thousand. The aggregate gross proceeds of these notes, which were issued at a premium, were US$ 20,617 thousand. The Series A Notes, in the aggregate principal amount of US$ 3,967 thousand pay interest semi-annually at the rate of 6.0% per annum through maturity in January 2018. The Series B Notes, in the aggregate principal amount of US$ 3,964 thousand pay interest semi-annually at the rate of 7.0% per annum through final maturity in January 2020. The Series C Notes, in the aggregate principal amount of Bs. 84 million (US$ 12,020 thousand) pay interest semi-annually at the rate of 7.80% per annum through maturity in January 2024.

In November 2014, COBEE issued and sold two series of notes in the aggregate principal amount of US$ 20,086 thousand. The aggregate gross proceeds of these notes, which were issued at a premium, were US$ 22,100. The first series of these Notes, in the aggregate principal amount of US$ 4,950 thousand pay interest semi-annually at the rate of 6.70% per annum through maturity in October 2019. The second series of these notes in the aggregate principal amount of Bs. 105 million (US$ 15,029 thousand) pay interest semi-annually at the rate of 7.80% per annum through maturity in October 2024.

In October 2016, COBEE issued and sold the last series of notes approved under the bond program in the aggregate principal amount of Bs.138 million (US$ 19,845 thousand). The aggregate gross proceeds of the notes, which were issued at a premium, were Bs. 152 million (US$ 21,740). These notes pay interest semi-annually at the rate of 5.75% per annum through maturity in August 2026.

Q. Bonds Cobee III - In February 2010, COBEE approved a bond program under which it is permitted to offer bonds in aggregate principal amounts of up to US$ 40,000 thousand in multiple series. On March 12, 2010, COBEE issued and sold in the Bolivian market three series of notes in the aggregate principal amount of US$ 13,844 thousand.

The aggregate gross proceeds of these notes, which were issued at a premium, were US$ 17,251 thousand. The Series A & B Notes had a final maturity in February 2014 and 2017, respectively. The Series C Notes, in the principal amount of Bs. 44.2 million (US$ 6,343 thousand), pay interest semi-annually at the rate of 9.00% per annum through maturity in January 2020. Principal on these notes will be paid in four equal annual installments commencing in February 2017.

In April 2012, COBEE issued and sold two additional series of notes in the aggregate principal amount of US$ 11,160 thousand. The aggregate gross proceeds of these notes, which were issued at premium, were US$ 12,919 thousand. COBEE will amortize the premium reducing the interest expense related to these notes. The first series of these notes had a final maturity in April 2017. The second series of these notes in the aggregate principal amount of Bs. 43 million (US$ 6,160 thousand), pays interest semi-annually at the rate of 7% per annum through maturity in February 2022. These funds were used mainly to pay a tranche of Bolivian bonds due in June 2012.

R. As at December 31, 2018, the main covenants that the Companies must comply with during the term of the debts are as follows:

	Covenants			
Group entities	**Debt service to coverage ratio**	**Collateral ratio**	**Maximum leverage**	**Interest rate hedging**
Samay I	Not less than 1.15	Not required	Debt to capital no more than 80:20	Not required
COBEE (Bonds)	Not less than 1.20	Not required	Debt to capital no more than 1.2	Not required
Cardones (Chile)	Not less than 1.20	Not required	Maximum debt to EBITDA of 5.0	Not required
Colmito (Chile)	Not less than 1.28	Not required	Maximum debt to EBITDA of 6.5	Not required
Amayo I (Nicaragua)	Not less than 1.25	Not required	Not required	Not required
Amayo II (Nicaragua)	Not less than 1.20	Not required	Financial debt to Net Worth not in excess of 70:30	Not required
Empresa Energética Corinto Ltd. (Nicaragua)	Not required	Not required	Maximum debt to EBITDA of 2.0	Not required
Tipitapa (Nicaragua)	Not required	Not required	Maximum debt to EBITDA of 2.75	Not required
CEPP (Dominican Republic)	Not less than 2.50	Not required	Maximum debt to EBITDA of 3.5	Not required
Energuate (Guatemala)	Not less than 2.0	Not required	Maximum debt to EBITDA of 4.5	Not required
Kanan (Panama)	Not less than 1.25	Not required	Maximum debt to EBITDA of 3.5	Not required

Other than with respect to the covenants referred to above, there are no significant restrictions on the ability of the Companies´ subsidiaries to repay loans or advances or to transfer funds to the Companies.

Compliance with the covenants referred to above is overseen by the Companies´ Management. As of December 31, 2018 and December 31, 2017, all the companies comply with their covenants.

The Companies have to comply only with incurrence ratios when it plans to issue new debt (unconsolidated interest coverage ratio >2.0, unconsolidated net leverage <4.0).

The table below presents the contractual amortization schedule of the non-current portion of the long-term debt based on projected cash outflows:

In thousands of U.S. dollars	**2018**	**2017**
2019	-	57,355
2020	278,529	81,194
2021	334,341	332,465
2022	128,742	58,004
2023	50,084	50,408
2024 and thereafter	2,046,352	2,041,047
	2,838,048	**2,620,473**

A. Reconciliation of movements of liabilities to cash flows from financing activities

The reconciliation of movements of liabilities to cash flows arising from financing activities, follows:

	Liabilities				Others			Equity		
In thousands of U.S. dollars	**Short-term loans**	**Loans from banks and others**	**Debentures**	**Financial leases**	**Dividends declared but not paid as of December 31, 2017**	**Capital reduction not paid as of December 31, 2017**	**Total liabilities**	**Controlling shareholders**	**Non-controlling interest**	**Total**
Balance at January 1, 2018	**86,861**	**587,441**	**1,998,330**	**75,705**	**-**	**-**	**2,748,337**	**1,119,573**	**257,129**	**1,376,702**
Changes from financing cash flows:										
Payment of short-term loans from banks	(377,201)	-	-	-	-	-	(377,201)	-	-	(377,201)
Purchase of non-controlling interest	-	-	-	-	-	-	-	(139,157)	(202,604)	(341,761)
Payment of interest	(3,453)	(33,890)	(105,028)	(2,936)	-	-	(145,307)	-	-	(145,307)
Payment of capital reduction to Parent company	-	-	-	-	-	-	-	(88,102)	-	(88,102)
Payment of capital reduction to non-controlling interest	-	-	-	-	-	(5,887)	(5,887)	-	(16,562)	(22,449)
Payment of long-term debt	-	(49,466)	(10,717)	(5,026)	-	-	(65,209)	-	-	(65,209)
Payments of dividends to non-controlling interest	-	-	-	-	(429)	-	(429)	-	(22,892)	(23,321)
Payment of issuance expenses		(5,786)	(64)	-	-	-	(5,850)	-	-	(5,850)
Proceeds of short-term loans from banks	343,474	-	-	-	-	-	343,474	-	-	343,474
Proceeds of long-term debt	-	301,534	-	-	-	-	301,534	-	-	301,534
Capital contribution	-	-	-	-	-	-	-	100,000	-	100,000
Net cash used in financing activities	**(37,180)**	**212,392**	**(115,809)**	**(7,962)**	**(429)**	**(5,887)**	**45,125**	**(127,259)**	**(242,058)**	**(324,192)**
Other changes										
Liability-related										
Liabilities classified as held for sale	-	(19,099)	-	-	-	-	(19,099)	-	-	(19,099)
Exchange rate effect	(64)	(188)	(6,066)	-	-	-	(6,318)	-	-	(6,318)
Changes in fair value in relation to business combination	-	-	(3,136)	1,107	-	-	(2,029)	-	-	(2,029)
Premium amortization	-	-	(923)	-	-	-	(923)	-	-	(923)
Interest paid	3,453	33,890	105,028	2,936	-	-	145,307	-	-	145,307
Amortization of transaction costs	39	2,089	3,123	-	-	-	5,251	-	-	5,251
Total liability-related other changes	**3,428**	**16,692**	**98,026**	**4,043**	**-**	**-**	**122,189**	**-**	**-**	**122,189**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47,999**	**24,576**	**72,575**
Balance at December 31, 2018	**53,109**	**816,525**	**1,980,547**	**71,786**	**(429)**	**(5,887)**	**2,915,651**	**1,040,313**	**39,647**	**1,079,960**

	Liabilities				Others			Equity		
In thousands of U.S. dollars	**Short-term loans**	**Loans from banks and others**	**Debentures**	**Financial leases**	**Dividends declared but not paid as of December 31, 2017**	**Capital reduction not paid as of December 31, 2017**	**Total liabilities**	**Controlling shareholders**	**Non-controlling interest**	**Total**
Balance as of November 20, 2017	-	-	-	-	-	-	-	-	-	-
Changes from financing cash flows:										
Parent investment	-	-	-	-	-	-	-	1,119,573	-	1,119,573
Net cash used in financing activities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,119,573**	**-**	**1,119,573**
Other changes										
Liability-related										
Liabilities acquired in relation to business combination	86,861	587,441	1,998,330	75,705	-	-	2,748,337	-	-	2,748,337
Total liability-related other changes	**86,861**	**587,441**	**1,998,330**	**75,705**	**-**	**-**	**2,748,337**	**-**	**-**	**2,748,337**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**257,129**	**257,129**
Balance at December 31, 2017	**86,861**	**587,441**	**1,998,330**	**75,705**	**-**	**-**	**2,748,337**	**1,119,573**	**257,129**	**1,376,702**

16. Trade Payables

In thousands of U.S. dollars	**2018**	**2017**
Trade payables – current	219,534	185,285
Trade payables – non current (a)	32,973	38,770
	252,507	**224,055**

A. As of December 31, 2018 and 2017, non-current trade payables correspond mainly to spare parts, used for major maintenance of Kallpa facilities, acquired according to a long-term program (LTP) agreement with Siemens. During 2018 and 2017, these trade payables have not generated interests and no specific guarantee have been granted.

17. Other Payables

		2018		**2017**	
In thousands of U.S. dollars	***Note***	**Current**	**Non-current**	**Current**	**Non-current**
Other payables including derivative instruments					
Accruals		38,947	-	23,925	-
Interest payable (a)		26,349	-	24,678	-
Contingent consideration (b)		6,112	-	6,112	-
Dividends payable to non-controlling interest		1,689	-	8,121	-
Deferred income		72	-	459	-
Fair value of derivatives		1	9	1,214	56
Other payables		19,396	-	29,262	-
		92,566	**9**	**93,771**	**56**
Income tax payable					
Income tax		12,732	-	10,214	-
		12,732	**-**	**10,214**	**-**
Guarantee deposits from customers					
Guarantee deposits from customers		61,571	-	59,735	-
		61,571	**-**	**59,735**	**-**
Employee benefits					
Retirement and severance (c) (d)		-	11,325	-	12,254
Other employee benefits		-	1,814	-	1,917
		-	**13,139**	**-**	**14,171**
Other long-term liabilities					
Deferred income		-	-	-	72
Dismantling liability		-	21,265	-	23,851
Contingency provision	*30*	-	10,876	-	13,312
Contingent consideration (b)		-	2,258	-	2,143
Others		-	-	-	594
		-	**34,399**	**-**	**39,972**
		166,869	**47,547**	**163,720**	**54,199**

(a) As of December 31, 2018, interest payables correspond mainly to international Bonds settled semi-annually throughout the year: US$ 12,646 thousand in Kallpa (US$ 11,686 thousand in 2017), US$ 4,994 thousand in Nautilus Inkia Holdings (US$ 4,994 thousand in 2017) and US$ 3,070 thousand in Energuate (US$ 3,070 thousand in 2017).

(b) On December 28, 2017, as a part of the acquisition of the Latin American and Caribbean bussinesses, the Companies signed a Contingent payment and assignment agreement with Inkia Energy Ltd. As of December 31, 2017 the Companies have included US$ 8,255 thousand as the fair value of contingent consideration related to the agreement. As of December 31, 2018, it includes (i) Samay I insurance claim for US$ 6,112 thousand as current portion (amount equal to 75% of the Samay I insurance claim) (US$ 6,112 thousand as of December 31, 2017), and (ii) Bolivian land for US$ 2,258 thousand as non-current portion (amount equal to the gross proceeds to be received less all reasonable costs and expenses, fees and any taxes incurred as a result of the sale of the Bolivian land) (US$ 2,143 thousand as of December 31, 2017).

(c) The movement of the retirement and severance benefits during the year was as follows:

In thousands of U.S. dollars	**2018**	**2017**
Balance as at January 1	12,254	9,217
Service cost	1,234	1,291
Interests	753	702
Paid benefit	(4,113)	(2,368)
Actuarial gain and losses	1,566	3,291
Translation difference	(369)	121
	11,325	**12,254**

(d) The following were the principal actuarial assumptions at each reporting date:

In thousands of U.S. dollars	**2018**	**2017**
Discount rate	6.96% - 9.81%	3.55% - 8.50%
Salaries increase	4.00% - 5.83%	3.09% - 6.50%
Retirement age	60 – 65 years	60 – 65 years

18. Government Grants

The movement of Government grants during the period ended as of December 31, 2018 and 2017 was as follows:

In thousands of U.S. dollars	***Note***	**2018**
Balance as at November 20, 2017		-
Business combination		137,495
Balance as at December 31, 2017		**137,495**
Government grants amortization	*26*	(10,726)
Translation effect		(6,668)
Balance as at December 31, 2018		**120,101**

19. Current and Deferred Income Tax

A. The components of deferred tax assets and liabilities recorded are the following:

In thousands of U.S. dollars	November 20, 2017	Business combination	December 31, 2017 (*)	Statement of profit or loss	Equity	Translation reserve	Asset held for sale	December 31, 2018
Deferred income tax assets								
Property, plant and equipment	-	40,411	40,411	(2,585)	-	-	(10,260)	27,566
Tax loss carry forward	-	17,614	17,614	(1,538)	-	-	(832)	15,244
Intangibles	-	(953)	(953)	15	-	-	913	(25)
Non-monetary items	-	785	785	(981)	-	-	-	(196)
Others	-	352	352	(84)	53	-	-	321
	-	**58,209**	**58,209**	**(5,173)**	**53**	**-**	**(10,179)**	**42,910**
Deferred income tax liabilities								
Property, plant and equipment	-	(133,477)	(133,477)	(24,871)	-	2,300	-	(156,048)
Tax loss carry forward	-	22,666	22,666	(5,372)	-	-	-	17,294
Intangibles	-	(193,333)	(193,333)	4,304	-	(662)	-	(189,691)
Non-monetary items	-	(61,538)	(61,538)	(18,688)	-	-	-	(80,226)
Trade receivables – Distribution companies	-	41,597	41,597	1,152	-	(2,141)	-	40,608
Government grants	-	11,083	11,083	(1,369)	-	(524)	-	9,190
Others	-	5,059	5,059	3,827	(327)	(169)	-	8,390
	-	**(307,943)**	**(307,943)**	**(41,017)**	**(327)**	**(1,196)**	**-**	**(350,483)**
Net effect	**-**	**(249,734)**	**(249,734)**	**(46,190)**	**(274)**	**(1,196)**	**(10,179)**	**(307,573)**

(*) See note 4.

A. The table below presents the components of the income tax expense shown in the consolidated profit or loss corresponding for the year 2018:

In thousands of U.S. dollars	**2018**
Continuing operations	
Current	43,933
Deferred	46,190
	90,123

B. The table below presents the reconciliation of the effective income tax rate for the year 2018 to the tax rate computed using applicable statutory blended rates:

In thousands of U.S. dollars	**2018**	
Profit before tax	153,571	100%
Approximated weighted average tax rate for operating companies	44,815	29%
Permanent non-deductible expenses	21,400	14%
Expenses incurred by holding companies in jurisdictions with nil incomes tax	14,190	9%
Exempt income (a)	(237)	-
Income tax subject to a different tax rate	(422)	-
Differences between the measurement base of income reported for tax purposes and the income reported in the financial statements arising from the translation of non-monetary assets (b)	19,669	13%
Difference between the measurement base of income reported for tax purposes and the income reported in the financial statements arising from the exchange differences from monetary items (c)	(17,143)	(11%)
Tax losses and other tax benefits for the period regarding which deferred taxes were not created	2,799	2%
Tax in respect of previous years	1,025	1%
Other differences	3,993	3%
Permanent tax exempt income		
Share of loss in associate	34	-
	90,123	**60%**

(a) US$ 237 thousand of exempt income in Kanan in Panama in 2018.
(b) Deferred tax related to the effect of foreign exchange rate on non-monetary assets.
(c) Exchange differences arising from monetary liabilities reflected only in the taxable income for tax purposes.

In December 2016, new amendments to the Income Tax Law were introduced (effective January 1, 2017). Among other changes, the general corporate income tax rate increased from 28% to 29.5% and the withholding rates for dividends from Peruvian source were reduced from 6.8 to 5% (for dividend distribution made in 2017, with profits generated between January 1,2015 and 31 December 31, 2016, the applicable tax rate will remain unchanged at 6.8%).

Kallpa and Samay I have signed tax stability agreements, so will only be affected by the changes in income tax and withholding tax rates described above once their Stability agreements expire in 2022 and 2024, respectively. Kallpa (pre-merger) resigned to its Stability Agreement (which was going to expire in 2020), effective for 2016, which implied that Kallpa´s corporate rate for the 2016 year went down from 30% (stabilized rate) to 28% and a 29.5% applied to 2017.

Since 2019, Peruvian companies must comply with two principal tax amendments:

a) New legal concept of accrual for income: Legislative Decree N° 1425 specifies that income in the case of i) sale of goods occurs when the control is transferred to the acquirer or when the risk regarding loss of the goods is transferred to the acquirer, whichever occurs first; and ii) services when the completion degree of the service has been established. This new legal concept will not be applicable when there is a specific tax treatment for a special regime or business market.

b) Sub-capitalization: From 2019 to 2020, the interest expense related to indebtedness will be subject to the sub-capitalization limit of 3: 1 Debt-Equity Ratio of the previous year. Since January 1, 2021, the interest expense will be deductible up to 30% of the tax EBITDA (Net Income less Compensation of Losses plus Net Interest, Depreciation and Amortization) of the previous year; the exceeding amount will be deductible for the next 4 years considering this limit. The limit is not applicable to financial institutions, insurance companies, taxpayers with incomes not exceeding of 2,500 UITs (tax unit), infrastructure companies, public services companies, etc.

In Guatemala, Puerto Quetzal Power (PQP), DEOCSA, DEORSA, RECSA and Guatemel were subject to a 25% income tax rate applied over their taxable income. RECSA was subject to a 5% - 7% income tax rate until the end of 2017. In addition, a 5% withholding tax on dividend distributions.

In Nicaragua, Empresa Energética Corinto and Tipitapa Power Company are subject to 25% income tax, based on a Foreign Investment Agreement signed in June 2000 and August 1999, respectively, which protect the companies from any unfavorable changes in the tax Law. In addition, both Amayo projects were tax exempt from income tax payments up to a period of seven years since the beginning of operations of the plants, in accordance with Law N°.532 for Electric Power Generation with Renewable Sources Incentive. Consorcio Eólico Amayo S.A. and Consorcio Eólico Amayo (Fase II) S.A. are subject to an income tax rate of 30% since March 2016 and March 2017, respectively, when its tax exemption from income tax payments expired. In addition, a 10% to 17% withholding tax is applicable depending on whether the payments are to countries with preferential tax regimes or nil taxes.

In Bolivia, the Company has 25% income tax and a 12.5% withholding tax on the Bolivian branch profits credited to the shareholder.

Current income tax from operations in El Salvador includes income tax from the consolidation of Nejapa Power Branch and Cenergica. Income tax rate in El Salvador is 30% for the year ended December 31, 2018 and 2017. In addition, a 5% to 25% withholding tax is applicable on dividends depending on whether the payments are made to countries with preferential tax regimes or nil taxes. Currently, Nejapa´s and Cenergica´s parent company is resident in Panama and therefore is subject to 5% withholding tax.

In September 2014, a tax reform in Chile was enacted, which makes substantial changes to the Chilean tax system, including two alternative mechanisms for computing shareholder-level income taxation beginning on January 1, 2017 (accrued income and cash-basis methods), additional corporate tax rate increases, and other substantial modifications. The deadline to elect for either regime was December 31, 2016 and it remains in effect for 5 years. Cardones and Colmito elected the cash-basis method.

In Chile, the loss carry forward has no expiration date.

The corporate income tax rate has increased gradually from 20% in 2013 to: 21% in 2014; 22.5% in 2015; 24% in 2016; and 25% in 2017 for shareholders on the accrued income method, and 25.5% in 2017 for shareholders on the cash-basis method. Starting 2018 onwards, the income tax rate will be 25% for shareholders on the accrued income method and 27% for shareholders on the cash-basis method.

In January 2016, a new tax reform was enacted that simplifies the tax reform published in September 2014. Under the corporate income tax rules, applicable until the end of 2016, business income in Chile is subject to a 24% corporate income tax rate, but such income also is subject to income tax on a cash basis when distributed to the shareholders, at rates that vary depending on whether the shareholder is a resident or a nonresident. Nonresident shareholder are subject to a 35% withholding tax on dividends. The corporate tax paid may be used as a credit against the liability of the shareholders, resulting in an overall income tax rate of 35% on distributed profits for nonresident shareholders.

Starting in 2017, Chilean taxpayers subject to corporate income tax were subject to one of the following two tax regimes:

- The fully integrated regime, under which shareholders are taxed on their share of the profits accrued annually by Chilean entity. The combined income tax rate under the regime will be 35%.

- The partially integrated regime, under which shareholders are taxed when profits are distributed. The combined income tax rate under the regime generally will be 44.45%; however, foreign shareholders that are resident in a country that has concluded a tax treaty with Chile will be entitled to a full tax credit, and thus may benefit from a combined rate of 35%.

Any impact is recognized when transactions with shareholders occur.

In the Dominican Republic, Compañía de Electricidad de Puerto Plata S.A. (CEPP) was subject to a greater income tax rate on taxable income of 27% or 1% of taxable assets. During 2018 and 2017, CEPP qualified to pay income tax on the basis of taxable income; and a 10% withholding tax on dividend distribution.

Deferred tax liability on undistributed earnings
Deferred tax was recognized for temporary differences related to undistributed earnings in subsidiaries that would reverse it in the foreseeable future. During 2018, the Companies recorded an expense of US$ 4,195 thousand.

20. Controlling Shareholders

The capital stock of the Companies at the date of its incorporation amounts to US$1 for each Combined entity. As of December 31, 2018 and 2017, the shareholders contribution of the Companies are as follows:

In thousands of U.S. dollars	**2018**	**2017**
Nautilus Inkia Holdings LLC	960,346	912,853
Nautilus Distribution Holdings LLC	100,747	103,402
Nautilus Isthmus Holdings LLC	70,378	103,318
	1,131,471	**1,119,573**

The movement of share premium during the period ended as of December 31, 2018 was as follows:

In thousands of U.S. dollars	**2018**
Balance as at November 20, 2017	-
Parent investment	1,119,573
Balance as at December 31, 2017	**1,119,573**
Capital contribution (a)	100,000
Capital reduction (b)	(88,102)
Balance as at December 31, 2018	**1,131,471**

(a) On October 17, 2018, Nautilus Inkia Holdings LLC received a capital contribution from its Shareholder of US$ 100,000 thousand as part of the funding for completing the acquisition of the 25.10% equity stake in Kallpa and Samay I (note 5).

(b) During 2018, Nautilus Inkia Holdings LLC, Nautilus Distribution Holdings LLC and Nautilus Isthmus Holdings LLC, made share premium distributions (capital reductions) of US$ 52,508 thousand, US$ 2,655 thousand and US$ 32,939 thousand, respectively.

In accordance with the local laws that regulate the operations of the Companies' operating entities, a reserve of up to a certain limit of their share capital is required to be established through annual transfers of profit.

21. Non-controlling Interest

The following tables summarize the information relating to each of the Companies' subsidiaries that has non-controlling interest.

2018

In thousands of U.S. dollars	**Kallpa Generación S.A. (a)**	**Samay I S.A. (a)**	**Nicaragua Energy Holdings (b)**	**Distribuidora de Electricidad Occidente S.A.**	**Distribuidora de Electricidad Oriente S.A.**	**Others**	**Intercompany eliminations and purchase price adjustments**	**Total**
NCI percentage	**-**	**-**	**35.42%**	**9.38%**	**7.32%**	**-**	**-**	**-**
Current assets	-	-	39,073	53,673	65,479	29,773	-	**187,998**
Non-current assets	-	-	122,510	379,928	268,789	188,625	-	959,852
Current liabilities	-	-	(21,769)	(142,904)	(97,403)	(21,422)	-	(283,498)
Non-current liabilities	-	-	(76,796)	(322,415)	(248,650)	(106,596)	-	(754,457)
Net assets	**-**	**-**	**63,018**	**(31,718)**	**(11,785)**	**90,380**	**-**	**109,895**
Carrying amount of NCI	**-**	**-**	**22,321**	**(2,975)**	**(863)**	**7,974**	**13,190**	**39,647**
Revenues	401,522	46,564	117,431	338,812	267,247	683,246		1,854,822
Profit	91,678	4,513	11,781	(3,894)	(790)	8,950		112,238
OCI	-	4,569	58	(889)	166	(640)		3,264
Net income attributable to NCI	**23,011**	**1,133**	**4,173**	**(365)**	**(58)**	**352**	**(5,005)**	**23,241**
OCI attributable to NCI	**-**	**1,147**	**21**	**83**	**(12)**	**96**	**-**	**1,335**
Cash flow from operating activities	200,894	85,612	30,073	48,182	37,735	-		402,496
Cash flow from investing activities	(8,201)	(4,336)	241	(17,552)	(17,449)	-		(47,297)
Payments of dividends to NCI	(19,211)	-	(3,413)	(195)	(234)	(268)		(23,321)
Payments of capital reduction to NCI	(16,562)	-	-	(3,872)	(2,015)	-		(22,449)
Cash flow from financing activities	(146,637)	(53,065)	(26,999)	(17,683)	(13,877)	-		(258,261)
Effect of changes in the exchange rate	(666)	8	(379)	(678)	(196)	-		(1,911)
Net increase (decrease) in cash equivalents	**9,617**	**28,219**	**(477)**	**8,202**	**3,964**			**49,257**

(a) On October 19, 2018, the Companies's equity interest in Kallpa and Samay I increased from 74.9% to 100%. Accordingly, the information relating to Kallpa and Samay I is only for the period from January 1, 2018 to the NCI acquisition date (see Note 5).

(b) Includes Empresa Energética Corinto, Tipitapa Power Company, Centrans Energy Holdings (Amayo) and Arctas Amayo (Fase II).

2017

In thousands of U.S. dollars	Kallpa Generación S.A.	Samay I S.A.	Nicaragua Energy Holdings (a)	Distribuidora de Electricidad Occidente S.A.	Distribuidora de Electricidad Oriente S.A.	Others	Intercompany eliminations and purchase price adjustments	Total
NCI percentage	**25.10%**	**25.10%**	**35.42%**	**9.38%**	**7.32%**	**-**	**-**	**-**
Current assets	139,786	137,693	34,929	43,400	56,732	31,118		443,668
Non-current assets	1,538,838	366,834	133,385	392,825	279,019	209,231		2,920,132
Current liabilities	(75,708)	(119,942)	(23,303)	(130,397)	(87,448)	(21,753)		(458,551)
Non-current liabilities	(1,186,954)	(303,912)	(85,124)	(334,541)	(259,134)	(123,729)		2,293,394
Net assets	**415,962**	**80,673**	**59,887**	**(28,713)**	**(10,831)**	**94,867**	**-**	**611,845**
Carrying amount of NCI	**104,406**	**20,249**	**21,212**	**(2,693)**	**(793)**	**8,308**	**106,440**	**257,129**

(a) Includes Empresa Energética Corinto, Tipitapa Power Company, Centrans Energy Holdings (Amayo) and Arctas Amayo (Fase II).

22. Revenue

In the following table, revenue is disaggregated by service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 27):

In thousands of U.S. dollars	**Distribution Companies**	**Peruvian entities**	**South America**	**Central America and Caribbean**	**All other segments**	**Adjustments and eliminations**	**Total 2018**
Service lines							
Energy sales	-	426,375	16,581	317,244	-	(589)	759,611
Low and medium voltage	576,988	-	-	-	-	(28)	576,960
Capacity sales	-	158,118	33,862	54,944	-	-	246,924
Other operating revenues	20,040	489	430	10,150	377	(2,498)	28,988
	597,028	**584,982**	**50,873**	**382,338**	**377**	**(3,115)**	**1,612,483**
Timing of revenue recognition							
Service transferred over time	597,028	584,982	50,873	382,338	377	(3,115)	1,612,483
	597,028	**584,982**	**50,873**	**382,338**	**377**	**(3,115)**	**1,612,483**

23. Cost of Sales

In thousands of U.S. dollars	***Note***	**2018**
Energy and capacity purchases (a)		569,623
Fuel, gas and lubricants (b)		261,039
Depreciation and amortization	*13 and 14*	204,331
Personnel expenses		47,602
Third party services		40,343
Maintenance expenses		32,292
Insurance		17,364
Regulatory expenses		12,772
Transmission costs		10,979
Other operating expenses		10,281
		1,206,626

(a) In 2018, it includes mainly energy purchases of US$ 407,166 incurred by distribution companies.

(b) Fuel cost is primarily heavy fuel oil consumed by the thermal plants in El Salvador, the Dominican Republic, Nicaragua and Guatemala.

24. Selling, General and Administrative Expenses

In thousands of U.S. dollars	***Note***	**2018**
Payroll and related expenses		44,600
Third party services		14,929
Depreciation and amortization	*13 and 14*	6,593
Consultant and professional services		6,067
Legal fees		3,953
Local taxes		2,678
Contributions to communities		1,449
Other expenses		9,131
		89,400

25. Finance Income and Costs

In thousands of U.S. dollars	***Note***	**2018**
Finance income		
Interest income on commercial operations		3,991
Interest income from investments (a)		2,354
		6,345
Finance costs		
Interest expenses on loans and bonds (b)		148,343
Foreign exchange losses, net		24,696
Interest expense on guarantee deposits from customers		5,267
Other finance costs		3,753
Interest expenses on commercial operations		1,337
Finance expense in respect of employee benefit		753
		184,149

(a) Interest income is related to funds held in money market accounts and time deposits.

(b) Interest expenses on loans and bonds are related to debt held by the Companies´ entities.

26. Other Income and Expenses

In thousands of U.S. dollars	***Note***	**2018**
Insurance claims (a)		15,405
Government grants amortization	*18*	10,726
Transfers of assets from customers		4,645
Other		4,533
Total other income		**35,309**
Disposal of fixed assets		5,446
Gain on sale of fixed assets		(190)
Net loss on sale and disposal of fixed assets		**5,256**
Other		560
Total other expenses		**5,816**

(a) Includes US$ 10,955 thousand in relation to the insurance indemnity related to Kanan fire (note 13B) and US$ 4,450 thousand in relation to the insurance indemnity related to Cobee flood in Zongo's facility (note 13C).

27. Segment Information

Although the Companies continue to operate all of the business units previously operated by the Companies, the factors that resulted in the non-comparability of the financial statement of the Companies also impact the Companies' Segment information in a manner that make it no comparable with the Companies' Segment information.

The Companies include COBEE, Central Cardones and Colmito as a new South American reporting segment (these operating companies had been part of the Other segment of the Companies) and includes CEPP and RECSA as part of the Central America reporting segment in the Companies' segment information.

A. Operating Segments and Presentation of Segment Financial Data

The Companies are involved in two business lines: power generation and distribution.

The Companies´ reportable segments are comprised by the legal entities in Peru, South America and Central America and Caribbean for the power generation which have similar characteristics. Also, the Companies include to the reportable segments the distribution activity of Energuate as a separate segment.

The Chief Operating Decision Maker (CODM) reviews net income (loss) as well as adjusted EBITDA for each reportable segment. The CODM uses these performance measures because it believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

B. Information about reportable segment

Major customers

As of December 31, 2018 and 2017, the Companies did not have any customers with revenue that constituted 10 percent or more of total consolidated revenue nor material intersegment revenue for the year ended.

Information based on countries

The Companies' non-current assets* by country are as follows:

In thousands of U.S. dollars	**2018**	**2017**
Peru	1,862,304	1,905,850
Guatemala	665,090	662,306
Bolivia	269,507	284,779
Nicaragua	122,469	133,359
Chile	118,826	127,614
Panama	83,838	94,054
Jamaica (**)	-	62,718
El Salvador	24,179	28,129
Others	1,167,634	1,094,376
	4,313,847	**4,393,185**

** Excluding long-term derivative instruments and deferred income tax assets.*

*** Classified as held for sale as of December 31, 2018, see note 6.*

The tables below provide the measurement of each reportable segment, as follows:

In thousands of U.S. dollars	***Note***	**Distribution Companies**	**Peruvian entities**	**South America**	**Central America & Caribbean entities**	**All other segments (a)**	**Adjustments**	**Total**
For the year ended December 31, 2018								
Revenue		597,028	584,982	50,873	382,338	377	(3,115)	1,612,483
Cost of sales		(499,871)	(307,158)	(37,829)	(331,080)	(33,803)	3,115	(1,206,626)
Gross profit		**97,157**	**277,824**	**13,044**	**51,258**	**(33,426)**	**-**	**405,857**
Selling, general and administrative expenses		(32,437)	(22,089)	(7,353)	(15,005)	(14,016)	1,500	(89,400)
Impairment loss on trade and other receivable		(14,883)	(26)	(14)	(63)	-	-	(14,986)
Other income, net		12,895	(5,391)	428	11,057	12,004	(1,500)	29,493
Profit (loss) from operating activities		**62,732**	**250,318**	**6,105**	**47,247**	**(35,438)**	**-**	**330,964**
Finance income, including net gain from derivative financial instruments		2,824	1,838	251	2,396	211	(647)	6,873
Finance cost		(58,011)	(69,822)	(7,675)	(12,305)	(36,983)	647	(184,149)
Finance costs, net		**(55,187)**	**(67,984)**	**(7,424)**	**(9,909)**	**(36,772)**	**-**	**(177,276)**
Share of profit in associated company		-	-	-	-	(117)	-	(117)
Income (loss) before taxes from continuing operations		**7,545**	**182,334**	**(1,319)**	**37,338**	**(72,327)**	**-**	**153,571**
Income tax expense		(12,229)	(58,267)	(3,679)	(16,106)	158	-	(90,123)
Profit (loss) from continuing operations		**(4,684)**	**124,067**	**(4,998)**	**21,232**	**(72,169)**	**-**	**63,448**
Segment assets		744,397	2,113,364	407,229	527,617	1,205,733	(73,279)	4,925,061
Capital expenditures (*)		42,085	1,466	6,808	94,959	(388)	(2,053)	142,877
Investment in associate		-	-	-	-	4,505	-	4,505
Segment liabilities		787,900	1,701,976	169,342	264,364	1,009,824	(73,931)	3,859,475
Depreciation and amortization		43,960	68,756	16,825	49,778	31,605	-	210,924
Insurance claim	*26(a)*	-	5,301	(319)	(10,955)	(9,432)	-	(15,405)
Non-recurring expenses		-	532	-	3,810	-	-	4,342
Adjusted EBITDA		**106,692**	**324,907**	**22,611**	**89,880**	**(13,265)**	**-**	**530,825**

(*) Capital expenditure consist of additions of property, plant and equipment. Does not include Jamaican capital expenditures classified as held for sale as of December 31, 2018 (see note 6).

In thousands of U.S. dollars	**Distribution Companies**	**Peruvian entities**	**South America**	**Central America & Caribbean entities**	**All other segments (a)**	**Adjustments**	**Total**
For the year ended December 31, 2017							
Segment assets	747,252	2,180,499	433,458	610,294	1,113,619	(77,930)	5,007,192
Investment in associate	-	-	-	-	5,259	-	5,259
Segment liabilities	786,795	1,686,343	182,974	250,777	806,790	(77,930)	3,635,749

(a) In addition to the balance of certain of our generation assets, the Other segment also includes the balance and other adjustments relating to our headquarters and intermediate holding companies, including purchase price allocations recorded in connection with our acquisition of Latin American and Caribbean businesses.

28. Financial Risk Management Objectives and Financial Instruments

The Companies’ principal financial assets are comprised of cash and cash equivalents, short term deposits and restricted cash, trade receivables, other receivables, deposits and other receivables. Financial liabilities comprise trade and other payables, short-term loans interest bearing borrowings, guarantee deposits from customers and derivatives. The main purpose of these financial instruments is to rise funding for the Companies' operations. The benchmark rate for floating rate assets and liabilities is based on LIBOR. Except for CEPP, Nicaraguan and distribution entities, none of the Companies’ trade receivables earns interest.

The Companies are exposed to market risk, credit risk and liquidity risk. The Companies' senior management oversees the management of these risks, together with the capital requirement as explained in further detail below.

A. Capital management

The primary objective of the Companies' capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Companies manage its capital structure and make adjustments to it, in the light of changes in economic conditions. In special circumstances, the Companies provide contingent security in the form of parent-level credit support to the underlying businesses where required.

The Companies include within net debt, debentures, loans from banks and others and liabilities in respect of finance leases; less cash and cash equivalents and short-term deposits and restricted cash. Adjusted capital includes equity attributable to the equity holders of the parent, plus non-controlling interest, less the net unrealized hedging reserve.

In thousands of U.S. dollars	**2018**	**2017**
Debentures	1,982,386	1,998,330
Loans from banks and others	867,796	674,302
Liabilities in respect of finance leases	71,786	75,705
Cash and cash equivalents	(199,976)	(138,708)
Short-term deposits and restricted cash	(11,318)	(17,890)
Net debt	**2,710,674**	**2,591,739**
Equity	1,079,960	1,376,702
Hedging reserve	(2,452)	-
Adjusted capital	**1,077,508**	**1,376,702**
Debt to adjusted capital ratio at year end	**2.52**	**1.88**

The debt facilities utilized are basically long-term and include financial covenants which must be satisfied in order to distribute excess cash to the shareholders and/or holding companies.

Within the Companies, each Company maintains a prudent level of debt and may continue to raise additional debt in the future.

B. Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Companies’ income or the value of their holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Companies use derivatives to manage market risks.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place as of December 31, 2018 and 2017, respectively.

The analysis excludes the impact of movements in market variables on the carrying value provision, non-financial assets and liabilities of foreign operations.

The following assumption has been made in calculating the sensitivity analysis:

- The sensitivity of the Companies' combined statement of profit or loss is the effect of the changes in interest rates on the net interest income for one year, based on the floating rate non- trading financial assets and financial liabilities held at December 31, 2018 and 2017 respectively, including the effect of hedging instruments.

i. Derivatives

Within the Companies, Cardones, Samay I and Amayo II have entered into interest rate swaps to mitigate their interest rate risk on specific loans. The description of the swaps maintained by the Companies is detailed in note 10(c)(i).

ii. Interest rate risk

Interest rate risk is the risk that the Companies could suffer financial loss due to changes in the value of an asset or liability or in the value of future cash flows due to interest rate volatility. Any financial asset or liability on which interest is paid or received will be subject to interest rate risk. The Companies' exposure to the risk of changes in market interest rate relates primarily to the Companies' long term borrowings with floating interest rates. To manage this, the Companies enter into interest rate swap arrangements as described in the previous paragraph. The Companies manage the interest rate risk on the long term borrowings of their operating businesses to minimize the exposure to floating interest rates. The table below displays the amount of fixed rate and floating rate debt of the Companies as of December 31, 2018 and 2017.

Interest rate exposure

In thousands of U.S. dollars	**Fixed Rate**	**Floating Rate**	**Non-Interest**	**Total**
December 31, 2018				
Financial Assets				
Cash & Cash Equivalents	149,515	10,669	39,792	199,976
Short-term deposits and restricted cash	8,304	5,025	2,499	15,828
Trade receivables	4,205	-	241,087	245,292
Other receivables excluding derivatives	-	-	27,751	27,751
Financial liabilities				
Short term loans	50,250	500	-	50,750
Trade payables	-	-	252,507	252,507
Other payables excluding derivatives	-	-	65,984	65,984
Guarantee deposits from customers	-	61,571	-	61,571
Debentures	1,982,386	-	-	1,982,386
Loans from banks and others	7,121	809,925	-	817,046
Liabilities in respect of finance leases	71,786	-	-	71,786

In thousands of U.S. dollars	**Fixed Rate**	**Floating Rate**	**Non-Interest**	**Total**
December 31, 2017				
Financial Assets				
Cash & Cash Equivalents	75,168	21,372	42,168	138,708
Short-term deposits and restricted cash	12,036	12,363	1,885	26,284
Trade receivables	4,180	-	266,825	271,005
Other receivables excluding derivatives	-	-	26,042	26,042
Financial liabilities				
Short term loans	83,861	3,000	-	86,861
Trade payables	-	-	224,055	224,055
Other payables excluding derivatives	-	-	64,737	64,737
Guarantee deposits from customers	-	59,735	-	59,735
Debentures	1,998,330	-	-	1,998,330
Loans from banks and others	14,921	572,520	-	587,441
Liabilities in respect of finance leases	75,705	-	-	75,705

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Companies' profit before tax (through the impact on floating rate borrowings in a period of a year considering the effect of the interest rate swaps):

In thousands of U.S. dollars	**Increase/decrease in basic points**	**Effect on profit before tax**
December 31, 2018		
Interest bearing borrowings (*)	(+)(-) 100	(+)(-) 1,933
December 31, 2017		
Interest bearing borrowings (*)	(+)(-) 100	(+)(-) 2,478

(*) These floating rate borrowings with interest rate swaps have not been considered.

iii. Currency exposures

Foreign exchange risk arises when certain transaction is denominated in a currency that is not the entity's functional currency. The following table shows the Companies' currency exposures that give rise to exchange rate gains and losses that are recognized in the statement of profit or loss. Such exposures comprise those monetary assets and liabilities of Companies that are not denominated in their functional currency.

In thousands of U.S. dollars	**Total**	**US$**	**Quetzales**	**Other currencies**
December 31, 2018				
Cash and cash equivalents	199,976	154,311	15,539	30,126
Short-term deposits and restricted cash	15,828	10,986	65	4,777
Trade receivables	245,292	108,478	73,621	63,193
Other receivables excluding derivatives	27,751	21,627	4,533	1,591
	488,847	**295,402**	**93,758**	**99,687**
Short term loans	50,750	50,000	-	750
Trade payables	252,507	96,705	121,320	34,482
Other payables, excluding derivatives instruments	65,984	54,121	6,757	5,106
Guarantee deposits from customers	61,571	-	61,571	-
Debentures	1,982,386	1,926,595	-	55,791
Loans from banks and others	817,046	693,136	116,790	7,120
Liabilities in respect of finance leases	71,786	71,786	-	-
	3,302,030	**2,892,343**	**306,438**	**103,249**
Net monetary position	(2,813,183)	(2,596,941)	(212,680)	(3,562)
Derivative instruments	-	-	-	-
Net position	**(2,813,183)**	**(2,596,941)**	**(212,680)**	**(3,562)**

In thousands of U.S. dollars	**Total**	**US$**	**Quetzales**	**Other currencies**
December 31, 2017				
Cash and cash equivalents	138,708	108,978	7,418	22,312
Short-term deposits and restricted cash	26,284	13,147	2,853	10,284
Trade receivables	271,005	73,545	80,253	117,207
Other receivables excluding derivatives	26,042	20,984	4,088	970
	462,039	**216,654**	**94,612**	**150,773**
Short term loans	86,861	86,861	-	-
Trade payables	224,055	105,675	92,357	26,023
Other payables, excluding derivatives instruments	64,737	41,718	15,338	7,681
Guarantee deposits from customers	59,735	-	59,735	-
Debentures	1,998,330	1,939,450	-	58,880
Loans from banks and others	587,441	456,029	123,453	7,959
Liabilities in respect of finance leases	75,705	75,705	-	-
	3,096,864	**2,705,438**	**290,883**	**100,543**
Net monetary position	(2,634,825)	(2,488,784)	(196,271)	50,230
Derivative instruments	-	-	-	-
Net position	**(2,634,825)**	**(2,488,784)**	**(196,271)**	**50,230**

Management considers that due to the net position maintained by the Companies currency, the effect of the expected changes in exchange rates has no significant impact on their combined of profit or loss and other comprehensive income for the period ended as of December 31, 2018 and 2017.

Sensitivity analysis
A strengthening at the rate of 5%–10% of the dollar exchange rate against the Sol, DR Peso, Quetzal, Bolivian Peso, Chilean Peso and Euro would have increased (decreased) the income or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

In thousands of U.S. dollars	**10% increase**	**5% increase**	**5% decrease**	**10% decrease**
December 31, 2018				
Dollar / Sol	4,102	1,943	(1,758)	(3,356)
Dollar / DR Peso	777	368	(333)	(636)
Dollar / Quetzal	(23,631)	(11,194)	10,128	19,334
Dollar / Bolivian Peso	(6,857)	(3,248)	2,939	5,610
Dollar / Chilean Peso	674	319	(289)	(552)
Dollar / Other	799	379	(342)	(654)
December 31, 2017				
Dollar / Sol	9,315	4,412	(3,992)	(7,621)
Dollar / DR Peso	681	323	(292)	(557)
Dollar / Quetzal	(21,808)	(10,330)	9,346	17,843
Dollar / Bolivian Peso	(5,361)	(2,540)	2,298	4,387
Dollar / Chilean Peso	353	167	(151)	(289)
Dollar / Other	585	278	(251)	(479)

C. Liquidity risk

Liquidity risk is the risk that the Companies will not have sufficient funds to meet liabilities. The Companies monitor its risk of shortage of funds through use of cash forecasts which identify the liquidity requirements of the Companies. These are reviewed regularly to ensure sufficient financial headroom exists for at least a six-months period.

The maturity profile of the interest bearing liabilities (including contractual interest payments) and derivatives based on projected outflows are as follows:

In thousands of U.S. dollars	**Loans from banks and others**	**Interest rate swaps**
December 31, 2018		
Financial Liabilities: Maturity profile		
Due within one year, but not on demand	257,082	1,599
Due within one to two years	434,098	1,128
Due within two to three years	484,647	852
Due within three to four years	255,589	90
Due within four to five years	158,825	92
Due after five years	2,425,281	339
	4,015,522	**4,100**
December 31, 2017		
Financial Liabilities: Maturity profile		
Due within one year, but not on demand	279,986	(1,192)
Due within one to two years	192,670	215
Due within two to three years	214,056	598
Due within three to four years	462,917	579
Due within four to five years	169,841	51
Due after five years	2,572,680	240
	3,892,150	**491**

The following tables indicate the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur:

In thousands of U.S. dollars	**Fair Value**	**Expected cash flow**	**0-1 years**	**2 years**	**3-5 years**	**More than 5 years**
December 31, 2018						
Interest rate swaps:						
Liabilities	(10)	(10)	(1)	(2)	(4)	(3)
Assets	4,110	4,110	1,600	1,130	1,038	342
	4,100	**4,100**	**1,599**	**1,128**	**1,034**	**339**

In thousands of U.S. dollars	**Fair Value**	**Expected cash flow**	**0-1 years**	**2 years**	**3-5 years**	**More than 5 years**
December 31, 2017						
Interest rate swaps:						
Liabilities	(1,270)	(1,270)	(1,214)	(7)	(49)	-
Assets	1,761	1,761	22	222	1,277	240
	491	**491**	**(1,192)**	**215**	**1,228**	**240**

D. Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Companies by those counterparties, less any amounts owed to the counterparty by the Companies where a legal right of set-off exist and also includes the fair values of contracts with individual counterparties which are included in the financial statements. The maximum exposure to credit risk at each reporting date is the carrying value of each class of financial assets mentioned in this note.

Counterparty credit exposures arise in the normal course of operations as a result of the potential for a customer defaulting on its payable balance. In the case of power generation customers, credit risk is managed by analyzing credit worthiness and financial strength during the negotiation of power purchase agreements and during the life of the contract. Where the creditworthiness of the customer is deemed to be below standard, various contractual agreements and structures are negotiated (such as letters of credit, liquidity facilities, government guarantees) to provide the required credit support. For the distribution business, commercial customer's credit risk is managed by analyzing a company's creditworthiness and financial strength both before power sales commence and during the business relationship.

Counterparty credit exposures are monitored by individual counterparty and by category of credit rating. The majority of significant exposures are with counterparties with credit ratings" A" or better.

E. Fair value of financial assets and liabilities

Accounting standards define a financial instrument as cash, ownership in an entity, or a contract by means of which the contractual right or obligation to receive or deliver cash or another financial instrument has been vested in or imposed on an entity.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Companies have access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Companies' accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Companies measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Companies use valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Although Management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable or liquidation value.

As of December 31, 2018 and 2017 management considers that the book values of the financial instruments do not differ significantly from their estimated fair values; based on the methodologies and assumptions mentioned below:

- Cash and cash equivalents items and short-term deposits do not represent a credit risk or significant interest rate risk. Therefore, it has been assumed that their carrying value is approximate to their market value.

- Derivative financial instruments are recorded at their estimated market value; therefore, there are no differences between their carrying value and their estimated market value.

- For accounts receivable and payable with a maturity of less than one year, it has been considered that their fair values are not significantly different from their carrying values.

- For short term loans and long-term interest bearing borrowings that accrue interest contracted at fixed rates, it has been estimated that their book value does not differ significantly from their market value, insofar as the interest rates of loans in effect do not differ significantly compared to year-end market interest rates.

F. Hierarchy of fair value

The following table presents an analysis of the financial instruments measured at fair value, using an evaluation method. The various levels were defined as follows:

Level 1: Quoted prices (not adjusted) in an active market for identical instruments.

Level 2: Observed data, direct or indirect, not included in Level 1 above.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

In thousands of U.S. dollars	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2018				
Liabilities				
Derivatives used for hedging	-	(10)		(10)
Other payables			(8,370)	(8,370)
	-	**(10)**	**(8,370)**	**(8,380)**
Assets				
Derivatives used for hedging	-	4,110	-	4,110
	-	**4,110**	**-**	**4,110**

In thousands of U.S. dollars	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2017				
Liabilities				
Derivatives used for hedging	-	(1,270)	-	(1,270)
Other payables	-		(8,255)	(8,255)
	-	**(1,270)**	**(8,255)**	**(9,525)**
Assets				
Derivatives used for hedging	-	1,761	-	1,761
	-	**1,761**	**-**	**1,761**

The Companies have utilized market comparison techniques to estimate the fair value of its derivatives. The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

G. Accounting classifications and fair values.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

December 31, 2018

		Carrying amount					Fair value			
In thousands of U.S. dollars	***Note***	**Fair value-hedging instruments**	**Financial assets at amortized cost**	**Mandatory at FVTPL-others**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Interest rate swap used for hedging	*17*	4,110	-	-	-	4,110	-	4,110	-	4,110
		4,110	-	-	-	**4,110**	**-**	**4,110**	**-**	**4,110**
Financial assets not measured at fair value										
Cash and cash equivalents	*7*	-	199,976	-	-	199,976	-	-	-	-
Short term deposits and restricted cash	*8*	-	15,828	-	-	15,828	-	-	-	-
Trade receivables	*9*	-	245,292	-	-	245,292	-	-	-	-
Other receivables		-	27,751	-	-	27,751	-	-	-	-
Other receivable non-current	*28.H*	-	-	-	-	-	-	-	17,514	17,514
		-	**488,847**	-	-	**488,847**	-	-	**17,514**	**17,514**
Financial liabilities measured at fair value										
Interest rate swap used for hedging	*17*	10	-	-	-	10	-	10	-	10
		10	-	-	-	**10**	**-**	**10**	**-**	**10**
Financial liabilities not measured at fair value										
Loan from banks and others	*15*	-	-	-	867,796	867,796	-	947,306	-	947,306
Liabilities in respect of finance leases	*15*	-	-	-	71,786	71,786	-	70,849	-	70,849
Debentures	*15*	-	-	-	1,982,386	1,982,386	-	1,877,069	-	1,877,069
Trade payables	*16*	-	-	-	252,507	252,507	-	-	-	-
Guarantee deposits from customers	*16*	-	-	-	61,571	61,571	-	-	-	-
Other payables (contingent consideration)		-	-	8,370	57,614	65,984	-	-	8,370	8,370
		-	-	**8,370**	**3,293,660**	**3,302,030**	-	**2,895,224**	**8,370**	**2,903,594**

December 31, 2017

		Carrying amount					Fair value			
In thousands of U.S. dollars	***Note***	**Fair value-hedging instruments**	**Designated at fair value**	**Loan and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Interest rate swap used for hedging	*17*	1,761	-	-	-	1,761	-	1,761	-	1,761
		1,761	**-**	**-**	**-**	**1,761**	**-**	**1,761**	**-**	**1,761**
Financial assets not measured at fair value										
Cash and cash equivalents	*7*	-	-	138,708	-	138,708	-	-	-	-
Short term deposits and restricted cash	*8*	-	-	26,284	-	26,284	-	-	-	-
Trade receivables	*9*	-	-	271,005	-	271,005	-	-	-	-
Other receivables		-	-	26,042	-	26,042	-	-	-	-
Other receivable non-current	*28.H*	-	-	-	-	-	-	-	17,445	17,445
		-	**-**	**462,039**	**-**	**462,039**	**-**	**-**	**17,445**	**17,445**
Financial liabilities measured at fair value										
Interest rate swap used for hedging	*17*	1,270	-	-	-	1,270	-	1,270	-	1,270
		1,270	**-**	**-**	**-**	**1,270**	**-**	**1,270**	**-**	**1,270**
Financial liabilities not measured at fair value										
Loan from banks and others	*15*	-	-	-	674,302	674,302	-	682,629	-	682,629
Liabilities in respect of finance leases	*15*	-	-	-	75,705	75,705	-	75,705	-	75,705
Debentures	*15*	-	-	-	1,998,330	1,998,330	-	2,032,813	-	2,032,813
Trade payables	*16*	-	-	-	224,055	224,055	-	-	-	-
Guarantee deposits from customers	*16*	-	-	-	59,735	59,735	-	-	-	-
Other payables (contingent consideration)		-	8,255	-	56,482	64,737	-	-	8,255	8,255
		-	**8,255**	**-**	**3,088,609**	**3,096,864**	**-**	**2,791,147**	**8,255**	**2,799,402**

H. Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values as at December 31, 2018 and 2017 as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable data	Inter-relationship between significant unobservable inputs and fair value measurement
Interest rate Swaps	The Companies apply standard valuation techniques such as: *discounted cash flows* for fixed and variables coupons (estimated with forward curves) using as discounted rates the *projected LIBOR zero coupon curve*. The observable inputs are obtained through market information suppliers.	Not applicable	Not applicable
Other receivable non-current	Discounted cash flows: The valuation model considers the present value of the cash inflows expected to be generated by asset. The cash flow projections include specific estimates for 10 to 20 years. The expected cash flows are discounted using a risk-adjusted discount rate (5.71%)	Risk-adjusted discount rate (5.71%) Timing and collection of the cash flows	The estimated fair value would increase (decrease) if the expected cash flows were higher (lower)
Loans from banks, others and debentures	Discounted cash flows with market interest rate	Not applicable	Not applicable
Contingent consideration	Discounted cash flows with market interest rate	Expected cash flows (December 31, 2018 and 2017: US$ 8,493 thousand)	The estimated fair value would increase (decrease) if the expected cash flows were higher (lower)

(ii) Level 3 fair values

Reconciliation of Level 3 fair values

In thousands of U.S. dollars	**Contingent consideration**
Balance as of November 20, 2017	-
Assumed in business combination	8,255
Balance as of December 31, 2017	**8,255**
Balance at January 1, 2018	8,255
Loss included in finance cost	
Net change in fair value (unrealized)	115
Balance as of December 31, 2018	**8,370**

Sensitivity analysis

	Profit or loss	
In thousands of U.S. dollars	**Increase**	**Decrease**
Contingent consideration -		
December 31, 2018		
Expected cash flows (10% movement)		
Other receivable non-current -	849	(849)
December 31, 2018		
Timing and collection of the cash flows (5%).	1,351	(1,351)
Risk adjusted discount rate (1% movement)	2,792	(2,792)

	Profit or loss	
In thousands of U.S. dollars	**Increase**	**Decrease**
Contingent consideration -		
December 31, 2017		
Expected cash flows (10% movement)		
Other receivable non-current -	849	(849)
December 31, 2017		
Timing and collection of the cash flows (5%).	1,346	(1,346)
Risk adjusted discount rate (1% movement)	2,781	(2,781)

29. Commitments

The main commitments for the Companies' subsidiaries are described as follows:

A. Inkia Americas Ltd

As of December 31, 2018, Inkia Americas Ltd. has issued standby letters of credit for guarantee, as follows:

Guarantee party	Description	Amount (In thousand)
Kanan Overseas I, Inc	Credit Guarantee	13,000
Kanan Overseas I, Inc	Power Purchase Agreement	7,334
Electroquil S.A.	Asset promise of sale	7,120
Kanan Overseas I, Inc	Spot Purchase	3,300
Kanan Overseas I, Inc	Payments of storage and handling agreement	600
		31,354

B. Kallpa, Peru

Letters of credit

As of December 31, 2018, Kallpa has issued standby letters of credit for guarantee, as follows:

Guarantee party	Description	Amount (In thousand)
Kanan overseas I, Inc	Power Purchase Agreement	9,534
Kanan overseas I, Inc	Power Purchase Agreement	1,467
		11,001

Power Purchase Agreements (PPA)
As of December 31, 2018, Kallpa has entered into 36 (34 as at December 31, 2017) PPAs with unregulated consumers to provide capacity and the associated energy of 677 MW (692 MW as at December 31, 2017). These contracts have various commencement dates and have expiration dates between 2018 and 2028. Also, as of December 31, 2018, Kallpa has signed 34 PPAs with 8 distribution companies (signed 31 PPAs with 8 distribution companies as at December 31, 2017) for 966 MW of capacity (889 MW of capacity as at December 31, 2017). Additionally, Kallpa has a 10-year PPA with Edelnor and Luz del Sur, covering 81 MW of capacity that will start in January 2022 which will account for a significant portion of Kallpa's expected generation capacity and has a 15-year PPA with ElectroPerú covering 200 MW of capacity and associated energy that has started in 2016. The ElectroPerú's PPA is denominated in U.S. dollars and is indexed with the U.S. producer price index. PPAs are indexed to natural gas prices, exposing Kallpa to fluctuations in such prices.

Gas supply and transportation
Kallpa purchases its natural gas for its generation facilities from the Camisea consortium under an exclusive natural gas supply agreement dated January 2, 2006, as amended. Under this agreement, the Camisea Consortium has agreed to supply Kallpa's natural gas requirements, subject to a daily maximum amount and Kallpa has agreed to acquire natural gas exclusively from the Camisea Consortium.

The Camisea consortium is obligated to provide a maximum of 4,250,000 cubic meters of natural gas per day to Kallpa's plant and Kallpa is obligated to purchase a minimum of approximately 2,225,000 cubic meters of natural gas per day.

In the event that Kallpa fails to consume the contracted minimum on any given day, it may make up the consumption volume shortage on any day during the following 18 months.

The price that Kallpa pays to the Camisea consortium for the natural gas supplied is based on a base price in U.S. dollars set on the date of the agreement, indexed each year based on two producer price indices: fuels and related products power index and oil field and gas field machinery index with discounts available based on the volume of natural gas consumed. This agreement expires in June 2022.

Kallpa's natural gas transportation services are rendered by Transportadora de Gas del Peru S.A. (TGP) pursuant to a natural gas firm transportation agreement dated December 2007, as amended. In April 2014, this agreement was further modified to include the transportation agreement between Duke Energy Egenor S. en C. por A. and Las Flores. These agreements expire in December 2033.

Additionally, Kallpa is party to two additional natural gas transportation agreements that expire in March 2030 and December 2033, respectively. Set forth below is a summary of the natural gas transportation services under these agreements (in cubic meters of gas per day):

	Firm	Interruptible
August 21, 2018 - March 20, 2020	4,882,629	764,463
March 21, 2020 - January 1, 2021	4,683,317	764,463
January 2, 2021 - March 31, 2030	4,683,317	530,000
April 1, 2030 - April 1, 2033	3,912,148	1,301,169
April 2, 2033 - December 31, 2033	2,977,148	1,301,169

Natural gas distribution services are rendered by Cálidda, under two natural gas distribution agreements. Under such agreements, which expire on December 31, 2033, Cálidda is obliged to distribute up to approximately 3,710,000 cubic meters of natural gas per day to Kallpa combined-cycle plant and 1,172,629 cubic meters of natural gas per day to Las Flores power plant.

C. Samay I, Peru

Power Node Bid Awarded

On November 29, 2013, Samay I won one of the public bid auctions promoted by the Peruvian Investment Promotion Agency ("Proinversion") to build an open cycle diesel and natural gas (dual-fired) thermoelectric plant in Mollendo, Arequipa (Southern Peru), with an initial installed capacity of approximately 708MW (when operated with diesel fuel). The two-bid auction, which was won by Samay I and a subsidiary of Engie, is part of an effort by the Peruvian government to promote the construction of a power node in Southern Peru, which will be fueled by natural gas once a natural gas pipeline (the Gasoducto Sur Peruano) delivers gas to the area.

The Samay I plant is expected to have three operational stages. First, currently in force, Samay I plant operates as a cold reserve plant with diesel until natural gas becomes available in the area through a pipeline whose construction is temporarily suspended. It is uncertain when the pipeline will be completed. Second, once natural gas becomes available to the facility through the new natural gas pipeline, the Samay I plant will have the obligation to operate as a natural gas-fired power plant and will be able to do so with minor investments by us in Samay I's facilities. When fueled by natural gas, the Samay I plant will have an installed capacity of approximately 720 MW. Finally, following an additional investment in the conversion of the Samay I plant, which we have not committed to make, the Samay I plant could operate as a combined cycle thermoelectric plant, which would increase Samay I's installed capacity to approximately 1,080 MW. Samay I has entered into an agreement with the State of Peru, with a term of 20 years until 2036, under which Samay I will receive fixed monthly capacity payments denominated in U.S. Dollars and will pass-through all of the variable costs during the cold reserve phase.

The amount of monthly payments required to make up the total amount to which Samay I is entitled will be calculated by the COES, and will be paid by all generators that form part of Sistema Interconectado Nacional (SEIN, for its Spanish acronym), who in their turn collect the corresponding fee from their customers through a surcharge in the transmission tariffs applicable to, and payable by, all end consumers. The surcharge does not involve the use of state funds or any appropriation process, being a mechanism that has been used for almost 20 years in Peru to cover the cost of various energy projects.

In addition to receiving a 20 - year stream of capacity payments, Samay I has an advantage in being one of only two power generation companies that have defined rights to a natural gas supply and transportation capacity once the Gasoducto Sur Peruano is completed. Our strategic development of the Samay I plant will provide us with a significant advantageous position in the future Southern Peru Power node, which will be developed once the Gasoducto Sur Peruano is completed. Pursuant to the terms of its tender, Samay I must receive gas and transportation services pursuant to terms which are similar to other power plants located in other parts of Peru and served by the existing TGP pipe line, such as the Kallpa plant. According to Law 29970, natural gas transportation costs of the Samay I plant will be eventually subsidized by additional tariffs on the electricity transmission toll periodically determined by (Organismo Supervisor de la Inversión en Energy Minería – OSINERGMIN, for its Spanish acronym) with the purpose of decentralizing the generation of electricity with natural gas, which is one of the main purposes of the State of Peru developing the Southern Peru Power node. ElectroPerú has commenced negotiations with suppliers and concessionaires for the supply and transport of natural gas to each of Samay I and the other plant with a defined right to the firm supply of natural gas. However, as ElectroPerú may not be successful in obtaining an agreement which conforms to the conditions as contemplated in the tender documents of the cold reserve bidding process, we believe Samay I has the right to reject entering into any supply and transportation agreements which do not comply with the conditions set forth in its tender.

D. Energuate, Guatemala

Concession from the Guatemalan government

On December 14, 1998, under Agreement No.401-98 of the Ministry of Energy and Mining, 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 western region of the Republic of Guatemala.

On November 23, 1998, under Agreement No. 381-98 of the Ministry of Energy and Mining, 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 eastern region of the Republic of Guatemala.

The authorization granted for DEOCSA and DEORSA 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.

Power Purchase Agreement and Spot Market Purchases

Energuate purchases the electricity to be distributed for customers through PPAs with generation companies. Guatemalan distribution companies are required by the General Electricity Law to maintain PPAs with generating companies at all times to cover 100% of the maximum expected demand for the current year, as well as the next year. Energuate makes purchases on the spot market, authorized by CNEE, only if the contracted capacity and electricity under its PPAs are insufficient to meet the demand of its customers.

As of December 31, 2018, Energuate was party to over 94 PPAs. Distribution companies can only purchase capacity and energy and enter into PPAs through a public bidding process supervised by the CNEE.

The following table sets forth the supplier, the amount of contracted capacity and the expiration date of Energuate's PPAs entered into with our five largest suppliers of capacity as of December 31, 2018, covering 71% of the collective contracted capacity.

Supplier	Contracted capacity (MW)	Expiration date
Jaguar Energy Guatemala LLC	200	April 2030
INDE	121	April 2019 –April 2032
Energía del Caribe	60	April 2030
Renace, S.A.	86	April 2030
Hidro Xacbal, S.A.	30	April 2030

Under most of its PPAs, Energuate pays a capacity and an energy charges. Energuate pays a specified amount for each MW of capacity purchased under these PPAs and an electricity charge for the kWh of electricity actually delivered to Energuate. Most of Energuate's PPAs also provide that the electricity charge is indexed to changes in published quotations for the type of fuel used by the generator. In addition, Energuate is required to pay certain additional costs incurred by the generators to provide electricity including connection costs, transmission tolls, additional costs imposed by the CNEE and other similar costs.

E. Cobee, Bolivia

Concession from the Bolivian Government
As of December 2010, COBEE was engaged in the generation of electricity under a concession granted to it by the Government of Bolivia, in October 1990 for a period of 40 years. The Bolivian government unilaterally transformed by supreme decree, all concessions to generate, transmit and distribute electricity to special temporary licenses. However, to date, the government has not issued regulations nor approved any procedure or guideline to convert such special temporary licenses into permanent licenses.

F. IC Power Nicaragua, Nicaragua

Power Purchase Agreements (PPA)
As of December 31, 2018, Tipitapa Power Company and Empresa Energetica Corinto have entered into two PPAs with Distribuidora de Electricidad del Norte ("DISNORTE") and Distribuidora de Electricidad del Sur ("DISSUR") to supply and sell energy and capacity. On March 14, 2019, the terms of the contracts were extended for two additional months until March 31, 2024.

In addition, Consorcio Eólico Amayo and Consorcio Eólico Amayo (Fase II) also entered into PPAs with these distribution companies, and are committed to supply and sell all the energy at the supply node as part of the wholesale market.

These contracts have various commencement dates, and vary in duration, as follows:

Company	Commencement	Expiration	Contracted Capacity (MW)
Tipitapa Power Company	April 1999	February 2024	50.9
Empresa Energetica Corinto	June 1999	February 2024	50.0
Consorcio Eólico Amayo	March 2009	March 2024	39.9
Consorcio Eólico Amayo (Fase II)	March 2010	March 2025	23.1

G. Kanan Overseas I, Inc, Panama

Power Purchase Agreement
In October 2014, Kanan was awarded a contract to supply energy with a maximum contractual capacity of 86 MW with distributions companies for a 5-year term that effective started in December 2015. For such purpose, Kanan reached commercial operations in April 2016.

H. IC Power DR Operations, S.A.S.

Power Purchase Agreement and EPC Contract
IC Power DR is currently constructing Agua Clara, a 50 MW wind project in the Dominican Republic, which is expected to reach COD by the second quarter of 2019. IC Power DR has entered into a PPA with a government entity for a period of 20 years, for which the relevant concession has been granted. In addition, on October 11, 2017, IC Power DR entered into an engineering, procurement and construction contract with Siemens Gamesa Energía Renovables Latam, S.R.L. (Offshore Contractor) and Gamesa Dominicana, S.A.S. (Local Contractor) for a total amount of US$ 87,920 thousand which includes all the costs and expenses to complete the construction of the project.

30. Contingent Liabilities

The main contingencies for the Companies' subsidiaries are described as follows:

A. Kallpa Generación S.A.

Import tax assessment against Kallpa

Since 2010, the Peru Customs Authority (known as "SUNAT" for its abbreviation in Spanish) issued tax assessments to Kallpa and its lenders for payment of import taxes allegedly owed by Kallpa in connection with imported equipment for installation and construction of Kallpa I, II, III and IV. The assessments were issued on the basis that Kallpa did not include the value of the engineering services rendered by the contractor of the project in the tax base to determinate the import taxes. Kallpa disagrees with this tax assessment on the grounds that the engineering services rendered include the design of the plant itself as opposed to the design of the imported equipment. Kallpa appealed the tax assessments before SUNAT in first instance and before the Peruvian Tax Tribunal (known as "Tribunal Fiscal") in second instance. SUNAT and the Peruvian Tax Court are administrative institutions under the Ministry of Economy and Finance.

(i) Kallpa I

In January 2015, the Tax Court rejected Kallpa's appeal. Kallpa disagreed with the Tax Court´s decision and, on April 15, 2015, filed a judicial action (Demanda Contencioso Administrativa) before the Superior Court of Lima. In order to file such appeal, Kallpa was required to pay the amounts requested by SUNAT which was S/ 37,900 thousand (US$ 11,576 thousand). Subsequently, Kallpa recovered approximately S/ 5,400 thousand (US$1,675 thousand) of VAT related to this amount. As of December 31, 2018 the remaining amount is approximately S/ 32,546 thousand (US$ 9,660 thousand).

On September 12, 2016, the Superior Court of Lima issued a ruling on the Kallpa I case declaring its claims to be groundless. Kallpa disagreed with the Court´s decision and, on September 21, 2016, filed an appeal. On April 24, 2017, an oral hearing was held where Kallpa explained its defense arguments. In June 2017, the second instance judge decided for the invalidity of the first instance decision and not only ordered to issue a new decision but also to merit the technical support filed by Kallpa. An oral hearing was held in September 2017 to assess the technical support. On February 2, 2018, Kallpa was notified with the first instance decision, which did not merit the technical support filed by Kallpa, in clear contempt of the second instance judge orders. Finally, on September 6, 2018, Kallpa was notified with the Superior Court's decision issued against Kallpa. Kallpa analyzed all the procedural flaws that occurred in this case and filed the appeal before the Supreme Court on September 20, 2018. On March, 2019, Kallpa took knowledge that the appeal was accepted, and will possibly be sent to the "Tribunal de Justicia Andino" for guidance over the correct interpretation of customs principles (see note 32F). It is the opinion of our external legal advisors that the Supreme Court should rule in Kallpa's favor.

(ii) Kallpa II and III
On December 29, 2017 the Tax Court notified Kallpa with its resolutions on both Kallpa II and Kallpa III cases, confirming the position of the Tax Administration. The Board of Directors of Kallpa decided to pay under protest the taxes claimed by the Tax Administration with regards to Kallpa III and file the corresponding judicial action before the Superior Court of Lima. On March 2, 2018 Kallpa paid S/ 21,752 thousand (US$ 6,456 thousand) corresponding to the full amount required by SUNAT for Kallpa III to avoid the risk of coercive collection and the accrual of interest while the final decision is issued. In parallel, Kallpa filed, before the Tax Court, a request for a declaration of expiry of the statute barred period for the Kallpa II amounts corresponding to the 2008 year. The Tax Court ruled that S/ 20,601 thousand (US$ 6,097 thousand) out of the S/ 22,380 thousand (US$ 6,623 thousand) of total claim were statute barred, reducing the contingency to S/ 1,779 thousand (US$ 526 thousand), amount which was paid by Kallpa under protest in May 2018. The amounts paid for both Kallpa II and III were recorded as long-term account receivables.

On October 19, 2018, Kallpa recovered S/ 4,751 thousand (US$ 1,410 thousand) of VAT in relation with Kallpa III. As of December 31, 2018, the remaining amount related to Kallpa III is approximately S/ 17,001 thousand (US$ 5,046 thousand).

(iii) Kallpa IV
On January 27, 2016, the amount of the claim in connection with Kallpa IV was reduced from S/ 17,719 thousand to S/ 499 thousand (from US$ 5,244 thousand to US$ 147 thousand) without interest referred to the engineering services assessment. On February 12, 2016, Kallpa filed an appeal to the Tax Court against the part of the resolution that refers to the insurance. This was decided against by the Tax Tribunal. Kallpa will file an appeal with the Judiciary by November 14, 2018.

On June 26, 2018, Kallpa was officially notified that the tax administration is attempting to re-open the original assessment made back in 2013. In July 2018, Kallpa appealed such document. The Tax Tribunal decided against Kallpa, allowing the reopening of the assessment. In November 2018, SUNAT issued a tax assessment for S/ 17,200 thousand (US$ 5,090 thousand). In December 2018, Kallpa filed a claim, which is ongoing.

Management and Kallpa´s legal advisors are the opinion that it is not more likely than not that Kallpa will pay.

In the case of Kallpa I, Kallpa II and Kallpa III, the Company’s exposure (including tax, fines and interest) is nil since Kallpa has already paid the total amount under discussion. In this sense, a favorable result of the process would imply a refund of the amounts paid.

As of December 31, 2018, the total tax exposure (including penalties, interest and fines) related to this assessment is as follows:

	Stage	**Amount (In thousand US$)**	**Amount (In thousand S/)**
Kallpa I	Supreme Court	9,660	32,546
Kallpa II (*)	First Instance on the Judiciary	526	1,779
Kallpa III (*)	First Instance on the Judiciary	5,046	17,001
Kallpa IV (DSU)	First Instance on the Judiciary	265	895
Kallpa IV (Engineering service)	Peruvian Tax Court	10,872	36,735
		26,369	**88,956**

(*) Paid during 2018.

Income Tax Audit corresponding to the year 2012

On February 15, 2016, as a result of the 2012 income tax audit, SUNAT issued a preliminary income tax assessment against Kallpa on the basis that certain interest accrued on our debt and some maintenance expenses amounting to approximately S/ 21,988 thousand (US$ 6,507 thousand) should not have been deducted from our 2012 taxable income but rather treated as an asset.

On March 11, 2016, SUNAT issued a final tax assessment for approximately S/ 16,528 thousand (US$ 4,891 thousand), related to the interest expenses accrued during the construction of the steam turbine (Kallpa IV) as part of the combined-cycle conversion of the plant. This tax assessment has been confirmed with SUNAT resolution (Resolución de Determinación) notified to Kallpa on April 18, 2016. On May 16, 2016, Kallpa filed a complaint appeal against the SUNAT assessment which was rejected by SUNAT through a resolution (Resolución de Intendencia) notified on February 14, 2017. On March 7, 2017 this resolution was appealed before the Tax Court.

As of December 31, 2018, potential tax liability regarding to this assessment is S/ 13,669 thousand (US$ 4,045 thousand), including interest and fines.

Kallpa´s management and its tax counsel consider that this appeal will be more likely than not be successful as there are already resolutions issued by the Tax Court recognizing the deduction of interest expenses in similar circumstances based on the language of article 37a) of the Peruvian Income Tax Law; accordingly, no provision has been recorded in our combined financial statements.

B. Distribuidora de Electricidad de Occidente S.A. (DEOCSA)

i. Compensations for Technical Service Quality:

Based on the current legal framework in Guatemala, DEOCSA is obliged to compensate its customers for failures in technical service quality. The CNEE establishes parameters for continuity (number and length of interruptions) and establishes fines for failure to comply with such parameters. As of December, 2018, sanction processes initiated by the National Energy Electric Commission related to these fines in an aggregate amount of Q. 118,127 thousand (US$ 15,628 thousand). The recognition of these compensations to customers in accordance with the regulations issued by the CNEE depends on the following future events:

- That the service continues being rendered.
- The future consumption volume of the regulated customers with charge from power.
- The continuity of the regulation.
- That the customer files the claim or that CNEE obliges to compensation.
- The compensation mechanism is not applicable to most of the company's customers.

In the opinion of DEOCSA’s management and its legal advisors, the chances of obtaining a negative impact in these processes by Q. 74,389 thousand (US$ 9,615 thousand) is remote.

In addition, in the opinion of DEOCSA’s management and its legal advisors it is not more likely than not that DEOCSA will pay Q. 43,738 thousand (US$ 5,653 thousand).

ii. Sanction processes initiated by the National Energy Electric Commission (CNEE) in an aggregate amount of Q. 22,668 thousand (US$ 2,930 thousand):

Based on the current legal framework, DEOCSA is required to pay the CNEE penalties for non-compliance of the article 134 of the General Electricity Law and its Regulations.

In the opinion of DEOCSA's management and its legal advisors it is not more likely than not that DEOCSA will pay Q. 11,641 thousand (US$ 1,481 thousand).

In addition, in the opinion of DEOCSA's management and its legal advisors it is more likely than not that DEOCSA will need to pay Q. 11,207 thousand (US$ 1,449 thousand), therefore DEOCSA has recorded a provision for this amount in its financial statements.

iii. Sanction processes initiated by the National Energy Electric Commission in an aggregate amount up to Q. 22,230 thousand (US$ 2,873 thousand):

The CNEE establishes minimum levels of quality for electricity services. In addition, the CNEE imposes certain obligations on distribution companies related to required quality levels, and establishes fines for failure to comply with such quality levels and other obligations that should be compensated to users. Sanctions included herein relates to failure of quality parameters of the supplied electricity (tension, frequency and disturbances), and minimum standards for customer service.

In the opinion of DEOCSA's management and its legal advisors it is not more likely than not that DEOCSA will pay Q. 5,200 thousand (US$ 672 thousand).

In addition, in the opinion of DEOCSA's management and its legal advisors it is more likely than not that DEOCSA will pay Q. 17,030 thousand (US$ 2,201 thousand), therefore DEOCSA has recorded the provision for this amount in its financial statements.

iv. Civil petitions submitted by third parties for damages and several injuries to DEOCSA in the amounts of Q. 43,095 thousand (US$ 5,570 thousand):

In the opinion of DEOCSA's management and its legal advisors it is not more likely than not that DEOCSA will pay Q. 25,903 thousand (US$ 3,348 thousand).

In addition, in the opinion of DEOCSA's management and its legal advisors it is more likely than not that DEOCSA will need to pay Q. 17,192 thousand (US$ 2,222 thousand), therefore DEOCSA has recognized a provision for this amount in its financial statements.

v. Arbitration in equality INDE

DEOCSA is involved in an arbitration process with INDE due to the termination of a Trust Fund Contract and the Work Construction Contract of the Rural Electrification Project (PER) in Spanish which was terminated by government in 2015. In this process DEOCSA required INDE to pay for services provided for the construction of works in an amount of Q. 8,194 thousand (US$ 1,059 thousand), as well as to obtain the final certificate of reception of the construction works under such project.

In addition, INDE initiated a claim against to DEOCSA alleging an infringement of the contract and required the refund of advances previously made by INDE amounting up to Q. 67,404 thousand (US$ 8,712 thousand). Likewise, it required that pertaining access rights were constituted and that a payment on damages, due to the alleged failure in the constitution of access rights for the construction of transmission lines, was performed.

In the opinion of DEOCSA's management and its legal advisors it is not more likely than not that DEOCSA will pay the amount claimed by INDE. Consequently, no provision has been recorded.

C. Distribuidora de Electricidad de Oriente S.A. (DEORSA)

i. Compensations for Technical Service Quality:

Based on the current legal framework in Guatemala, DEORSA is obliged to compensate its customers for failures in technical service quality. The CNEE establishes parameters for continuity (number and length of interruptions) and establishes fines for failure to comply with such parameters.

As of December 31, 2018, sanction processes initiated by the National Energy Electric Commission related to these fines in an aggregate amount of Q.184,024 thousand (US$ 6,585 thousand). The recognition of these compensations to customers in accordance with the regulations issued by the CNEE depends on the following future events:

- That the service continues being rendered.
- The future consumption volume of the regulated customers with charge from power.
- The continuity of the regulation.
- That the customer files the claim or that CNEE obliges to compensation.
- The compensation mechanism is not applicable to most of the company's customers.

In the opinion of DEORSA's management and its legal advisors, the chances of obtaining a negative impact in these processes by Q. 148,345 thousand (US$ 19,173 thousand) is remote.

In addition, in the opinion of DEORSA's management and its legal advisors, it is not more likely than not that DEOCSA will pay Q. 35,679 (US$ 4,612 thousand).

ii. Sanction processes initiated by the National Energy Electric Commission (CNEE) in an aggregate amount of Q. 24,694 thousand (US$ 3,192 thousand):

Based on the current legal framework, DEORSA is required to pay the CNEE penalties for non-compliance of the article 134 of the General Electricity Law and its Regulations.

In the opinion of DEORSA's management and its legal advisors it is not more likely than not that DEORSA will pay Q. 8,169 thousand (US$ 1,056 thousand).

In addition, in the opinion of DEORSA's management and its legal advisors it is more likely than not that DEORSA will pay Q. 16,525 thousand (US$ 2,136 thousand), therefore, DEORSA has recorded a provision for this amount in its financial statements.

iii. Sanction processes initiated by the National Energy Electric Commission in an aggregate amount up to Q. 39,579 thousand (US$ 5,115 thousand):

The CNEE establishes minimum levels of quality for electricity services. In addition, the CNEE imposes certain obligations on distribution companies related to required quality levels, and establishes fines for failure to comply with such quality levels and other obligations that should be compensated to users. Sanctions included herein relates to failure of quality parameters of the supplied electricity (tension, frequency and disturbances), and minimum standards for customer service.

In the opinion of DEORSA's management and its legal advisors it is not more likely than not that DEORSA will pay Q. 29,619 thousand (US$ 3,828 thousand).

In addition, in the opinion of DEORSA's management and its legal advisors it is more likely than not that DEORSA will need to pay Q. 9,960 thousand (US$ 1,287 thousand), therefore DEORSA has recorded a provision for this amount in its financial statements.

iv. Civil petitions submitted by third parties for damages and several injuries to DEORSA in the amounts of Q.18,871 thousand (US$ 2,439 thousand):
In the opinion of DEORSA's management and its legal advisors it is not more likely than not that DEORSA will pay Q. 18,493 thousand (US$ 2,390 thousand).

In addition, in the opinion of DEORSA's management and its legal advisors it is more likely than not that DEORSA will need to pay is Q. 378 thousand (US$ 49 thousand) therefore DEORSA has recorded a provision for this amount in its financial statements.

v. Tax claim for Value Added Tax (VAT) related to missing invoices
As of December 31, 2018, DEORSA has a claim from the Tax Administration Superintendence for Income Tax and Value Added Tax (VAT) obligations, for an amount of Q. 179,321 thousand (US$ 23,177 thousand) in relation to alleged missing invoices in the book of sales for the period July 1999 to December 2000. The original assessment amount was Q. 40,357 thousand (US$ 5,216 thousand). The date of the last hearing was April 24, 2002. This case is pending a ruling from the Second Administrative Law Court.

In the opinion of DEORSA's management and its legal advisors it is not more likely than not that DEORSA will pay Q. 163,898 thousand (US$ 21,184 thousand).

In addition, in the opinion of DEORSA's management and its legal advisors it is more likely than not that DEORSA will need to pay is Q. 15,423 thousand (US$ 1,993 thousand). Therefore, DEORSA has recorded a provision for this amount in its financial statements.

vi. Arbitration in equality INDE
DEORSA is involved in an arbitration process with INDE due to the termination of the Trust Fund Contract and the Work Construction Contract of the Rural Electrification Project (PER, in Spanish) which was terminated by government in 2015. In this process DEORSA required INDE to pay for services provided for the construction of works in an amount of Q. 20,513 thousand (US$ 2,651 thousand), as well as to obtain the final certificate of reception of the construction works under such project.

In addition, INDE initiated a claim against to DEORSA alleging an infringement of the contract and required the refund of advances previously made by INDE amounting up to Q. 58,839 thousand (US$ 7,605 thousand). Likewise, it required that pertaining access rights were constituted and that a payment on damages, due to the alleged failure in the constitution of access rights for the construction of transmission lines, was performed.

In the opinion of DEORSA´s management and its legal advisors it is not more likely than not that DEORSA will pay the amount claimed by INDE. Consequently, no provision has been made.

31. Related Party Transactions

A. Parent companies and ultimate parent company
There are no changes in the parent and ultimate parent companies during the period ended December 31, 2018 and 2017.

B. Transactions with key management
As of December 31, 2018 and 2017, there are no loans to directors.

C. Balances with related parties

In thousands of U.S. dollars	2018	2017
Trade receivables	80	-
Other receivables	550	-
Trade payables	168	-

D. Transactions with related parties

In thousands of U.S. dollars	*Note*	2018
Revenue	*22*	3,521
Cost of sales	*23*	10,505
Expense reimbursements		189
Other income	*26*	830

E. Transactions with key management
The aggregate annual compensation expenses related to Inkia executives officers during 2018 was US$ 3,589 thousand.

32. Subsequent Events

A. Controlling shareholder distribution
On February 7 and 13, 2019, Nautilus Inkia Holdings LLC, Nautilus Isthmus Holdings LLC and Nautilus Distribution Holdings LLC, made distributions in the amount of US$ 46,750 thousand, US$ 17,650 thousand and US$ 3,600 thousand.

B. Energuate new base tariffs
Over the course of 2018, Energuate has been following the technical – regulatory process to establish new base tariffs for the next 5 years, 2019 – 2023. As part of this process, Energuate has presented before the Guatemala regulator several technical studies during 2018. The CNEE (Comision National de Energia Electrica) had until January 2019 to publish the new base tariffs. On January 28, 2019 the CNEE published a resolution that opted for the establishing of an Expert Arbitration Panel, composed of three international experts. The panel has 60 working days to review and defined the parameters and factors that Energuate and CNEE differ. The creation of the Expert Arbitration Panel is part Tariff Setting Process and has been utilized in prior cases. Once the Expert Panel presents its findings, the CNEE has until October 2019 to publish the definitive tariffs that would apply after such publication. In the interim the currents tariffs remain applicable.

C. Purchase of Kallpa and Samay I non-controlling interest
On February 27, 2019, Nautilus Inkia Holdings LLC received the approval for the transaction by the Instituto Nacional de la Defensa de la Competencia y Protección de la Propiedad Intelectual (INDECOPI). Therefore, the voting rights maintained by the Cayman Trust were released.

D. JPPC sale
On March 12, 2019, Inkia Jamaica Holdings Limited, West Indies Development Corporation Limited and Inkia Jamaica Inc., received the consent by the Government of Jamaica for the sale of Jamaica Private Power Company Ltd. (JPPC) to CACAO Holdings Ltd. for a total consideration of US$ 10,500 thousand. All the conditions contemplated under the SPA were fulfilled on March 13, 2019.

E. Nicaragua's PPA extension

On March 14, 2019, the terms of the contracts between Tipitapa Power Company and Empresa Energetica Corinto with DISNORTE and DISSUR were extended for five additional years until March 31, 2024 for a contracted capacity of 50.9MW and 50 MW, respectively.

F. Import tax assessment against Kallpa

In March, 2019, Kallpa took knowledge that the Supreme Court accepted the appeal filed in relation to the import tax assessment of Kallpa I. This appeal will possibly be sent to the "Tribunal de Justicia Andino" for guidance over the correct interpretation of customs principles.