IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) A PERSON WHO IS BOTH A "QUALIFIED INSTITUTIONAL BUYER" ("QIB") (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND A "QUALIFIED PURCHASER" ("QUALIFIED PURCHASER") (AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED, AND RELATED RULES), IN EACH CASE PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB WHO IS ALSO A QUALIFIED PURCHASER AS TO WHICH THE PURCHASER EXERCISES SOLE INVESTMENT DISCRETION, IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A, AND PROVIDED THAT EACH SUCH PERSON AND ACCOUNT FOR WHICH SUCH PERSON IS PURCHASING (A) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT ITS AFFILIATED PERSONS AND (B) IS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE TRUST, OR (2) A NON-U.S. PERSON AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this page, and you are advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES DESCRIBED IN THIS OFFERING MEMORANDUM HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, THE RESTRICTIONS CONTAINED IN THE INDENTURE AND APPLICABLE LAWS OF OTHER JURISDICTIONS. THE OFFERING MEMORANDUM AND THE OFFER OF THE NOTES ARE ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC) AND RELATED IMPLEMENTATION MEASURES IN MEMBER STATES ("QUALIFIED INVESTORS"). IN ADDITION, IN THE UNITED KINGDOM THE OFFERING MEMORANDUM IS ONLY BEING DISTRIBUTED TO PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AND OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER REFERRED TO AS "RELEVANT PERSONS"). ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO (I) IN THE UNITED KINGDOM, RELEVANT PERSONS, AND (II) IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA OTHER THAN THE UNITED KINGDOM, QUALIFIED INVESTORS, AND WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. IN ADDITION, NO PERSON MAY COMMUNICATE OR CAUSE TO BE COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY, WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "FSMA"), RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE NOTES OTHER THAN IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO US.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A

VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs who are also Qualified Purchasers or (2) non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States. This offering memorandum is being sent at your request and by accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs who are also Qualified Purchasers or (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act) and that the electronic mail address that you gave us and to which this offering memorandum has been delivered is not located in the United States, and (2) that you consent to delivery of this offering memorandum by electronic transmission.

You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering memorandum to any other person.

This offering memorandum does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently neither the initial purchasers, nor any person who controls them nor any of their directors, officers, employees nor any of their agents nor any affiliate of any such person accept any liability or responsibility whatsoever in respect of any difference between this offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.

OFFERING MEMORANDUM

US$330,000,000

Energuate Trust

(a Cayman Islands Trust)

5.875% Senior Notes due 2027

Guaranteed by

Distribuidora de Electricidad de Occidente, S.A. and
Distribuidora de Electricidad de Oriente, S.A.

The US$330,000,000 aggregate principal amount of 5.875% senior notes due 2027 offered hereby (the "Notes") are being issued by Intertrust SPV (Cayman) Limited (the "Cayman Trustee"), acting solely in its capacity as trustee of the Energuate Trust (the "Trust") established pursuant to a Trust Deed dated December 24, 2016 (the "Trust Deed"). Interest on the Notes will accrue at the rate of 5.875% per annum and be payable on May 3 and November 3 of each year, commencing on November 3, 2017. The Notes will mature on May 3, 2027. The Notes will be jointly and severally guaranteed (the "Note Guarantees") on a senior unsecured basis by Distribuidora de Electricidad de Occidente, S.A. ("DEOCSA") and Distribuidora de Electricidad de Oriente, S.A. ("DEORSA"), each a corporation (*sociedad anónima*) organized under the laws of the Republic of Guatemala ("Guatemala").

The net proceeds from the sale of the Notes will be used by the Cayman Trustee to acquire a 100% participation interest (the "Participation") in a senior unsecured loan (the "Loan"), to be held as an asset of the Trust, pursuant to a Participation Agreement (the "Participation Agreement") among the Trust, Credit Suisse AG, Cayman Islands Branch (the "Lender"), and The Bank of New York Mellon (the "Administrative Agent"), made by the Lender to DEOCSA and DEORSA (together, the "Borrowers") pursuant to a Loan Agreement among the Lender, the Borrowers and the Administrative Agent. The Borrowers will be jointly and severally liable for payments in respect of the Loan. The principal assets of the Trust will be the Participation and certain related rights described in this offering memorandum. The Trust is not a separate legal entity under Cayman Islands law and, accordingly, references in this offering memorandum to the Trust should, where the context so requires, be construed as references to the Cayman Trustee acting solely in its capacity as trustee of the Trust pursuant to the Trust Deed and in relation to the assets of the Trust.

The Borrowers may prepay the Loan, in whole or in part, on or after May 3, 2022 at the applicable prepayment prices set forth in this offering memorandum, plus accrued and unpaid interest. Before May 3, 2022, the Borrowers may also prepay the Loan, in whole or in part, by paying the greater of 100% of the outstanding principal amount and a "make-whole" amount, in each case plus accrued and unpaid interest. In addition, the Borrowers may prepay the Loan, in whole but not in part, at a price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest, upon the occurrence of specified events relating to tax law, as set forth in this offering memorandum. Prior to May 3, 2019, the Borrowers may also prepay 35% of the outstanding principal amount of the Loan at the prepayment price set forth in this offering memorandum, plus accrued and unpaid interest with the net cash proceeds of certain equity offerings and contributions. Upon any such prepayment of the Loan, the Trust will redeem an aggregate principal amount of Notes equal to the aggregate principal amount of the Loan that has been prepaid.

The Loan and the Note Guarantees will constitute general senior unsecured obligations of each of DEOCSA and DEORSA. The Loan and the Note Guarantees will rank *pari passu* in right of payment with all of DEOCSA's and DEORSA's existing and future senior unsecured indebtedness, except for liabilities preferred by Guatemalan law, and will be effectively subordinated to all of DEOCSA's and DEORSA's secured indebtedness with respect to the value of the assets securing such indebtedness.

For a more detailed description of the Notes, see "Description of the Notes."

See "Risk Factors" beginning on page 26 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

Issue Price: 100.000% plus accrued interest, if any, from May 3, 2017

The Notes and the Note Guarantees have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. We are offering the Notes and the Note Guarantees only to "qualified institutional buyers" under Rule 144A under the Securities Act who are also "qualified purchasers" under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") and to non-U.S. persons outside the United States in reliance on Regulation S of the Securities Act. For a description of certain restrictions on transfer of the Notes, see "Notice to Investors."

Application will be made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to list the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Admission to the Official List of the SGX-ST is not to be taken as an indication of our merits or the merits of the Notes.

None of the U.S. Securities and Exchange Commission (the "Commission"), any U.S. state securities commission or any other securities regulatory authority has approved or disapproved of these securities or determined whether this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

We expect that delivery of the Notes will be made to investors in book-entry form through The Depository Trust Company ("DTC") for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, *société anonyme*, on or about May 3, 2017.

Joint Bookrunners

Credit Suisse	**Santander**	**Scotiabank**

The date of this offering memorandum is April 27, 2017.

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Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to "Energuate," the "Borrowers," the "Parent Guarantors," "we," "us," "our" and words of similar effect refer jointly to DEOCSA and DEORSA. References to the "Issuer" or the "Trust" are to the Cayman Trustee acting as trustee of Energuate Trust, as issuer of the Notes.

For the sale of the Notes in the United States, we are relying upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. By purchasing the Notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under "Notice to Investors." We are not, and the initial purchasers are not, making an offer to sell the Notes in any jurisdiction except where such an offer or sale is permitted. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

We have submitted this offering memorandum solely to a limited number of qualified institutional buyers in the United States and in offshore transactions to persons other than U.S. persons so they can consider a purchase of the Notes. We have not authorized the use of this offering memorandum for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. This offering memorandum is personal to each

offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this offering memorandum to any person other than the offeree and any person retained to advise such offeree is unauthorized, and any disclosure of any of the contents hereof without our prior written consent is prohibited. By accepting delivery of this offering memorandum, you agree to these restrictions.

This offering memorandum is based on information provided by us and other sources that we believe to be reliable. We and the initial purchasers cannot assure you that such information provided to us is accurate or complete. This offering memorandum summarizes certain documents (including the indenture that will govern the Notes) and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering and the Notes, including the merits and risks involved.

The initial purchasers make no representation or warrant, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers.

We are not making any representation to any purchaser regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business, tax or other advice. You should consult your own counsel, accountant, business advisor and tax advisor for legal, tax, business and financial advice regarding any investment in the Notes.

We have not, and the initial purchasers have not, authorized any person to provide you with different information or to make any representation not contained in this offering memorandum. You should assume that the information contained in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

By purchasing any Notes, you will be deemed to have acknowledged that: (1) you have received a copy of and have reviewed this offering memorandum; (2) you have had an opportunity to review all financial and other information considered by you to be necessary to make your investment decision and to verify the accuracy of, or to supplement, the information contained in this offering memorandum and have been offered the opportunity to ask us questions, and received answers, as you deemed necessary in connection with your investment decision; (3) you have not relied on the initial purchasers or any person or entity affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; (4) the initial purchasers are not responsible for, and are not making any representation to you concerning, us, our future performance or the accuracy or completeness of this offering memorandum; and (5) no person has been authorized to give any information or to make any representation concerning us or the Notes or the offer and sale of the Notes, other than as contained in this offering memorandum.

We reserve the right to withdraw this offering of the Notes at any time, and we and the initial purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective investor less than the full amount of Notes sought by that investor. The initial purchasers and their respective affiliates may acquire for their own account a portion of the Notes.

You must comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the Notes and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

This offering memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area (the "EEA") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish an offering memorandum for offers of Notes. Accordingly, any person making or intending to make an offer in that Member State of Notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for us or any of the initial

purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither we nor the initial purchasers have authorized, nor do we or they authorize, the making of any offer of Notes in circumstances in which an obligation arises for us or the initial purchasers to publish a prospectus for such offer. Neither we nor the initial purchasers have authorized, nor do we or they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum. The expression "Prospectus Directive" means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in the Member State concerned.

This document is for distribution only to persons who (1) have professional experience in matters relating to investments falling within Article 19(5) of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"); (2) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; (3) are outside the United Kingdom; or (4) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the U.K. Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons, and will be engaged in only with relevant persons. This offering memorandum does not constitute an offer of Notes to the public in the United Kingdom.

In Guatemala, the Notes will comply with the rules of the *Ley del Mercado de Valores y Mercancías* (Stock Exchange Act, Decree 34-96 of the Congress of the Republic of Guatemala), and any of its amendments, including without limitation, Decree 49-2008 of the Congress of the Republic of Guatemala, and its applicable regulation (Governmental Accord 557-97). The Notes will not be registered for public offering with the *Registro del Mercado de Valores y Mercancías* (Securities Market Registry of Guatemala, or the "Securities Market Registry"), because they will not be offered or sold: (1) to any person in an open market, directly or indirectly, by means of mass communication; (2) through a third party or intermediary to any individual person or entity that is considered an institutional investor, including entities that are under the supervision of the *Superintendencia de Bancos* (Superintendency of Banks), the Guatemalan banking regulator, the *Instituto Guatemalteco de Seguridad Social* (Guatemalan Social Security Institute, or the "IGSS") and its affiliates; (3) through a third party or intermediary to any entity or vehicle used for purposes of collective investment; or (4) to more than 35 individual persons or entities.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements reflecting our current views about future events and financial performance. Words such as "believe," "could," "may," "will," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "potential," "predict," "forecast," "guideline," "should" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Statements that are not historical facts, including statements about our strategy, plans, objectives, assumptions, prospects, beliefs and expectations are forward-looking statements. Forward-looking statements are not guarantees of future performance and involve inherent risks and uncertainties. Forward-looking statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Actual results could differ materially and adversely from those expressed or implied by the forward-looking statements as a result of various factors that may be beyond our control, including but not limited to:

- economic, political and social and other conditions and demographic developments in Guatemala;
- extensive government legislation and regulations that apply to us and the energy distribution business in general;
- our ability to adapt to changes in governmental regulations and regulatory framework, including tariff adjustments that apply to the energy distribution business;
- our ability to avoid and mitigate energy losses and collect amounts due from our customers;
- changes in currency exchange rates;
- the Guatemalan government's implementation of exchange controls;
- tax claims made by the *Superintendencia de Administración Tributaria* (Guatemalan Tax Administration, or the "SAT"), and changes in tax laws and regulations, their interpretations or application;
- extraordinary events affecting our operations, including unexpected system failures, severe weather, natural disasters, droughts, strikes, emergency safety measures and military or terrorist attacks;
- competition in the Guatemalan energy distribution business;
- our ability to attract and retain qualified management and other personnel; and
- other risk factors as set forth under "Risk Factors."

Some of these factors are discussed under "Risk Factors," but there may be other risks and uncertainties not discussed under "Risk Factors" or elsewhere in this offering memorandum that may cause actual results to differ materially from those in forward-looking statements. You should read this offering memorandum completely and with the understanding that our actual future results may be materially different from what we expect.

In any event, these forward-looking statements speak only as of the date of this offering memorandum, and we do not undertake any obligation to update or revise any of them as a result of new information, future events or otherwise.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Statements

We prepare our combined financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). We maintain our books and records in *quetzales* and, notwithstanding the fact that our functional currency is the *quetzal*, our financial statements included in this offering memorandum are presented in U.S. dollars.

Our combined financial statements, which include our combined statements of financial position as of December 31, 2016, 2015 (restated) and 2014 (restated), our combined statements of profit or loss and other comprehensive income and changes in shareholders' equity for the years ended December 31, 2016, 2015 (restated) and 2014 (restated) and our combined statements of cash flows for the years ended December 31, 2016, 2015 and 2014, together with the notes thereto, are included in this offering memorandum. Deloitte, Inc. has audited the combined financial statements as of and for the year ended December 31, 2016, and Deloitte Guatemala, S.A. has audited the combined financial statements as of and for the years ended December 31, 2015 (restated) and 2014 (restated).

The combined financial statements as of and for the years ended December 31, 2015 and 2014 have been restated as disclosed in note 1(b) thereto.

Currency and Exchange Rates

All references herein to "*quetzal*," "*quetzales*" and "Q" are to *quetzales*, the official currency of Guatemala. All references to "U.S. dollars" and "US$" are to United States dollars, the official currency of the United States of America.

On December 31, 2016, according to the *Banco de Guatemala* (the Guatemalan Central Bank, or the "Central Bank") the exchange rate for *quetzales* into U.S. dollars was Q7.52213 to US$1.00. The *quetzal*/U.S. dollar exchange rate fluctuates, and the *quetzal*/U.S. dollar exchange rate at December 31, 2016 may not be indicative of future exchange rates. According to Central Bank regulations, the method to determine the reported daily exchange rate consists on using the weighted average exchange rate of the total sum of the purchase and sale of foreign currency carried out daily by the institutions that constitute the institutional foreign currency market. According to Central Bank regulations, the Central Bank will intervene in the currency exchange market if and when the conditions of the exchange rate market meet certain parameters defined by the *Junta Monetaria* (the "Monetary Board") of Guatemala.

The financial information included in this offering memorandum is presented in U.S. dollars, unless otherwise indicated herein. For information regarding the exchange rates used to convert *quetzales* to U.S. dollars, see note 4 to our audited combined financial statements. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. Such translations should not be construed as representations that the *quetzales* amounts represent or have been or could be converted into U.S. dollars as of that or any other date. See "Exchange Rates Information" for information regarding exchange rates for the *quetzal*/U.S. dollar exchange rate since January 1, 2011.

Rounding

Rounding adjustments have been made to reach some of the figures included in this offering memorandum. As a result, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

NON-IFRS FINANCIAL INFORMATION

In this offering memorandum, we disclose non-IFRS financial measures, such as combined earnings before interest, income tax and depreciation and amortization ("EBITDA"), which we calculate as profit minus financial income plus financial expenses, income tax expense (benefit), net and depreciation and amortization, as defined under, "Summary—Summary Financial Information and Operating Data" and "Selected Financial and Operating

Data." This measure is an important measure used by us to assess financial performance. We believe that the disclosure of combined EBITDA provides useful supplemental information to investors and financial analysts in their review of our operating performance and in the comparison of such operating performance to the operating performance of other companies in the same industry or in other industries that have different capital structures, debt levels and/or income tax rates. Other companies may calculate combined EBITDA differently and, therefore, our presentation of combined EBITDA may not be comparable to other similarly titled measures used by other companies.

AVAILABLE INFORMATION

For so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Trust will, during any period in which the Trust is neither subject to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser or subscriber of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser or subscriber the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

Copies of the Indenture, the Loan Agreement, the Participation Agreement or the Expense Reimbursement and Indemnity Agreement (each, as defined in this offering memorandum) may be obtained without charge from the Indenture Trustee by writing to The Bank of New York Mellon at its address on the back cover page of this offering memorandum.

INDUSTRY AND MARKET DATA

We obtained the market and industry data and other statistical information used throughout this offering memorandum from our own research, surveys or studies conducted by third parties, independent industry or general publications and other published independent sources. To the extent it relates to the Guatemalan government or Guatemalan macroeconomic or demographic data, the information used throughout this offering memorandum has been extracted from official publications of the Guatemalan government and has not been independently verified by us or the initial purchasers. While we believe that each of these sources is reliable, they are themselves subject to assumptions and involve judgments and estimates, and neither we nor the initial purchasers have independently verified such data, and neither we nor the initial purchasers make any representations as to the accuracy of such information. Similarly, we believe our internal research is reliable, but it has not been verified by any independent sources.

ENFORCEMENT OF CIVIL LIABILITIES

Guatemala

Each of DEOCSA and DEORSA is a corporation (*sociedad anónima*) organized under the laws of Guatemala. In addition, all of the directors, officers and controlling persons of DEOCSA and DEORSA reside outside the United States, and substantially all of their assets are located in Guatemala or outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, including with respect to matters arising under the federal securities laws of the United States, or to enforce against such persons or against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States.

Judgments of U.S. courts for civil liabilities predicated upon the federal securities laws of the United States may be enforced in Guatemala, subject to the requirements described below. A judgment obtained outside Guatemala would be enforceable in Guatemala without reconsideration of the merits by a Guatemalan court, subject to the conditions described below. Generally, in the absence of a treaty stating otherwise, a final judgment against DEOCSA and DEORSA would be enforceable in Guatemala provided that the courts of such foreign jurisdiction grant the same enforceability to a judgment issued by a Guatemalan court, and the foreign judgment fulfills the following requirements: (a) it refers to a personal, civil or commercial law action; (b) it was not rendered in default of the defendant or in absence of a Guatemalan defendant; (c) the obligation that originated such judgment is legal under Guatemalan law; (d) the judgment is final and not subject to appeal or other proceedings under the laws of the jurisdiction in which it was issued; (e) the documents are certified by the court, authenticated in the country of execution by the Guatemalan consulate and legalized by the Guatemalan Ministry of Foreign Affairs; and (f) if such documents are in a language other than Spanish, they are translated into Spanish by a licensed translator. Notwithstanding the foregoing, no assurance can be given that enforcement will be obtained, that the process described above can be conducted in a timely manner or that a Guatemalan court would enforce a monetary judgment for violation of the U.S. securities laws.

We have been advised by our Guatemalan counsel, Mayora & Mayora S.C., that (a) original actions predicated upon the federal securities laws of the United States seeking a declaration that defendant is civilly liable may be brought in Guatemalan courts and that, subject to a valid choice of law under Guatemalan rules of international private law; provided that no prohibitive Guatemalan legal provisions are infringed overriding public policy, Guatemalan courts may enforce civil liabilities in such actions against us, our directors, certain of our officers and the advisors named herein, and (b) a default judgment rendered against us in a foreign jurisdiction would likely not be enforceable in Guatemala. In addition, there is doubt as to whether a Guatemalan court would impose civil liability in an original action predicated solely upon the U.S. federal securities laws brought in a court of competent jurisdiction in Guatemala. In those cases, foreign law should be proven to the Guatemalan courts pursuant to article 35 of the *Ley del Organismo Judicial* (Judicial Branch Law), Guatemalan Congress Decree 2-89.

Cayman Islands

The Trust has been advised by its Cayman Islands legal counsel, Maples and Calder, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against the Trust judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against the Trust predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For such a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages

may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

GLOSSARY OF CERTAIN TECHNICAL TERMS

AMM: the *Administrador del Mercado Mayorista* (Wholesale Market Administrator), a private entity that coordinates the operation of the generation facilities and international interconnections and transmission lines that form the National Electric System.

base tariff: the tariff set by the CNEE that represents the cost to purchase energy and transport it to the edge of the distribution company's distribution system, incurred by the distribution company.

capacity: the capability to generate energy.

CNEE: the *Comisión Nacional de Energía Eléctrica* (National Electric Energy Commission of Guatemala), which was established pursuant to the General Electricity Law and acts as a technical arm of the MEM and which determines the transmission and distribution tariffs and is responsible for ensuring compliance with Guatemalan electricity laws.

customer: an individual or entity that is within Energuate's service areas and has an energy connection supplied by Energuate.

distribution company: an entity supplying energy to a group of customers by means of a distribution network, under the terms and conditions determined by the CNEE.

distribution system: energy network system that distributes energy to end customers within a service area.

energy broker: an entity which markets and sells energy and capacity to large users, principally industrial and commercial end users.

General Electricity Law: the *Ley General de Electricidad* and related regulations which was adopted in 1996 to govern the electric energy industry in Guatemala.

gigawatt (GW): one billion watts.

gigawatt hour (GWh): one gigawatt of energy supplied or demanded for one hour, or one billion watt hours.

high-voltage: a class of nominal system voltages greater than 60,000 volts.

hydroelectric plant or hydroelectric facility: a generating unit that uses water power to drive the electric generator.

INDE: the *Instituto Nacional de Electrificación* (National Electrification Institute of Guatemala), a state entity in charge of development of local power production pursuant to the *Ley Orgánica del Instituto Nacional de Electrificación* (the Law of the INDE) and consequently in accordance with the General Electricity Law. This entity operates through its three divisions: *Empresa de Generación de Energía Eléctrica* (EGEE), which is responsible for power generation, *Empresa de Transporte y Control de Energía Eléctrica* (ETCEE), which is responsible for transmission, and *Empresa de Comercialización de Energía* (ECOE), which is responsible for trading.

kilovolt (kV): one thousand volts.

kilowatt (kW): one thousand watts.

kilowatt hour (kWh): one kilowatt of energy supplied or demanded for one hour, or one thousand watt hours.

km: kilometer.

km2: square kilometer.

large users or unregulated customers: customers with a capacity demand in excess of the limit set by the MEM, who are free to contract their electricity needs with any generator or energy broker. The current threshold to become a large user is 100 kW, subject to adjustment by the MEM.

low-voltage: a class of nominal system voltages equal to or less than 1,000 volts.

megawatt (MW): one million watts.

medium-voltage: a class of nominal system voltages greater than 1,000 volts and equal to or less than 60,000 volts.

MEM: the *Ministerio de Energía y Minas* (Ministry of Energy and Mines of Guatemala), which is responsible for enforcing the General Electricity Law and the related regulations and for the coordination of policies between the CNEE and the AMM and overseeing energy and mining sectors in Guatemala.

National Electric System: the Guatemalan national electric system, which comprises the set of premises, facilities, power plants, transmission lines, substations, distribution lines, electric equipment, loading centers, including all of the electric infrastructure used to supply electricity, whether or not interconnected, within which electric power is transmitted among the country's several regions.

nominal installed capacity: the amount of energy which can be delivered from a particular generating unit on a full-load continuous basis under specified conditions as designated by the manufacturer.

PPAs: power purchase agreements, which may provide for the sale of capacity and energy, only capacity or only energy.

regular tariff: the tariff available to all customers that purchase energy at low-voltage, with energy consumption higher than 300 kWh per month and a demand capacity of up to 11 kW.

regulated customers: customers with a capacity demand of no more than 100 kW or a lesser amount as set by the MEM.

social tariff: the tariff available to regulated customers with energy consumption of less than 300 kWh per month or with an average energy consumption of less than 10 kWh per day, under which the energy charge is subsidized by the INDE.

substation: an assemblage of equipment which switches and/or changes or regulates the voltage of energy in a transmission and distribution system.

thermoelectric plant: a generating unit which uses combustible fuel, such as coal, oil, diesel, natural gas or other hydrocarbons as the source of energy to drive the electric generator.

transmission: is the transmission grid (in lines with capacity above 60kV) through which energy is transferred from generating facilities to the distribution system at load center stations.

VAD: the *Valor Agregado de Distribución* (Value Added by Distribution) charge that is set by the CNEE.

VNR: the *Valor Nuevo de Reemplazo* (New Replacement Value) of a company's distribution system.

volt: the basic unit of electric force analogous to water pressure in pounds per square inch.

watt: the basic unit of electrical power.

wholesale energy and capacity markets: the Guatemalan wholesale energy and capacity markets which are "open borders" markets that allows market participants to purchase energy and capacity from generators and to sell energy and capacity to customers inside and outside Guatemala.

SUMMARY

This summary highlights information presented in greater detail elsewhere in this offering memorandum and does not contain all of the information that you should consider in making your investment decision. Before deciding whether to invest in the Notes, you should carefully read this entire offering memorandum, especially the risks of investing in the Notes discussed under the heading "Risk Factors" and our audited combined financial statements and the notes thereto, in each case included in this offering memorandum.

Energuate

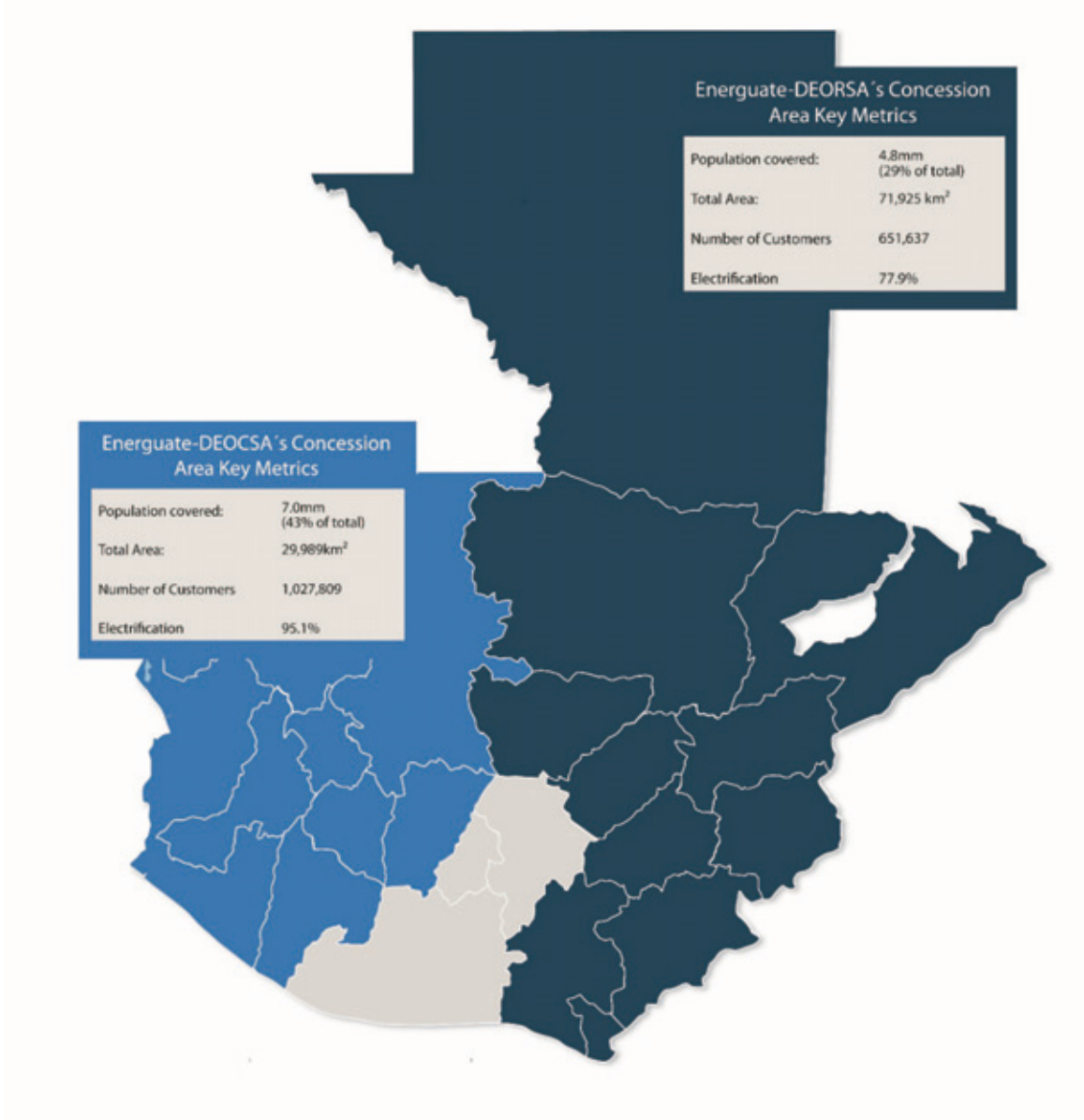
Through two corporate entities, DEOCSA and DEORSA, we are one of two large energy distributors in Guatemala and the largest distribution company in Central America measured by population served. We use the trade name "Energuate" for the collective distribution businesses of DEOCSA and DEORSA, but Energuate is not a legal entity. We operate in 21 of Guatemala's 22 departments, distributing energy to a service area of 101,914 km^2 with approximately 11.8 million inhabitants. As of December 31, 2016, our service area represented approximately 93.6% of the country's territory in which approximately 72.8% of its total population resides. As of December 31, 2016, we provided services to approximately 1.7 million regulated customers in Guatemala, which we estimate represent approximately 56.0% of Guatemala's population and approximately 54.3% of Guatemala's regulated distribution customers. We operated 70,380 km of distribution lines in Guatemala, representing approximately 83.1% of Guatemala's distribution lines as of December 31, 2016. We hold government authorizations to provide energy distribution services within our service area until 2048.

In the years ended December 31, 2016, 2015 and 2014 we sold 2,316.4 GWh, 2,315.2 GWh and 2,184.1 GWh of energy, respectively, which represented approximately 21.2%, 21.3% and 21.5% of the energy purchased in Guatemala for such periods. We purchase the energy we distribute to our customers principally through long-term PPAs with generation companies. In Guatemala, distribution companies can only purchase capacity and energy and enter into PPAs through a public bidding process supervised by the CNEE. As of December 31, 2016, we were party to 73 PPAs with 31 generators with a weighted average life of 12 years. We are required under the current regulations to have contracted enough capacity to satisfy the projected demand of our customers for the current calendar year and for the next year. However, if the contracted capacity and energy under our PPAs are insufficient to meet the demand of our customers or if energy pricing conditions under those PPAs are higher than the spot market price, we occasionally make purchases on the spot market. In the years ended December 31, 2016, 2015 and 2014, we purchased 2,882.3 GWh, 2,785.4 GWh and 2,630.6 GWh of energy, respectively.

In the years ended December 31, 2016, 2015 and 2014, DEOCSA sold 1,289.7 GWh, 1,308.4 GWh and 1,233.4 GWh of energy, respectively. DEOCSA operates in ten departments of Guatemala and, as of December 31, 2016, it provided service to approximately 1,028 thousand customers, which represents approximately 61.2% of our customers. DEOCSA's service area covers 29,989 km^2 with approximately 7.0 million inhabitants and, as of December 31, 2016, DEOCSA's service area had an electrification level of 95.1%.

In the years ended December 31, 2016, 2015 and 2014, DEORSA sold 1,026.7 GWh, 1,006.8 GWh and 950.7 GWh of energy, respectively. DEORSA operates in twelve departments of Guatemala and, as of December 31, 2016, it provided service to approximately 652 thousand customers, which represents approximately 38.8% of our customers. DEORSA's service area covers 71,925 km^2 with approximately 4.8 million inhabitants and, as of December 31, 2016, DEORSA's service area had an electrification level of 77.9%.

The following map indicates the areas in which we operate.



Compared to the urban and residential departments in which the only other large Guatemalan energy distribution company operates, our service area is predominantly rural and characterized by lower electrification levels and underdeveloped infrastructure. For example, in our service area, there are still some households that utilize propane and wood for cooking, illumination and other household needs. As a result, we believe that our service area has room for further growth in energy distribution. In addition, the Guatemalan government has conducted electrification initiatives in the past and is continually implementing certain rural electrification programs that are carried out by the INDE and certain municipalities with their own funds. Typically, when those projects are developed in Energuate's service areas, the distribution assets or rights are assigned to us when the projects are completed. We believe the Guatemalan government will continue to promote access to electric energy through policies such as subsidies for low-consumption rural customers.

Our combined revenue was US$573,286 thousand, US$577,289 thousand and US$591,891 thousand for the years ended December 31, 2016, 2015 and 2014, respectively. Our combined profit was US$35,898 thousand, US$48,757 thousand and US$16,680 thousand for the years ended December 31, 2016, 2015 and 2014, respectively.

Our combined EBITDA was US$90,012 thousand, US$111,157 thousand and US$105,053 thousand for the years ended December 31, 2016, 2015 and 2014, respectively. We had combined total assets of US$843,838 thousand as of December 31, 2016.

Electricity tariffs in Guatemala are adjusted every quarter to account for the variations in the cost of energy purchased, which is a pass-through component in the electricity tariff. However, to avoid adjusting tariffs to regulated customers every three months, the CNEE, in agreement with Energuate, may decide to delay the timing of such tariff adjustment (positive or negative), in order to mitigate tariff volatility, particularly in periods with high volatility in fuel costs. If the energy cost component of the electricity tariff is temporarily above the actual energy cost, a balance is created. This balance is reduced in future periods by setting a lower energy cost in the electricity tariff than the actual cost incurred. The time gap in the adjustments of the tariff by the CNEE can affect our results of operations and our combined EBITDA. Our results during 2016 have been negatively impacted by the temporary adjustment in the energy cost pass-through component of the electricity tariff as described below.

Between 2013 and 2015, fuel prices and energy costs in Guatemala decreased, as did the average cost of Energuate's energy purchases. In this period, the CNEE, instead of fully transferring this decrease in energy costs to our customers' tariffs, opted to only partially reduce electricity tariffs, generating a balance that needed to be adjusted in future periods. During 2016, the CNEE, in agreement with DEOCSA and DEORSA, decided to start reducing such balance by decreasing tariffs, thereby affecting our results (including combined gross margins and combined EBITDA). As a result, during the years ended December 31, 2015 and 2014, the portion of energy cost charged in electricity tariff was US$13,087 thousand and US$7,824 thousand higher than the actual cost of energy, respectively, therefore improving our financial results. However, during the year ended December 31, 2016, the portion of energy cost charged in the electricity tariffs was US$12,689 thousand lower than the actual cost of energy, negatively affecting our financial results and creating a total difference of US$25,776 thousand between the 2015 and the 2016 periods. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting Our Results of Operations—Recovery of Energy Costs from Regulated Customers."

History and Controlling Shareholder

During the 1970s, the Guatemalan government was the only distributor of energy in Guatemala through the INDE and Empresa Eléctrica de Guatemala, S.A. ("EEGSA"). Until December 15, 1998, the INDE was the majority shareholder of DEOCSA and DEORSA, when the Guatemalan government conducted an auction as part of the privatization of the Guatemalan energy sector and we were sold to Compañía Distribuidora Eléctrica del Caribe, S.A., a subsidiary of Unión Fenosa Internacional, and employees of DEOCSA and DEORSA. On May 19, 2011, Actis LLP, a private equity firm, acquired a 90.6% equity interest in DEOCSA and a 92.7% equity interest in DEORSA.

In January 2016, a 90.6% equity interest in DEOCSA and a 92.7% equity interest in DEORSA, along with Comercializadora Guatemalteca Mayorista de Electricidad, S.A. and Redes Eléctricas de Centroamérica, S.A., were indirectly acquired by IC Power Ltd., a Singapore corporation ("IC Power"), from Deorsa-Deocsa Holdings Limited, an investment company owned by Actis LLP, for US$266 million in cash and assumed debt of US$284 million. The remaining 9.3% equity interest in DEOCSA and 7.3% equity interest in DEORSA are held by minority shareholders. IC Power is a wholly owned subsidiary of Kenon Holdings Ltd. (NYSE: KEN; TASE: KEN) ("Kenon"). For more information regarding our shareholders, see "Principal Shareholders."

IC Power is a leading owner, developer and operator of power facilities located in key power generation markets in Latin America, the Caribbean and Israel, utilizing a range of energy sources, including natural gas, hydroelectric, heavy fuel oil, diesel and wind. Currently, its principal focus is on Latin American markets, which typically have higher gross domestic product ("GDP") growth rates and lower overall and per capita energy consumption, as compared with more developed markets.

IC Power's activities in Latin America began in 2007 when Inkia Energy Limited ("Inkia"), a subsidiary of Israel Corporation Ltd., an Israeli conglomerate, acquired power generation assets in Latin America from Globeleq Americas Limited ("Globeleq"), which represented 549 MW of installed capacity and included seven companies in six countries: Peru, Bolivia, El Salvador, Dominican Republic, Panama and Jamaica. In 2010, Israel Corporation

Ltd. formed I.C. Power Asia Development Ltd. ("ICP"), formerly IC Power Ltd., and contributed to it both Inkia and O.P.C. Rotem Ltd, a generation company in Israel. In January 2015, Israel Corporation Ltd. transferred ICP to Kenon Holdings Ltd. ("Kenon"), a holding company organized under the laws of Singapore, in connection with Israel Corporation Ltd.'s spin-off of Kenon. In March 2016, Kenon effected a reorganization pursuant to which it transferred all of its equity interests in ICP, to IC Power. Kenon is currently IC Power's sole shareholder.

As of March 31, 2017, in addition to Energuate, IC Power owned generation assets with an installed capacity of 3,945 MW, including 545 MW in respect of the recently built hydroelectric plant Cerro del Águila in Peru.

Guatemalan Electric Regulatory Framework

The General Electricity Law, which is the principal law regulating our business, provides that those companies in the electric energy distribution business that have been granted an authorization from the *Ministerio de Energía y Minas* (the Ministry of Energy and Mines of Guatemala, or the "MEM") may use public property (including rivers) and acquire mandatory easements on privately owned lands as necessary to carry on their business activities. The General Electricity Law has experienced no material changes in the past 20 years.

Authorizations for distribution services are granted on a non-exclusive basis for specific geographic areas and have terms of up to 50 years. Energuate's authorizations expire in 2048.

The MEM is the Guatemalan government's highest-ranking regulator of the electric energy industry and has the authority to grant operating authorizations to distribution, transmission and generation companies and is responsible for enforcing the General Electricity Law. The Guatemalan electric energy industry is regulated by the CNEE. The CNEE acts as the technical arm of the MEM and it is in charge of, among other things, issuing regulations, determining transmission and distribution tariffs, enforcing the sector's laws and regulations and imposing fines and penalties, supervising compliance of any authorization to carry on business in the energy sector, protecting the rights of end-users, and prevent anti-competitive, abusive and discriminatory activities. The Guatemalan wholesale energy and capacity market is managed by the AMM, an independent private entity. The AMM coordinates the operation of the generators, international interconnections, and transmission lines that form the National Electric System.

Guatemalan distribution companies acquire energy on behalf of their customers through PPAs from generation facilities or in the spot market, transport such energy to the National Electric System, distribute the energy through low-voltage and medium-voltage transmission lines to regulated customers and unregulated large users, and perform a range of related services such as metering, billing and management.

Distribution Tariffs and Tolls

Pursuant to the General Electricity Law, as long as they have available capacity, distribution companies must permit physical connections to their distribution systems for all customers located within 200 meters of the distribution lines. Distributors charge customers a price for energy sales based on distribution tariffs, consisting of an energy charge and a VAD charge, which are determined on the basis of legal and regulatory proceedings of the CNEE. As a general rule, customers (whether regulated or not) who are connected at the same voltage level must pay the same distribution tariff and, therefore, there is only one distribution tariff per voltage level. The energy charge component of the distribution tariff is designed to allow a distribution company to recover the costs of the energy that it purchases and the costs of transmission of such energy to the connection points of its own grid. The energy charge component consists of a base tariff and an energy adjustment surcharge, which are revised annually and quarterly, respectively. The VAD charge of the distribution tariff covers the operating expenses, capital expenditures and the cost of capital of a model efficient distribution company and is revised every five years with semi-annual adjustments for inflation and local currency exchange rates against the U.S. dollar.

Large users (unregulated customers) are entitled to receive energy from any source and distribution companies must allow such energy to pass through their distribution lines in exchange for a toll. Distribution companies collect tolls, directly or through traders, from unregulated customers for their use of the distribution lines, when such lines are used for transmission purposes. Failure to provide such access by a distribution company may lead to fines and, ultimately, to the termination of such company's distribution authorization. For more information,

see "Overview of the Electric Energy Industry in Guatemala—The General Electricity Law—Unrestricted Access to Distribution Systems."

The Guatemalan government, through the INDE, currently provides energy rate subsidies for certain low-income customers who pay the social tariff to assist in their payment of their energy bills. Approximately 78.3% of our regulated customers as of December 31, 2016 benefited from such subsidies from the INDE, which are paid directly to us based on calculations performed by the INDE. During the year ended December 31, 2016, the subsidies granted by the INDE to our customers represented 16.5% of our revenue. For more information, see "Overview of the Electric Energy Industry in Guatemala—Tariffs and Tolls—The Social Tariff."

Competitive Strengths

Largest power distribution company in Central America measured by population served. As of December 31, 2016, we provided electric service to approximately 1.7 million regulated customers (representing approximately 54.3% of Guatemala's regulated distribution customers) and distributed energy to a service area of 101,914 km^2 in Guatemala through 70,380 km of distribution lines (representing approximately 83.1% of Guatemala's distribution lines).

Operations in less electrified and less economically developed areas provide growth opportunities. Guatemala had an electrification level of approximately 92.0% as of December 31, 2016. However, our service area is predominantly rural and had a combined electrification level of approximately 87.9% which, compared to the urban and residential departments in which the only other large Guatemalan energy distribution company operates, is significantly lower. As of December 31, 2016, DEOCSA's service area had an electrification level of 95.1% while DEORSA's service area had an electrification level of 77.9%. This indicates that there are still many parts of our service areas in which we can expand to serve more customers. In addition, we believe the rural areas that we serve are less economically developed and provide higher growth potential in terms of increased consumption than more urban areas and cities outside of our coverage area.

Strong and predictable cash flows. Our sizeable distribution base and limited exposure to fluctuations in the cost of energy (given the applicable tariff framework) allow us to generate predictable cash flows from our operations. The energy charge portion of our tariffs is set annually and adjusted quarterly for our effective cost of energy, capacity and transmission, and the VAD charge portion of our tariff is calculated and fixed for five-year periods and adjusted semi-annually for inflation and exchange rate fluctuations of the *quetzal* against the U.S. dollar.

Transparent and stable energy sector framework. We operate in a largely liberalized and stable power market that developed after the government led a large wave of privatizations and implemented the General Electricity Law in 1996. The energy market in Guatemala operates under a highly technical and independent regulatory framework which has supported the implementation of market-oriented pricing systems and enhanced overall transparency. Regulation of energy distribution in Guatemala is designed with the aim of rewarding operators with a constant value annuity with pass-through mechanisms similar to those used in Peru, Chile, Brazil, El Salvador and Colombia. Furthermore, recent distribution tariff adjustments applicable to us have ratified the predictable tariff-fixing process and the reliable framework in which we operate.

Attractive economy with sustained growth potential and stable macroeconomic fundamentals. According to the World Bank, Guatemala has the largest economy in Central America, with real GDP of US$49.9 billion in 2015. As of December 31, 2016, the country had credit ratings of Ba1 by Moody's Investor Service, BB by Standard & Poor's Rating Services and BB by Fitch Ratings Ltd.

According to the Central Bank, over the past five years, the Guatemalan economy, measured by real GDP, has grown at a compound average annual rate of 3.6%, with an average inflation rate of 3.7%, public debt of 24.1% of GDP and average fiscal deficit of 1.1%. The Guatemalan government's prudent and responsible management of the economy, coupled with a conservative monetary policy by the Central Bank, have resulted in economic development, increased internal consumption and strong macroeconomic fundamentals, including low levels of public debt, low inflation, stable currency, low fiscal deficit and high levels of international reserves.

Strong and dedicated controlling shareholder. Our indirect controlling shareholder, IC Power, is a leading owner, developer and operator of power facilities located in key power markets in Latin America, the Caribbean and Israel. As of March 31, 2017, IC Power had 3,360 MW of installed capacity in Latin America, 127 MW of installed capacity in the Caribbean, and 458 MW of installed capacity in Israel. Between 2007 and December 31, 2016, IC Power invested approximately US$3.2 billion in the acquisition, development and expansion of its power generation and distribution assets. The international profile, experience and commitment of IC Power in operating growth-oriented businesses lend Energuate credibility in conducting its operations and provide strategic support in analyzing and evaluating growth opportunities and operational efficiencies. In addition, IC Power is supporting our senior management with its international experience in the energy sector.

Experienced management team. Our senior management team has substantial experience in the energy sector in Guatemala and in Latin American countries, such as Brazil, Argentina and Chile, with an average of 20 years of experience in the energy distribution industry. Most of our senior managers have master's degrees in their relevant fields of specialization from leading business schools in Latin America and/or the United States. In addition to the experience of our senior management, certain members of our board of directors also have extensive experience in the energy distribution industry in Latin America including, in particular, Cristián Fierro, who has over 24 years of experience in the industry, including, among others, previous senior positions at Edesur in Argentina, Chilectra and Endesa in Chile and Coelce and Ampla in Brazil, and Juan Camilo Olavarría, who has over 35 years of experience in the industry, including, among others, previous senior positions at Chilectra in Chile, Edesur in Argentina and Ampla in Brazil.

Business Strategy

We expect to benefit from IC Power's pan-regional experience in the energy sector to optimize our operations. We intend to implement the following strategies in order to increase our earnings growth and improve our cash flow generation in following years.

Reduce our energy losses (both commercial and technical) in the near-to medium-term. We experience two types of energy losses: technical losses and commercial energy losses. Technical losses occur in the ordinary course of our distribution of energy and include losses due to energy dissipation in conductors and magnetic losses in transformers, while commercial energy losses result from customers' illegal connections, fraud and billing errors. These factors are considered in defining the model distribution company and establishing the VAD. Our total energy losses in the years ended December 31, 2016, 2015 and 2014 were 19.6%, 16.9% and 17.0% of our total energy received, respectively. Even though our costs associated with energy losses, up to approximately 15% of our total energy received, is passed on to our customers as a component of the VAD charges, our management intends to reduce commercial energy losses through improving customer billing practices, increasing targeted inspections and meter replacements, implementing a communication program with local communities and modernizing our facilities to reduce tampering, especially in areas where energy theft has been more prevalent. We also intend to reduce technical losses by investing in the modernization of our transmission grid and distribution system. Efficiency improvements may have a positive impact on our profitability.

Increase service quality. Pursuant to the terms of our authorizations, we may be fined for failing to achieve certain levels of quality service. Through the implementation of our quality service plan, we aim to increase service levels while reducing service interruption, which we believe will increase consumption and thereby our revenue. We aim to (1) implement a maintenance program targeted to improve, protect and replace critical circuits and transformers; (2) evaluate and improve key processes including demand-focused teams and management tools; (3) install command and control equipment that promotes operating flexibility; and (4) design and develop technological solutions to predict maintenance activities.

Improve capital performance through effective capital expenditure projects. We are establishing a disciplined capital expenditure program which is intended to (1) enhance network development and reliability; (2) expand our customer base; (3) increase regulatory savings by reducing penalties and fines; and (4) reduce technical losses through investment in the modernization of our transmission grid and distribution system. The cost/benefit analysis that we will undertake for all capital expenditures will take into account the regulatory savings associated with the resulting improvements in network reliability.

Improve collection rates. For the years ended December 31, 2016, 2015 and 2014, our collection rates (which reflect the amounts collected divided by the total billed amounts) were 95.9%, 96.1% and 95.9%, respectively. We aim to improve our collection rates through (1) creating a division focused on monitoring our customers with past due accounts, (2) implementing a comprehensive control process for our customers with past due accounts focusing on early detection, significant increase of energy cut-offs, pre-judicial and legal actions and (3) setting up a dedicated team focused on the recovery of bills owed by municipal clients. We intend to dedicate the required resources to substantially improve our collection rates, which have a direct effect on our results of operations and financial position.

Recent Developments

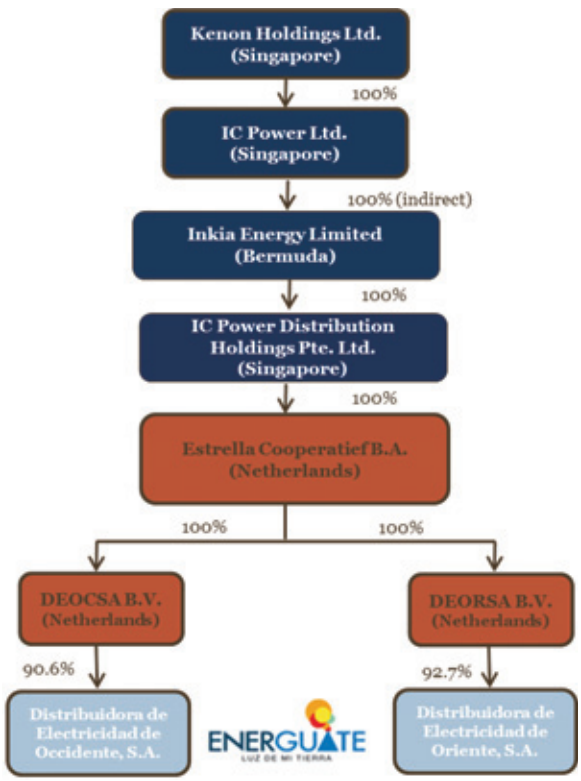
Guatemalan Loan Agreements

On April 7, 2017, (i) DEOCSA, as borrower, entered into an up to Q684 million *quetzal*-denominated loan agreement with Banco Industrial, S.A. ("BISA"), as lender (the "DEOCSA Guatemalan Loan Agreement") and (ii) DEORSA, as borrower, entered into an up to Q456 million *quetzal*-denominated loan agreement with BISA, as lender (the "DEORSA Guatemalan Loan Agreement" and, together with the DEOCSA Guatemalan Loan Agreement, the "Guatemalan Loan Agreements"). We intend to use the proceeds from the Guatemalan Loan Agreements to refinance a portion of our existing indebtedness. For more information about the Guatemalan Loan Agreements, see "The Guatemalan Loan Agreements."

Corporate Information

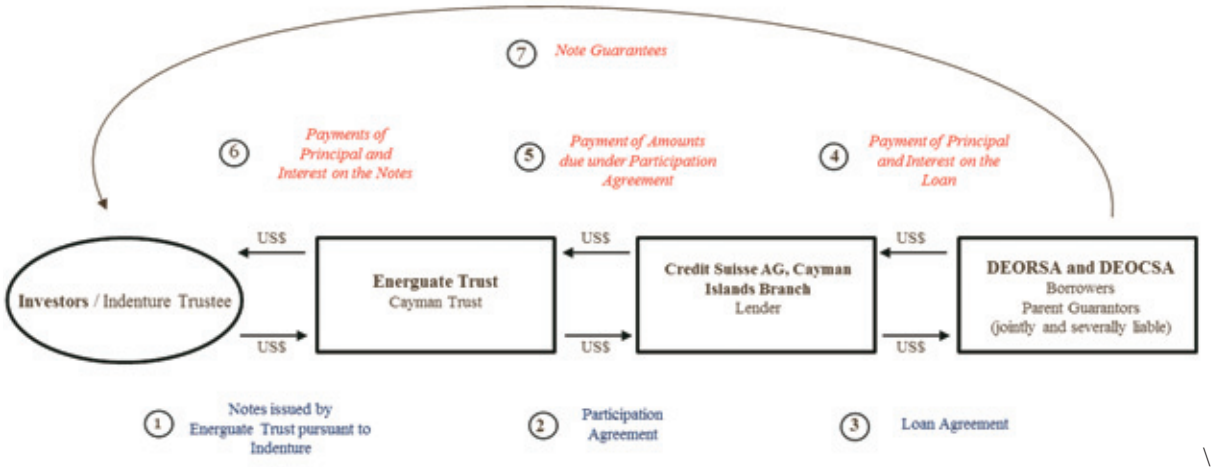
Our principal executive offices are located at Diagonal 6 10-50 zona 10, Edificio Interamericas World Center, Torre Sur, Nivel 14, Of. 1401, Guatemala City, Guatemala, and our telephone number at that address is +502-2367-9300. Our website is located at www.energuate.com. The information on our website is not part of this offering memorandum.

The following chart illustrates our organizational structure, as of the date of this offering memorandum.



Transaction Diagram

The following diagram illustrates the structure of the transaction described in this offering memorandum. The diagram is intended to provide an overview of the flow of funds to and from the Borrowers and investors. The diagram does not purport to be complete and is qualified in its entirety by, and should be reviewed in conjunction with, the more detailed information included elsewhere in this offering memorandum and the other documents described herein.



1. The Trust will issue and sell to investors US$330,000,000 of the Notes pursuant to the Indenture entered into by the Trust and the Indenture Trustee that are purchased by investors.

As described herein, the Trust is not a separate legal entity under Cayman Islands law. The Cayman Trustee, whose liability will be limited to the assets of the Trust, will carry out the purposes for which the Trust was established. All references herein to the Trust shall, where the context so requires, be construed as references to the Cayman Trustee acting as trustee under the Declaration of Trust described under "The Trust."

2. The Trust will use the proceeds of the issuance of the Notes to acquire the Participation from the Lender pursuant to the Participation Agreement described under "The Participation Agreement." Through the Participation Agreement, the Trust will assume the credit risk associated with the Loan made under the Loan Agreement.

3. The Lender will make the Loan to DEOCSA and DEORSA, as Borrowers, as provided in the Loan Agreement. DEOCSA and DEORSA will be jointly and severally liable in respect of amounts due under the Loan. See "The Loan Agreement and Loan."

4. The Borrowers will make principal, interest and other payments to the Lender in accordance with the terms of the Loan Agreement.

5. The payments received by the Lender will be transferred to the Trust pursuant to the Participation Agreement.

6. Pursuant to the Indenture, the Trust will pledge its assets, including its interest in the Participation, certain rights under the Expense Reimbursement and Indemnity Agreement (as defined in this offering memorandum) and certain other property, to the Indenture Trustee acting on behalf of the holders of Notes and, as a result, the Trust will distribute payments received from the Lender under the Participation Agreement and under the Expense Reimbursement and Indemnity Agreement to the Indenture Trustee for the benefit of the holders of the Notes.

7. The Parent Guarantors will absolutely, unconditionally and irrevocably guarantee, jointly and severally, to the Indenture Trustee, on behalf of the holders of the Notes (i) the punctual payment of the principal, interest, premium, if any, and all other amounts due, if any, in respect of the Notes and the Indenture; and (ii) the performance of all other obligations of the Trust under the Indenture and the Notes.

Upon a default or an event of default under the Loan Agreement and in certain other circumstances, the Lender may assign to the Trust all of the Lender's right, title and interest under the Loan Agreement. See "The Participation Agreement."

The Trust

The Trust was constituted on December 24, 2016, pursuant to the Trust Deed. The legal name of the Trust is the "Energuate Trust." The Trust is not a separate legal entity under the laws of the Cayman Islands, and all references in this offering memorandum to the Trust should be construed as referring to the Cayman Trustee, acting solely in its capacity as trustee of the Trust. All references to the Cayman Trustee shall, for the avoidance of doubt unless otherwise stated, mean the Cayman Trustee acting as trustee of the Trust.

The Trust will engage only in the activities required or expressly authorized by the Trust Deed, the Indenture, the Notes, the Participation Agreement and the other Transaction Documents (as defined in this offering memorandum). The Trust will use the proceeds from the Notes offered hereby to purchase a 100% participation interest, and certain related rights described herein, in the Loan. The Trust Deed provides that the primary purposes of the Trust are to issue the Notes to investors pursuant to the Indenture, to pay all amounts owed under the Notes and the Indenture when such amounts are due solely out of the proceeds obtained from the Participation and other assets constituting the Trust Assets and to perform its obligations under the other Transaction Documents to which it is a party in connection with the issuance of the Notes and the transactions contemplated therein.

Pursuant to the Indenture, the Notes will be secured obligations of the Trust but are limited in recourse solely to the assets of the Trust. The assets of the Trust will consist principally of all cash and other proceeds received in connection with the Indenture, the Participation Agreement and the Participation, the Promissory Note, the Loan Agreement, the Expense Reimbursement and Indemnity Agreement and the other Transaction Documents, as applicable, and all rights of the Trust related to the foregoing (the "Trust Assets"). Accordingly, the holders of the Notes must rely solely on amounts payable under or in respect of the Trust Assets as the source for the payment of principal of and premium, if any, interest and other amounts due on, or with respect to, the Notes. The Notes do not represent interests in or obligations of the Lender or the Borrowers or any of their respective affiliates or any person or entity other than the contractual obligations of the Cayman Trustee referable to the Trust Assets and the Trust subject to the limited recourse provisions described herein. To the extent that the Trust Assets are not sufficient to meet in full the claims of all holders of the Notes, the holders of the Notes may not take any action (including, without limitation, the filing of any petition for the bankruptcy, winding-up or insolvency of the Cayman Trustee) to enforce their rights other than to require the realization of such assets. Claims of the holders of the Notes in respect of any shortfall remaining after collection or other realization in respect of the Trust Assets will be extinguished.

The Trust Deed further provides that:

- the Cayman Trustee is entitled to resign as the trustee of the Trust on giving 180 days' notice to the Settlor, the Indenture Trustee, the Borrowers and the holders of the Notes;

- the Cayman Trustee (or any present or former officer, agent, stockholder, partner, member, director or employee of the Cayman Trustee) shall not have any liability, whether direct or indirect and whether in contract, tort or otherwise, (i) for any action taken or omitted to be taken by any of them unless it willfully failed to follow written directions delivered to it in accordance with the Trust Deed or any other Transaction Document, there has been a final judicial determination that such act or omission was performed or omitted in bad faith or constituted gross negligence, willful default or bad faith, or (ii) for any action taken or omitted to be taken by the Cayman Trustee at the express direction of any person entitled to give such direction in accordance with any Transaction Document; and

- the Cayman Trustee is entitled to be remunerated in accordance with the provisions of the Expense

Reimbursement and Indemnity Agreement and to be reimbursed for its expenses incurred by reason of its duties relating to the Trust.

The Cayman Trustee holds a trust license under the Banks and Trust Companies Law (as amended) of the Cayman Islands. Subject to the provisions of the Trust Deed, the Cayman Trustee has overall responsibility for the trusteeship and administration of the Trust, save as may be delegated under such provisions.

The Loan Agreement and the Participation Agreement

Concurrently with the closing of this offering, DEOCSA and DEORSA will enter into the Loan Agreement, pursuant to which they will borrow loans in the aggregate amount of US$330,000,000. The Loan under the Loan Agreement will be made in a single disbursement on the date that the Notes offered hereby are issued and funded by the Lender with the proceeds from the sale of the Notes that it will receive from the Trust in respect of the Trust's purchase of the Participation in the Loan. The Loan will rank *pari passu* in right of payment with all existing and future senior unsecured indebtedness of DEOCSA and DEORSA (except in case of bankruptcy when it will rank below obligations granted under Guatemalan public deeds), and will be (i) effectively subordinated to all such indebtedness that is secured to the extent of the value of the assets securing such indebtedness (ii) structurally subordinated to all of the liabilities of DEOCSA's and DEORSA's future subsidiaries that do not guarantee the Loan and (iii) will be the joint and several obligations of DEOCSA and DEORSA. For further information on the Loan Agreement, see "The Loan Agreement and the Loan."

Concurrently with the closing of the Loan Agreement, the Lender and the Administrative Agent will enter into the Participation Agreement with the Trust pursuant to which the Lender will grant a participation interest in substantially all of the rights and remedies of the Lender under the Loan Agreement and the Loan (the "Participation"). As a result of the Participation granted pursuant to the Participation Agreement, the Trust will be entitled to receive all of the payments of principal, interest and other amounts payable by Energuate on, or with respect to, the Loan Agreement and the Loan that are actually received by the Lender, together with all of the rights and remedies available to the Lender thereunder, subject to certain limited exceptions. Such rights and remedies will be exercisable by the Indenture Trustee, on behalf of the holders of the Notes, as a result of the pledge of the assets held by the Trust to the Indenture Trustee pursuant to the indenture governing the Notes offered hereby. See "The Participation Agreement."

Credit Suisse AG, Cayman Islands Branch, an affiliate of Credit Suisse Securities (USA) LLC, one of the initial purchasers, will act as the Lender under the Loan Agreement. See "Plan of Distribution."

The Offering

The following is a brief summary of certain terms of the Notes, the Loan and the Participation. For a more complete description of the terms of these documents, see "The Loan Agreement and the Loan," "The Participation Agreement," "The Trust" and "Description of the Notes." The following summary does not purport to be a complete description of the Transaction Documents (as defined under "The Loan Agreement and the Loan") and is subject to, and qualified in its entirety by reference to, the Transaction Documents, copies of which may be obtained by contacting the Indenture Trustee at the address set forth under "Available Information." Capitalized terms used below but not defined have the meanings assigned to such terms in such sections and the Transaction Documents. You should carefully consider the risk factors under "Risk Factors" before purchasing any Notes.

General Terms of the Notes

The Issuer	"Energuate Trust," as the "Trust" is not a separate legal or juridical entity. All actions of the Trust and references to the Trust in this offering memorandum shall be construed as referring to actions of and references to the Cayman Trustee acting solely in its capacity as trustee of the Trust. The holders of the Notes will only have a contractual relationship with the Trust as a result of the Indenture (as defined below). The holders of the Notes are not beneficiaries of the Trust and the Cayman Trustee does not owe the holders of the Notes any fiduciary duties.
Trust Deed	The Trust was established under a Trust Deed dated December 24, 2016, which is governed by the laws of the Cayman Islands.
Notes Offered.....	US$330,000,000 aggregate principal amount of 5.875% senior notes due 2027. The Trust may issue additional Notes under the Indenture if certain conditions are met. The Notes offered hereby and any additional Notes would be treated as a single series for all purposes under the Indenture and will vote together as one series on all matters with respect to the Notes. Such additional Notes issued under the Indenture shall have the same terms in all respects as the Notes (except that such additional Notes may have a different issue price or first interest payment date); *provided*, that if such additional Notes are not fungible with the Notes for U.S. federal income tax purposes, then such additional Notes will be issued under a separate CUSIP number.
Issue Date	May 3, 2017.
Issue Price.....	100.000%, plus accrued interest, if any, from May 3, 2017.
Maturity Date.....	May 3, 2027.
Interest Rate; Interest Payment Dates.....	The Notes will bear interest at a fixed rate of 5.875% per annum, payable semi-annually in arrears on May 3 and November 3 of each year, commencing on November 3, 2017. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.

Amounts Payable under the Loan	The principal amount of the Loan and the interest payable under the Loan Agreement are the same as the corresponding amounts owed in respect of the Notes, and the schedule of payments under the Loan corresponds to the schedule of payments under the Notes.
Ranking.....	The Notes will be senior obligations of the Trust secured by the Trust Assets (as defined below) and will rank *pari passu*, without any preference among themselves, with all other present and future obligations of the Trust (other than obligations preferred by statute or by operation of law).
The Trust Assets	The assets of the Trust will consist principally of all cash and other proceeds received in connection with the Participation Agreement and the Participation (including payments received by it in connection therewith related to the Loan Agreement and the Loan), the Expense Reimbursement and Indemnity Agreement and all rights related to the foregoing (the "Trust Assets").
Security.....	As security for the Notes, all of the Trust Assets will be pledged to the Indenture Trustee pursuant to the Indenture. See "Description of the Notes—Security."
Note Guarantees	The Parent Guarantors will absolutely, unconditionally and irrevocably guarantee, jointly and severally, to the Indenture Trustee, on behalf of the holders of the Notes (i) the punctual payment of the principal, interest, premium, if any, and all other amounts due, if any, in respect of the Notes and the Indenture; and (ii) the performance of all other obligations of the Trust under the Indenture and the Notes. All amounts due under each Note Guarantee as specified in any notice of nonpayment will accrue interest at a per annum rate equal to 1.0% above the rate applicable to the Notes, from the date any such notice is given until the date any such amounts are paid in accordance with any such Note Guarantee. The Note Guarantees will constitute senior, direct, unsecured, unconditional and unsubordinated obligations of the Parent Guarantors, will rank *pari passu* in right of payment with all other present and future senior, unsecured and unsubordinated indebtedness of the Parent Guarantors, except for liabilities preferred by Guatemalan law, and will be effectively subordinated to all of the Parent Guarantors' secured indebtedness with respect to the value of the assets securing such indebtedness. Any and all payments by the Parent Guarantors in respect of the Guaranteed Note Obligations (as defined under the "Description of the Notes") will be made free and clear of, and without withholding or deduction for, any and all Taxes (as defined under "The Loan Agreement and The Loan—Certain Definitions") whatsoever imposed by or on behalf of any Relevant Taxing Jurisdiction (as defined under "The Loan Agreement and The Loan—Certain Definitions") unless such withholding or deduction is required by law. If any Parent Guarantor is required by law to withhold or deduct for such Taxes, subject to certain exceptions,

	the Parent Guarantors shall pay such additional amounts as will result in the receipt by the holders of the Notes of such amounts as would have been received by them if no such withholding or deduction had been required.
Limited Recourse Obligations	Payments will be made on the Notes, and the Notes will be redeemed, if applicable, only to the extent the Trust receives funds from the Trust Assets available to do so. See "Description of the Notes—Source of Available Funds." Remedies in respect of the Notes are subject to certain limitations described under "Description of the Notes—Limitations on Remedies." The Notes do not represent interests in or obligations of either Borrower, the Lender or any of their respective affiliates or any other person or entity other than the Trust, and are subject to the limited recourse provisions described under "Description of the Notes." However, claims under the Note Guarantees are direct claims on the Parent Guarantors.
Use of Proceeds	The gross proceeds from the offering of the Notes will be used by the Trust on the Issue Date to acquire the Participation. The Lender will use the gross proceeds from the sale of the Participation to disburse the Loan to the Borrowers.
Indenture.....	The Notes will be issued pursuant to the Indenture among the Trust, as issuer, DEOCSA and DEORSA, as Parent Guarantors, and The Bank of New York Mellon, as Indenture Trustee, Registrar, Paying Agent, Transfer Agent and Depositary Bank (the "Indenture Trustee").
Mandatory Redemption	The Notes will be subject to redemption upon the occurrence of any optional or mandatory prepayment by the Borrowers of the amounts outstanding from time to time under the Loan Agreement and the Loan due to the occurrence of: • an optional prepayment of the Loan described under "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment with a Make-Whole Premium"; • an optional prepayment of the Loan as described under "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment on or after May 3, 2022"; • an optional prepayment of the Loan as described under "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment upon a Withholding Tax Event"; • an optional prepayment of the Loan as described under "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment upon Equity Event"; or • an acceleration of amounts as a result of the occurrence of an event of default under the Loan Agreement. See "Description of the Notes—Mandatory Redemption."

Change of Control Prepayment Offer	Upon the Trust's receipt from the Lender or the Administrative Agent of a change of control prepayment offer to prepay all or a portion of the Loan as described under "The Loan Agreement and the Loan—Mandatory Prepayments—Change of Control Prepayment," the Trust will offer to purchase all or any part of the outstanding Notes at a purchase price equal to 101% of the aggregate principal amount thereof, plus any accrued and unpaid interest thereon to the purchase date, including Additional Amounts (as defined below), if any, and Tax Reimbursement Payments (as defined below), if any. See "Description of the Notes—Repurchase at the Option of Holders—Change of Control Triggering Event."
Asset Sale Offer.....	Upon the Trust's receipt from the Lender or the Administrative Agent of a notice of an asset sale offer to prepay a portion of the Loan using Excess Proceeds (as defined under "The Loan Agreement and the Loan—Covenants—Asset Sales") as described under "The Loan Agreement and the Loan—Mandatory Prepayments—Asset Sale Prepayment," the Trust will offer to purchase outstanding Notes in an aggregate principal amount not to exceed the amount of such Excess Proceeds (less the portion thereof, if any, used by the Borrowers to make an offer to prepay other unsubordinated debt on a ratable basis with the Notes), at a purchase price equal to 100% of the aggregate principal amount thereof, plus any accrued and unpaid interest thereon to the purchase date, including Additional Amounts, if any, and Tax Reimbursement Payments, if any. See "Description of the Notes—Repurchase at the Option of Holders—Asset Sale Offer Trigger Event."
Tax Reimbursement Payments.....	Subject to certain exceptions, the Borrowers, jointly and severally, will agree to pay the Lender such additional amounts ("Tax Reimbursement Payments") as may be necessary (after taking into account the effect of any Additional Amounts paid by the Borrowers pursuant to the Loan Agreement) to ensure that the amounts received by the Trust and the holders or beneficial owners of the Notes, after giving effect to any Taxes imposed or levied by or on behalf of any Relevant Taxing Jurisdiction, will equal the respective amounts that would have been receivable in respect of the Loan Agreement, the Indenture and the Notes in the absence of such Taxes.
Covenants of the Trust.....	The terms of the Indenture will require the Trust, among other things, to: • pay all amounts owed by the Trust, and comply with all its other obligations under the Notes and the Indenture, to the extent of availability of the amount in the Trust Assets; • perform each of its obligations under the various other documents entered into by it in respect of the Trust in connection with the issuance of the Notes and the transactions contemplated herein; • maintain all necessary governmental approvals and consents;

	• maintain the books and records of the Trust in accordance with applicable law; • maintain an agent in New York County of the State of New York for the purpose of service of process; • maintain its existence; • give notice to the Indenture Trustee of certain events; • comply with all applicable laws; • change the nature of the Trust's line of business; • pay any applicable taxes; • maintain the ranking of the Notes; and • provide certain financial statements, if any, to the Indenture Trustee. In addition, the terms of the Indenture will restrict the Trust's ability, among other things, to: • undertake certain mergers, consolidations or similar transactions with respect to the Trust; • create liens on the Trust Assets (other than the lien thereon securing the Notes); • enter into sale and leaseback transactions with respect to the Trust; • cause the termination of the Trust without the required consent of the holders of the Notes; and • liquidate the Trust Assets.
Events of Default under the Indenture	The Indenture will contain certain events of default, consisting of the following: • default in the payment when due (on the maturity date, upon prepayment or otherwise) of the principal of, or premium, if any, on, any Notes; • default in the payment of any interest, or other amount on, or with respect to, the Notes within 30 days after the due date therefor; • the Trust fails to (i) redeem any or all of the Notes to the extent required under " Description of the Notes—Mandatory Redemption" or (ii) make a Change of Control Prepayment Offer or Asset Sale Prepayment Offer and thereafter fails to repurchase all Notes validly tendered and not validly withdrawn in connection with any such offer as

	required pursuant to the Indenture; • the occurrence or existence of an Event of Default under and as defined in the Loan Agreement; or • failure by any Note Guarantor or any of their restricted subsidiaries to perform any other obligation in the Indenture, and such failure continues for 60 days after written notice of such default has been given to such Note Guarantors and the Cayman Trustee. See "Description of the Notes—Events of Default."
General Terms of the Loan	
Loan	US$330,000,000 senior unsecured term loan made by Credit Suisse AG, Cayman Islands Branch, as Lender, to DEOCSA and to DEORSA, as co-borrowers pursuant to the Loan Agreement. The Loan will be disbursed in two tranches and will be the joint and several obligations of DEOCSA and DEORSA.
Maturity Date	May 3, 2027.
Interest	The Loan will bear interest at a fixed rate of 5.875% per annum. Interest on the Loan will be payable semiannually in arrears on May 3 and November 3 of each year, or if such date is not a business day, the next succeeding business day, commencing on November 3, 2017. Interest on each Loan will be computed on the basis of a 360-day year of twelve 30-day months.
Ranking	The indebtedness evidenced by the Loan will be senior, direct and unsecured and will rank *pari passu* in right of payment with all of the Borrowers' existing and future senior unsecured and unsubordinated indebtedness, except for liabilities formalized through public deeds and such other liabilities as are preferred under Guatemalan bankruptcy law, and will be effectively subordinated to all of the Borrowers' secured indebtedness with respect to the value of the assets securing such indebtedness and to all of the future liabilities of the Borrowers' subsidiaries, if any, that do not guarantee the Loan.
Use of Proceeds	We intend to use the gross proceeds from the borrowings under the Loan Agreement and the Guatemalan Loan Agreements (described under "The Guatemalan Loan Agreements"), to repay all amounts outstanding under our syndicated loan agreements, to make distributions to our shareholders, including the Dividend Payments, the Capital Reductions and additional distributions that may be approved, to pay the fees and expenses relating to the Loan, the loans under the Guatemalan Loan Agreements, this offering and the related transactions, with the remainder, if any, for general corporate purposes. See "Use of Proceeds."
Future Loan Guarantors and Loan Guarantees	The Loan will not initially be guaranteed. Each of the future significant restricted subsidiaries of the Borrowers (each, a "Loan

	Guarantor") will be required to absolutely, unconditionally and irrevocably guarantee, jointly and severally, as primary obligor and not as surety, to the Lender and the Administrative Agent (each such Person, a "Beneficiary" and such guarantees, collectively, the "Loan Guarantees") (1) the full and punctual payment when due, whether at the maturity date, by acceleration, redemption or otherwise, of the principal of, premium, if any, and interest and Additional Amounts on the Loan and (2) the full punctual payment when due and any and all other obligations arising under the Loan Agreement, the Expense Reimbursement and Indemnity Agreement and each other Transaction Document to which either Borrower is a party (such obligations collectively being referred to herein as the "Loan Guaranteed Obligations"). Notwithstanding anything to the contrary in the immediately preceding sentence, neither the Trust nor the Indenture Trustee, for the benefit of itself and the Holders of the Notes, shall constitute a Beneficiary with respect to any Loan Guaranteed Obligations consisting of any amounts due under, or with respect to, either the Loan or the Loan Agreement. Each Loan Guarantor's obligations under its Loan Guarantee will be a senior, direct, unsecured, unconditional and unsubordinated obligation of such Loan Guarantor and will rank *pari passu* in right of payment with all other present and future senior, unsecured and unsubordinated indebtedness of such Loan Guarantor, but effectively subordinated to (i) its present and future secured obligations to the extent of the value of the assets securing such indebtedness and (ii) statutory obligations resulting under applicable law. Each Loan Guarantor will be required to similarly provide a Note Guarantee in respect of the Notes.
Optional Prepayment	At any time prior to May 3, 2022, the Borrowers may prepay the Loan, in whole or in part, at a prepayment price a "make-whole" amount, plus accrued and unpaid interest thereon (including Additional Amounts), if any, to the applicable prepayment date. See "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment with a Make-Whole Premium." At any time on or after May 3, 2022, the Borrowers may prepay the Loan, in whole or in part, at the prepayment prices set forth under "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment on or after May 3, 2022," plus accrued and unpaid interest thereon (including Additional Amounts), if any, to the applicable prepayment date. At any time prior to May 3, 2019, the Borrowers may prepay up to 35% of the Loan, at the prepayment price set forth under "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment upon Equity Event" plus accrued and unpaid interest thereon (including Additional Amounts), if any, to the applicable prepayment date.

Optional Prepayment upon a Withholding Tax Event	The Borrowers may prepay the Loan, in whole but not in part, at the principal amount thereof, plus accrued and unpaid interest thereon (including Additional Amounts), if any, to but excluding the prepayment date, if, as a result of (1) any enactment of new laws or any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction, or (2) any change in the official application, administration or interpretation of such laws, regulations or rulings (including, without limitation, a holding by a court of competent jurisdiction) in such jurisdiction, either Borrower has or will become obligated to pay Additional Amounts or Tax Reimbursement Payments in excess of those payable as of the date of the Loan Agreement on or in respect of the Loan Agreement, the Expense Reimbursement and Indemnity Agreement, the Indenture, the Notes or the Note Guarantees (it being understood and agreed that the rate imposed by Guatemala as of the date of such agreements is 10%; *provided, however*, that if the Borrowers shall have received a Binding Tax Ruling (as defined under "The Loan Agreement and the Loan—Certain Definitions"), such rate shall be deemed to be 0%, beginning on the date such ruling shall be effective), if such change or amendment is announced and becomes effective on or after the date of the Loan Agreement, and which obligation cannot be avoided by the relevant Borrower taking reasonable measures available to it. See "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment upon a Withholding Tax Event."
Change of Control Prepayment.....	Upon the occurrence of a Change of Control Triggering Event (as defined under "The Loan Agreement and the Loan—Certain Definitions"), the Borrowers will be required to make an offer to prepay all or any portion of the Loan as requested by the Lender at a prepayment price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon (including Additional Amounts), if any. The actual amount of the Loan to be prepaid will be determined by the Lender acting upon instructions of the Cayman Trustee, which itself will act based upon the aggregate principal amount of Notes validly tendered and not validly withdrawn pursuant to the Trust's Change of Control Prepayment Offer, as certified to the Indenture Trustee by the Trust pursuant to notice received by the Trust from the applicable tender agent for the offer (which may be the Indenture Trustee). See "The Loan Agreement and the Loan—Mandatory Prepayments—Change of Control Prepayment," "The Participation Agreement—Administration of the Participation" and "Description of the Notes—Repurchase at the Option of Holders—Change of Control Triggering Event."
Asset Sale Prepayment.....	Upon the occurrence of an Asset Sale Offer Trigger Event (as defined under "The Loan Agreement and the Loan—Covenants—Asset Sales"), the Borrowers may be required to make an offer to use the Excess Proceeds that gave rise to such Asset Sale Offer Trigger Event to prepay a portion of the Loan as requested by the Lender at a prepayment price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon (including Additional Amounts), if any. The actual amount of the Loan to be prepaid will be determined by the

	Lender acting upon instructions of the Cayman Trustee, which itself will act based upon the aggregate principal amount of Notes validly tendered and not validly withdrawn pursuant to the Trust's Asset Sale Prepayment Offer (but solely to the extent such aggregate principal amount does not exceed the amount of such Excess Proceeds (less the portion thereof, if any, used by the Borrowers to make an offer to prepay other unsubordinated debt on a ratable basis with the Notes)), as certified to the Indenture Trustee by the Trust pursuant to notice received by the Trust from the applicable tender agent for the offer (which may be the Indenture Trustee). See "The Loan Agreement and the Loan—Mandatory Prepayments—Asset Sale Prepayment," "The Loan Agreement and the Loan—Covenants—Asset Sales," "The Participation Agreement—Administration of the Participation" and "Description of the Notes—Repurchase at the Option of Holders—Asset Sale Offer Trigger Event."
Additional Amounts.....	If any Taxes are required to be deducted or withheld with to respect to payments by, at the direction of or on behalf of the Borrowers under the Loan Agreement, the Borrowers will, subject to certain exceptions, pay such additional amounts ("Additional Amounts") in respect of such Taxes as may be necessary to ensure that the amounts received by the Administrative Agent or the Lender after such withholding or deduction will equal the respective amounts that would have been receivable in respect of the Loan Agreement in the absence of such withholding or deduction (taking into account any taxes imposed on such Additional Amounts) whether or not such Taxes were correctly or legally imposed or asserted by the Relevant Taxing Jurisdiction. The Participant will be entitled to payments of Additional Amounts to the same extent as if it were the Lender. In respect of periods during which the Participation is in effect, the provisions describing Additional Amounts shall be read by substituting "Participant (or a beneficial owner on whose behalf the Participant holds the Participation)" for "Lender." See "The Loan Agreement and the Loan—Additional Amounts."
Covenants	The terms of the Loan Agreement will contain covenants applicable to the Borrowers and their respective restricted subsidiaries, if any, including but not limited to the following restrictive covenants: • limitation on debt; • limitation on restricted payments; • limitation on dividend and other payment restrictions affecting restricted subsidiaries; • limitation on sale and leaseback transactions; • limitation on liens; • limitation on layering;

	• limitation on asset sales; • limitation on transactions with affiliates; and • limitation on mergers and consolidations.
Events of Default	The Loan Agreement will contain certain events of default, consisting of the following: • failure to pay principal or premium, if any, on the Loan on the due date thereof; • failure to pay interest or other amounts due under the Loan, the Loan Agreement or the Expense Reimbursement and Indemnity Agreement within 30 days of the due date thereof; • failure to make a Change of Control Prepayment Offer or Asset Sale Prepayment Offer and thereafter prepay all or a portion of the Loan as required pursuant to "The Loan Agreement and the Loan—Mandatory Prepayments—Change of Control Prepayment" or "The Loan Agreement and the Loan—Mandatory Prepayments—Asset Sale Prepayment" or either Borrower fails to comply with the provisions set forth under "The Loan Agreement and the Loan—Covenants—Merger, Consolidations and Certain Sales of Assets"; • failure by either Borrower or any of their restricted subsidiaries to perform any other obligation in the Loan Agreement or any other Transaction Document, and such failure continues for 60 days after written notice of such default has been given to the Borrowers; • the occurrence with respect to any debt of the Borrowers' or any of their restricted subsidiaries having an outstanding principal amount of US$35.0 million or more in the aggregate (x) of an event of default that results in such debt being accelerated prior to its scheduled maturity or (y) failure to make any payment of such indebtedness when due at stated maturity and such defaulted payment is not made, waived or extended within the applicable grace period; • failure to pay one or more final judgments against any of the Borrowers or any of their restricted subsidiaries, aggregating US$35.0 million or more, for which, either (1) there is a period of 60 days or more following such judgment(s) during which such judgment(s) are not paid, discharged or stayed or (2) an enforcement proceeding has been commenced by any creditor upon such judgments and is not dismissed within 60 days following commencement of such enforcement proceedings; • certain bankruptcy defaults occur with respect to the Borrowers or any of their significant restricted subsidiaries;

	• the authorization or concession agreement of either Borrower or any of its restricted subsidiaries entitling such Borrower or any of its restricted subsidiaries to engage in the sale and distribution of energy to regulated customers within the geographic area in which such activities were being conducted on the Issue Date shall have been revoked or terminated, unless the revocation or termination is being contested by such Borrower or restricted subsidiary, as the case may be, by appropriate proceedings and the relevant Borrower is permitted to conduct its business in the same manner as it did prior to such revocation or termination; • any governmental authority of Guatemala (1) nationalizes, seizes or expropriates all or a substantially all of the assets of either Borrower and its restricted subsidiaries, taken as a whole or both Borrowers and their restricted subsidiaries, taken as a whole, (2) seizes, expropriates or impedes the use by either Borrower or any of its restricted subsidiaries of an asset that is indispensable to their provision of energy distribution services, or (3) assumes control of the business and operations of either Borrower; and • (1) the Loan Agreement, a Loan Guarantee, if any, the Expense Reimbursement and Indemnity Agreement or any other Transaction Document (including the Indenture or any Note Guarantee) to which the Borrower or any Loan Guarantor is a party, at any time after their execution and delivery and for any reason, other than as expressly permitted thereunder, shall cease to be in full force and effect or enforceable against any party thereto in accordance with their terms, or (2) either Borrower or any Loan Guarantor shall contest the validity or enforceability of any of the Loan Agreement, a Loan Guarantee, if any, the Expense Reimbursement and Indemnity Agreement or any other Transaction Document (including the Indenture or any Note Guarantee). For more information, see "The Loan Agreement and the Loan—Events of Default."
Assignment of the Loan.....	The Lender may, under certain circumstances and in accordance with applicable law, assign the Loan, in whole or in part, to the Trust. For more information, see "The Loan Agreement and the Loan—Assignments."
Participation Agreement.....	The Lender and the Administrative Agent will enter into the Participation Agreement, dated as of the Issue Date, with the Trust. Pursuant to the Participation Agreement, the Lender will grant participation interests in all of the rights and remedies of the Lender under the Loan Agreement and the Loan and all proceeds thereof and rights and related interests with respect thereto, subject to certain limited exceptions.

	As a result of the Participation granted pursuant to the Participation Agreement, the Trust shall be entitled to receive all of the payments of principal, interest and other amounts payable by the Borrowers on, or with respect to, the Loan Agreement and the Loan as are actually received by the Lender, together with all of the rights and remedies available to the Lender thereunder (other than certain rights and interests retained by the Lender). Such rights and remedies will be exercisable by the Indenture Trustee, on behalf of the holders of the Notes, as a result of the pledge of the Trust Assets to the Indenture Trustee pursuant to the Indenture. See "The Participation Agreement."
Expense Reimbursement and Indemnity Agreement	The Borrowers will also enter into an Expense Reimbursement and Indemnity Agreement with the Lender, the Administrative Agent, the Cayman Trustee, the Settlor, the Indenture Trustee and any agents appointed pursuant to the Indenture for the benefit of the Cayman Islands Trustee, the Trust, the Settlor, the Indenture Trustee, such agents and the holders of the Notes, providing for reimbursement by the Borrowers of specified expenses and tax payments referred to therein, including indemnities with respect to securities law matters, taxes and other matters incurred in connection with the granting of the Loan, the administration of the Indenture and the issuance of the Notes, all as described under "The Trust—Expense Reimbursement and Indemnity Agreement."
Governing Law	The Loan Agreement, the Participation Agreement and the Expense Reimbursement and Indemnity Agreement will be governed by the laws of the State of New York. The Promissory Note will be governed by the laws of Guatemala.
Administrative Agent	The Bank of New York Mellon.
Other Terms of the Notes	
Plan of Distribution; Form of Notes	The Trust is offering the Notes in the United States only to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act who are also "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act and outside the United States in compliance with Regulation S of the Securities Act. The Notes will be in fully registered form without interest coupons attached and will be represented by one or more Global Notes deposited with, or on behalf of, DTC. Definitive Notes will be available only under the limited circumstances described herein. See "Issuance, Form and Denomination." Payments on the Notes will be settled in same-day funds to the extent received by the Indenture Trustee from the Trust to the extent received from the Lender to the extent received from the Borrowers.
Minimum Denominations	The Notes will be denominated and payable in U.S. dollars and will be issued in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

Transfer Restrictions; Trading	The Notes have not been and will not be registered under the Securities Act or the securities laws of any State of the United States and are subject to certain restrictions on transfer and resale. There is currently no market for the Notes, and we cannot assure you as to the development or liquidity of a market for the Notes. See "Risk Factors—Risks Related to the Notes—There are restrictions on transfers of the Notes" and "Risk Factors—Risks Related to the Notes—There is no existing market for the Notes and one may not develop in the future; thus it may be difficult to resell your Notes."
U.S. Federal Income Tax Consequences	For a discussion of the United States federal income tax treatment of the Notes, see "Taxation—United States Federal Income Taxation."
Clearance and Settlement	The Notes will be issued in book-entry form through the facilities of DTC for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, *société anonyme*. Beneficial interests in the Notes held in book-entry form will not be entitled to receive physical delivery of definitive Notes except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Description of the Notes" and "Issuance, Form and Denomination."
Listing	Application will be made to list the notes on the SGX-ST. We cannot guarantee the listing will be obtained.
Governing Law	The Indenture, the Notes and the Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Trust will be governed by, and construed in accordance with, the laws of the Cayman Islands.
Indenture Trustee, Registrar, Paying Agent, Transfer Agent and Depositary Bank	The Bank of New York Mellon.
Risk Factors	Prospective investors should carefully consider the information set forth under "Risk Factors," together with the other information contained in this offering memorandum.

Summary Financial Information and Operating Data

The following tables present our summary combined financial information and operating data. The combined summary financial information as of and for the years ended December 31, 2016, 2015 and 2014 presented below has been derived from our audited combined financial statements and the notes thereto included in this offering memorandum. Our historical results for any period are not necessarily indicative of results expected in any future period.

You should read the combined summary financial and operating data set forth below in conjunction with the sections entitled "Presentation of Financial and Other Information," "Selected Financial Information and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as our audited combined financial statements and notes thereto included elsewhere in this offering memorandum.

Our audited combined financial statements included herein have been prepared in accordance with IFRS.

Summary Combined Statement of Profit or Loss Data

	For the year ended December 31,		
	2016	2015 (restated)	2014 (restated)
	(US$ in thousands)		
Total revenue	573,286	577,289	591,891
Costs of sales	(449,020)	(432,502)	(458,408)
Gross profit	124,266	144,787	133,483
Financial expenses	(23,088)	(25,921)	(22,610)
Profit before income tax	48,857	63,320	64,847
Income taxes	(12,959)	(14,563)	(48,167)
Profit for the year	35,898	48,757	16,680

Summary Combined Statement of Financial Position Data

	As of December 31,		
	2016	2015 (restated)	2014 (restated)
	(US$ in thousands)		
Total non-current assets	740,178	646,245	640,546
Total current assets	103,660	131,910	130,773
Total assets	843,838	778,155	771,319
Total non-current liabilities	418,265	418,544	388,046
Total current liabilities	277,283	191,593	203,573
Total liabilities	695,548	610,137	591,619
Total shareholders' equity	148,290	168,018	179,700

Summary Combined Statement of Cash Flows Data

	For the year ended December 31,		
	2016	2015	2014
	(US$ in thousands)		
Net cash (used in) generated by operating activities	(2,496)[1]	74,041	41,645
Net cash used in investing activities	(33,039)	(33,097)	(32,290)
Net cash generated by (used in) financing activities	5,358	(31,165)	(41,253)

(1) Includes a US$80,023 thousand increase in tax receivables. See "Business—Legal Proceedings—Tax Claims."

Other Summary Combined Financial Data

	As of and for the year ended December 31,		
	2016	2015	2014
	(US$ in thousands)		
Combined EBITDA (US$ in thousands)[1]	90,012	111,157	105,053
Combined EBITDA margin (%)[2]	15.7%	19.3%	17.7%
Combined EBITDA/interest expense on financial debt	4.9	5.4	5.9
Interest expense on financial debt (US$ in thousands)	18,418	20,737	17,875
Total financial debt/Combined EBITDA	3.5	2.5	2.5
Total financial debt (US$ in thousands)[3]	317,070	283,450	262,218

(1) Combined EBITDA represents profit minus financial income plus financial expenses, income tax expense (benefit), net and depreciation and amortization. Combined EBITDA is a supplemental measure of our financial performance that is not required under, or presented in accordance with, IFRS or U.S. GAAP. Combined EBITDA is presented because we believe that some investors find it to be a useful tool for measuring a company's financial performance. Combined EBITDA should not be considered as an alternative to, in isolation from, or as a substitute for analysis of our financial condition or results of operations, as reported under IFRS. Other companies in our industry may calculate Combined EBITDA differently than we have for purposes of this offering memorandum, limiting Combined EBITDA's usefulness as a comparative measure.

(2) Represents Combined EBITDA divided by total revenue.

(3) Represents short-term and long-term debt with financial entities.

Reconciliation of Combined EBITDA to Combined Profit

The following table provides a reconciliation of combined EBITDA to combined profit. For additional information regarding the use of Combined EBITDA, see "Non-IFRS Financial Information."

	For the year ended December 31,		
	2016	2015	2014
	(US$ in thousands)		
Profit for the year	35,898	48,757	16,680
Financial expenses	23,088	25,921	22,610
Financial income	(7,517)	(3,974)	(9,311)
Income tax expense (benefit), net	12,959	14,563	48,167
Depreciation and amortization	25,584	25,890	26,907
Combined EBITDA	90,012	111,157	105,053

Summary Combined Operating and Other Data

	For the year ended December 31,		
	2016	2015	2014
Energy sales (GWh)	2,316.4	2,315.2	2,184.1
Number of customers (at period end) (in thousands)	1,679	1,635	1,580
Number of employees (at period end)	760	797	790
Energy losses (% of energy purchased)	19.6%	16.9%	17.0%

RISK FACTORS

Our business, financial condition, results of operations and liquidity may suffer materially as a result of any of the risks described below. You should carefully consider the risks described below, along with all of the other information included in this offering memorandum. If any of the following risks actually occurs, our business, financial condition, results of operations and liquidity may be significantly adversely affected. While we have described the risks we consider material, these risks are not the only ones we face. We are also subject to the same risks that affect many other companies, such as technological obsolescence, labor relations, geopolitical events and climate change. Additional risks not known to us or that we currently consider immaterial may also impair our business operations. Additionally, this offering memorandum also contains forward-looking statements that involve additional risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this offering memorandum.

Risks Related to Guatemala

Guatemalan economic, political and social and other conditions and events may adversely affect our business.

All of our customers' operations and assets are in Guatemala. As a result, our financial performance is significantly affected by general economic, political, social and other conditions and events in Guatemala. The Guatemalan government has exercised, and continues to exercise, significant influence over the Guatemalan economy. Guatemalan governmental actions concerning the economy could have a significant impact on Guatemalan private sector entities, in general, and on us, in particular, and on market conditions, prices and securities issued and loans incurred by Guatemala companies, including the Loan. Guatemala has suffered significant economic, political and social crises in the past, including civil strife and a significant level of violence and criminal activities, and severe weather and natural disasters, and these events may occur again in the future. We cannot predict whether changes in administrations will result in changes in governmental policies and/or the government adopting measures or changes in laws in response to such crises or natural disasters and whether such changes will affect our business.

We are exposed to a variety of risks relating to Guatemalan economic, political and social and other conditions, including risks related to:

- potentially adverse changes in tax or other laws or interpretations of existing tax or other laws;
- changes in political, social and/or economic conditions;
- the presence of corruption;
- heightened economic volatility;
- difficulty in enforcing agreements, collecting receivables and protecting assets;
- difficulty in obtaining authorizations, permits and licenses required for the operation of our assets;
- the possibility of encountering unfavorable circumstances from laws or regulations;
- fluctuations in revenues, operating margins and/or other financial measures due to currency exchange rate fluctuations;
- licensing requirements and environmental codes and standards;
- issues related to occupational safety, work hazards and local labor laws and regulations;
- fluctuations in the availability of funding;

- a potential deterioration in our relationships with the different stakeholders in the communities surrounding our facilities;

- change in the demographics within our service areas, including movements into urban areas and outside our service areas;

- terrorist or other hostile activities; and

- changes in the regulatory and environmental legal framework, including the costs of complying with environmental and energy regulations.

Additionally, our revenue is derived primarily from the distribution of energy, and the demand for energy is largely driven by the economic, political and regulatory conditions in Guatemala. Therefore, our results of operations and financial condition are, to a large extent, dependent upon the overall level of economic activity in Guatemala. Should economic or political conditions deteriorate in Guatemala, such an occurrence could have a material adverse effect on our business, financial condition, results of operations or liquidity.

Recent corruption scandals and the subsequent political, economic and social effects and/or changes in government policies in Guatemala may adversely affect our business.

Guatemala is a developing country that is affected by political, social, security and other problems and conditions, including, among others, drug trafficking, human trafficking, organized crime, high crime rates, human rights concerns, and a need to implement political, economic and social reforms. There have been recent corruption scandals in Guatemala, which have prompted legal action against government officials and significant public political protests. Guatemala's Prosecutor General Office and the United Nations International Commission Against Impunity in Guatemala have presented criminal accusations against a considerable number of high-ranking government officials, including a former president and a former vice president, in connection with several corruption scandals. Although these accusations (and others that may follow) aim to put an end to a variety of corrupt practices, it is not possible for us to determine how the related political, economic and social effects of these corruption scandals may adversely affect our business.

On May 20, 2015, the Central Bank and Monetary Board president Julio Suarez was arrested, and on May 21, 2015, Juan de Dios Rodríguez, President Otto Perez Molina's former personal secretary and head of the *Instituto Guatemalteco de Seguridad Social* (Guatemalan Social Security Institute), was arrested, both on charges including fraud and influence trafficking related to a medical services contract awarded by the Guatemalan Social Security Institute. In addition, in May and June 2015, several other government officials, including the Vice President Roxana Baldetti, resigned from their respective offices due to accusations of corruption. On July 9, 2015, Gustavo Adolfo Martinez Luna, former Secretary General of the Presidency, was arrested on charges of influence peddling, among others. On August 21, 2015, former Vice President Baldetti was arrested on charges of conspiracy, fraud and customs fraud, all related to her alleged involvement in the customs corruption racket for which she had previously resigned. On that same day, Guatemala's Prosecutor General in conjunction with the United Nations International Commission Against Impunity in Guatemala filed a request for impeachment against President Otto Perez Molina over his alleged involvement in the customs corruption racket. On September 2, 2015, President Otto Perez Molina resigned from office following the approval by the Guatemalan Congress to strip him of immunity, and Guatemala's Prosecutor General requested and was granted an arrest warrant for Perez Molina on the same day which led to his arrest. Alejandro Maldonado, who was appointed Vice President after the resignation of former Vice President Baldetti, was subsequently sworn in as President of Guatemala. On September 16, 2015, Juan Alfonso Fuentes Soria was appointed Vice-President by the Guatemalan Congress. On January 14, 2016, Jimmy Morales took office as President of Guatemala after being elected on October 25, 2015, by a majority of votes in the second round presidential election.

The corruption scandals in Guatemala have prompted significant public political protests. During the first quarter of 2016, ongoing investigations by Guatemala's Prosecutor General and the United Nations International Commission Against Impunity in Guatemala have led to further accusations against Perez Molina and Baldetti as well as accusations and arrests on charges including fraud and influence trafficking of other high ranking officials of

Perez Molina's government. Further developments derived from the scandals could have a significant effect on the Guatemala's political, economic and social stability. No assurance can be given that these problems and conditions will be successfully remedied, which could have a material effect on us.

Following the October 2015 elections, the center left *Libertad Democrática Renovada* (Renewed Democratic Party) became the leader in the Guatemalan Congress, with 45 out of 158 seats, followed by the *Unidad Nacional de la Esperanza* (National Unity of Hope Party), with 31 seats. As no political party has obtained a majority of the congressional seats, a potential gridlock may result in the Guatemalan Congress, creating further political uncertainty. In the months following the inauguration of Congress, several congressmen and congresswomen have resigned from their original sponsoring political parties and joined other political parties, leading to further uncertainty. Additionally, the once biggest congressional group, *Libertad Democrática Renovada* was cancelled as a political party by the Electoral Tribunal in September 2016. The 45 congressmen and congresswomen that belonged to that party joined other political parties and they continue to be part of Congress. As a consequence, *Libertad Democrática Renovada* party ceased to exist as a political caucus in the Guatemalan Congress and other political parties strengthened their political positions in Congress.

Changes in government and government policies could have a significant effect on our business, as well as on market conditions and the prices of and returns on our Notes.

Fluctuations in the value of the* quetzal *against the value of the U.S. dollar may adversely affect our ability to pay U.S. dollar-denominated obligations, including the Loan, increase our interest expense, and decrease our profitability.

Since the enactment of the Free Currency Trade Act of 2000, and further promulgation of the Monetary Act of 2002, the Monetary Board has allowed the exchange rate for the *quetzal* to be determined by market forces. Since the adoption of the free floating exchange policy, the *quetzal* has appreciated against the U.S. dollar at an average rate of 1.0% per year. The average value of the *quetzal*, based on the exchange rate, which is calculated and published by the Central Bank, appreciated by 0.7% in 2016, appreciated by 1.0% in 2015 and appreciated 1.6% against the U.S. dollar in 2014. In accordance with the procedures established in the *Ley Orgánica del Banco de Guatemala* (Central Bank Law) and subject to the occurrence of certain events, the Central Bank may intervene in the market to prevent drastic fluctuations of the *quetzal*/U.S. dollar exchange rate.

Our revenues are derived primarily from the distribution of energy and are denominated in *quetzales*. As of December 31, 2016, Q1,748.1 million (US$232.4 million), or 73.3%, of our outstanding financial debt was denominated in U.S. dollars. A substantial portion of the machinery and equipment that is used in our capital projects is imported with prices indexed to U.S. dollars. Although payments for energy and capacity that we purchase under long-term PPAs are denominated in U.S. dollars, the energy charge portion of the tariffs we charge our customers is set annually and adjusted quarterly for our effective cost of energy, capacity and transmission, and the VAD charge portion of our tariff is calculated and fixed for five-year periods and semi-annually adjusted for inflation and exchange rate fluctuation of the *quetzal* against the U.S. dollar.

We have in the past, and we may in the future, engage in hedging activities to protect operations and future obligations in currencies other than the *quetzal*. We are able to pass on effects of declines in the value of the *quetzal* against the U.S. dollar to our customers through adjustments in the tariffs that we charge for energy because the General Electricity Law provides that VAD charges may be adjusted every six months to reflect fluctuations in the exchange rate and inflation. However, a significant decline in the value of the *quetzal* relative to the U.S. dollar or a delay in adjusting the VAD as a consequence of such decline could adversely affect our ability to meet our U.S. dollar-denominated obligations, including under the Loan (consequently adversely affecting the ability of the Trust to meet its obligations under the Notes) and increase our interest expense, operating costs and capital expenditures.

The Guatemalan government could change Guatemala's exchange control rules making it more difficult for us to make payments in U.S. dollars.

Currently, the Guatemalan government does not restrict the ability of Guatemalan or foreign persons or entities to convert *quetzales* into U.S. dollars or other currencies, and vice versa. The Guatemalan government may institute a restrictive currency exchange control policy in the future. Any restrictive currency exchange control

policy could prevent or restrict our access to U.S. dollars to meet our U.S. dollar-denominated obligations, including our obligations under the Loan, and could also have a material adverse effect on our business, financial condition and results of operations. We cannot predict the impact of any such measures on the Guatemalan economy.

Foreign exchange rate fluctuations and controls could have a material adverse effect on our earnings and the strength of our statement of financial position.

Although we present our combined financial statements in U.S. dollars, we operate our business in *quetzales*. Because all our PPAs require us to pay in U.S. dollars, 90.1% of the materials that we purchase for expansion and maintenance are priced in U.S. dollars and, as of December 31, 2016, 73.3% of our combined outstanding financial debt was denominated in U.S. dollars, whereas we collect our tariffs in *quetzales*, significant fluctuations of the *quetzal*/U.S. dollar exchange rate could have a material adverse effect on our earnings and financial condition. Consequently, our liquidity, earnings, expenses, asset book value, and/or amount of equity may be materially affected by short-term or long-term exchange rate movements or controls. Such movements may give rise to, among other risks, translation risk, which exists where the currency in which the results of a business are reported differs from the underlying currency in which the business' operations are transacted, which could have a material adverse effect on our business, financial condition, results of operations or liquidity. For further information on the effect of the exchange rates on our results of operations see "Exchange Rate Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting Our Results of Operations—Effects of Fluctuation in Exchange Rates between the *Quetzal* and the U.S. Dollar and Guatemalan Inflation."

The perception of risk in emerging economies may adversely affect the market price of the Notes.

As a general rule, international investors consider Guatemala to be an emerging market economy. Consequently, economic conditions and the market for securities of emerging market countries, especially those located in Latin America, influence investors' perceptions of Guatemala and their evaluation of Guatemalan companies' securities.

Since the end of 1997, economic problems in various emerging market countries have resulted in investors' perception of greater risk from investments in emerging markets. We cannot assure you that international capital markets will remain open to Guatemalan companies or that the perception of risk inherent in investing in Guatemalan securities will not increase and adversely affect the market value of the Notes.

An increase in inflation and government measures to curb inflation may adversely affect the Guatemalan economy.

Guatemala's economy has experienced high levels of inflation in the past and may experience high levels of inflation in the future. Periods of rapid economic expansion and contraction in Guatemala may result in volatile rates of inflation. According to data published by the Central Bank, the rate of inflation was 3.78% in 2012, 4.34% in 2013, 3.42% in 2014, 2.39% in 2015 and 4.45% in 2016. In the future, significant inflation may cause the Guatemalan government to impose controls on credit and/or prices, or to take other action, which could inhibit Guatemala's economic growth and negatively impact our financial condition and results of operations.

Judicial systems in jurisdictions such as Guatemala can be weak and have previously required the assistance of special commissions to strengthen them.

In Guatemala, the judicial system and other administrative bodies are weaker than that in the United States. Therefore, the *Comisión Nacional para el Seguimiento y Apoyo al Fortalecimiento de la Justicia* (National Commission for the Monitoring and Supporting the Strengthening of Justice) has been established to review existing legal and institutional arrangements in order to propose reforms that would strengthen the judiciary and the rule of law generally. Similarly, the United Nations International Commission Against Impunity in Guatemala has suggested that the government of Guatemala consider and promote major reforms to tackle the weakness of the judicial system, including a constitutional reform. These weaknesses may create uncertainties regarding the enforcement of the current law and regulations and their interpretation by the judiciary and other governmental

bodies. In addition, these weaknesses may delay the enforceability of general obligations and hinder collections in general, which could have an adverse effect on our financial condition and results of operations.

Risks Related to Our Business

We are subject to comprehensive regulation of our business, which may affect our financial performance.

Our business is subject to extensive regulation by various Guatemalan regulatory authorities, particularly the CNEE. The CNEE regulates and oversees Guatemala's energy sector, regulates companies engaged in the generation, transmission and distribution business, enforces the General Electricity Law and energy regulations (including the quality and delivery standards set forth in our authorizations), imposes fines and penalties, and establishes tariffs, including our distribution tariffs. Such regulations may affect many aspects of our business and, to a certain extent, may limit our management's ability to independently make and implement decisions regarding our operations. Changes in the electricity regulatory framework may affect power prices, our costs, our suppliers, the availability of sources of power, our authorizations to operate, and other aspects of our business, which may have an adverse effect on our financial performance. In 2016, a new president was elected in Guatemala, and the new administration may seek to modify the energy regulatory framework. Both the implementation of our strategy for growth and our day-to-day business may be adversely affected by changes in regulation and other governmental actions, including the termination of national and local authorization licenses or permits, the forced sale of our distribution assets in a public auction, the creation of more rigid criteria for qualification in public energy auctions, a delay in the revision and implementation of new tariffs, or a modification of the tariff regime.

Under current regulations, we may only make energy purchases through public bids regulated by the CNEE or in the spot market if (1) authorized by the CNEE or (2) a PPA provides that we are able to purchase energy in the spot market if the price in the spot market is more advantageous to us than the PPA price. If our contracted capacity and energy under our PPAs are insufficient to meet customer demand, we either have to purchase energy on the spot market or there would be rolling blackouts. However, if we purchase energy in the spot market without the CNEE's authorization or authorized under our PPAs, we would be subject to a fine imposed by the CNEE and could not be permitted to pass through the costs associated with the spot market purchases to our customers.

In addition, if we either are obligated by the CNEE or if we make the decision to make additional and unexpected capital expenditures and we are not allowed to adjust our tariffs accordingly, we would have to bear the cost of these capital expenditures, which may have an adverse effect on our business, financial conditions and results of operations.

Furthermore, the CNEE may impose significant fines and penalties on distributors like us (and other market participants) for, among other reasons, any breach of the terms of our authorizations.

The CNEE may impose fines or require us to reimburse our customers if we fail to meet the quality and delivery standards of service set forth in our authorizations.

Under the terms of our authorizations, we are required to meet certain standards of service quality and delivery. We have been, and in the future may continue to be, subject to significant fines and penalties by regulatory authorities for, among other reasons, failure to meet those quality and delivery standards, some of which may be due to causes outside of our control, such as service disruptions attributable to problems at transmission facilities grids. Fines relating to our failure to meet any quality or delivery standards related to services rendered to customers may be payable either, as determined by the CNEE, as a fine payable to the CNEE or by granting credits to our customers to offset a portion of their energy charges. In the years ended December 31, 2016, 2015 and 2014, we paid fines and penalties of US$265 thousand, US$503 thousand and US$649 thousand, respectively. In addition, we are currently subject to ongoing proceedings with respect to fines and penalties for failure to meet quality and delivery standards, which may have a material adverse effect on our business, financial condition and results of operations. If we fail to comply with any of the conditions imposed under the terms of our authorizations, under the current regulations, the Guatemalan government may seek to impose fines and penalties on us, terminate our authorizations, and require the sale of our assets in satisfaction of any fines and penalties imposed on us, each of which could have a material adverse effect on our business, financial condition and results of operations. For further information on claims

against us relating to our service standards, see "Business—Legal Proceedings—Legal Proceedings Related to our Technical Service Quality."

The tariffs that we charge for the distribution of energy are determined by the CNEE, and unfavorable changes to the distribution tariffs could have a material adverse effect on our results of operations.

The base tariff that we charge our regulated customers for energy distributed is set by the CNEE and consists of an energy charge and a VAD charge. There are seven different tariffs that are applicable to our regulated customers, and each of our regulated customers purchases energy at one of these tariff rates, additionally there are two toll tariffs for large users that receive their energy through our distribution lines. The energy charge component of the tariff is set annually by the CNEE based on the projected cost of energy purchases, and adjusted quarterly based on any variation between projected costs and actual costs in each quarter. The VAD charge of the distribution tariff is set every five years with semi-annual adjustments for inflation in Guatemala and for the *quetzales*/U.S. dollar exchange rate. The CNEE will reassess our VAD charges in January 2019. For more information about the tariff adjustment process, see "Overview of the Electric Energy Industry in Guatemala—Tariff Adjustments."

The process of establishing the distribution tariffs involves several parties, including distribution companies, and takes place over several stages. While the tariffs are intended to be set on the basis of objective criteria, the CNEE can exercise discretion. In addition, under article 87 of the General Electricity Law, if there is a temporary change in conditions that has a temporary effect on a component of the tariffs, the CNEE and the relevant distributor may agree to defer an adjustment to the tariffs to avoid frequent significant changes in the tariffs. The difference between the tariff charged to customers and the tariff that should have been charged if the adjustment mechanism had been applied, is subsequently set off against future adjustments based on permanent changes in market conditions. Such amount accrues interest until it is set off against future adjustments. As of January 31, 2017, we had collected approximately US$33,045 thousand in excess of the amounts due to these tariffs adjustments deferrals, of which US$8,535 thousand will be applied to reduce our energy charges during the period from February 1, 2017 to April 30, 2017. The excess amount collected is not recorded in our combined financial statements; however, we must record the interest accrual on these amounts. Therefore, the CNEE may determine in the future to defer increases in our tariffs that would otherwise apply until such balance is paid.

If the CNEE does not revise the distribution tariff in a manner satisfactory to us, due to, among other things, political pressure or an economic crisis, we may experience a material adverse effect on our business, financial condition or results of operations. In addition, if the semi-annual adjustments to the VAD charge of the distribution tariff are insufficient to fully account for inflation or exchange rate fluctuations, we may experience a material adverse effect on our business, financial condition or results of operations. For further information on the regulation of the Guatemalan energy distribution sector, see "Overview of the Electric Energy Industry in Guatemala—Tariffs and Tolls."

Significant increases in energy or capacity costs or inflation, or a significant depreciation of the* quetzal *against the U.S. dollar, could adversely affect our liquidity.

The CNEE adjusts the VAD charge component of our tariff semi-annually to reflect any appreciation or depreciation of the *quetzal* against the U.S. dollar during the preceding six months and the rate of inflation in Guatemala during the preceding six months. See "Overview of the Electric Energy Industry in Guatemala—Tariffs and Tolls." We expect that we will be able to recover increased costs resulting from inflation or the depreciation of the *quetzal* against the U.S. dollar on an ongoing basis as a result of the adjustments. However, as a result of the timing difference between when we are required to pay these increased costs and when we are entitled to collect the adjusted VAD, our liquidity may be adversely impacted by any significant depreciation of the *quetzal* against the U.S. dollar or by any significant inflation.

The CNEE adjusts the energy charge component of the tariff that we may charge to our regulated customers quarterly on the basis of the actual cost of energy incurred by us for the prior three-month period. See "Overview of the Electric Energy Industry in Guatemala—Tariffs and Tolls." Increases or decreases in our energy costs are generally attributable to increases or decreases in oil prices and changes in the *quetzal*/U.S. dollar exchange rate. We expect that we will be able to recover any increased costs on an ongoing basis as a result of the tariff adjustments. However, as a result of the timing difference between when we are required to pay these increased

costs to its suppliers and when we are entitled to collect these increased costs from regulated customers through a tariff increase, our liquidity may be adversely impacted by any significant increase in our cost of energy. Furthermore, the CNEE may determine that such costs may not be included in tariffs and as a result our liquidity may be adversely affected.

We operate in certain conflict zones which have been and may continue to be subject to high levels of energy theft and other illicit activity, low collection rates and violent protest.

Our service area includes "conflict zones," which are areas characterized by high levels of energy theft and low collection rates. As of December 31, 2016, 9.9% of our customers were located in these conflict zones. In certain of these conflict zones in which we operate, particularly along the borders with Mexico, there is little or no government control and presence. In such areas, our ability to conduct our operations, including, our ability to collect tariffs, to operate and maintain our distribution network, to review our customers' consumption, to prevent energy theft, to connect new customers, and to disconnect delinquent customers from our distribution network, has been, and may continue to be, affected by the lack of government support and by illicit activities, such as drug trafficking and violent crime. In addition, the lack of proper maintenance of our facilities and distribution network in these areas may decrease the quality the service we deliver to our customers, that may cause us to breach our service standard obligations under our authorizations which, in turn, may cause the CNEE to impose fines and penalties on us. Furthermore, we have faced opposition in such areas from a variety of organizations, some of whom promote violent protests and energy theft. In recent years, local organizations in our service area have conducted violent protests to challenge energy prices. Although we have undertaken efforts to improve our relationships with the communities in the service areas in which we operate, these efforts may not be successful, and the opposition from these organizations may continue or increase.

Our inability to prevent energy theft, properly maintain our facilities and distribution network, disconnect delinquent customers, maintain the required standards of service, and properly bill and collect from customers in certain of the conflict zones in which we operate, may have a material adverse effect on our business, financial condition and results of operations.

A slowdown in the growth of energy demand in Guatemala could adversely affect our business, financial condition and results of operations.

In times of economic crisis, energy demand in Guatemala has grown at lower rates due to declines in overall levels of economic activity and has resulted in the deterioration of the ability of many customers to pay their energy bills. A slowdown in the growth of demand for energy distributed through our transmission grid and distribution system or a decline in collection rates from our customers due to a deterioration of Guatemalan economic conditions may have a material adverse effect on our business, financial condition, results of operations or liquidity. Any such slowdown could also result in a decrease in energy demand leading to our having more contracted capacity than is actually needed, resulting in higher tariffs that could trigger social unrest and/or political pressures or an increase in customer defaults.

Defaults by our customers due to, among other causes, an increase in energy prices, could adversely affect our business, results of operations and/or financial condition.

Our revenue consists mainly of the collection of tariffs from our customers. Although we record a provision for doubtful accounts for past due accounts owed by our customers, we have been, and may continue to be, unable to collect amounts payable from numerous customers in arrears. For a more detailed description of our billing and collection practices, see "Business—Billing and Collection." If the number of delinquent customers increases or their debts are not totally or partially settled, it may have a material adverse effect on our business, financial condition and results of operations or liquidity. Additionally, the amount of receivables that we are unable to collect may exceed the provision that we have constituted. Should the amount of debts in arrears from our customers exceed the amounts we have provisioned, this could have a material adverse effect on our business, financial conditions, results of operations or liquidity.

In addition, pursuant to the applicable regulation, we are authorized to pass-through the cost of energy and capacity purchased to our customers. Therefore, should the energy and capacity prices (and therefore, the applicable

tariff) increase, our customers may be unable to bear the cost of their energy, leading to a decrease in collection rates and an increase in doubtful accounts, which could have a material adverse effect on our business, financial condition, results of operations or liquidity.

We may not be able to collect from municipalities.

Municipalities are some of our largest customers of energy. The municipalities use that energy mainly for pumping water and public lighting. It is not unusual for municipalities to incur large deficits that result in their inability to pay their electric bills to the distributors. Since the affected municipality provides basic services to the general public such as public lighting and water pumping, we may be unable to apply promptly and effectively our collection measures, including the ability to terminate the services. In some instances, we collect a charge for public lighting on behalf of municipalities, and we may be allowed to set off the charges owed by municipalities for energy consumption with those charges we collected on behalf of such municipality. The combination of the amount of consumption and the inability to collect from municipalities could have a material adverse effect on our business, financial condition, results of operations or liquidity. For the years ended December 31, 2016, 2015 and 2014, we received payments from public lighting fees which represented 10.2%, 10.8% and 10.8%, respectively, of our combined revenues.

Furthermore, municipalities obtain funds to pay the distributors through what they call a "public lighting fee" that is collected directly by distributors. However, the legality of such fees has been challenged in the past, is currently being challenged and may be challenged in the future, which could affect the ability of municipalities to pay distributors, such as Energuate. Our inability to collect directly the public lighting fees, as the elimination of such fees, could have a material adverse effect on our business, financial condition, results of operations or liquidity.

A reduction of the subsidies granted by the Guatemalan government to our customers could adversely affect our business, results of operations and/or financial condition.

The Guatemalan government, through the INDE, currently provides energy rate subsidies for certain low-income customers who pay the social tariff to assist in their payment of their energy bills. Approximately 78.3% of our regulated customers as of December 31, 2016 benefited from such subsidies from the INDE, which are paid directly to us based on calculations performed by the INDE. For more information, see "Overview of the Electric Energy Industry in Guatemala—Tariffs and Tolls—The Social Tariff." During the years ended December 31, 2016, 2015 and 2014, the subsidies that the INDE granted to our customers represented 16.5%, 17.6% and 19.7% of our revenue. If the operating income generated by the INDE is not sufficient to fund the subsidies or the Guatemalan government suffers from other budgetary constraints, the INDE may be required to reduce the subsidies it provides to low-income customers. Should the INDE reduce other energy rate subsidies in the future, our customers may be unable to bear the cost of their energy, leading to a decrease in consumption and/or collection rates and an increase in doubtful receivables, which could have a material adverse effect on our business, financial condition, results of operations or liquidity.

We will be required to make significant capital expenditures to improve our transmission grid and service quality and reduce energy losses and fines for poor quality service.

We believe that additional capital expenditures will be required to, among other things, modernize and expand our distribution lines, improve service quality and customer satisfaction levels, reduce energy losses and improve our billing and collection systems. Accordingly, we invested US$30,329 thousand in capital expenditures (in respect of tangible fixed assets) in the year ended December 31, 2016, and expect that the amount of our capital expenditures will increase in the coming years. In addition, from time to time, the CNEE may require us to make certain capital expenditures. A failure to make the necessary capital expenditure to improve service quality and customer satisfaction levels may result in further fines and penalties from the CNEE which, in turn, could have a material adverse effect on our business, financial condition, results of operations or liquidity. We cannot assure you that these strategies will be effective to improve our quality of customer satisfaction levels.

We may finance our capital expenditures through cash on hand, internally generated funds, bank financings or financing from the domestic and international capital markets. Our ability to make these capital expenditures depends on a variety of factors, including our access to domestic and international capital markets, our ability to

access and operate our distribution network, especially in the conflict zones, and a variety of operating, regulatory or other contingencies. We may not have the financial resources to make the necessary capital expenditures in a timely manner. In addition, if the CNEE's revision to the distribution tariffs we charge to our regulated customers is unfavorable to us, we may be unable to recoup the costs of our capital expenditures. A failure to make the necessary capital expenditures in a timely manner and recoup the cost of such program could have a material adverse effect on our business, financial condition, results of operations or liquidity.

If we are unable to successfully control energy losses, our results of operations could be adversely affected.

We experience two types of energy losses: technical losses and commercial energy losses. Technical losses occur in the ordinary course of our distribution of energy and include losses due to energy dissipation in conductors and magnetic losses in transformers, while commercial energy losses result from customers' illegal connections, fraud and billing errors. Our total losses in the years ended December 31, 2016, 2015 and 2014 were 19.6%, 16.9% and 17.0% of our total energy received, respectively. The distribution tariffs that we charge our regulated customers include a VAD charge, which provides for an allowance determined by the CNEE for losses incurred in the distribution of energy. To the extent that our energy losses exceed the allowance (currently approximately 15.0% of our costs associated with energy losses, which includes both technical and commercial energy losses) contemplated in the current formula of the VAD charge of the distribution tariff, we will bear the cost of such losses.

We intend to reduce commercial energy losses through improving customer billing and collection practices, increasing targeted inspections and meter replacements, implementing a communication program with local communities and modernizing our facilities to reduce tampering, especially in areas where energy theft has been more prevalent, such as in the conflict zones. We intend to reduce technical losses by investing in the modernization of our transmission grid and distribution system. However, we cannot assure you that these strategies will be effective to control or decrease our energy losses. If our energy losses remain high or increase, our business, financial condition, results of operations or liquidity may be adversely affected.

Public pressure could result in changes to the regulatory framework in Guatemala.

Because energy is a utility with high social impact, there is frequent public debate and pressure to modify the regulatory framework for the electric energy industry. Various proposals to modify the electricity regulatory framework have been made which may inhibit investments in the energy sector in the future or may affect our ability to conduct our operations profitably, or at all. For example, in November 2004, a minority party filed proposed legislation with the Guatemalan Congress, proposing changes to General Electricity Law, which if adopted by the Guatemalan Congress, would have eliminated the functional independence of the CNEE and expanded the number of its members. In addition, any user, the *Procurador de los Derechos Humanos* (Guatemalan Ombudsman) or the *Procurador General de la Nación* (Guatemalan Attorney General) could contest the way tariffs are being calculated. We cannot predict whether more modifications will be proposed or the extent and tenor of such proposals or, if those proposals are passed, what changes would be introduced to the regulatory framework in the future or the effects of any changes on our business or results of operations.

Our authorizations can be terminated if our service levels fall below those required by our authorization agreements with the MEM.

We conduct our energy distribution business pursuant to our authorizations, which were entered into between each of DEOCSA and DEORSA and the MEM. Our authorizations are for a fixed term (until 2048) and renewal is neither automatic nor guaranteed. Our authorizations require us to comply with certain service and quality standards, among other obligations. If we fail to meet these levels of service, quality, or customer satisfaction standards pursuant to our authorizations, the CNEE may impose fines on DEOCSA and/or DEORSA, or these failures may result in the MEM's revocation of our authorizations pursuant to the regulations under the General Electricity Law. In the event that our authorizations are terminated, our distribution assets may, after a series of proceedings, be sold in a public auction, as provided for in the General Electricity Law. For more information about the termination process, see "Business—Overview of the Regulatory Environment—Our Authorizations." A termination of our authorizations would have immediate negative effects on our business, financial condition and results of operations.

Our authorizations to provide energy distribution services are non-exclusive. Therefore, we may face more competition from other distributors in certain departments.

We hold authorizations to provide energy distribution services within our service area until 2048. We operate in 21 of Guatemala's 22 departments, covering 101,914 km^2 with approximately 11.8 million inhabitants. However, our authorizations are non-exclusive and the MEM has historically granted and may in the future grant authorizations to one or more competing distribution companies in our service area. In addition, we are facing competition from other distributors within those departments, which hold authorizations to operate in certain departments located in our service area. If we start losing customers as a result of competition from other distributors, our financial condition, results of operations or liquidity may be adversely affected. For more information about competition, see "Business—Competition."

Our property may be damaged and our business interrupted or impaired by the occurrence of, severe weather, natural disasters and climate changes.

Guatemala has historically been vulnerable to volcanic eruptions, earthquakes and hurricanes. Although we build our energy distribution infrastructure to withstand these natural forces and have adopted procedures to follow in the event of a natural disaster, a volcanic eruption, an earthquake, hurricane or other natural disaster could severely impact our physical assets or cause an interruption in our ability to deliver energy. Although we maintain an "all risk" insurance policy covering certain physical damage and business interruption, there can be no assurance that the scope of damages suffered by us in the event of a natural disaster would not exceed the scope or policy limits of our insurance. In addition, the effects of a natural disaster, severe weather or the climate changes on Guatemala's economy could be severe and prolonged, leading to a decline in demand for the energy distribution services that we provide. The occurrence of a natural disaster or severe weather, particularly if it causes damages in excess of our insurance policy limits or outside our insurance's scope, could have a material adverse effect on our business, financial condition and results of operations.

Drought may result in shortages in the water supply that support the hydroelectric generators, reducing the energy available for purchase in Guatemala.

Guatemala experiences decreases in rainfall from time to time causing drought. During periods of drought, the level of water in the reservoirs behind Guatemala's hydroelectric dams falls and the hydroelectric generators are not able to operate at full capacity. Because approximately 36% of Guatemala's installed generating capacity consists of hydroelectric plants, periods of drought require the system to increase the volume of energy purchased from thermoelectric plants or abroad, generally at higher cost than the energy generated by hydroelectric generators. In the event of severe drought, if Guatemalan distribution companies are unable to import sufficient amounts of energy, the Guatemalan government may institute rationing of energy, rolling blackouts or other measures to suspend the services of distribution companies. Although under the current tariff structure we may pass through the cost of purchased energy to our customers, they may be unable to bear a higher tariff, which would result in an increase of customer defaults, and, as a result, lower our revenues. Therefore, a drought could materially adversely affect our ability to distribute energy and, accordingly, our businesses and results of operations.

We may be unable to refinance our existing indebtedness or raise additional indebtedness on favorable terms, or at all.

We may need to refinance all, or a portion of, our indebtedness on or before the respective maturity dates. The ability to refinance any such indebtedness, obtain additional financing or comply with our existing lenders' requirements will depend on, among other things:

- the credit ratings of Guatemalan sovereign obligations;
- our financial condition at the time of the proposed refinancing;
- the amount of financing outstanding and lender requirements outstanding at the time of the proposed refinancing;

- restrictions in any of our credit agreements or other outstanding indebtedness; and

- other factors, including the condition of the financial markets.

If we do not have adequate access to credit, we may be unable to refinance our existing borrowings and credit facilities on commercially reasonable terms and may be forced to raise financing at a higher cost or on less favorable terms (*e.g.*, by providing collateral, security or guarantees to lenders and/or accepting higher interest rates) when our existing indebtedness matures. Additionally, if we are not able to refinance any of our indebtedness and do not generate sufficient cash flow from operations, and additional borrowings or refinancing or proceeds of asset sales are not available to us, we may not have sufficient cash to enable us to meet all of our obligations or to finance our capital expenditure plans. Should future access to capital be unavailable to us, we may need to modify our business plans or capital expenditure plans, decide not to invest to expand or improve existing facilities or our distribution network, any of which could affect our future growth.

If we are unable to manage our interest rate risks effectively, our business, financial position, results of operations or liquidity may suffer.

Although we expect to repay in full our existing syndicated loan agreements with the proceeds from the Loan, any future loan agreements we may enter into (including the loan agreements described under "The Guatemalan Loan Agreements") or other financing arrangements we may make to fund our capital expenditures, may increase our interest costs. Our existing syndicated loan agreements have floating interest rates tied to London InterBank Offered Rate ("LIBOR") and the *Tasa de Interés Activa Promedio Ponderada* (Active Weighted Average Interest Rate, or the "TAPP") published by the Central Bank, and any future loan agreements we may enter into may have floating or variable interest rates. Any increase in interest rates could increase the cost of the capital required to continue to fund our development and expansion efforts. In addition, we may incur further indebtedness in the future that bears interest at a variable rate or at a rate that is linked to fluctuations in a currency other than the U.S. dollar. Accordingly, increases in interest rates could have a material adverse effect on our business, financial condition, results of operations or liquidity.

We require qualified personnel to manage and operate our business.

We require qualified and competent management to independently direct the day-to-day business activities, execute business development plans, and service customers, suppliers and other stakeholders. The services offered by our business are highly technical in nature and require specialized training and/or physically demanding work. Therefore, we must be able to retain employees and professionals with the skills necessary to manage our distribution network, to maximize the value of our business, and to ensure the timely and successful completion of any expansion project. This includes developing talent and leadership capabilities in Guatemala, where the depth of skilled employees may be limited. Changes in demographics, training requirements and/or the unavailability of qualified personnel could negatively impact the ability of our business to meet these demands. Unpredictable increases in the demand for our services may exacerbate the risk of not having a sufficient number of trained personnel. In addition, we could experience strikes, industrial unrest or work stoppages.

If we fail to train and retain qualified personnel, or if we experience excessive turnover, strikes or work stoppages, we may experience deficiencies in managing our distribution network, maintenance delays or other inefficiencies, increased recruiting, training or relocation costs and other difficulties, any of which could have a material adverse effect on our business, financial condition, results of operations or liquidity.

Our success will also be dependent upon the decision-making of our directors and executive officers. The loss of any or all of our directors and executive officers could affect the creation or implementation of our short-term plans or long-term strategies or divert our directors and executive officers' attention from our operations, which could result in a delay in the implementation of our business plan, affect our ability to enter into PPAs, or otherwise have a material adverse effect on our business, financial condition, results of operations or liquidity.

The interruption or failure of our information technology, communication and processing systems or external attacks and invasions of these systems could have an adverse effect on us.

We depend on information technology, communication and processing systems to operate our business. Such systems are vital to our ability to monitor our operations, adequately generate invoices to customers, achieve operating efficiencies and meet our service targets and standards. Damage to our networks and backup mechanisms may result in service delays or interruptions and limit our ability to provide customers with reliable service over our networks. Some of the risks to our networks and infrastructure include:

- physical damage to access lines, including theft, vandalism, terrorism or other similar events;
- energy surges or outages;
- software defects;
- scarcity of network capacity and equipment;
- disruptions beyond our control;
- breaches of security, including cyber-attacks and other external attacks; and
- natural disasters.

The occurrence of any such event could cause interruptions in service or reduce our generation capacity, either of which could reduce our revenues or cause us to incur additional expenses.

Although we have operational insurance with business interruption coverage that may protect us against specific insured events, we may not be insured for all events or for the full amount of the lost margin or additional expense. In addition, the occurrence of any such event may subject us to penalties and other sanctions imposed by the applicable regulatory authorities. The occurrence of damages to our networks and systems could have a material adverse effect on our business, financial condition, results of operations or liquidity.

We may be subject to expropriation or similar risks.

All of our assets are located in Guatemala, and consist primarily of energy distribution infrastructure. Accordingly, our business or our assets may be considered by the Guatemalan government to be of public interest or essential for the provision of a public service and, therefore, subject to political uncertainties, including intervention from authorities, expropriation or nationalization of our business or assets, or subject to renegotiation or nullification of existing contracts.

We are exposed to material litigation and/or administrative proceedings.

We are involved in various litigation proceedings, including judicial proceedings related to fines and penalties imposed by the CNEE, and we may be subject to future litigation proceedings, any of which could result in unfavorable decisions or financial penalties against us, and we will continue to be subject to future litigation proceedings, which could have material adverse consequences on our business. In addition, we could be subject to judicial interventions and orders by judges seeking to secure the results of judicial proceedings, including but not limited to freezing bank accounts. Such actions are not of a permanent nature and can be lifted following the statutory procedures established by law. However, those measures could temporarily impair our ability to meet our debt obligations.

Litigation and/or regulatory proceedings are inherently unpredictable, and excessive verdicts do occur, including as a result of changes in tax laws or the interpretation and application of tax laws. Adverse outcomes in lawsuits and investigations could result in significant monetary damages, including indemnification payments, injunctive relief and/or government intervention of our business, that could adversely affect our ability to conduct

our business and may have a material adverse effect on our financial condition and results of operations. In addition, such investigations, claims and lawsuits could involve significant expense and diversion of our management's attention and resources from other matters, each of which could also have a material adverse effect on our business, financial condition, results of operations or liquidity.

For more information regarding the legal proceedings in which we are involved, see "Business—Legal Proceedings."

In particular, in July 2016, the SAT issued a criminal complaint against us before a criminal court for the alleged commission of tax fraud relating to back taxes for fiscal years 2011 and 2012, alleging that, under our previous ownership, we had implemented a structure to improperly deduct interest and amortization of goodwill relating to our acquisition in 2011 by our prior owner in a leveraged buy-out. In August 2016, as ordered by the court, we paid US$17,171 thousand in alleged back taxes for fiscal years 2011 and 2012, excluding fines and interest. In addition, in December 2016, following discussions with, and upon the instruction of the SAT, and in order to avoid other potential measures by the SAT, we paid US$25,721 thousand to the SAT in full satisfaction of the interest and fines assessed by the SAT in connection with the alleged 2011 and 2012 back taxes. In light of the SAT's actions, and in order to avoid the initiation of complaints by the SAT concerning fiscal years 2013, 2014 and 2015 and any fines and interest, upon instruction of the SAT, we revised our tax returns for these years and, on August 9, 2016, we made a payment of US$18,093 thousand for the years 2014 and 2015 and, on August 19, 2016, we paid US$13,189 thousand for the year 2013. In addition, during 2016, we made pre-payments of income taxes of US$5,393 thousand for the first three quarters of fiscal year 2016, and in January 2017, we made additional pre-payments of income taxes of US$2,773 thousand for the last quarter of fiscal year 2016.

We are disputing the SAT's claims and have made all payments subject to a broad reservation of rights, including but not limited to seeking restitution of such payments. We have recognized these payments as a non-current tax asset in our financial statements (recorded on our balance sheet as income tax receivables). We and our legal advisors are considering all available remedies with respect to this matter. The non-current tax asset we recorded in connection with our payments to the SAT may be subject to impairment. Such impairment would have a material adverse effect on our financial position and results of operation. To the extent that such asset is impaired, this may affect our financial statements. Furthermore, although we are pursuing legal remedies through the Guatemalan legal system to determine our ability to deduct interest and amortization relating to the 2011 acquisition, we may not be able to deduct such historical amounts or take similar deductions in the future. In light of the court orders referred to above, at this time, we do not plan to deduct such items which could result in our recording a higher effective tax rate. In addition, the management of Energuate has expended, and will continue to expend, expenses and time to pursue the remedies in connection with these claims. For more information on these claims, see "Business—Legal Proceedings—Tax Claims."

We could be subject to organized labor action.

Many of our operations are highly labor-intensive and require a significant number of workers. As of December 31, 2016, 62% of our employees were unionized and were members of one of four labor unions, each of which were party to collective bargaining agreements with DEOCSA and DEORSA, which expired in December 2016 and are currently under negotiations to be renewed. We have not historically experienced organized work disruptions and stoppages in the past and, although under current Guatemalan law employees of a primary services provider company (such as Energuate) may not engage in strikes or employ work stoppages, we cannot assure you that we will not experience such disruptions in the future. Any such action could have an adverse effect on our financial condition and results of operations. Furthermore, we do not maintain insurance coverage for business interruptions caused by labor actions. Strikes, picketing or other types of conflict with the unionized personnel could curtail our operations and result in higher costs, having an adverse effect on our financial condition and results of operations.

Our insurance policies may not fully cover any damages we may incur, and we may not be able to obtain insurance against certain risks.

We maintain insurance policies intended to mitigate our losses due to customary risks. These policies cover certain of our assets against loss for physical damage, loss of revenue and also third-party liability. However, we

cannot assure you that the scope of damages suffered in the event of a natural disaster or catastrophic event would not exceed the policy limits of our insurance coverage. In addition, we may be required to pay insurance deductibles, which are not recoverable, in order to utilize our insurance policies. We maintain all-risk physical damage coverage for losses resulting from, but not limited to, fire, explosions, floods, windstorms, strikes, riots, mechanical breakdowns and business interruption. Our level of insurance may not be sufficient to fully cover all losses that may arise in the course of our business, and insurance covering our various risks may not continue to be available in the future on comparable terms, or at all. We may be materially and adversely affected if we incur losses that are not fully covered by our insurance policies and such losses could have a material adverse effect on our business, financial condition, results of operations or liquidity. For further information on our insurance policies, see "Business—Insurance."

It may be difficult to enforce civil liabilities against us or our directors, officers and controlling persons.

We are organized under the laws of Guatemala, and all of our directors, officers and controlling persons reside outside the United States. In addition, substantially all of our assets and our management's assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on such persons within the United States or elsewhere outside of Guatemala or to enforce judgments against us or our management and controlling persons, including in any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability in Guatemala, whether in original actions or in actions to enforce judgments of U.S. courts or other courts outside of Guatemala, of liabilities based solely on the U.S. federal securities laws.

The interests of our controlling shareholder may conflict with those of the holders of the Notes.

On January 22, 2016, IC Power, a wholly-owned subsidiary of Kenon, acquired all of the shares of DEOCSA B.V. and of DEORSA B.V., owners of 90.6% of DEOCSA's capital stock and of 92.7% of DEORSA's capital stock, respectively. As a result, IC Power has the ability to manage the financial and operating policies of Energuate. In addition, IC Power has the indirect power to appoint the members of our Board of Directors, thereby having significant influence on our policies and operations, including the appointment of management, the issuance by us of equity, debt or other securities and the incurrence of debt by us, as well as the power to determine the outcome of any action requiring shareholder approval, such as the timing and payment of dividends, transactions with related parties and amendments to our organizational documents. IC Power's interests may not in all cases be aligned with your interests as a holder of the Notes offered hereby. IC Power may have an interest in pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its equity investment, even though such transactions might involve risks to you as a holder of the Notes. For example, IC Power could acquire or develop other distribution companies in Guatemala or elsewhere, or cause us to make acquisitions that increase our indebtedness or to sell revenue-generating assets.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws outside of the United States.

The U.S. Foreign Corrupt Practices Act (the "FCPA"), and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. Recent years have seen a substantial increase in anti-bribery law enforcement activity, with more frequent and aggressive investigations and enforcement proceedings by both the U.S. Department of Justice and the SEC, increased enforcement activity by non-U.S. regulators, and increases in criminal and civil proceedings brought against companies and individuals. Our policies mandate compliance with these anti-bribery laws. Guatemala is recognized as having governmental and commercial corruption. We cannot assure you that our internal control policies and procedures will protect us from reckless or criminal acts committed by our employees, or third party intermediaries. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, including the FCPA, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may result in criminal or civil sanctions, inability to do business with existing or future business partners (either as a result of express prohibitions or to avoid the appearance of impropriety), injunctions against future conduct, profit disgorgements, disqualifications from directly or indirectly engaging in certain types of businesses, the loss of

business permits or other restrictions which could disrupt our business and have a material adverse effect on our business, financial condition, results of operations or liquidity.

Risks Related to the Notes

The Trust has no operations of its own and may not be able to repay the Notes.

The Trust is an equitable proprietary relationship between the Cayman Trustee and the Unitholder (as defined under "The Trust"), as sole beneficiary, formed under the laws of the Cayman Islands with no operations of its own. Its principal purpose is to issue the Notes offered hereby, to use the proceeds thereof to purchase a participation in the Loan made by the Lender to Energuate and to make payments on the Notes to the extent payments are received from the Lender in respect of the Participation in the Loan. See "Use of Proceeds," "The Trust," "The Loan Agreement and the Loan" and "Description of the Notes." The Loan Agreement will include covenants, events of default and other provisions that, among other things, restrict Energuate's ability to engage in certain transactions. The Indenture will include covenants and other provisions that, among other things, restrict the Trust's ability to engage in any operations other than those described above. Failure of Energuate to make payments under the Loan Agreement (including upon a prepayment event or following an acceleration of the Loan) thereby making funds available to the Trust to pay amounts due on the Notes will result in non-payment of the Notes.

Because the Trust will have no operations of its own, its ability to pay principal, interest and other amounts due on the Notes will be dependent upon its receiving payments under, or with respect to, the Loan Agreement and the other Transaction Documents and, as a result, on Energuate's financial condition, liquidity and results of operations. If Energuate's financial condition, liquidity or results of operations are adversely affected, the Lender may be unable to recover sufficient proceeds under the Loan Agreement or the other Transaction Documents to repay all amounts due on or with respect to the Loan and, accordingly, the Trust and the Indenture Trustee may be unable to recover sufficient proceeds to repay all amounts due under the Notes at their scheduled maturity or earlier upon any redemption prior to the scheduled maturity date. See "The Trust."

The Notes are limited recourse obligations.

The Notes represent limited recourse obligations of the Trust secured by, and repayable solely from, the Trust Assets. The Notes are not direct obligations of any of the Borrowers, the Parent Guarantors (except as set forth in the Note Guarantees), the Administrative Agent, the Lender, the Cayman Trustee (other than in its capacity as trustee subject to the limited recourse provisions described herein) or the Indenture Trustee. Payments on the Notes by the Trust will be made solely from payments by the Lender under the Participation Agreement. If payments by the Lender to the Trust under the Participation Agreement and the other Transaction Documents are not sufficient to pay all amounts due to the holders of Notes, no other assets will be available for payment of any shortfall (other than the Note Guarantees of the Parent Guarantors to the extent described herein).The obligations of the Lender under the Participation Agreement are non-recourse and are limited to its obligation to make payments to the extent they are received from Energuate.

Payments on the Notes will be subject to Energuate's ability to make payments on the Loan.

The Notes are structured so that funds available to the Trust are expected to be sufficient to pay amounts on the Notes as if the Notes were Energuate's senior unsecured obligations; provided that in the case of bankruptcy or insolvency of Energuate, liabilities of Energuate under public deeds would have priority. Therefore, the Notes are subject to the same credit risks to which Energuate's obligations are subject, as well as certain other risks, and the Trust's ability to make timely and full payment of the amounts payable on the Notes will be dependent upon Energuate's creditworthiness. Energuate's ability to service its debt is subject to its ability to maintain sufficient operating cash flow and other factors, which are beyond the Trust's control. See "—Risks Related to Our Business" and the other information relating to Energuate included in this offering memorandum.

Holders depend on the Cayman Trustee, the Trust and the Indenture Trustee to pay over all amounts received from the Lender.

The holders of the Notes are dependent upon the Trust to pay over all amounts received from the Lender under the Participation Agreement to the Indenture Trustee. In addition, the Trust is obligated to turn over to the Indenture Trustee all notices it receives from the Lender or the Administrative Agent under the Participation Agreement and to follow instructions of the Indenture Trustee, acting on behalf of (or at the direction of) the holders of the Notes with respect to the Participation Agreement, the Promissory Note, the Expense Reimbursement and Indemnity Agreement, the Loan Agreement and the Loan. If the Trust receives funds or notices under the Participation Agreement but fails, for any reason, to transmit the same to the Indenture Trustee (or the Indenture Trustee fails to pay over such amounts or give such notices to the holders of the Notes), the sole remedy of the holders of the Notes will be to pursue a claim under the Indenture against the Trust and the Indenture Trustee for non-performance of their respective obligations under the Indenture. Failure by the Trust and/or the Indenture Trustee to perform their respective obligations will not afford the holders of the Notes any claim against the Lender under the Participation Agreement and/or Energuate under the Loan Agreement, the Promissory Note, the Expense Reimbursement and Indemnity Agreement, or the Loan or give rise to any default, event of default or right to accelerate amounts due under the Loan or the Notes.

The Trust may present a credit risk.

Energuate has no payment or other obligations with respect to the Notes and, except for certain expense and tax obligations under the Expense Reimbursement and Indemnity Agreement, Energuate is only obligated to make payments on the Loan pursuant to the Loan Agreement under which holders of Notes have no direct rights. Holders of Notes will only receive payments in respect of principal, interest and other amounts due on the Notes if Energuate makes corresponding payments to the Lender under the Loan Agreement, the Lender makes payments to the Trust pursuant to the Participation Agreement and the Trust makes payments to the holders of the Notes. The Trust has irrevocably directed the Lender to make all payments under the Participation Agreement directly to the Indenture Trustee. Although the Trust's irrevocable deposit instructions and obligations under the Participation Agreement and the Indenture would generally be enforceable under the laws of New York, in the event of a bankruptcy, liquidation or other insolvency of the Lender or the Cayman Trustee, the Indenture Trustee's ability to receive payments on the Notes may be delayed and/or otherwise adversely affected by applicable laws regarding bankruptcy, liquidations, insolvencies and similar circumstances. Such laws may include the laws of the United States, the Cayman Islands or any other jurisdiction in which the Lender or the Cayman Trustee (or the Trust) then has assets or is subject to local liabilities. Because the Trust's sole obligation in respect of the Notes is to make certain payments when, as and if payments under the Participation Agreement are received from the Lender, financial information relating to the Trust is not included in this offering memorandum.

The ability of the Trust to make payments on the Notes depends on the performance by the Administrative Agent on behalf of the Lender.

The ability of the Trust to make payments on the Notes is dependent in part on the performance by the Lender of its obligations under the Loan Agreement and the Participation Agreement. Payments made by the Administrative Agent on behalf of the Lender pursuant to the Participation Agreement will be the Trust's sole source of funds for payments made by the Trust on the Notes pursuant to the Indenture. If the Lender defaults on its obligations under the Participation Agreement, the Trust's sole source of funds for payments on the Notes will be any recovery on claims against the Lender. Accordingly, if the Lender defaults on its obligations under the Participation Agreement, the Trust's ability to make payments on the Notes will be substantially reduced. In addition, such a default by the Lender will not confer on the holders of the Notes any rights against the Trust or any other person.

The Loan Agreement is unsecured and the Lender's rights to receive payment thereunder will be effectively subordinated to any of Energuate's existing and future secured indebtedness and certain other liabilities preferred by law.

The Loan will be effectively subordinated to (1) all of Energuate's secured indebtedness to the extent of the value of Energuate's assets securing that indebtedness and (2) certain direct, unconditional and unsecured general

obligations that in case of Energuate's insolvency are granted preferential treatment pursuant to Guatemalan law. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of Energuate's business, secured creditors of Energuate and creditors of Energuate that are preferred by law will generally have the right to be paid in full out of the proceeds of the asset or assets by which that debt is secured before other creditors, including the Lender under the Loan Agreement, receive payment through the proceeds of that asset or assets.

Energuate will be permitted to incur substantially more debt.

Energuate will be permitted under the Loan Agreement to incur substantial additional indebtedness, including secured indebtedness, in the future, subject to the limitation on debt under the Loan Agreement. In addition, the Loan Agreement will allow Energuate to incur additional indebtedness under the Loan Agreement and the Loan, and the Trust will, in turn, issue additional Notes under certain circumstances to fund such advances under the Loan Agreement and the Loan. In addition, the Loan Agreement will not prevent Energuate from incurring other liabilities that do not constitute indebtedness. See "The Loan Agreement and the Loan." If new debt or other liabilities are added to Energuate's current debt levels, the related risks that Energuate now faces could intensify.

The Loan may be prepaid prior to maturity.

Under the terms of the Loan Agreement, Energuate has the option of prepaying the Loan in whole or in part under various circumstances. In the case of certain prepayments, Energuate must pay a specified premium in order to make these prepayments. A prepayment of the Loan may give rise to a mandatory redemption of the Notes; in other cases it will give rise to a mechanism whereby the holders of the Notes will be offered the option of requiring the Trust to purchase of all or a portion of Notes held by them at such time. See "The Loan Agreement and The Loan—Optional Prepayments" and "The Loan Agreement and The Loan—Mandatory Prepayments."

The Trust may be unable to make a change of control prepayment offer required by the Indenture, which would cause a default under the Loan Agreement.

The terms of the Indenture will require the Trust to make an offer to purchase the Notes upon the occurrence of a change of control of either Borrower that results in a rating decline at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of the purchase. The terms of the Loan Agreement will require Energuate to prepay to the Lender the portion of the Loan corresponding to the amount of the Notes tendered in the offer (which may be all). The Guatemalan Loan Agreements (as defined under "The Guatemalan Loan Agreements") and any additional financing arrangements Energuate may enter into may require repayment of amounts outstanding in the event of a change of control and limit Energuate's ability to fund the prepayment of the Loan in certain circumstances. It is possible that Energuate will not have sufficient funds to pay for any or all of the portion of the Loan that it is required to prepay at the time of a change of control or that restrictions in Energuate's credit facilities and other financing arrangements will not allow Energuate to make the necessary prepayment and, accordingly, the Trust will not have sufficient funds to make the required purchase of the Notes. See "Description of the Notes—Repurchase at the Option of Holders—Change of Control Triggering Event."

An assignment of the Loan may lead to increased tax withholding and possible redemption of Notes.

Credit Suisse AG, Cayman Islands Branch ("Credit Suisse Cayman Islands") will be the lender with respect to the Loan on the date the loan is disbursed. However, Credit Suisse Cayman Islands, acting as Lender, may assign its interest in the Loan Agreement, the Participation Agreement, the Promissory Note, the Expense Reimbursement and Indemnity Agreement, and the Loan in certain circumstances where Credit Suisse Cayman Islands, as Lender, determines that it no longer desires to act as lender with respect to the Loan and complies with the requirements, including in certain circumstances the consent of the Borrowers, set forth in "Description of the Notes—Security," "Description of the Notes—Acceptance of the Loan by the Cayman Trustee," and "The Loan Agreement and The Loan—Assignments." Upon any such assignment, Credit Suisse Cayman Islands will have no further responsibility to the Trust with respect to any matter relating to the Loan. In such event, it is expected that the holders of the Notes and the Indenture Trustee will continue to have the right to direct the Trust with respect to all matters relating to the Loan. Any assignment of the Loan to the Trust may give rise to a significant increase in applicable Guatemalan tax

withholding imposed on Energuate, which may permit Energuate to prepay the Loan and, accordingly, cause a mandatory redemption of the Notes.

The holders of the Notes must direct the Trust to direct the Lender to take actions.

Under the Participation Agreement, the Lender (or the Administrative Agent on behalf of the Lender) will exercise its rights (subject to certain exceptions) under the Loan Agreement and with the respect to the Loan in accordance with the instructions of the Trust acting at the direction of the holders of the Notes. In the absence of any instructions from the Trust acting at the direction of the holders of Notes, it is possible that the Lender may decline to take any action with respect to collection under, or administration, management or enforcement of, the Loan Agreement or the Loan. As a result, the holders of the Notes must direct the Trust to direct the Lender to take actions under the Loan Agreement and the Loan.

The Lender is not an agent of the Trust and retains the ability to decline to follow instructions from holders of the Notes.

Under the terms of the Participation Agreement, so long as the Lender is the lender with respect to the Loan subject to such agreement, the Lender has agreed to seek the instructions of the Trust (and, indirectly, the holders of the Notes) with respect to the management and administration of the Loan Agreement and the Loan. Notwithstanding the foregoing, if the Lender is for any reason unable to do so, the Lender may decline to follow the instructions of the Trust (and, thereby, the holders of the Notes), which may have an adverse effect on the holders of the Notes, including the recovery of amounts due in respect thereof.

The Administrative Agent may fail or refuse to act under the Loan Agreement if it is not provided with adequate security or indemnification against any and all liability and expense that may be incurred by reason of taking or continuing to take action under the Loan Agreement.

To the extent that a security or indemnification provided by Energuate is not satisfactory to the Administrative Agent for the exercise of any right or remedy under the Loan Agreement that may cause the Administrative Agent to incur any liability or expense (including any enforcement or collection proceeding resulting from an event of default under the Loan Agreement), the holders of the Notes will be required to provide the Administrative Agent with adequate security or indemnification against any and all liability and expense that may be incurred by the Administrative Agent by reason of taking or continuing to take action under the Loan Agreement. Under the Loan Agreement, the failure to provide adequate security or indemnification to the Administrative Agent will justify the Administrative Agent's failure or refusal to act under the Loan Agreement.

The Lender may have other relationships with Energuate.

The Lender and its affiliates currently have and will continue to have a wide range of banking, insurance, trust and other financial relationships with Energuate and its affiliates. As a consequence of these relationships, the Lender or its affiliates may take actions that, directly or indirectly, may entitle them to appear in proceedings with respect to claims against Energuate. As a result of such relationships, the Lender may take a position in favor of Energuate or contrary to the interests of the Trust and the holders of the Notes. In managing such relationships, the Lender and its affiliates are under no obligation to consider the effect of their actions on the holders of the Notes. In addition, in the course of such relationships or otherwise, the Lender or its affiliates may come into possession of material non-public information with respect to Energuate. The Lender will not be required to disclose any such information under the Participation Agreement or the Loan Agreement or in connection with the transactions described herein or to use such information for the benefit of the holders of the Notes, nor will the possession of such information prevent the Lender from taking actions under the Participation Agreement or the Loan Agreement.

There are restrictions on transfers of the Notes.

The Trust is relying on exemptions from registration under the Securities Act in this offering of the Notes and on the exemption provided for in Section 3(c)(7) of the Investment Company Act. As a result, the Notes may only be sold to and/or held in the United States by "Qualified Purchasers" within the meaning of Section 2(a)(51) of

the Investment Company Act. The Notes have not been registered under the Securities Act or any state securities laws, and the Trust is not required to and will not register the Notes under the Securities Act. As a result, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Prospective investors should be aware that purchasers of the Notes may be required to bear the financial risks of any investment in the Notes for an indefinite period of time. Energuate has not, and will not, registered the Notes under the securities laws of any jurisdiction. See "Notice to Investors" for more information about these and other transfer restrictions, including those under U.S. securities laws.

The rating of the Notes may be lowered or withdrawn depending on various factors, including the rating agencies' assessments of Energuate's financial strength and Guatemalan sovereign risk.

The credit ratings of the Notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. The ratings of the Notes address the likelihood of payment of principal at their maturity. The ratings also addresses the timely payment of interest on each scheduled payment date. The ratings of the Notes are not recommendations to purchase, hold or sell the Notes, and the ratings do not address market price or suitability for a particular investor. Neither Energuate nor the Trust can assure you that the rating of the Notes will remain in effect for any given period of time or that the rating will not be lowered, suspended or withdrawn entirely by one or more of the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. An assigned rating may be raised or lowered depending, among other things, on the respective rating agency's assessment of Energuate's financial strength, as well as its assessment of Guatemalan sovereign risk generally. In addition such rating may be lowered if the financial condition or business of the Lender materially deteriorates. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Notes.

There is no existing market for the Notes and one may not develop in the future; thus it may be difficult to resell your Notes.

The Notes are a new issue of securities and there is no established trading market for the Notes. The holders of Notes will not have any right to require the Trust to register the resale of the Notes pursuant to the Securities Act. Although application will be made to list the Notes on the SGX-ST, we cannot provide you with any assurances that the Notes will be or will remain listed. The initial purchasers are not under any obligation to make a market with respect to the Notes. We cannot assure you whether a market will develop for the Notes, or of the liquidity of any such market should it develop, the ability of the holders of the Notes to sell them or the price at which the Notes may be sold. The liquidity of any market for the Notes will depend on many factors, including the number of holders of the Notes, prevailing interest rates, the market's performance and prospects, as well as recommendations of securities analysts. The Notes may trade at prices that are higher or lower than the initial offering price depending on many factors, including prevailing interest rates, Energuate's results of operations and financial condition, prospects for other companies in Energuate's industry, political and economic developments in and affecting Guatemala, the risks associated with Cayman issuers of similar securities and the market for similar securities. If an active trading market for the Notes is interrupted, the market price and liquidity of the Notes may be materially adversely affected.

The liquidity of, and trading market for, the Notes may also be adversely affected by declines in the market for high yield or emerging markets securities generally. Such a decline may affect any liquidity and trading of Notes independent of Energuate's financial performance and prospects.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to law and may be subject to review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (1) Notes are lawful investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Holders of Notes may find it difficult to enforce civil liabilities against the Trust.

The Trust is not an entity with an independent legal existence. The Cayman Trustee is a company with limited liability incorporated under the laws of the Cayman Islands, acting solely in its capacity as trustee of the Trust. As a result, it may not be possible for investors to effect service of process upon the Trust or the Cayman Trustee within the United States or to enforce against the Trust or the Cayman Trustee in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. According to the Trust's Cayman Islands counsel, there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of courts located in the United States, of liabilities predicated solely upon United States securities laws. See "Enforcement of Civil Liabilities—Cayman Islands."

It may be difficult to enforce civil liabilities against Energuate or its directors, executive officers and controlling persons.

Most of Energuate's directors, executive officers and controlling persons are non-residents of the United States and substantially all of the assets of such non-resident persons and a significant portion of all of the assets of Energuate are located in Guatemala or elsewhere outside the United States. As a result, it may not be possible for the Lender, under the Loan Agreement, or the holders of the Notes, under the Indenture, to effect service of process within the United States upon such persons or Energuate or to enforce against them or Energuate in courts of any jurisdiction outside Guatemala, judgments predicated upon the laws of any such jurisdiction, including any judgment predicated substantially upon the civil liability provisions of United States federal and state securities laws. We have been advised that there are certain limitations and formal requirements for the enforceability in Guatemalan courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside Guatemala, of civil liabilities arising under the laws of any jurisdiction outside Guatemala, including any judgment predicated solely upon United States federal or state securities laws.

No treaty is currently in effect between the United States and Guatemala that covers the reciprocal enforcement of foreign judgments. In the past, Guatemalan courts have enforced judgments rendered in the United States by virtue of principles of reciprocity and comity as well as the provisions of Guatemalan law relating to the enforcement of foreign judgments in Guatemala, consisting of the review by Guatemalan courts of the United States judgment in order to ascertain whether Guatemalan legal principles of due process and public policy (*orden público*), among other requirements, have been duly complied with, without reviewing the merits of the subject matter of the case, provided that courts located in the United States would grant reciprocal treatment to Guatemalan judgments. In particular, a judgment issued outside Guatemala, including the United States, would not be enforceable in Guatemala if issued in absentia of the defendant. In any case, the enforcement of a foreign judgment in Guatemala is a lengthy and uncertain procedure. See "Enforcement of Civil Liabilities—Guatemala."

Holders may face exchange control and exchange rate risks.

The ability of the Trust to make, or cause to be made, payments in respect of interest on the Notes are based on Energuate's payments in respect of the Loan, which in turn depends on the cash flow available for Energuate's debt service, which is denominated in *quetzales*. These obligations with respect to the cash flow available for Energuate's debt service are subject to the ability to convert *quetzales* into U.S. dollars, the rates at which such conversions occur, and the ability to repatriate such funds into the United States. The *quetzal* may be subject to significant fluctuations in the future. See "Exchange Rate Information."

The U.S. federal income tax consequences of investing in the Notes are not entirely certain and potential alternative characterizations could result in adverse U.S. federal income tax consequences to investors.

The Trust will treat, and each beneficial owner of Notes by acquiring a beneficial interest in the Notes agrees to treat, solely for U.S. federal, state and local income tax purposes, (1) the Notes as ownership interests in the Loan, and (2) the Trust as a mere security arrangement that serves to facilitate and secure payment of

distributions due under the Loan to investors in the Notes pursuant to the Participation Agreement. However, there are no statutory, judicial or administrative authorities that address the U.S. federal income tax treatment of a structure consisting of instruments and arrangements similar to the Notes, the Trust, the Participation Agreement, and the Loan and, accordingly, this treatment is not certain.

There are possible alternative U.S. federal income tax characterizations of the Notes and other aspects of the structure that may be adverse to holders of Notes. See "Taxation—United States Federal Income Taxation—Characterization of Structure for United States Federal Income Tax Purposes." In particular, if the Notes were treated as an ownership interest in a foreign grantor trust, U.S. holders may be subject to potentially onerous information reporting requirements. See "Taxation—United States Federal Income Taxation—Possible Alternative Tax Treatments—Notes May Be Treated as Ownership Interests in a Grantor Trust for United States Federal Income Tax Purposes." Accordingly, holders are advised to consult their own tax advisors regarding such alternative characterizations.

USE OF PROCEEDS

The gross proceeds to the Trust from the issuance of the Notes offered hereby are estimated to be approximately US$330 million. The Trust intends to use the gross proceeds from the offering of the Notes to purchase, pursuant to the Participation Agreement, the Participation in the Loan made by the Lender to the Borrowers pursuant to the Loan Agreement.

The gross proceeds to the Borrowers from the incurrence of the Loan pursuant to the Loan Agreement are estimated to be approximately US$330 million. Concurrently with entering into the Loan Agreement, we intend to enter into the Guatemalan Loan Agreements, as described under "The Guatemalan Loan Agreements." The gross proceeds from the Guatemalan Loan Agreements are expected to be approximately US$120 million in the aggregate.

We intend to use the gross proceeds from the Loan and the Guatemalan Loan Agreements to repay in full the approximately US$309 million outstanding under our syndicated loan agreements as of the date of this offering memorandum (excluding accrued interest), to make distributions to our shareholders in the amount of approximately US$129.6 million, including dividend payments in an aggregate amount of Q218.9 million (approximately US$29.1 million), approved at ordinary shareholders meetings of DEOCSA and DEORSA held on November 15, 2016, and dividend payments in an aggregate principal amount of Q209.2 million (approximately US$27.8 million) approved by our shareholders at ordinary shareholders meetings of DEOCSA and DEORSA held on April 25, 2017 (collectively, the "Dividend Payments"), capital reductions in an aggregate amount of Q546.8 million (approximately US$72.7 million) (the "Capital Reductions"), approved at extraordinary shareholders meetings of DEOCSA and DEORSA held on December 2, 2016, and additional distributions that may be approved, to pay fees and expenses relating to the Loan, the Guatemalan Loan Agreements, this offering and the related transactions, and the remainder, if any, for general corporate purposes. We understand that our indirect controlling shareholder will use the portions of the Dividend Payments and Capital Reductions that it receives to repay a US$120 million syndicated loan that it incurred to finance a portion of the purchase price paid in connection with the acquisition of our company in 2016.

For a description of our syndicated loan agreements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

EXCHANGE RATE INFORMATION

Notwithstanding the fact that our functional currency is the *quetzal*, our financial statements are presented in U.S. dollars.

Since 1994, the Monetary Board has allowed the exchange rate for the *quetzal* to be determined predominantly by market forces. The Central Bank intervenes in the foreign exchange market by buying or selling U.S. dollars to counter drastic fluctuations in the exchange rate caused by speculative, cyclical or seasonal factors that affect the balance of payments.

Since 1996, the Central Bank has intervened in the foreign exchange market through the *Sistema Electrónico de Negociación de Divisas* (Electronic Currency Negotiation System), a privately owned and operated electronic system used for buying and selling foreign exchange. Currently, there are no restrictions on the conversion of *quetzales* into other currencies. On May 1, 2001, the *Ley de Libre Negociación de Divisas* (the Guatemalan Law of Free Transfer of Foreign Currency) came into effect, allowing both domestic and foreign banks in Guatemala, as well as any person or entity, to freely enter into foreign currency-denominated contracts and accept demand deposits and offer bank accounts in foreign currency.

The following table sets forth the high, low, average and period-end exchange rates for the periods indicated, expressed in *quetzales* per U.S. dollar. Exchange rates are derived from the average rate for the day published by the Central Bank. The Federal Reserve Bank of New York does not report a noon buying rate for *quetzales*. These rates are presented for informational purposes.

	***Quetzales* per US$**			
	High	**Low**	**Average[(1)]**	**Period-End**
Year Ended December 31:				
2012	8.01533	7.67821	7.83415	7.90230
2013	7.99801	7.77120	7.85880	7.84137
2014	7.88808	7.59663	7.73495	7.59675
2015	7.77216	7.59133	7.65564	7.63237
2016	7.74527	7.46923	7.60206	7.52213
October	7.53090	7.46923	7.49837	7.51560
November	7.51560	7.48971	7.50433	7.51202
December	7.53688	7.47034	7.50434	7.52213
2017:				
January	7.56079	7.47444	7.52214	7.47444
February	7.47170	7.35214	7.41108	7.36852
March	7.37878	7.33480	7.35950	7.33976
April (through April 27)	7.34179	7.33033	7.33732	7.34177

Source: Central Bank.
(1) Average of daily rates.

On April 27, 2017, the exchange rate published by the Central Bank was Q7.34177 per U.S. dollar.

CAPITALIZATION

The following table sets forth as of December 31, 2016 (1) our combined cash and cash equivalents and capitalization and (2) our combined cash and cash equivalents and capitalization as adjusted to give effect to the disbursements under the Loan Agreement and Guatemalan Loan Agreements and the use of proceeds therefrom to repay in full our syndicated loan agreements, but not any other use of proceeds, including the Dividend Payments in the aggregate amount of approximately US$56.9 million or the Capital Reductions in the aggregate amount of approximately US$72.7 million. For further information, see "Use of Proceeds" and "The Guatemalan Loan Agreements."

This table is qualified in its entirety by reference to, and should be read together with, "Presentation of Financial and Other Information," "Selected Financial Information and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited combined financial statements included in this offering memorandum.

	As of December 31, 2016	
	Actual	As Adjusted[1]
	(US$ in thousands)	
Cash and cash equivalents	**11,119**	**144,049**
Short-term financial debt:		
Syndicated loan agreements	67,945	—
Total short-term financial debt	67,945	—
Long-term financial debt:		
Syndicated loan agreements	249,125	—
Loan Agreement	—	330,000
Guatemalan Loan Agreements	—	120,000
Total long-term financial debt	249,125	450,000
Total financial debt	**317,070**	**450,000**
Shareholders' equity:		
Capital stock	107,218	107,218
Legal reserve	20,741	20,741
Accumulated other comprehensive loss – remeasurement of defined benefit obligation	(3,045)	(3,045)
Accumulated other comprehensive loss – translation differences	(3,084)	(3,084)
Retained earnings	26,460	26,460
Total shareholders' equity	**148,290**	**148,290**
Total capitalization[2]	**465,360**	**598,290**

(1) After giving effect to the repayment in full of US$309 million under our syndicated loan agreements, representing all amounts outstanding thereunder.

(2) Total capitalization is equal to total financial debt plus total shareholders' equity.

SELECTED FINANCIAL INFORMATION AND OPERATING DATA

The following tables present our combined selected financial and operating information. The combined selected financial information as of and for the years ended December 31, 2016, 2015 and 2014 presented below has been derived from our audited combined financial statements and the notes thereto included in this offering memorandum. The historical results for any period are not necessarily indicative of results expected in any future period.

You should read the combined selected financial and operating information set forth below in conjunction with the sections entitled "Presentation of Financial and Other Information," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as our audited combined financial statements and notes thereto included in this offering memorandum.

Our audited combined financial statements included herein have been prepared in accordance with IFRS.

Selected Combined Statement of Profit or Loss Data

	For the year ended December 31,		
	2016	2015 (restated)	2014 (restated)
	(US$ in thousands)		
Revenue:			
Energy sales	546,307	556,616	570,007
Services rendered	10,590	8,267	6,604
Other revenues	16,389	12,406	15,280
Total revenue	**573,286**	**577,289**	**591,891**
Costs of sales:			
Energy purchases	(377,062)	(361,378)	(390,221)
Other costs of sales	(71,958)	(71,124)	(68,187)
Total costs of sales	**(449,020)**	**(432,502)**	**(458,408)**
Gross profit	**124,266**	**144,787**	**133,483**
General, selling and administrative expenses	(62,633)	(63,802)	(57,265)
Financial income	7,517	3,974	9,311
Financial expenses	(23,088)	(25,921)	(22,610)
Other income	2,795	4,282	1,928
Profit before income tax	**48,857**	**63,320**	**64,847**
Income taxes	(12,959)	(14,563)	(48,167)
Profit for the year	**35,898**	**48,757**	**16,680**

Selected Combined Statement of Financial Position Data

	As of December 31,		
	2016	2015 (restated)	2014 (restated)
	(US$ in thousands)		
Assets			
Non-current assets:			
Property, plant and equipment	514,768	502,111	500,541
Intangible assets	127,209	125,180	126,738
Trade receivables	12,520	13,192	8,120
Non-current tax assets	80,023	—	—
Other receivables	5,658	5,762	5,147
Total non-current assets	**740,178**	**646,245**	**640,546**
Other assets	2,036	64	51
Inventory	1,446	1,340	1,840
Trade receivables	79,983	78,344	91,053
Other receivables	3,118	5,189	644
Tax assets and liabilities	204	201	1,378
Accounts receivable from related parties	957	799	1,764
Restricted cash	4,797	4,723	3,942
Cash and cash equivalents	11,119	41,250	30,101
Total current assets	**103,660**	**131,910**	**130,773**

	As of December 31,		
	2016	2015 (restated)	2014 (restated)
	(US$ in thousands)		
Total assets	**843,838**	**778,155**	**771,319**
Shareholders' equity and liabilities			
Non-current liabilities:			
Debt with financial entities – long-term	249,125	245,662	208,380
Other financial obligations – long term ….	—	—	481
Deferred revenues	140,666	145,136	148,265
Provisions	13,820	14,664	18,793
Deferred income tax, net	9,365	8,291	9,696
Other long-term liabilities	5,289	4,791	2,431
Total non-current liabilities	**418,265**	**418,544**	**388,046**
Current liabilities:			
Debt with financial entities – short-term	67,945	37,788	53,838
Other financial obligations – short-term	165	583	1,144
Accounts payable to related parties	27,065	123	—
Trade and other accounts payable	106,444	86,202	71,846
Creditors	48	31	1,192
Current tax liabilities	6,249	9,012	23,148
Other liabilities	63,650	53,328	48,284
Employee benefits payable	5,717	4,526	4,121
Total current liabilities	**277,283**	**191,593**	**203,573**
Shareholders' equity:			
Capital stock	107,218	107,218	107,218
Legal reserve	20,741	16,043	16,366
Cash Flows Hedge	—	(270)	(841)
Accumulated other comprehensive loss – remeasurement of defined benefit obligation	(3,045)	(2,859)	(1,801)
Accumulated other comprehensive loss – translation differences	(3,084)	(4,985)	(4,110)
Retained earnings	26,460	52,871	62,868
Total shareholders' equity	**148,290**	**168,018**	**179,700**
Total liabilities	**695,548**	**610,137**	**591,619**
Total liabilities and shareholders' equity	**843,838**	**778,155**	**771,319**

Selected Combined Statement of Cash Flows Data

	For the year ended December 31,		
	2016	2015	2014
	(US$ in thousands)		
Net cash (used in) generated by operating activities	(2,496)[1]	74,041	41,645
Net cash used in investing activities	(33,039)	(33,097)	(32,290)
Net cash generated by (used in) financing activities	5,358	(31,165)	(41,253)

(1) Includes a US$80,023 thousand increase in tax receivables. See "Business—Legal Proceedings—Tax Claims."

Other Selected Combined Financial Data

	As of and for the year ended December 31,		
	2016	2015	2014
	(US$ in thousands)		
Combined EBITDA (US$ in thousands)[1]	90,012	111,157	105,053
Combined EBITDA margin (%)[2]	15.7%	19.3%	17.7%
Combined EBITDA/interest expense on financial debt	4.9	5.4	5.9
Interest expense on financial debt (US$ in thousands)	18,418	20,737	17,875
Total financial debt/Combined EBITDA	3.5	2.5	2.5
Total financial debt (US$ in thousands)[3]	317,070	283,450	262,218

(1) Combined EBITDA represents profit minus financial income plus financial expenses, income tax expense (benefit), net and depreciation and amortization. Combined EBITDA is a supplemental measure of our financial performance that is not required under, or presented in accordance with, IFRS or U.S. GAAP. Combined EBITDA is presented because we believe that some investors find it to be a useful tool for measuring a company's financial performance. Combined EBITDA should not be considered as an alternative to, in isolation from, or as a

substitute for analysis of our financial condition or results of operations, as reported under IFRS. Other companies in our industry may calculate Combined EBITDA differently than we have for purposes of this offering memorandum, limiting Combined EBITDA's usefulness as a comparative measure.

(2) Represents Combined EBITDA divided by total revenue.

(3) Represents short-term and long-term debt with financial entities.

Reconciliation of Combined EBITDA to Combined Profit

The following table provides a reconciliation of combined EBITDA to combined profit. For additional information regarding the use of combined EBITDA, see "Non-IFRS Financial Information."

	For the year ended December 31,		
	2016	2015	2014
	(US$ in thousands)		
Profit for the year	35,898	48,757	16,680
Financial expenses	23,088	25,921	22,610
Financial income	(7,517)	(3,974)	(9,311)
Income tax expense (benefit), net	12,959	14,563	48,167
Depreciation and amortization	25,584	25,890	26,907
Combined EBITDA	90,012	111,157	105,053

Selected Combined Operating and Other Data

	For the year ended December 31,		
	2016	2015	2014
Energy sales (GWh)	2,316.4	2,315.2	2,184.1
Number of customers (at period end) (in thousands)	1,679	1,635	1,580
Number of employees (at period end)	760	797	790
Energy losses (% of energy purchased)	19.6%	16.9%	17.0%

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

The following discussion is based on, and should be read in conjunction with, our audited combined financial statements and the notes thereto included in this offering memorandum. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this offering memorandum, particularly under "Risk Factors."

Overview

Through two corporate entities, DEOCSA and DEORSA, we are one of two large energy distributors in Guatemala and the largest distribution company in Central America measured by population served. We operate in 21 of Guatemala's 22 departments, distributing energy to a service area of 101,914 km^2 with approximately 11.8 million inhabitants. As of December 31, 2016, our service area represented approximately 93.6% of the country's territory in which approximately 72.8% of its total population resides. As of December 31, 2016, we provided services to approximately 1.7 million regulated customers in Guatemala, which we estimate represent approximately 56.0% of Guatemala's population and approximately 54.3% of Guatemala's regulated distribution customers. We operated 70,380 km of distribution lines in Guatemala, representing approximately 83.1% of Guatemala's distribution lines as of December 31, 2016. We hold government authorizations to provide energy distribution services within our service area until 2048.

In the years ended December 31, 2016, 2015 and 2014, we sold 2,316.4 GWh, 2,315.2 GWh and 2,184.1 GWh of energy, respectively, which represented approximately 21.2%, 21.3% and 21.5% of the energy purchased in Guatemala for such periods. We purchase the energy and capacity we distribute to our customers principally through long-term PPAs with generation companies. In the year ended December 31, 2016, we purchased US$340,154 thousand, in energy under our PPAs and US$36,908 thousand in energy on the spot market, which represented 90.2% and 9.8%, respectively, of the total amount of energy purchased by us for such year. As of December 31, 2016, we have entered into 73 PPAs with 31 generators and with a weighted average life of 12 years. We are required, under the current regulations, to have enough contracted capacity to satisfy the projected demand of our customers for the current calendar year and for the next year. However, if the contracted capacity and energy under our PPAs are insufficient to meet the demand of our customers or if energy pricing conditions under those PPAs are higher than the spot market price, we occasionally make purchases on the spot market.

Principal Factors Affecting Our Results of Operations

Growth of Guatemala's GDP and Demand for Energy

As a Guatemalan company with substantially all of our assets and operations in Guatemala, we are significantly affected by economic conditions in Guatemala.

Our results of operations and financial condition have been, and will continue to be, affected by the growth rate of GDP in Guatemala because the use of energy by our customers is correlated to the level of economic activity in Guatemala. Fluctuations in Guatemala's demand for energy affect the quantity of energy that we distribute and, consequently, the amount of the VAD charges that we receive. In addition, fluctuations in the demand for energy of unregulated customers in Guatemala, particularly in the departments in which we distribute energy, affect the amount of tolls that we receive for distributing the energy to the large users in our service area.

GDP in Guatemala grew at a compound average annual rate of 3.7% from 2010 through 2016. From 2005 through 2016, energy consumption in Guatemala increased at a compound average annual rate of 3.8%. GDP in Guatemala increased by 4.2% in 2014, 4.1% in 2015 and 3.1% in 2016. Guatemalan consumption of energy increased by 3.6% in 2014, 5.8% in 2015 and 4.7% in 2016. The increase in the consumption of energy during each of these three years was primarily attributable to economic growth in Guatemala.

Guatemalan GDP growth has fluctuated, and we anticipate that it will likely continue to do so. Our management believes that economic growth in Guatemala would positively affect our future revenues and results of operations. However, lack of growth or a recession in Guatemala would likely reduce our future revenue and have a negative impact on our results of operations.

Distribution Tariffs and VAD Charges

Regulated energy tariffs in Guatemala are divided into three components: cost of energy and capacity, cost of transmission and the VAD. Energy, capacity and transmission are pass-through costs for us, since the tariffs we charge our customers are adjusted to reflect changes in our costs of energy and capacity purchased and the transmission tolls we pay. Although some temporary differences may exist during the adjustment process, the tariff structure is generally designed to allow us to pass through to customers our energy, capacity and transmission costs. Because we pass through the energy, capacity and transmission components of the regulated tariffs to our customers, our gross margin (equal to gross profit divided by total revenue) is primarily determined by the VAD charges.

Our liquidity and results of operations are principally affected by changes in the regulated tariffs that we charge for energy transmitted through our distribution system, and are also affected, to a lesser extent, by the tariffs we negotiate with unregulated customers. Regulated customers, which are subject to regulated tariffs, accounted for 95.7% and 93.2% of the volume of energy we delivered in the years ended December 31, 2016 and 2015, respectively. Our tariffs for regulated customers consist of the three components described above: (1) energy and capacity charges designed to cover the cost of energy and capacity purchased by us for delivery to regulated customers, (2) transmission tolls for the use of the transmission grid, and (3) a VAD charge designed to cover the operating expenses, capital expenditures and cost of capital of a model efficient distribution company operating in our service areas. The CNEE adjusts these components at different intervals based on the methodology established by the General Electricity Law and related regulations. See "Overview of the Electric Energy Industry in Guatemala—Tariffs and Tolls."

The VAD charges applicable to us are established every five years under procedures set forth in the General Electricity Law and related regulations. The VAD charges currently applicable to us were established in January 2014 and are scheduled to be reassessed in January 2019. See "Overview of the Electric Energy Industry in Guatemala—Tariffs and Tolls." For DEOCSA, the VAD charges applicable to us as of December 31, 2016 were Q.96.1 (US$12.8) per kW monthly for low-voltage tariffs and Q.56.2 (US$7.5) per kW monthly for medium-voltage tariffs. For DEORSA, the VAD charges applicable to us as of December 31, 2016 were Q91.7 (US$12.2) per kW monthly for low-voltage tariffs and Q74.8 (US$9.9) per kW monthly for medium-voltage tariffs.

The VAD charges applicable to us are also adjusted in January and July of each year to reflect the effects of Guatemalan inflation and changes in the *quetzal*/U.S. dollar exchange rate on our operations. During the past three years, approximately 57% of each adjustment has been based on the rate of Guatemalan inflation and the remaining 43% of each adjustment has been based on changes in the *quetzal*/U.S. dollar exchange rate.

Recovery of Energy Costs from Regulated Customers

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

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

energy adjustment surcharges in the future is merely an adjustment mechanism of the energy charge that applies to subsequent periods.

The results of this tariff adjustment process is reflected by the CNEE through quarterly resolutions and communicated to DEOCSA and DEORSA for its application in subsequent periods. Pursuant to the CNEE resolutions published in January 2017, the energy adjustment surcharge applicable to us for the period from February 1, 2017 to April 30, 2017 was determined to be a net reduction of our energy charges of approximately US$8,535 thousand. In addition, the January 2017 resolution established an accrual (outstanding balance following the net reduction applied from February 1, 2017 through April 30, 2017) of US$24,510 thousand to be applied to reduce energy charges in future periods as agreed between us and the CNEE.

Between 2013 and 2015, energy prices in Guatemala decreased, as did the average cost of Energuate's energy purchases. In this period, the CNEE, instead of fully transferring this decrease in energy costs to our customers' tariffs, opted to only partially reduce electricity tariffs. The difference generated in electricity tariffs (versus a direct pass-through) was to be recovered in future tariff revisions of the CNEE. During 2016, the CNEE, in agreement with DEOCSA and DEORSA, decided to adjust tariffs in favor of customers in order to recover the aforementioned difference. As a result, during the years ended December 31, 2015 and 2014, the portion of energy cost charged in electricity tariff was US$13,087 thousand and US$7,824 thousand higher than the actual cost of energy, respectively, therefore improving our financial results. However, during the year ended December 31, 2016, the portion of energy cost charged in the electricity tariffs was US$12,689 thousand lower than the actual cost of energy, negatively affecting our financial results and creating a total difference of US$25,776 thousand between the 2015 and 2016 periods. This temporary difference in the adjustment of the cost of energy purchased, a pass-through component of the electricity tariffs, affects our financial results. Accordingly, our combined EBITDA decreased by approximately US$21,145 thousand from the year ended December 31, 2015 as compared to the year ended December 31, 2016, of which US$25,776 thousand represents temporary differences from adjustments of cost of energy purchases.

As of December 31, 2016, 2015 and 2014, we had accrued combined regulatory liabilities of US$37,103 thousand, US$49,107 thousand and US$36,020 thousand. For accounting purposes under IFRS, the recovery of the surplus or deficit in the recovered energy costs should be recognized only when the revenues based on the tariffs to which the energy adjustment surcharges are applied are received or receivable. For more information see note 1.a to our audited combined financial statements.

Changes in the Application of the Social Tariff and Subsidies from the Guatemalan Government

Under Guatemalan law, all of our customers that consume less than 300 kWh per month are entitled to pay the social tariff. The social tariff is composed of an energy charge and a VAD charge. While the VAD charge is the same for all customers, the energy charge varies depending on the cost of energy and capacity we purchase to distribute among these customers.

In addition, the Guatemalan government provides a subsidy to customers eligible for the social tariff who consume 100 kWh or less per month. Such subsidy is calculated by the CNEE and paid directly by the INDE to us on a monthly basis. The subsidy is based on the monthly consumption of the consumers, as set forth in the CNEE's regulations. For more information, see "Overview of the Electric Energy Industry in Guatemala—Tariffs and Tolls—The Social Tariff." For the years ended December 31, 2016, 2015 and 2014, we received payments from the INDE to apply as a subsidy to reduce the payment of the energy charges on the invoices of 78.3 %, 71.5% and 81.9%, respectively, of our customers who consume 100 kWh or less per month.

The following table reflects the percentage of regulated customers of Energuate eligible for the social tariff, energy sold by Energuate at the social tariff, revenues from sales of energy under the social tariff, and revenues represented by subsidies received from the INDE in respect of customers eligible for the social tariff.

	As of and for the year ended December 31,		
	2016	**2015**	**2014**
Regulated customers eligible for the social tariff	96.7%	96.7%	97.1%

	As of and for the year ended December 31,		
	2016	2015	2014
Energy sold under the social tariff	52.0%	50.7%	50.5%
Revenues from sales of energy under the social tariff / Energy sales	58.2%	58.7%	57.7%
Revenues represented by subsidies received from the INDE / Total revenues	16.5%	17.6%	19.7%

Variation of the Amount of Energy Losses

We experience two types of energy losses: technical losses and commercial energy losses. Technical losses occur in the ordinary course of our distribution of energy and include losses due to energy dissipation in conductors and magnetic losses in transformers, while commercial energy losses result from illegal connections, customer fraud and billing errors. Our total energy losses in the years ended December 31, 2016, 2015 and 2014 were 19.6%, 16.9% and 17.0% of our total energy received, respectively. Although the distribution tariffs that we charge our regulated customers include a VAD charge, which provides for an allowance determined by the CNEE for losses incurred in the distribution of energy, our losses may continue to exceed such allowance (currently approximately 15.0% of our costs associated with energy losses) and, therefore, we may have to continue to bear the cost of such losses. Such loss is reflected as a decrease in our gross profit since the cost of purchasing the energy lost is not compensated by a corresponding sale of energy.

We intend to reduce commercial energy losses through improving customer billing and collection practices, increasing targeted inspections and meter replacements, implementing a communication program with local communities and modernizing our facilities to reduce tampering, especially in areas where energy theft has been more prevalent, such as in the conflict zones. We also intend to reduce technical losses by investing in the modernization of our transmission grid and distribution system. For more information related to our planned investments, see "Business—Capital Expenditures."

Effects of Fluctuations in Exchange Rates between the* Quetzal *and the U.S. Dollar and Guatemalan Inflation

Because all our PPAs require us to pay in U.S. dollars or have price terms that are linked to the U.S. dollar and a significant portion of the materials that we purchase for expansion and maintenance of our distribution system are priced in U.S. dollars, fluctuations in the *quetzal*/U.S. dollar exchange rate affect our operating expenses and capital expenditures. In addition, inflation affects our operating costs by increasing some of our operating expenses denominated in *quetzales* (and not linked to the U.S. dollar).

However, because the VAD charges applicable to us are adjusted semi-annually to reflect fluctuations in the *quetzal*/U.S. dollar exchange rate and Guatemalan inflation, and because Guatemala has not suffered significant currency depreciation or inflation in the recent past, currency depreciation and inflation have not had significant effects on our net income. In addition, since the energy and capacity charge is adjusted annually and quarterly to match our cost of energy and capacity prices, fluctuations in the price of energy and capacity due to exchange rate fluctuations do not have a significant impact in our net income.

Our results of operations and financial condition have been, and will continue to be, affected by the rate of depreciation or appreciation of the *quetzal* against the U.S. dollar, since our functional currency is the *quetzal*, because a significant amount of our financial debt is denominated in U.S. dollars that require us to make principal and interest payments in U.S. dollars.

Our combined U.S. dollar-denominated financial debt represented 73.3%, 71.1% and 73.2% of our combined outstanding financial debt as of December 31, 2016, 2015 and 2014, respectively. As a result, when the *quetzal* depreciates against the U.S. dollar:

- the interest expense on our U.S. dollar-denominated financial debt increases in *quetzales*, which negatively affects our results of operations in *quetzales*;
- the amount of our U.S. dollar-denominated financial debt increases in *quetzales*, and our total liabilities and debt service obligations in *quetzales* increase; and

- our financial expenses (denominated in *quetzales*) increase as a result of foreign exchange losses that we must record.

Conversely, when the *quetzal* appreciates against the U.S. dollar:

- the interest expense on our U.S. dollar-denominated financial debt decreases in quetzales, which positively affects our results of operations in quetzales;

- the amount of our U.S. dollar-denominated financial debt decreases in quetzales, and our total liabilities and debt service obligations in quetzales decrease; and

- our financial expenses (denominated in quetzales) tend to decrease as a result of foreign exchange gains that we must record.

Any significant depreciation of the *quetzal* against the U.S. dollar would significantly increase our financial expenses and our short-term and long-term financial debt, as expressed in *quetzales*. Conversely, any significant appreciation of the *quetzal* against the U.S. dollar would significantly decrease our financial expenses and our short-term and long-term financial debt, as expressed in *quetzales*.

Effect of Interest Rates

As of December 31, 2016, our combined total outstanding financial debt was US$317,070 thousand. Our financial expenses consist principally of interest expense on financial debt, interest on customers' deposits, loss on exchange variations of U.S. dollar-denominated financial debt and other items. Our financial income consists principally of compensatory interest, interest income on bank accounts and gains on exchange variations of U.S. dollar-denominated financial debt and other items. The interest rates that we pay depends on a variety of factors, including prevailing Guatemalan and international interest rates and risk assessments of us, our industry and the Guatemalan economy made by potential lenders to us.

We have debt obligations with variable interest rates. Our variable rate debt exposes us to market risks from changes in LIBOR and TAPP. We managed our LIBOR exposure through hedging instruments until May 19, 2016. Pursuant to the terms of our syndicated loan agreements, we had entered into interest rate swap agreements with Bancolombia, S.A. to protect the future cash flows that might be susceptible of significant variations as a result of the variations of LIBOR which terminated on May 19, 2016.

Effects of Guatemalan Taxation

Under Guatemalan law, we currently pay income tax at the rate of 25% of our adjusted income before taxes. The Guatemalan corporate income tax rate declined from 28% in 2014 to 25% in 2015 and in 2016. Income before taxes is adjusted by deducting non-taxable income and other deductions and adding non-deductible expenses. Our non-taxable income consists principally of our bank and late interest. Our other deductions consist principally of deductions that we are able to benefit from in calculating our tax liability in any tax year. Our non-deductible expenses consist primarily of provisions taken in our statement of profit or loss in excess of those permitted to be deducted under Guatemalan tax law, principally the accelerated depreciation, cost of work per transportation, provision for obsolete inventory and interest of warranty deposits.

In light of the court orders referred to under "Business—Legal Proceedings—Tax Claims," although we are pursuing legal remedies through the Guatemalan legal system to determine our ability to deduct interest and amortization relating to the 2011 acquisition, we may not be able to deduct such historical amounts or take similar deductions in the future. As a result, we do not plan to deduct such items, which could result in our recording a higher effective tax rate.

Government Grants Related to Construction Projects of the PER

On May 4, 1999, we entered into an Electric Energy Transmission Works Construction Agreement with the INDE and a trust administration agreement related to the *Programa de Electrificación Rural* (the Rural Electrification Project, or the "PER"). Upon the completion of the construction projects within the PER, the transmission assets became property of the INDE while the distribution assets were transferred to us and form part of the property, plant and equipment of DEOCSA and DEORSA. As of December 31, 2016, 2015 and 2014, the distribution assets constructed by us with government grants under the PER, net of accumulated depreciation, reflected in our combined statement of financial position, amounted to US$140,166 thousand, US$155,410 thousand and US$148,918 thousand, respectively.

For the years ended December 31, 2015 and 2014, combined personnel expenses from our employees who participated in the construction of these assets were capitalized in the cost of these assets for US$621 thousand and US$597 thousand, respectively. As of December 31, 2016, there was no capitalization of personnel expenses from our employees who participated in the construction of these assets.

Government grants are recognized in profit or loss on a systematic basis over the periods in which we recognized as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that we should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. The funds coming from 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 was released. These government grants related to distribution projects of the PER are not recognized until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received.

During the second half of 2014, financing for the extension of the PER for five additional years was proposed, but was not approved by the Congress of Guatemala. The agreement with the INDE was terminated on July 14, 2015, but some construction projects were still in progress at that time. Since we did not agree with the INDE regarding the acceptance of and payment for certain construction projects finalized during and after the termination of the PER, we initiated an arbitration process pursuant to the terms of the agreement.

For more information related to the arbitration, see "Business—Legal Proceedings—Arbitration with the INDE." For more information regarding the PER, see "Business—Service Area."

Tax Claim Payments

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

In addition, in December 2016, following discussions with, and upon the instruction of the SAT, and in order to avoid other potential measures by the SAT, we paid US$25,721 thousand to the SAT in full satisfaction of the interest and fines assessed by the SAT in connection with the alleged 2011 and 2012 back taxes. In order to make these payment, we used cash in hand and the lines of credit available under our existing syndicated loan agreements, under which we drew down US$30,000 thousand under our syndicated loan agreements.

Finally, during 2016 we made pre-payments of our 2016 income taxes of US$5,393 thousand and in January 2017 we made additional pre-payments of our 2016 income taxes of US$2,773 thousand, in each case

calculated without including items related to goodwill, depreciation and interest that were subject to the tax claim as deductible amounts. If we are successful in our challenge to the tax claims, we intend to claim a refund for the overpayment of these taxes. For further information on these claims, see "Business—Legal Proceedings—Tax Claims."

Financial Presentation and Accounting Policies

Our combined financial statements are prepared in accordance with IFRS as issued by the IASB, on a historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Our functional currency is the *quetzal*, which is the currency of the economic environment in which we operate and the monetary unit of Guatemala. Our financial statements are presented in U.S. dollars. Our financial statements prepared in *quetzales* were translated into U.S. dollars as follows:

- Assets and liabilities of each of the statements of financial position presented are converted using the exchange rate at the statement of financial position closing date; and

- Items in the statement of profit or loss and other comprehensive income are converted using the exchange rate at the time the transactions were generated (or, for practical reasons, and provided the exchange rate has not changed significantly, using each month's average exchange rate).

All conversion differences resulting from the foregoing are recognized under "Other Comprehensive Income" and accumulated in equity.

Subsequent to the issuance of the combined financial statements as of and for the years ended December 31, 2015 and 2014, we restated such combined financial statements for the correction of certain errors. For additional information about the restatement of the combined financial statements, see note 1.b to our audited combined financial statements.

Critical Accounting Policies and Significant Estimates

In preparing our combined financial statements, we make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are reviewed on an ongoing basis and are based upon historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We believe that these estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements. For further detail of the accounting policies and the methods used in the preparation of our financial statements, see note 1-B to our audited combined financial statements.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured, regardless of when the payment is made. Revenue comprises the fair value for the energy delivered and services rendered, net of value added tax, rebates and discounts. Assuming all other revenue recognition criteria are met, revenues from the sale of energy and services rendered are recognized in the period during which the sale occurs.

Revenue from the distribution of electric energy is recognized according to the energy delivered, through invoicing and the estimate of the volume of energy delivered to our customers during any unbilled period near the end of the relevant accounting period. This estimate is based on the energy delivered since the last measurement date of the customers and the accounting close period at the tariffs approved by the CNEE for each category of customer.

The differences between the estimated revenue recognized during such period and the actual revenues subsequently realized are recorded in the following accounting period. Historically, these differences have not been significant or material in nature.

Revenue from toll services is recognized in the accounting period in which the services are rendered.

Impairment Analysis

For each reporting period, we examine whether there have been any events or changes in circumstances which would indicate an impairment of one or more non-monetary assets or cash generating units ("CGUs"). When there are indications of an impairment, a review is made as to whether the carrying amount of the non-monetary assets or CGUs exceeds the recoverable amount and, if so, an impairment loss is recognized. An assessment of the impairment of the goodwill in our CGUs to which goodwill has been allocated is performed once a year or when a triggering event exists.

Under IFRS, the recoverable amount of the asset or CGU is determined based upon the higher of (1) the fair value less costs of disposal, and (2) the present value of the future cash flows expected from the continued use of the asset or CGU in its present condition, including cash flows expected to be received upon the retirement of the asset from service and the eventual sale of the asset (value in use). The future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset or CGU.

The estimates regarding future cash flows are based upon past experience with respect to similar assets or CGUs, and on our businesses' best possible assessments regarding the economic conditions that will exist during the remaining useful life of the asset or CGU. Such estimates rely on the particular business' current development plans and forecasts. As the actual cash flows may differ, the recoverable amount determined could change in subsequent periods, such that an additional impairment loss may need to be recognized or a previously recognized impairment loss may need to be reversed.

At least once a year, we perform an assessment of the impairment of the goodwill in our CGUs to which goodwill has been allocated. As of December 31, 2016, 2015 and 2014, we determined that the carrying amount of the CGUs to which goodwill has been allocated did not exceed the recoverable amount.

At the end of each reporting period, we assess whether there is any indication that any of the CGUs may be impaired and consider, among other things, whether there are indications of any of the following:

- significant changes in the technological, economic or legal environment in which the CGUs operate, taking into account the country in which each CGU operates;
- increases in interest rates or other market rates of return, which are likely to affect the discount rates used in calculating each CGU's recoverable amount;
- evidence of obsolescence or physical damage of each CGU's assets;
- actual performance of each CGU that does not meet expected performance indicators (e.g., its budget); and
- new laws and regulations, or changes in existing laws and regulations that could have an adverse effect on the power generation industry.

Income Tax

Whenever necessary, we are required to make provisions based on the amount of taxes expected to be paid to the tax authorities. When the final taxable result differs from the amounts initially recognized in the provision as a

consequence of estimates, such differences will affect both our income tax and the determination of our deferred tax assets and liabilities.

In addition, in order to determine our income tax provision, it is necessary to make estimates to the extent that we will have to evaluate, on an ongoing basis, the positions taken in tax returns in respect of those situations in which the applicable tax legislation is subject to interpretation. A significant degree of judgment is required to determine our income tax provision, as there are many transactions and calculations for which the ultimate tax determination is uncertain. We recognize liabilities for eventual tax claims based on estimates of whether additional taxes will be due in the future. When the final tax outcome of these matters differs from the amounts initially recognized, such differences will have an impact on our current and deferred income tax assets and our liabilities in the period in which such determination is made.

Deferred tax assets are reviewed at each reporting date and are only recognized to the extent that they are probable and a sufficient taxable base will be available to allow for the total or partial recovery of these assets. Deferred tax assets and liabilities are not discounted. In assessing the realization of deferred tax assets, we take account of the extent to which we believe that it is likely that a portion of the deferred tax assets will not be realized. Our ultimate realization of deferred tax assets depends upon our generation of future taxable income in the periods in which these temporary differences become deductible. To make this assessment, we take into consideration the scheduled reversal of deferred tax liabilities, the projections of future taxable income and tax planning strategies.

Provisions for Contingent Liabilities

A provision for claims is recognized as a liability (assuming that a reliable estimate can be made) because it is a present obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. Provisions in general are highly judgmental, especially in cases of legal disputes. We assess the probability of an adverse event and, if the probability is evaluated to be more likely than not, we fully provide for the total amount of the estimated contingent liability. We continually evaluate our pending provisions to determine if accruals are required. It is often difficult to accurately estimate the ultimate outcome of a contingent liability. Different variables can affect the timing and amounts we provide for certain contingent liabilities. These assessments, therefore, are subject to estimates made by us and our legal counsel, and adverse revisions in these estimates of the potential liability could materially impact our financial condition, results of operations or liquidity. For further information on our legal proceedings, see "Business—Legal Proceedings" and note 30 to our audited combined financial statements.

Useful Lives of Property, Plant and Equipment

Technical facilities are recorded at cost less the subsequent accumulated depreciation and any recognized impairment loss. Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policies. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Tooling, furniture, and other equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Overview of Combined Statement of Profit or Loss Line Items

Revenue

Energy Sales

Energy sales consist of distribution charges levied upon our customers. Revenue from energy sales is recognized based on the amount of energy and capacity delivered as reflected in our invoices plus the estimate of revenue from energy delivered which has not been invoiced yet at the reporting date.

For the years ended December 31, 2016, 2015 and 2014, energy sales represented 95.3%, 96.4% and 96.3% of our revenues, respectively.

Services Rendered

Revenue from services rendered consist of fees we receive for re-connecting users that have been disconnected from our distributions lines, and distribution tolls we charge generators or retailers for the use of our distribution lines.

Other Revenues

Other revenues consist principally of the following:

- accrued revenue relating to government grants in respect of the PER for the years ended December 31, 2016, 2015 and 2014;
- leasing revenues in respect of the rental of poles already installed within the energy distribution line for placement of advertising blankets and panels, as well as for using such infrastructure for cable laying by other companies;
- compensation received from our customers and third parties related to fraud (i.e. alteration of meter readers) as set forth in the applicable regulation;
- ancillary services, such as the installation of distribution lines for users located more than 200 meters from our distribution line and relocation of poles or other equipment as requested from time to time by telephone companies; and
- revenues from assets or facilities (in the form of cash necessary to acquire or to build them) transferred from customers.

Costs of Sales

Energy Purchases

Consists of the cost of our purchase of energy and capacity, including purchases under our PPAs and in the spot market. During the years ended December 31, 2016, 2015 and 2014, our energy purchases were broken down as follows:

	For the years ended December 31,		
	2016	**2015**	**2014**
	(US$ in thousands)		
Contracts with suppliers	340,154	302,085	256,102
In the spot market	36,908	59,293	134,119
Total	377,062	361,378	390,221

Other Costs of Sales

Consists primarily of the following:

- Depreciation and amortization determined on straight-line basis for construction, technical installation and other installation, and machinery tools used for the distribution of energy;
- Personnel expenses incurred directly in our operations (distribution and operation areas, including management of these areas) (which was, until we terminated our agreement with Arthasan, S.A. in

January 2016, represented by an operating fee), including remuneration, social security payments, post-employment benefits, social benefits and other employee benefits;

- Sundry services, which include activities we undertake to reduce losses, meter reading and invoice delivery;

- Fees, which includes value-added tax ("VAT") and charges paid to the AMM calculated as a percentage of revenues;

- Maintenance expenses, which includes expenses of repair and maintenance of equipment and lines;

- Professional services, which includes operational staff outsourcing, operational consulting, distribution of invoices, call center, collections outsourcing, billing services, facility inspection jobs, discounts to customers and others; and

- Maintenance material, sundry expenses, travel expenses, fuel, supplies, advertising, marketing and public relations, leasing and royalty expenses, banking expenses, provision for obsolete inventories and guarantee expenses works and transportation.

Until January 2016, our then executive officers received compensation from Arthasan, S.A. (a former related party) under an operating fee agreement. This expense was recorded as an operating fee under personnel expenses. Beginning in January 2016, we are compensating our executive officers directly. This expense is recorded under personnel expenses.

General, Selling and Administrative Expenses

Consists principally of the following:

- Impairment losses recognized on receivables from doubtful accounts;

- Personnel expenses incurred in our administration areas (including management of this area), including remuneration, social security payments, post-employment benefits, social benefits and other employee benefits. Personnel expenses are affected by the number of employees in our management and administration areas and also by the rates at which such employees are compensated, each of which have increased over the last few years;

- Maintenance, which includes repair and maintenance of vehicles, maintenance of software, hardware and licenses, repair and maintenance of property, maintenance of systems and maintenance of buildings;

- Sundry services, which includes principally management fees for administration and supervision of our businesses (until we terminated our agreement with Arthasan, S.A. in January 2016), as well as expenses related to the security service for our commercial offices, expenses for the collection of accounts receivable from third parties and commissions on collection;

- Fees, which includes VAT and non-resident withholding tax;

- Professional services, which include legal services, technology outsourcing, administrative outsourcing, audit services, logistic and quality outsourcing and security services; and

- Sundry expenses, insurance premiums, supplies, leasing and royalties, losses resulting from discounts granted to customers related to accounts receivable, banking expenses, maintenance materials and travel expenses.

Until January 2016, our then executive officers received compensation from Arthasan, S.A. (a former related party) under an operating fee agreement. This expense was recorded as an operating fee under sundry services. Beginning in January 2016, we are compensating our executive officers directly. This expense is recorded under personnel expenses.

Financial Income

Consists principally of interest income on bank accounts, compensatory interest and gain on exchange difference, net.

Financial Expenses

Consists principally of interest expense on financial debt, interest on customers' deposits, loss on exchange difference, net and other financial expenses. See "—Market Risks—Customer Credit Risks" for more information on customers' deposits.

Other Income

Consists of reversal of provisions for legal disputes.

Provision for Income Taxes

Provision for income taxes comprises the current and deferred income tax recognized in profit or loss for the corresponding period.

Income tax expense consists of provision for current income taxes and deferred income tax. Current income taxes payable is based on the taxable profit for the year. The taxable profit differs from the profit reported in the statement of profit or loss due to the income or expense items taxable or deductible in other years and items that are never taxable or deductible. Current tax liability is calculated using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred income taxes are recognized on the temporary differences between the book value of the assets and liabilities included in our financial statements and the related tax basis used to determine the taxable profit. Liability from deferred income taxes is generally recognized for all temporary taxable fiscal differences. An asset from deferred taxes will be recognized due to all temporary deductible differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Assets and liabilities from deferred taxes are measured using the fiscal rates expected to be applicable in the period in which the asset is realized or the liability is cancelled, based on the rates (and tax laws) that at the end of the reporting period had been enacted or substantively enacted the process of approval. Measurement of the liabilities from deferred taxes and assets from deferred taxes will reflect the fiscal consequences which would be derived from the way in which we expect, at the end of the reporting period, to recover or liquidate the carrying amount of our assets and liabilities.

For additional information, see note 14 to our audited combined financial statements.

Combined Results of Operations

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Combined Results of Operations

	For the year ended December 31,		
	2016	**2015**	**%**
	(US$ in thousands)		
Revenue:			
Energy sales	546,307	556,616	(1.9%)
Services rendered	10,590	8,267	28.1%
Other revenues	16,389	12,406	32.1%
Total revenue	573,286	577,289	(0.7%)
Costs of sales:			
Energy purchases	(377,062)	(361,378)	4.3%
Other costs of sales	(71,958)	(71,124)	1.2%
Total costs of sales	(449,020)	(432,502)	3.8%
Gross profit	124,266	144,787	(14.2%)
General, selling and administrative expenses	(62,633)	(63,802)	(1.8%)
Financial income	7,517	3,974	89.2%
Financial expenses	(23,088)	(25,921)	(10.9%)
Other income	2,795	4,282	(34.7%)
Profit before income tax	48,857	63,320	(22.8%)
Income taxes	(12,959)	(14,563)	(11.0%)
Profit for the year	**35,898**	**48,757**	**(26.4%)**

Energy Sales

Our energy sales decreased by US$10,309 thousand, or 1.9%, from US$556,616 thousand for the year ended December 31, 2015 to US$546,307 thousand for the year ended December 31, 2016, primarily due to a decrease in the tariffs paid by our customers mainly as a result of (1) our agreements in 2016 with the CNEE to adjust tariffs in favor of customers in order to allow our customers to recover a portion of the historical difference between the energy costs charged in our electricity tariffs and our actual cost of energy, which resulted in the reduction of our total energy sales of US$12,689 thousand in 2016, compared to the temporary increase of our total energy sales in 2015 due to energy costs charged in our electricity tariffs in 2015 of US$13,087 thousand in excess of our actual cost of energy, and (2) a decrease in the energy and capacity costs due to increased capacity and more efficient energy generation in the Guatemalan market.

Our average revenue per kWh decreased by Q0.05/kWh, or 2.7%, from Q1.84/kWh for the year ended December 31, 2015 to Q1.79/kWh for the year ended December 31, 2016.

This decrease was partially offset by a 1.2 GWh, or 0.1%, increase in the volume of energy distributed from 2,315.2 GWh for the year ended December 31, 2015 to 2,316.4 GWh for the year ended December 31, 2016, primarily due to an increase in the number of customers served and a decrease in the average energy consumption per customer. The number of customers served increased by approximately 44 thousand customers, or 2.7%, from approximately 1,635 thousand customers as of December 31, 2015 to approximately 1,679 thousand customers as of December 31, 2016. The average energy consumption per customer decreased by 3.1 kWh per month, or 2.6%, from 118.0 kWh per month during 2015 to 114.9 kWh per month during 2016.

Services Rendered

Our revenue from services rendered increased by US$2,323 thousand, or 28.1%, from US$8,267 thousand for the year ended December 31, 2015 to US$10,590 thousand for the year ended December 31, 2016.

This increase was primarily due to an increase of US$1,751 thousand in distribution tolls collected from non-regulated customers and an increase of US$572 thousand in reconnections of former customers to our distribution line.

Other Revenues

Our other revenues increased by US$3,983 thousand, or 32.1%, from US$12,406 thousand for the year ended December 31, 2015 to US$16,389 thousand for the year ended December 31, 2016.

This increase was primarily due to a US$6,971 thousand increase in other mainly from payments received from hydroelectric plants as a result of a breach of contract of US$3,502 thousand, which payment is considered a reduction of our energy cost in calculating our regulatory liability, and revenues from forfeited guarantee deposits from customers disconnected from our distribution lines in 2016. These factors were partially offset by a decrease of US$3,129 thousand, or 66.3%, in revenues recognized as a result of assets transferred from customers in the form of cash necessary to acquire or to build them.

Energy Purchases

Our energy purchases increased by US$15,684 thousand, or 4.3%, from US$361,378 thousand for the year ended December 31, 2015 to US$377,062 thousand for the year ended December 31, 2016.

This increase was primarily due to a 3.5% increase in energy purchased from 2,785.4 GWh for the year ended December 31, 2015 to 2,882.3 GWh for the year ended December 31, 2015, due to an increase in the number of customers served. The average purchase cost per kWh did not vary from the year ended December 31, 2015 to the year ended December 31, 2016.

Other Costs of Sales

Our other costs of sales increased by US$834 thousand, or 1.2%, from US$71,124 thousand for the year ended December 31, 2015 to US$71,958 thousand for the year ended December 31, 2016, as a result of the factors discussed below.

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

	For the year ended December 31,		
	2016	**2015**	**%**
	(US$ in thousands)		
Depreciation and amortization	25,584	25,890	(1.2%)
Personnel expenses	14,229	13,195	7.8%
Sundry services	10,547	10,904	(3.3%)
Maintenance expenses	8,420	6,731	25.1%
Fees	3,591	3,676	(2.3%)
Professional services	2,856	2,567	11.3%
Cost of Fixed Asset sold or retired	2,005	3,391	(40.9%)
Maintenance material	1,615	1,129	43.0%
Provision for obsolete inventories	—	1,423	(100.0%)
Provisions	565	588	(3.9%)
Fuel	445	499	(10.8%)
Advertising, marketing and public relations	369	489	(24.5%)
Travel expenses	299	264	13.3%
Sundry expenses	1,166	194	501.0%
Leasing and royalty expenses	219	77	184.4%
Banking expenses	—	75	(100.0%)
Supplies	40	25	60.0%
Guarantee expenses works / transportation	8	7	14.3%

	For the year ended December 31,		
	2016	2015	%
	(US$ in thousands)		
Total	**71,958**	**71,124**	**1.2%**

The increase of US$834 thousand, or 1.2%, was primarily due to:

- a US$1,689 thousand, or 25.1%, increase in maintenance expenses, due to an increase of (1) US$1,338 thousand in maintenance and repairs of our distribution lines due to higher number of incidents affecting the supply of energy, and (2) US$342 thousand in expenses related to vegetation control in the areas surrounding our distribution lines;

- a U$1,034 thousand, or 7.8%, increase in personnel expenses primarily due to (1) an increase of US$856 thousand in employee remuneration as a result of a 5.0% increase in salaries as stipulated in the collective bargaining agreement and direct compensation payments to certain senior management as a result of the change in our ownership structure, and (2) an increase of US$489 thousand in post-employment benefits primarily as a result of indemnification payments due to employee dismissals in 2016 and provision for severance compensation recorded in expenses related to the updating of an actuarial study commissioned to determine our maximum obligation in respect to severance obligations. These factors were partially offset by a US$424 thousand increase in capitalization of personnel expenses from employees who participated in the construction of distribution and transmission works; and

- a US$972 thousand, or 501.0%, increase in sundry expenses primarily due to US$961 thousand on accounting adjustments related to the reconciliation between accounting and commercial systems.

The effects of these factors were partially offset by (1) a US$1,423 thousand decrease in provision for obsolete inventories related to a detailed review of inventories made during 2015 which resulted in a provision being recorded in 2015, and (2) a US$1,386 thousand decrease in cost related to the retirement of fixed assets.

Gross Profit

Our gross profit decreased by 14.2% to US$124,266 thousand for the year ended December 31, 2016 from US$144,787 thousand for the year ended December 31, 2015 primarily as a result of (1) the 1.9% decrease in revenue from energy sales, driven by our agreements in 2016 to adjust tariffs to permit the recovery of differences between energy costs to our customers and our actual cost of energy, (2) the 4.3% increase in our costs for energy purchases, and (3) the 2.7% increase in our energy losses. Our gross margin (equal to gross profit divided by total revenue) for the year ended December 31, 2016 was 21.7%, compared to 25.1% for the year ended December 31, 2015.

General, Selling and Administrative Expenses

Our general, selling and administrative expenses decreased by US$1,169 thousand, or 1.8%, from US$63,802 thousand for the year ended December 31, 2015 to US$62,633 thousand for the year ended December 31, 2016, as a result of the factors discussed below. Our general, selling and administrative expenses represented 10.9% of our total revenue for the year ended December 31, 2016 compared to 11.1% of total revenue for the year ended December 31, 2015.

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

	For the year ended December 31,		
	2016	2015	%
	(US$ in thousands)		
Impairment losses recognized on receivables from doubtful accounts	22,876	24,824	(7.8%)
Personnel expenses	11,652	8,614	35.3%
Sundry services	10,762	14,561	(26.1%)
Professional services	4,580	3,979	15.1%
Maintenance	2,735	2,557	7.0%
Provision	2,241	—	n.m.
Sundry expenses	1,730	719	140.6%
Advertising, marketing and public relations	1,359	1,279	6.3%
Leasing and royalties expenses	1,265	1,066	18.7%
Supplies	1,235	1,302	(5.1%)
Travel expenses	905	921	(1.7%)
Losses resulting from discounts granted to customers related to accounts receivable	405	1,464	(72.3%)
Insurance premiums	342	471	(27.4%)
Banking expenses	227	64	254.7%
Fees	173	1,827	(90.5%)
Maintenance materials	146	154	(5.2%)
Total	**62,633**	**63,802**	**(1.8%)**

n.m. Not meaningful.

The decrease of US$1,169 thousand, or 1.8%, was primarily due to:

- a US$3,799 thousand, or 26.1%, decrease in sundry services primarily due to the termination of the operating fee agreement with Arthasan S.A. in January 2016, under which our former executive officers received compensation. Since January 2016, compensation for our executive officers is recorded as personnel expenses;

- a US$1,948 thousand, or 7.8%, decrease in impairment losses recognized on receivables from doubtful accounts as a result of our recalculation of the estimates for 2015 and a reduction in our collection rate from 96.1% during 2015 to 95.9% during 2016;

- a US$1,654 thousand, or 90.5%, decrease in fees primarily due to payments of non-resident withholding tax and the recognition of expenses during 2015 due to payments of solidarity taxes (ISO) not applied as prepayment of income taxes in the preceding years; and

- a US$1,059 thousand, or 72.3%, decrease in losses from discounts granted to customers related to accounts receivables recorded in 2015 in connection with discounts granted to customers with new payment plans.

These decreases were partially offset by:

- a US$3,038 thousand, or 35.3%, increase in personnel expenses due to (1) an increase of US$1,654 thousand in employee remuneration due to direct compensation payments made to certain senior management as a result of the change in our ownership structure, which included the incorporation of new senior executives since January 2016, and a 5.0% increase in salaries as stipulated in the collective bargaining agreement, (2) an increase of US$742 thousand in social benefits as a result of the incurrence during 2016 of US$528 thousand in expenses related to non-Guatemalan employees who joined our senior management, and (3) an increase of US$628 thousand in expenses for post-employment benefits primarily as a result of the incurrence during 2016 of US$314 thousand related to termination payments to certain senior management who ceased to be employees due to change in our

ownership structure and US$234 thousand provision for severance compensation recorded in expenses related to the updating of an actuarial study commissioned to determine our maximum obligation in respect of severance obligations.

- our recording US$2,241 thousand in provisions for contingent liabilities related to a commercial arbitration with Hidroxacbal for US$1,495 thousand and indemnification processes of the CNEE for US$746 thousand; and

- a US$1,011 thousand increase in sundry expenses primarily as a result of accounting adjustments to accounts receivable resulting from a cash reconciliation analysis performed during 2016 and a reconciliation between the accounting and commercial system.

Financial Income

Our financial income increased by US$3,543 thousand, or 89.2%, from US$3,974 thousand for the year ended December 31, 2015 to US$7,517 thousand for the year ended December 31, 2016.

This increase was primarily due to a US$3,457 thousand gain on exchange difference, net, during 2016 due to the 1.4% appreciation of the *quetzal* against the U.S. dollar during 2016 compared to no gain on exchange difference, net in 2015.

Financial Expenses

Our financial expenses decreased by US$2,833 thousand, or 10.9%, from US$25,921 thousand for the year ended December 31, 2015 to US$23,088 thousand for the year ended December 31, 2016.

This decrease was primarily due to (1) a US$2,319 thousand decrease in interest expenses on financial debt mainly as a result of the incurrence during 2015 of US$2,503 thousand in disbursement expenses in connection with a US$75,169 thousand draw down under our syndicated loan agreements in April 2015, (2) a US$1,478 thousand decrease in other financial expenses due to interest accrued related to regulatory liabilities recorded until 2015, and (3) a US$439 thousand loss on exchange difference, net in 2015, due to the 0.5% depreciation of the quetzal against the U.S. dollar during 2015 compared to no loss on exchange difference, net during 2016. These factors were partially offset by an increase of US$1,403 thousand in interest on customers' deposits due to capitalization of interest accrued during 2015.

Other Income

Our other income decreased by US$1,487 thousand, or 34.7%, from US$4,282 thousand for the year ended December 31, 2015 to US$2,795 thousand for the year ended December 31, 2016.

This decrease was primarily due to the expiration and reversal of provision for tax contingencies recognized as other income in 2015.

Provision for Income Taxes

Our provision for income taxes decreased by US$1,604 thousand, or 11.0%, from US$14,563 thousand for the year ended December 31, 2015 to US$12,959 thousand for the year ended December 31, 2016.

This decrease was primarily due to a US$3,699 thousand decrease in our income tax expense as a result of lower profit before tax of US$14,463 thousand, partially offset by a US$2,095 thousand increase in net deferred income tax benefit primarily due to lower reversal of provision of contingencies and higher expenses for severance compensation recognized in 2016.

Our combined effective income tax rate increased to 26.5% for the year ended December 31, 2016 from 23.0% for the year ended December 31, 2015, mainly as a result of interest on customer deposits, which is non-deductible for income tax purposes.

Profit

Our profit decreased by US$12,859 thousand, or 26.4%, from US$48,757 thousand for the year ended December 31, 2015 to US$35,898 thousand for the year ended December 31, 2016, for the reasons set forth above. Our net margin (equal to profit divided by total revenue) decreased to 6.3% for the year ended December 31, 2016 from 8.4% for the year ended December 31, 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Combined Results of Operations

	For the year ended December 31,		
	2015	**2014**	**%**
	(US$ in thousands)		
Revenue:			
Energy sales	556,616	570,007	(2.3)%
Services rendered	8,267	6,604	25.2%
Other revenues	12,406	15,280	(18.8%)
Total revenue	577,289	591,891	(2.5%)
Costs of sales:			
Energy purchases	(361,378)	(390,221)	(7.4)%
Other costs of sales	(71,124)	(68,187)	4.3%
Total costs of sales	(432,502)	(458,408)	(5.7)%
Gross profit	144,787	133,483	8.5%
General, selling and administrative expenses	(63,802)	(57,265)	11.4%
Financial income	3,974	9,311	(57.3%)
Financial expenses	(25,921)	(22,610)	14.6%
Other income	4,282	1,928	122.1%
Profit before income tax	63,320	64,847	(2.4%)
Income taxes	(14,563)	(48,167)	(69.8%)
Profit for the year	**48,757**	**16,680**	**192.3%**

Energy Sales

Our energy sales decreased by US$13,391 thousand, or 2.3%, from US$570,007 thousand for the year ended December 31, 2014 to US$556,616 thousand for the year ended December 31, 2015, primarily due to a decrease in the tariffs paid by our customers mainly as a result of a decrease in energy and capacity costs due to increased capacity and more efficient energy generation in the Guatemalan market and, the effects of which were partially offset by the increase in energy costs charged in our electricity tariffs in excess of our actual cost of energy to US$13,087 thousand in 2015 from US$7,824 thousand in 2014. Our average revenue per kWh decreased by Q0.18/kWh, or 8.8%, from Q2.02/kWh for the year ended December 31, 2014 to Q1.84/kWh for the year ended December 31, 2015.

This decrease was partially offset by a 131.1 GWh, or 6.0%, increase in the volume of energy distributed from 2,184.1 GWh for the year ended December 31, 2014 to 2,315.2 GWh for the year ended December 31, 2015, primarily due to an increase in the number of customers served and an increase in the average energy consumption per customer. The number of customers served increased by approximately 55 thousand customers, or 3.5%, from approximately 1,580 thousand customers as of December 31, 2014 to approximately 1,635 thousand customers as of December 31, 2015. The average energy consumption per customer increase by 2.8 kWh per month, or 2.4%, from 115.2 kWh per month during 2014 to 118.0 kWh per month during 2015.

Services Rendered

Our revenue from services rendered increased by US$1,663 thousand, or 25.2%, from US$6,604 thousand for the year ended December 31, 2014 to US$8,267 thousand for the year ended December 31, 2015.

This increase was primarily due to an increase of US$1,213 thousand in reconnections of former customers to our distribution lines and an increase of US$450 thousand in distribution tolls collected from non-regulated customers.

Other Revenues

Our other revenues decreased by US$2,874 thousand, or 18.8%, from US$15,280 thousand for the year ended December 31, 2014 to US$12,406 thousand for the year ended December 31, 2015.

This decrease was primarily due to a US$2,858 thousand reduction in other due to conclusion in June 2015 of certain distribution projects related to PER and a US$702 thousand reduction in accrued revenue from government grants related to lower depreciation of property, plant and equipment constructed with funds from government grants.

These factors were partially offset by an increase of US$1,027 thousand, or 27.8%, in revenues recognized as a result of assets transferred from customers in the form of cash necessary to acquire or to build them.

Energy Purchases

Our energy purchases decreased by US$28,843 thousand, or 7.4%, from US$390,221 thousand for the year ended December 31, 2014 to US$361,378 thousand for the year ended December 31, 2015.

This decrease was primarily due to a Q0.16/kWh, or 13.9%, reduction in the average purchase cost per kWh from Q1.15/kWh for the year ended December 31, 2014 to Q0.99/kWh for the year ended December 31, 2015, primarily due to increased capacity and more efficient energy generation in the Guatemalan market.

These factors were partially offset by a 5.9% increase in energy purchased from 2,630.6 GWh for the year ended December 31, 2014 to 2,785.4 GWh for the year ended December 31, 2015, due to an increase in the number of customers served and an increase of the average energy consumption per customer.

Other Costs of Sales

Our other costs of sales increased by US$2,937 thousand, or 4.3%, from US$68,187 thousand for the year ended December 31, 2014 to US$71,124 thousand for the year ended December 31, 2015, as a result of the factors discussed below.

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

	For the year ended December 31,		
	2015	2014	%
	(US$ in thousands)		
Depreciation and amortization	25,890	26,907	(3.8%)
Personnel expenses	13,195	12,331	7.0%
Sundry services	10,904	11,321	(3.7%)
Maintenance expenses	6,731	7,023	(4.2%)
Fees	3,676	3,625	1.4%
Cost of fixed asset retired	3,391	1,464	131.6%
Professional services	2,567	2,320	10.6%
Maintenance material	1,129	753	49.9%
Provision for obsolete inventories	1,423	—	

	For the year ended December 31,		
	2015	2014	%
	(US$ in thousands)		
Provisions	588	648	(9.3%)
Fuel	499	738	(32.4%)
Advertising, marketing and public relations	489	317	(54.3%)
Travel expenses	264	212	24.5%
Sundry expenses	194	304	(36.2%)
Leasing and royalty expenses	77	84	(8.3%)
Banking expenses	75	20	275.0%
Supplies	25	20	25.0%
Guarantee expenses works / transportation	7	100	(93.0%)
Total	**71,124**	**68,187**	**4.3%**

The increase of US$2,937 thousand, or 4.3%, was primarily due to:

- a US$1,927 thousand, or 131.6%, increase of costs relating to the retirement of fixed assets and loss on sales of fixed assets;

- a US$1,423 thousand provision for obsolete inventories recorded in 2015, related to a detailed review of inventories made during 2015; and

- a US$864 thousand, or 7.0%, increase in personnel expenses primarily due to (1) an increase of US$731 thousand in employee remuneration as a result of a 5.0% increase in salaries as stipulated in the collective bargaining agreement, which also resulted in a US$69 thousand increase in social security and a US$23 thousand increase in social benefits, and (2) an increase of US$264 thousand in post-employment benefits primarily as a result of indemnification payments due to employee dismissals in 2015. These factors were partially offset by a US$223 thousand increase in capitalization of personnel expenses from employees who participated in the construction of PER and non-PER projects.

The effects of these factors were partially offset by (1) a US$1,017 thousand, or 3.8%, decrease in depreciation and amortization expenses, (2) a US$417 thousand, or 3.7%, decrease in sundry services expenses due to a decrease in discounts granted to customers for advance payments, and (3) a US$292 thousand, or 4.2%, decrease in maintenance expenses due to reduction in maintenance and repairs of our distribution lines.

Gross Profit

Our gross profit increased by 8.5% to US$144,787 thousand for the year ended December 31, 2015 from US$133,483 thousand for the year ended December 31, 2014 primarily as a result of the 7.4% decline in our costs for energy purchases, which more than offset the 2.3% decrease in revenue from energy sales. Our gross margin (equal to gross profit divided by total revenue) for the year ended December 31, 2015 was 25.1%, compared to 22.6% for the year ended December 31, 2014.

General, Selling and Administrative Expenses

Our general, selling and administrative expenses increased by US$6,537 thousand, or 11.4%, from US$57,265 thousand for the year ended December 31, 2014 to US$63,802 thousand for the year ended December 31, 2015, as a result of the factors discussed below. Our general, selling and administrative expenses represented 11.1% of our total revenue for the year ended December 31, 2015 compared to 9.7% of total revenue for the period in 2014.

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

	For the year ended December 31,		
	2015	2014	%
	(US$ in thousands)		
Impairment losses recognized on receivables from doubtful accounts	24,824	25,539	(2.8%)
Sundry services	14,561	11,920	22.2%
Personnel expenses	8,614	7,158	20.3%
Professional services	3,979	3,065	29.8%
Fees	1,827	495	269.1%
Maintenance	2,557	2,429	5.3%
Losses resulting from discounts granted to customers related to accounts receivable	1,464	—	
Supplies	1,302	1,640	(20.6%)
Leasing and royalties	1,066	850	25.4%
Advertising, marketing and public relations	1,279	1,709	(25.2%)
Travel expenses	921	562	63.9%
Sundry expenses	719	1,287	(44.1%)
Insurance premiums	471	418	12.7%
Maintenance materials	154	131	17.6%
Banking expenses	64	62	3.2%
Total	**63,802**	**57,265**	**11.4%**

The increase of US$6,537, or 11.4%, was primarily due to:

- a US$2,641 thousand, or 22.2%, increase in sundry services, primarily due to (1) a US$1,039 thousand increase in commisions paid in connection with bill collections, (2) US$1,417 thousand increase in amounts paid for management fees, and (3) a US$94 thousand increase in security services;

- a US$1,464 thousand increase in losses resulting from discounts granted to customers related to accounts receivable recorded in 2015 for discounts granted to customers in connection with new payment plans;

- a US$1,456 thousand, or 20.3%, increase in personnel expenses primarily due to an increase of US$1,363 thousand in employee remuneration as a result of (1) changes in the incentive plan available to senior management, which also resulted in a US$93 thousand increase in social security and a US$80 thousand increase in social benefits, (2) a 6.0% increase in the number of employees, including employees who are compensated at higher rates, and (3) a 5.0% increase in salaries as stipulated in the collective bargaining agreement. The increase in personnel expenses was partially offset by a US$80 thousand decrease in post-employment benefits as a result of indemnification payments due to employee dismissals in 2014;

- a US$1,332 thousand, or 269.1%, increase in fees due to an increase in fines, payment of non-resident withholding tax and the recognition of higher expenses due to payment of solidarity taxes not applied as prepayment of income taxes in the preceding year; and

- a US$914 thousand, or 29.8%, increase in professional services due to an increase in legal services, technology outsourcing, consulting services and security services during 2015.

This increase was partially offset by a decrease of US$715 thousand in impairment losses recognized on receivables from doubtful accounts as a result of recalculation on the estimates for 2015 and 2014. Our collection rate increased from 95.9% during 2014 to 96.1% during 2015. However, collections during 2015 were mainly in respect of receivables that were no more than 180 days overdue.

Financial Income

Our financial income decreased by US$5,337 thousand, or 57.3%, from US$9,311 thousand for the year ended December 31, 2014 to US$3,974 thousand for the year ended December 31, 2015. This decrease was primarily due to a US$6,390 thousand gain on exchange difference, net, during 2014 due to the 3.1% appreciation of the *quetzal* against the U.S. dollar, compared to no gain on exchange difference, net in 2015. This decrease was partially offset by a US$939 thousand, or 102.8%, increase in interest income on bank accounts as a result of higher cash balances during 2015.

Financial Expenses

Our financial expenses increased by US$3,311 thousand, or 14.6%, from US$22,610 thousand for the year ended December 31, 2014 to US$25,921 thousand for the year ended December 31, 2015.

This increase was primarily due to (1) an increase of US$2,862 thousand in interest expenses on financial debt mainly as a result of the incurrence during 2015 of US$2,503 thousand in disbursement expenses in connection with a US$75,169 thousand draw down under our syndicated loan agreements in April 2015, and (2) a US$439 thousand loss on exchange difference, net in 2015, due to a 0.5% depreciation of the *quetzal* against the U.S. dollar compared to no loss on exchange difference, net in 2014.

Other Income

Our other income increased by US$2,354 thousand, or 122.1%, from US$1,928 thousand for the year ended December 31, 2014 to US$4,282 thousand for the year ended December 31, 2015.

This increase was primarily due to (1) the expiration and reversal of a provision for tax contingency in the amount of US$2,703 thousand that was recognized as other income in 2015, and (2) the reversal of a contingency in the amount of US$1,247 thousand previously accounted for as debt to a related party, as a result of an agreement with that party, the effects of which were partially offset by provisions for legal contingencies in the amount of US$1,135 thousand that were reversed in December 2014.

Provision for Income Taxes

Our provision for income taxes decreased by US$33,604 thousand, or 69.8%, from US$48,167 thousand for the year ended December 31, 2014 to US$14,563 thousand for the year ended December 31, 2015.

This decrease was primarily due to US$24,347 thousand reduction in deferred income tax resulting from an increase of impairment losses on trade accounts receivable and a US$110,501 thousand reduction of the deductible amount of goodwill made pursuant to a binding ruling from the SAT.

Our effective income tax rate decreased to 23.0% for the year ended December 31, 2015 from 74.3% for the year ended December 31, 2014, mainly as a result of the reduction in 2015 of the tax effects of non-deductible expenses on our effective tax rate in 2014 principally related to the amortization of goodwill that was deducted in 2011, 2012, 2013 and 2014 for the amounts that exceeded the limit of deductible expenses in determining the income tax.

Profit

Our profit increased by US$32,077 thousand, or 192.3%, from US$16,680 thousand for the year ended December 31, 2014 to US$48,757 thousand for the year ended December 31, 2015, for the reasons set forth above. Our net margin (equal to profit divided by total revenue) increased to 8.4% for the year ended December 31, 2015 from 2.8% for the year ended December 31, 2014.

Combined Liquidity and Capital Resources

Our principal sources of liquidity, collectively and on an individual basis, are funds generated from operations and our syndicated loan agreements. Our primary uses of cash, collectively and on an individual basis, are to purchase energy and capacity from energy generation companies for our operations and to fund our capital expenditures program. On both a collective and an individual basis, we believe that our sources of liquidity are sufficient to satisfy our requirements.

We intend to use the proceeds from the Loan as provided under "Use of Proceeds." In addition, after the Issue Date, each of DEOCSA and DEORSA intend to enter into a U.S. dollar-denominated line of credit to finance its working capital needs.

As of December 31, 2016, we had cash and cash equivalents of US$11,119 thousand and outstanding financial debt of US$317,070 thousand. As of December 31, 2015, we had cash and cash equivalents of US$41,250 thousand and outstanding financial debt of US$283,450 thousand. As of December 31, 2016, we had negative working capital of US$173,623 thousand (including US$56,811 thousand in current liabilities in respect of customers' deposits). Our management has therefore increased its focus on improving our collection ratio, reducing energy losses and adjusting our financial debt maturity profile. Notwithstanding the foregoing, our management believes that our working capital is adequate for our needs during 2017.

Combined Cash Flows

The following table sets forth certain information about our cash flows for the years ended December 31, 2016, 2015 and 2014.

	For the year ended December 31,		
	2016	2015	2014
	(US$ in thousands)		
Net cash (used in) generated by operating activities			
Profit for the year	35,898	48,757	16,680
Adjustments	77,640	83,262	108,348
Changes in working capital	(83,231)	(8,799)	(54,814)
Income tax paid	(14,387)	(28,442)	(10,694)
Payment of interest	(18,416)	(20,737)	(17,875)
Total net cash (used in) generated by operating activities	(2,496)	74,041	41,645
Net cash flows used in investing activities	(33,039)	(33,097)	(32,290)
Net cash generated by (used in) financing activities	5,358	(31,165)	(41,253)
Net increase (decrease) in cash and cash equivalents	(30,177)	9,779	(31,898)
Cash and cash equivalents, at beginning of the year	41,250	30,101	59,698
Effects of exchange rate changes on cash and cash changes on cash and cash equivalents	46	1,370	2,301
Cash and cash equivalents, at end of the year	11,119	41,250	30,101

Year Ended December 31, 2016

Net cash used in operating activities for the year ended December 31, 2016 was US$2,496 thousand. The principal non-cash costs included in adjustments to reconcile our profit to net cash generated from operating activities were: (1) depreciation and amortization of US$25,584 thousand; (2) impairment losses recognized on receivables from doubtful accounts of US$23,041 thousand; (3) financial costs of US$18,416 thousand; and (4) income tax expense of US$12,959 thousand. The most significant changes to working capital reflected in net cash generated from operating activities were: (1) an increase in taxes receivable of US$80,023 thousand as a result of payments made to the SAT as described under "—Principal Factors Affecting Our Results of Operations—Tax Claim Payments," and (2) an increase in trade receivables of US$22,704 thousand, the effects of which were partially offset by an increase in trade and other accounts payables of US$19,172 thousand. In addition, we used cash to make payments of interest of US$18,416 thousand and to make an income tax payment of US$14,387 thousand.

Net cash used in investing activities for the year ended December 31, 2016 was US$33,039 thousand, which was principally used to make payments of US$30,329 thousand for property plant and equipment.

Net cash generated from financing activities for the year ended December 31, 2016 was US$5,358 thousand, resulting principally from receipt of proceeds (net of payments) on our syndicated loan agreements of US$32,505 thousand, partially offset by payment of dividends in the amount of US$28,708 thousand.

Year Ended December 31, 2015

Net cash generated from operating activities for the year ended December 31, 2015 was US$74,041 thousand. The principal non-cash costs included in adjustments to reconcile our profit to net cash generated from operating activities were: (1) depreciation and amortization of US$25,890 thousand; (2) impairment losses recognized on receivables from doubtful accounts of US$24,884 thousand; (3) finance costs of US$20,737 thousand; and (4) income tax expense of US$14,563 thousand. The most significant change to working capital reflected in net cash generated from operating activities was an increase in trade receivables of US$17,788 thousand, the effects of which were partially offset by an increase in trade and other accounts payables of US$12,928 thousand. In addition, we used cash to make an income tax payment of US$28,442 thousand and to make payments of interest of US$20,737 thousand.

Net cash used in investing activities for the year ended December 31, 2015 was US$33,097 thousand, which was principally used to make payments of US$31,782 thousand for property plant and equipment.

Net cash used in financing activities for the year ended December 31, 2015 was US$31,165 thousand, resulting principally from payment of dividends of US$59,257 thousand partially offset by receipt of proceeds (net of payments) on our syndicated loan agreements of US$21,155 thousand.

Year Ended December 31, 2014

Net cash generated from operating activities for the year ended December 31, 2014 was US$41,645 thousand. The principal non-cash costs included in adjustments to reconcile our profit to net cash generated from operating activities were: (1) income tax expense of US$48,167 thousand; (2) depreciation and amortization of US$26,907 thousand; (3) impairment losses recognized on receivables from doubtful accounts of US$25,601 thousand; and (4) finance costs of US$17,875 thousand. The most significant changes to working capital reflected in net cash generated from operating activities were (1) an increase in trade receivables of US$34,155 thousand, and (2) an increase in trade and other accounts payables of US$26,998 thousand. In addition, we used cash to make payments of interest of US$17,875 thousand and to make an income tax payment of US$10,694 thousand.

Net cash used in investing activities for the year ended December 31, 2014 was US$32,290 thousand, which was principally used to make payments of US$30,460 thousand for property plant and equipment.

Net cash used in financing activities for the year ended December 31, 2014 was US$41,253 thousand, resulting principally from payments (net of receipt of proceeds) on our syndicated loan agreements of US$52,240 thousand, the effects of which were partially offset by funds received in respect of government grants US$11,345 thousand.

Contractual Obligations and Indebtedness

We enter into contractual obligations and incur indebtedness from time to time. Such agreements consist principally of long- and short-term indebtedness, purchase of materials and service agreements. We enter into commitments for long- and short-term indebtedness in order to finance our business.

The following table sets forth a summary of our combined contractual obligations, including indebtedness, as of December 31, 2016:

	Payments Due by Period					
	2017	2018	2019	2020	2021 and beyond	Total
	(US$ in thousands)					
Long-term indebtedness(1)	54,286	56,107	54,975	52,428	119,332	337,128
Purchase obligations(2)	18,628	5,686	4,966	4,223	9,588	43,091
Total contractual obligations	72,914	61,793	59,941	56,651	128,920	380,219

(1) Consists of estimated future payments of principal and interest calculated based on foreign exchange rates as of December 31, 2016 and the last interest rate applicable, and assuming that all amortization payment and payments at maturity on loans will be made on their scheduled payment dates.

(2) Consists of purchase commitments with service providers (operation and maintenance and leasing) and material suppliers including fixed or minimum quantities to be purchased. Based upon the applicable purchase price as of December 31, 2016.

Indebtedness

DEOCSA Syndicated Loan Agreement

In May 2011, DEOCSA entered into a US$195,101 thousand and Q415,963 thousand, 10-year syndicated secured loan agreement with a syndicate of banks, including Banco Agromercantil de Guatemala, S.A., as administrative agent and collateral agent, and certain other financial institutions, as lenders, to finance the acquisition of DEOCSA by its prior owner, to refinance DEOCSA's existing indebtedness as of the closing date of the acquisition and to finance DEOCSA's working capital requirements. Borrowings under this loan agreement are secured by (1) a pledge of DEOCSA's shares, (2) a Guarantee Trust in which the rights of collection associated with the authorizations issued by MEM are held in trust to secure DEOCSA's obligations under the syndicated loan agreement and (3) an Administration Trust in which cash flows are held in trust to secure DEOCSA's obligations under the syndicated loan agreement. U.S. dollar-denominated borrowings under this loan agreement bear interest at a fixed rate of 6.00% for the first two years and at a rate of 90-day US LIBOR plus 4.70% per annum through maturity on May 19, 2021. *Quetzal*-denominated borrowings under this loan agreement bear interest at a variable interest rate equal to TAPP, as published by the Central Bank for the most recent date as of the first day of the relevant interest period, less 5.6%, per annum. Scheduled amortizations of the aggregate principal amount outstanding under this agreement (generally 2.81%) are payable in quarterly installments through maturity.

In May 2011, in connection with and pursuant to the terms of DEOCSA's syndicated loan agreement, DEOCSA entered into an account trust agreement with Financiera Agromercantil, Sociedad Anónima, as collateral agent, pursuant to which the collateral agent is empowered, upon an event of default under the syndicated loan agreement, to take control of and manage certain accounts of DEOCSA in order to make payments to the administrative agent in accordance with the terms of the syndicated loan agreement.

In April 2015, DEOCSA's syndicated loan agreement was amended and restated and, in accordance therewith, the amounts available under the facility were increased by US$48.3 million and Q160.4 million to fund, among other things, DEOCSA's operating and investment activities, repayment of certain outstanding indebtedness and general corporate purposes. The additional US$32 million facility is also secured by a pledge of DEOCSA's shares. U.S. dollar-denominated borrowings under the additional facility bears interest at a rate of 90-day US LIBOR plus 4.70% per annum (with a floor rate of 5.90%) for the first year and at a rate of 90-day US LIBOR plus 4.75% per annum (with a floor rate of 6.00%) through maturity on February 19, 2025. *Quetzal*-denominated borrowings under the additional facility bear interest at the TAPP rate less 6.10%, per annum. Scheduled amortizations of the aggregate principal amount outstanding under the additional facility are payable in quarterly installments commencing in May 2018 through maturity.

In August 2016, DEOCSA entered into an addendum to the loan agreement which renewed two tranches under the loan agreement that had expired in the amount of US$16,800 thousand and Q55,800 thousand, at a LIBOR rate for three months plus a spread of 4.75%, with a floor interest rate of 6.00% for the U.S. dollar portion and a

TAPP rate less 6.10% for the portion in *quetzales*. The term of these tranches will expire in February 2025, with an amortization grace period until May 2018 and equal quarterly principal payments thereafter.

As of December 31, 2016, the aggregate principal amount outstanding under this syndicated loan agreement was US$191,706 thousand. DEOCSA intends to repay all amounts outstanding under this loan agreement with part of the net proceeds from the loans under the Guatemalan Loan Agreements and the Loan.

DEORSA Syndicated Loan Agreement

In May 2011, DEORSA entered into a US$120,498 thousand and Q313,636 thousand, 10-year syndicated secured loan agreement with a syndicate of banks, including Banco Agromercantil de Guatemala, S.A., as administrative agent and collateral agent, and certain other financial institutions, as lenders, to finance the acquisition of DEORSA by its previous owner, to refinance DEORSA's existing indebtedness as of the closing date of the acquisition and to finance DEORSA's working capital requirements. Borrowings under this loan agreement are secured by (1) a pledge of DEORSA's shares, (2) a Guarantee Trust in which the rights of collection associated with the authorizations issued by MEM are held in trust to secure DEORSA's obligations under the syndicated loan agreement and (3) an Administration Trust in which cash flows are held in trust to secure DEORSA's obligations under the syndicated loan agreement. U.S. dollar-denominated borrowings under this loan agreement bear interest at a fixed rate of 6.00% for the first two years and at a rate of 90-day US LIBOR plus 4.70% per annum through maturity on May 19, 2021. *Quetzal*-denominated borrowings under this loan agreement bear interest at a variable interest equal to TAPP, as published by the Central Bank for the most recent date as of the first day of the relevant interest period, less 5.6%, per annum. Scheduled amortizations of the aggregate principal amount outstanding under this agreement (generally 2.81%) are payable in quarterly installments through maturity.

In May 2011, in connection with and pursuant to the terms of DEORSA's syndicated loan agreement, DEORSA entered into an account trust agreement with Financiera Agromercantil, Sociedad Anónima, as collateral agent, pursuant to which the collateral agent is empowered, upon an event of default under the syndicated loan agreement, to take control of and manage certain accounts of DEORSA in order to make payments to the administrative agent in accordance with the terms of the syndicated loan agreement.

In April 2015, DEORSA's syndicated loan agreement was amended and restated and, in accordance therewith, the amounts available under the facility were increased by US$32.2 million and Q106.95 million to fund, among other things, DEORSA's operating and investment activities, repayment of certain outstanding indebtedness, and general corporate purposes. The additional US$21 million facility is also secured by a pledge of DEORSA's shares. U.S. dollar-denominated borrowings under the additional facility bear interest at a rate of 90-day US LIBOR plus 4.70% per annum (with a floor rate of 5.90%) for the first year and at a rate of 90-day US LIBOR plus 4.75% per annum (with a floor rate of 6.00%) through maturity on February 19, 2025. *Quetzal*-denominated borrowings under the additional facility bear interest at the TAPP rate less 6.10% per annum. Scheduled amortizations of the aggregate principal amount outstanding under the additional facility are payable in quarterly installments commencing in May 2018 through maturity.

In August 2016, DEORSA entered into an addendum to the loan agreement which renewed two tranches under the loan agreement that had expired in the amount of US$11,200 thousand and Q37,200 thousand, at a LIBOR rate for three months plus a spread of 4.75%, with a floor interest rate of 6.00% for the U.S. dollar portion and a TAPP rate less 6.10% for the portion in *quetzales*. The term of these tranches will expire in February 2025, with an amortization grace period until May 2018 and equal quarterly principal payments thereafter.

As of December 31, 2016, the aggregate principal amount outstanding under this syndicated loan agreement was US$125,364 thousand. DEORSA intends to repay all amounts outstanding under this loan agreement with part of the net proceeds from the loans under the Guatemalan Loan Agreements and the Loan.

Combined Capital Expenditures

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

improve our billing and collection systems. Our capital expenditures include government funded expenditures we received as subsidies.

Our capital expenditures in respect of tangible fixed assets were US$30,329 thousand, US$31,782 thousand and US$30,460 thousand for the years ended December 31, 2016, 2015 and 2014, respectively.

Off-Balance Sheet Transactions

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

Derivatives Transactions

Pursuant to the terms of the syndicated loan agreement, DEOCSA and DEORSA entered into interest rate swaps on May 18, 2012. The purpose of the swaps was to protect the future cash flows that might have been susceptible to significant variations of LIBOR. The swaps were terminated on May 19, 2016 due to the expiration of their terms. The swaps were recorded at their fair value at the end of each reporting period. For additional information, see note 34 to our audited combined financial statements.

In the future, we may, from time to time, enter into derivatives transactions in order to mitigate our interest rate risks.

Market Risks

We are exposed to various market risks, including liquidity, interest rate, foreign currency, regulatory tariff reset and customer credit risks. For additional information, see note 34 to our audited combined financial statements.

Liquidity Risk

We have adopted liquidity risk management practices that are intended to maintain sufficient cash and liquid financial assets. We maintain a revolving credit line as part of our syndicated loan agreements which, together with our funds generated from operations, provides us with the required operational liquidity to comply with our energy and capacity purchase and other obligations. We intend to repay in full amounts outstanding under our existing syndicated loan agreements with the proceeds from the Loan. As described under "The Guatemalan Loan Agreements," we intend to enter into two new loan agreements, which will have revolving credit lines, concurrently with the closing of this offering.

Our surplus funds are invested in interest-bearing bank deposits with prime financial institutions in Guatemala. We manage our liquidity risk by placing such balances on varying maturities to match our cash flow needs. As of December 31, 2016, we had negative working capital of US$173,623 thousand. Our management has therefore increased its focus for 2017 on improving our collection ratio and reducing the energy losses through the following initiatives:

- creating dialogue and negotiation tables with community leaders and municipal authorities to improve collection timing and prevent commercial energy losses; and

- otherwise reducing technical and commercial energy losses.

Notwithstanding the foregoing, our management believes that our liquidity risk exposure is low since we have been generating cash flows from operating activities and have access to financing sources.

Interest Rate Risk

Our historical exposures to interest rates on financial liabilities are detailed in note 34 to our audited combined financial statements. See also "—Derivatives Transactions."

Foreign Currency Risk

Monetary assets and liabilities include balances in U.S. dollars, which are subject to the fluctuation risk in the exchange rate of the U.S. dollar with regard to the *quetzal* for transactions we enter into. During the years ended December 31, 2016, 2015 and 2014, there were no significant fluctuations in the U.S. dollar/*quetzal* exchange rate. We do not generally acquire derivative instruments to protect against loss risks to which we are exposed as a result of the fluctuations in the exchange rate of the currency in which our transactions are carried out abroad. In addition, we are able to pass on effects of declines in the value of the *quetzal* against the U.S. dollar to our customers through adjustments in the tariffs that we charge for energy because the General Electricity Law provides that VAD charges may be adjusted every six months to reflect fluctuations in the exchange rate and inflation. For additional information, see note 34 to our audited combined financial statements.

Regulatory Tariff Reset Risk

The tariffs that we charge our customers, which are a significant determinant of our operating results, are set by the CNEE. The energy charge component of our tariffs is set every year based on the projected costs of energy purchases and adjusted quarterly based on the actual costs incurred in the previous quarter, while the VAD change is set every five years based on, among other factors, the projected operating and capital expenditures of a model efficient distribution company operating in our service areas, and adjusted semi-annually based on the variations of the rate of inflation and the *quetzal*/U.S. dollar exchange rate. We do not generate a material portion of our gross profit from the difference between our cost for energy and capacity and the revenue generated through the energy charges. Instead, our gross profit is generated primarily by the VAD charges. The VAD charge will be reassessed on January 1, 2019. For additional information regarding the tariff adjustments, see "Overview of the Electric Energy Industry in Guatemala—Tariffs and Tolls."

We minimize regulatory risk by working with the relevant regulators to ensure that the regulatory framework is transparent and allows full cost recovery and a sufficient return on our investments. To achieve favorable regulatory outcomes, we promote efficiency and work closely with the regulators on pricing and customer-related issues. We also proactively manage our relationships with large customers and seek their feedback on pricing and services.

We meet with Government officials and regulators on a regular basis to share information with respect to our business. The objective of this close working relationship is to encourage the adoption of policies by the Government that allow us to earn a reasonable return on invested capital and maintain predictable cash flows. We intend to continue to work in consultation with the regulators in order to attain reasonable tariffs for our distribution charges upon each regulatory reset of our tariffs.

For additional information, see note 1.a to our audited combined financial statements.

Customer Credit Risk-Customers' Deposits

We manage our customer credit risks by limiting the amount of our exposure to any individual customer and, generally, by requiring certain of our customers to provide deposits and/or guarantees to secure their obligations.

We hold deposits from approximately 75% our regulated customers and, in addition, we hold bank guarantees from creditworthy financial institutions to secure the obligations of certain large customers. Our industrial, commercial and temporary customers generally provide deposits or bank guarantees to us equivalent to two months of estimated service cost in order to connect to energy distribution services. Our residential customers and the government and municipalities provide us deposits of Q100 (US$13.30) in order to connect to energy distribution services. These deposits or guarantees can be offset against past due accounts of these customers. If a customer stops receiving our services, we must pay back that customer's deposit with interest. Deposits received from customers in or before 2007 accrue interest at a rate per annum of 5.0% plus an inflation adjustment. Deposits received from customers after 2007 accrue interest at an average Guatemalan market rate. We capitalize accrued interest. For additional information, see "Business—Billing and Collection."

OVERVIEW OF THE ELECTRIC ENERGY INDUSTRY IN GUATEMALA

The General Electricity Law

The electric energy industry in Guatemala is governed by the General Electricity Law and related regulations. The General Electricity Law was adopted in 1996 to liberalize the energy sector and to promote private investment in the industry. It has experienced no material changes in the past 20 years.

During the 1970s, the Guatemalan government was the only distributor of energy in Guatemala through the INDE and EEGSA. By 1993, the INDE owned approximately 71% of the Guatemala's generation capacity and provided distribution services throughout the country. EEGSA distributed approximately 80% of the energy consumed in Guatemala. By this time, a variety of private companies had begun operating generation facilities in Guatemala. EEGSA and the INDE began entering into PPAs with the private generation companies.

The Guatemalan government decided to privatize the energy sector in order to encourage privately funded growth in this sector and in 1994, the Guatemalan government adopted a new law to deregulate and privatize the Guatemalan electric energy industry in order to encourage privately funded growth. In 1996, the Guatemalan government adopted the General Electricity Law, which created a legal and regulatory framework designed to reduce government intervention and attract private investment into the sector.

The General Electricity Law provided for the liberalization of the electric energy industry and authorized the creation of two new institutions to regulate the energy sector: the CNEE and the AMM. Regulations implementing the General Electricity Law were adopted by the Government of Guatemala through the MEM in 1997 and 1998, and amended in 2007 and 2008. The CNEE and the AMM were created in 1997 and 1998, respectively, completing the legal framework for the privatized energy sector.

The principles of the General Electricity Law are:

- energy generation should be unregulated and generation companies should not need to obtain special permits or authorizations or comply with government-imposed conditions except for hydroelectric, geothermal and nuclear facilities;

- transmission of energy should also be unregulated, unless companies must use public installations or public land to provide transmission and distribution services; and

- energy prices should be freely determined, except for transmission and distribution services, which are subject to regulation.

The primary goals of the General Electricity Law were:

- to remove governmental influence in pricing decisions, allowing the Guatemalan electric energy industry to operate in an open and competitive environment with energy prices reflecting the lowest cost of production available in the system;

- to regulate transmission tolls and distribution tariffs in order to prevent monopolistic practices;

- to provide the end users with quality energy distribution service and the benefits of prices set in a competitive marketplace; and

- to integrate the Guatemalan electric energy industry into a Central American regional market.

Limitations on Activities of Industry Participants

The General Electricity Law provides that no individual company may engage directly in more than one of the following businesses: generation, transmission or distribution services. However, the General Electricity Law

allows any company engaging in any such specific business to own stock (either as a controlling shareholder or not) or other interests in companies engaging in any other specific business within the industry. It also allows generators to own transmission lines in certain cases.

Deregulation of Generation

The General Electricity Law provides that a governmental license is only required to operate transmission and distribution assets, and, in the case of a power plant, only when energy is being generated through government-owned resources (*i.e.*, hydro and geothermal) or nuclear energy. Otherwise, generation activities are not regulated.

Unrestricted Access to Distribution Systems

The General Electricity Law provides that distribution companies must grant all customers the ability to connect to their distribution lines in exchange for toll payments, as long as there is available capacity. Unregulated customers are entitled to choose freely their supplier and to acquire energy from any source and distribution companies must allow such energy to flow through their distribution lines. Distribution companies are entitled to collect distribution tolls for the use of their distribution systems. Failure to provide such access by a distribution company may lead to fines and ultimately the termination of that company's distribution authorization, and potentially the appointment of a receiver of the distributor and the sale of its assets.

Unregulated Customers (Large Users)

The General Electricity Law provides that no public price regulation may be established relating to PPAs entered into by end users that have power demand greater than 100 kW. The MEM has the authority to lower or remove the threshold power demand that defines customers as "unregulated customers." Unregulated customers are entitled to choose as their supplier the distribution company operating the distribution line to which the unregulated customer is connected, any generator that supplies energy to the National Electric System or any energy broker.

Regulated Customers and Distribution Authorizations

The General Electricity Law provides that distributors that have been granted an authorization from the MEM to provide the *Servicio de Distribucion Final* (Final Distribution Service), may use public property (including rivers) and acquire mandatory easements on privately owned lands as necessary to carry on their business activities. The General Electricity Law provides that the MEM may authorize a company to use the public domain and impose easements on private lands to distribute or transmit energy. Authorizations for distribution services are granted on a non-exclusive basis for specific geographic areas and have terms of up to 50 years.

The General Electricity Law provides that a distribution company must provide service to all customers requesting energy that are (1) located within 200 meters of its distribution lines or (2) within the service area of a distribution company's authorization if the requesting party constructs a connection to the distribution company's system. A distribution company must provide energy to any party located outside of the service area of a distribution company's authorization if the requesting party provides its own lines or third party lines to reach the distribution company's system. A distributor must provide these services at prices and quality levels determined by the CNEE and pursuant to the *Reglamento de la Ley General de Electricidad* (General Electricity Regulation).

All tariffs charged by distribution companies to regulated customers are determined and revised by the CNEE pursuant to the General Electricity Law. Although under the current legal framework the tariffs should be determined as a function of certain objective factors, the CNEE may exercise discretion during the tariff setting process.

Principal Regulatory Authorities

Ministry of Energy and Mines

The MEM is the Guatemalan government's highest-ranking regulator of the electric energy industry. The MEM is responsible for enforcing the General Electricity Law and the related regulations and for the coordination of

policies between the CNEE and the AMM. The MEM also has the authority to grant operating authorizations to distribution, transmission and generation companies.

National Electric Energy Commission

The Guatemalan electric energy industry is regulated by the CNEE, a regulatory agency created pursuant to the General Electricity Law. The CNEE acts as the technical arm of the MEM. The CNEE is comprised of three members who are appointed by the Guatemalan government. The members are nominated by the MEM, the national universities, and the board of the AMM. The Guatemalan President then chooses one member from each of the lists of candidates submitted by these entities to form a three-director board of the CNEE. Members hold office for five years, however their appointment could be revoked by the President in case of negligence or non-fulfillment of their obligations. The General Electricity Law establishes the following powers and duties for the CNEE:

- Determine transmission and distribution tariffs;
- Enforce the sector's laws and regulations and impose fines and penalties as legally prescribed;
- Supervise compliance by the holders of any kind of authorization to carry on business in the energy sector, protect the rights of end-users, and prevent anti-competitive, abusive and discriminatory activities;
- Conduct arbitration proceedings and exercise powers of review in case of controversy among any parties subject to the General Electricity Law and its regulations;
- Issue technical rules and performance standards for the energy sector and enforce accepted international practices; and
- Issue regulations and rules to secure access to and use of the transmission lines and distribution lines.

Wholesale Market Administrator

The Guatemalan wholesale energy and capacity market is managed by the AMM, an independent private entity created pursuant to the General Electricity Law. The AMM coordinates the operation of the generators, international interconnections, and transmission lines that form the National Electric System. The AMM is in charge of overseeing the safety and operation of the National Electric System and the efficient dispatch of energy, with the mission to minimize operating costs, including costs from losses, and compliance with service quality requirements. The AMM is also responsible for scheduling the operation of the system and managing the dispatch of energy on the basis of lowest available marginal cost.

All policies and rules of the AMM are subject to approval by the CNEE. If a generation company, transmission company, distribution company, energy broker or large user does not operate its facilities in accordance with the regulations established by the AMM, the CNEE has the ability to impose fines and, in the case of serious breaches, may require that a company disconnect from the National Electric System.

Ministry of Environmental and Natural Resources of Guatemala

The *Ministerio de Ambiente y Recursos Naturales* (Ministry of the Environmental and Natural Resources, or the "MARN"), is responsible for issuing and enforcing legislation, regulation and policies related with the preservation, protection, sustainability and improvement of the environment and of natural resources. It is also in charge of providing a healthy and ecologically stable environment, preventing pollution and preserving natural heritage. The MARN approves the environmental impact assessments related to energy generation and transmission projects.

Industry Structure

The electric energy industry in Guatemala consists of the following three components:

- ***Generation***: the production of energy at generation plants using fossil fuel (thermoelectric energy), hydroelectric energy (water), eolic (wind), geothermal (heat) and solar (sun). As of December 31, 2016, the nominal installed capacity of Guatemala was 3,730 MW. The energy generation sector is dominated by thermoelectric and hydroelectric capacity. There are approximately 50 generators in Guatemala. Approximately 66% of installed capacity is thermoelectric, approximately 29% of installed capacity is hydroelectric and the remaining 5% is geothermal, solar and wind. These generators are part of one interconnected energy system, the National Electric System.

- ***Transmission***: the transmission of energy across large, high-voltage and medium-voltage transmission lines from generation stations to the distribution companies. There are approximately 71 km of high-voltage (400kV) transmission lines, 960 km of high-voltage (230kV) transmission lines, 368 km of high-voltage (138kV) transmission lines and 2,934 km of a medium-voltage (69kV) transmission lines in Guatemala. The Guatemalan transmission system is mostly state-owned and operated. Additionally, there are eight private transmission companies that participate in the principal and secondary transmission systems.

- ***Distribution***: the local sale and delivery of energy to homes and businesses using relatively low-voltage power lines as well as a wide range of related services such as metering, billing and energy management. There are 19 distributors in Guatemala, including our two companies, EEGSA and 16 municipal electric companies.

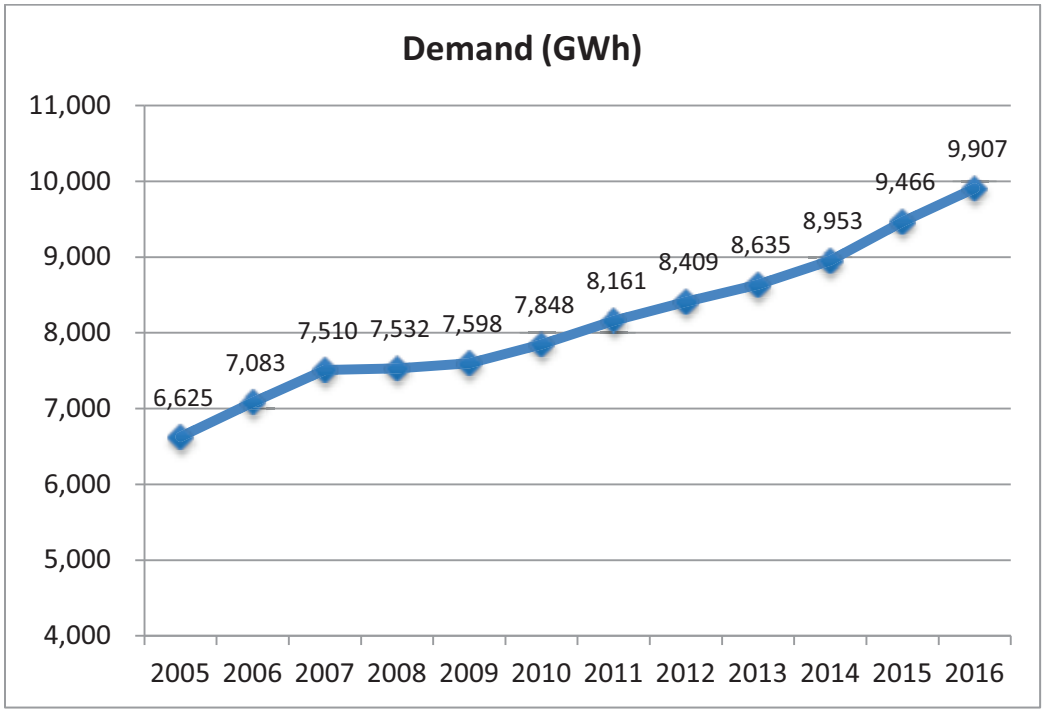
Energy produced at generation plants is boosted by nearby transformers to high-voltages so it can be moved along great distances on transmission lines with limited technical energy losses. The voltage is then reduced or stepped down at transformer stations for supply to distribution companies and large users. Distribution companies carry the energy over medium-voltage sub-transmission lines to distribution points, where distribution stations further step down the voltage for supply to local customers.

Generation

Energy Demand

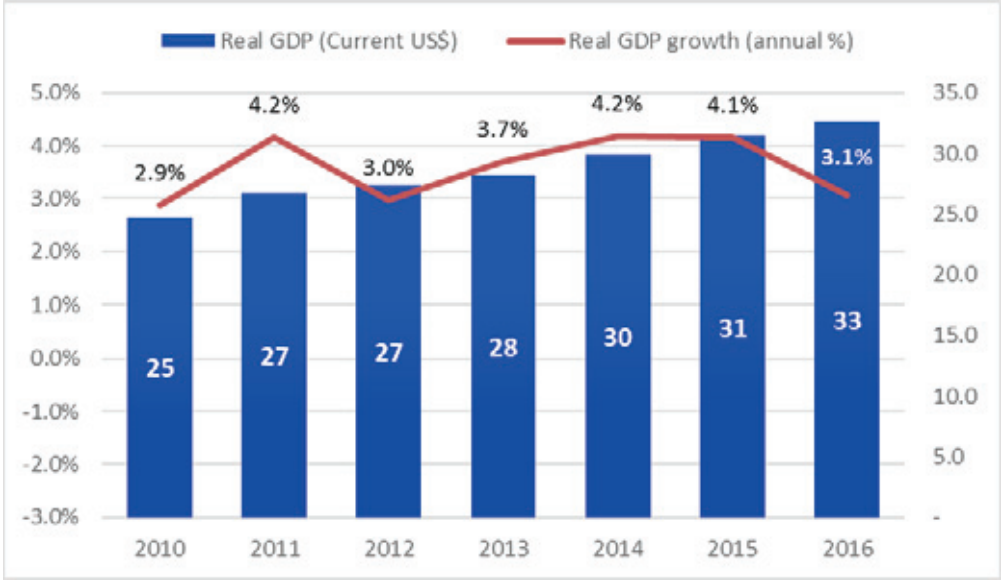
Between 2005 and 2016, the consumption of energy in Guatemala grew by approximately 3.7% per year (from 6,625.1 GWh to 9,906.8 GWh) and the number of customers increased by approximately 8.9% per year (from 1,212 thousand to 3,093 thousand) over the same period, according to the AMM.

The following chart sets forth the growth in Guatemala's energy consumption from 2005 until 2016.



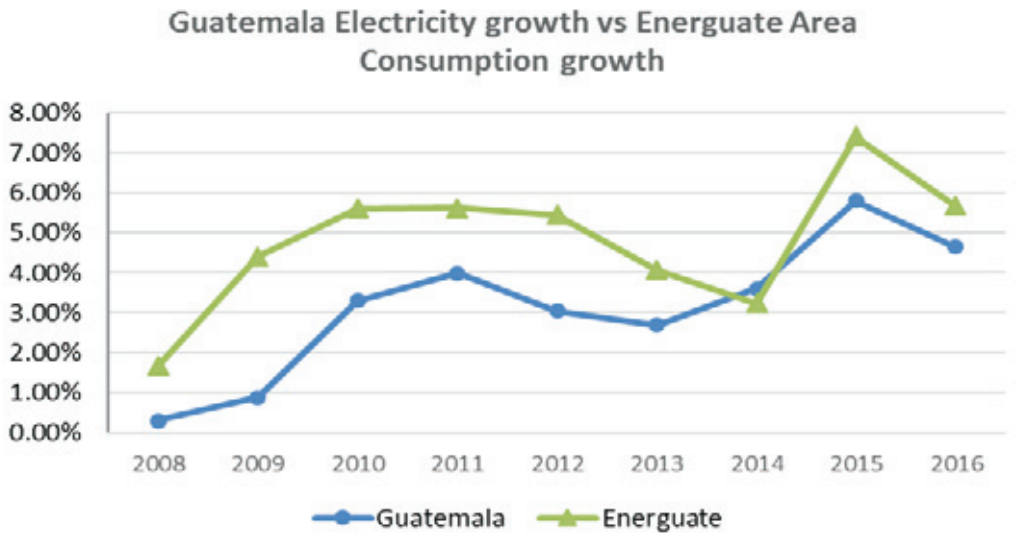
Source: *AMM*

The following chart sets forth the Guatemala's real GDP growth and real GDP in U.S. dollars (in billions) from 2010 to 2016.



Source: *World Bank*

The following chart sets forth the relation between the growth rates of Guatemala's energy consumption and energy consumption in Energuate's service area from 2008 until 2016.



Source: *MEM and AMM*

The following table sets forth the relation between Guatemala's energy consumption, population growth and GDP from 2005 until 2016.

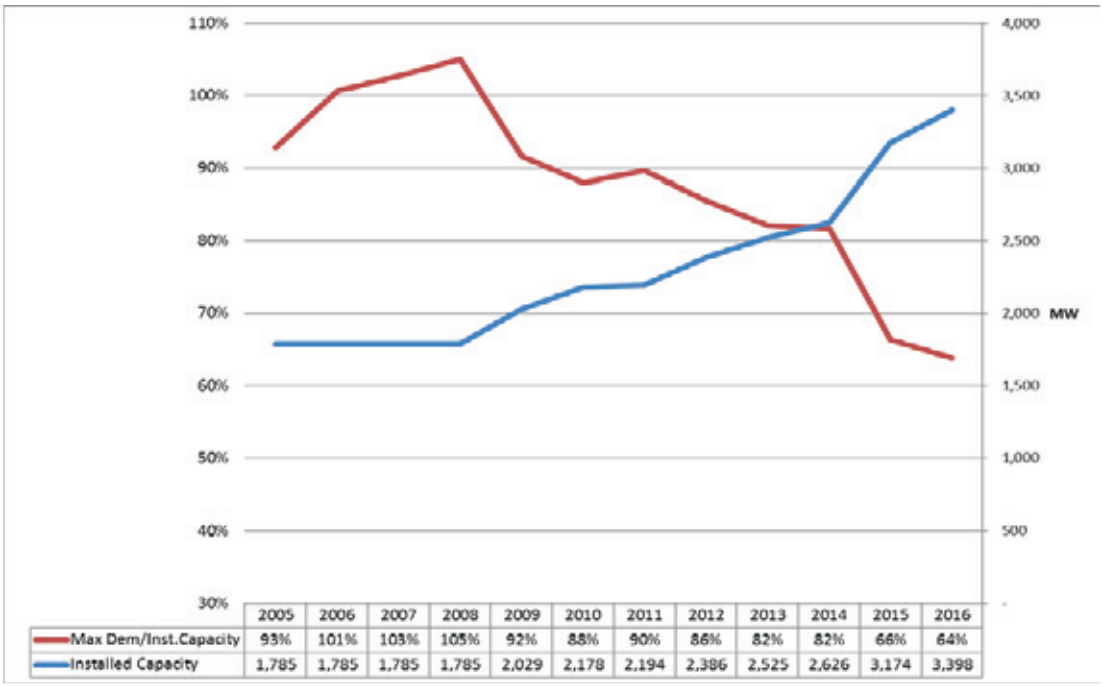
Year	Growth of energy consumption	Population growth	Electrification level	GDP growth
2005	4.80%	2.50%	84.00%	3.30%
2006	6.91%	2.50%	85.10%	5.40%
2007	6.03%	2.50%	84.70%	6.30%
2008	0.29%	2.50%	83.50%	3.30%
2009	0.87%	2.48%	82.40%	0.50%
2010	3.29%	2.46%	82.70%	2.90%
2011	3.99%	2.45%	84.10%	4.20%
2012	3.04%	2.44%	84.90%	3.00%
2013	2.68%	2.42%	89.58%	3.70%
2014	3.69%	2.39%	90.20%	4.20%
2015	5.73%	2.34%	91.96%	4.10%
2016	4.65%	NA	NA	3.10%

NA Information not available as of the date of this offering memorandum.
Source: *Banco de Guatemala*

Energy Supply

Between 2005 and 2016, the nominal installed capacity of Guatemala increased by approximately 6.03% per year (from 1,785 MW to 3,398 MW).

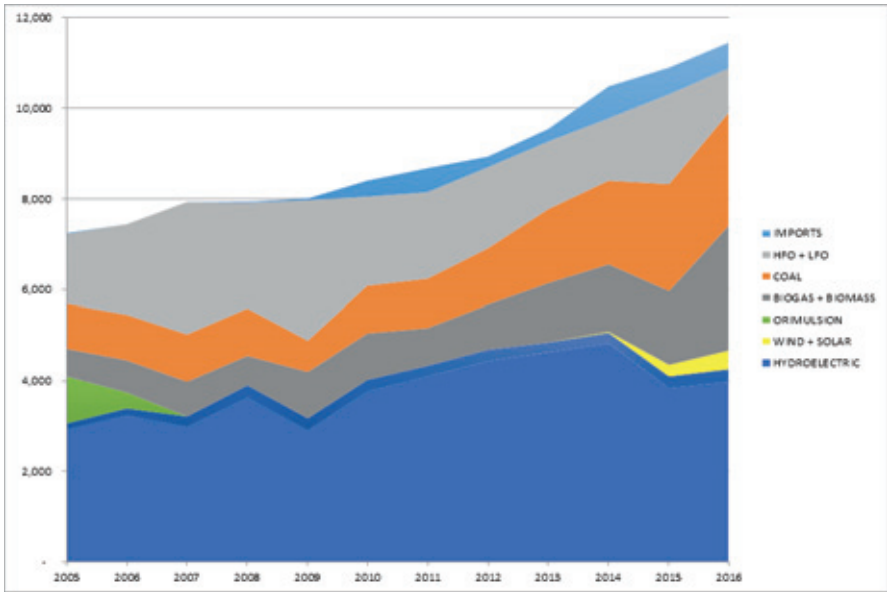
The following chart sets forth the relation between the evolution of installed capacity and the installed capacity utilization from 2005 to 2016.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Max Dem/Inst.Capacity	93%	101%	103%	105%	92%	88%	90%	86%	82%	82%	66%	64%
Installed Capacity	1,785	1,785	1,785	1,785	2,029	2,178	2,194	2,386	2,525	2,626	3,174	3,398

Source: *AMM*

The following chart shows the evolution of the different sources of energy generation in the National Electric System (excluding non-connected systems and self-production capacities), from 2005 to 2016 in MW.



Source: *AMM*

Energy in Guatemala is generated by a total of 16 hydroelectric facilities, with capacities ranging from 1 MW to 300 MW, and a total of 32 thermoelectric facilities, with capacities ranging from 5 MW to 150 MW. The thermoelectric facilities are powered principally by bunker fuel, coal, diesel and bagasse, a by-product of the sugar refining process. Guatemala does not currently face high demand for additional generation capacity above the installed capacity. During 2016, Guatemala's average utilization represented 64% of its installed capacity. As a result of completed generation plants during recent years and contracted capacity expected to be available within the next two years, the MEM forecasts show that current capacity will be sufficient for the next 14 years. Nevertheless, the MEM is promoting private investment in new hydroelectric facilities to be completed in the next five to eight years.

Transmission

There are approximately 960 km of 230kV transmission lines in Guatemala (the "primary transmission system") and approximately 368 km of 138kV transmission lines (the "secondary transmission system"). Approximately 48% of the primary transmission system and 78% of the secondary transmission system is owned and operated by *Empresa de Transporte y Control de Energía Eléctrica*, a division of the INDE, while the remainder of the primary and secondary transmission systems are owned and operated by Transportista Eléctrica Centroamericana, S.A., a subsidiary of EEGSA, and six other transmission companies. The National Electric System is completely integrated, allowing energy to flow between generators and importers to exporters, distribution companies and large users in the manner determined by the AMM.

The National Electric System currently has international interconnections to the interconnected system of El Salvador with a capacity of 210 MW operating at 230 kV, permitting generation companies in Guatemala to sell to customers in El Salvador and allowing distribution companies in Guatemala to purchase energy from generation companies in El Salvador. Currently, the majority of transfers consist of wholesale market sales of energy and capacity by generation companies in Guatemala to large customers and distribution companies in El Salvador. There is also an interconnection system with Mexico operating at 400 kV, with a capacity of 240 MW. We currently have a PPA with Energia del Caribe, S.A., a Mexican generation company covering 60 MW of energy generated with natural gas.

Distribution

Energy is sold by generation facilities to distribution companies, large users or energy brokers. The distribution companies then sell and deliver energy by low-voltage transmission lines to regulated customers and large users and perform a range of related services such as metering, billing and management. Distribution companies also collect tolls, directly or through traders, from unregulated customers for their use of the distribution lines, when such lines are used for transmission purposes.

Following the privatization of the Guatemalan electricity sector, initiated with the enactment of the General Electricity Law 20 years ago, distribution grew faster in terms of electrification levels given that, in addition to the PER, distribution companies were required to expand their lines to serve customers located within 200 meters of their existing networks, which has motivated important investments in expansion of distribution lines to meet the new demand and the connection of new users that have led to an electrification level of approximately a 92.0% of the Guatemalan population as of December 31, 2016.

There are three large authorized distribution companies in Guatemala: EEGSA, which serves the departments of Guatemala, including Guatemala City, Sacatepéquez, Escuintla, Chimaltenango, Jalapa and Santa Rosa; DEOCSA, which serves the south-western region of the country; and DEORSA, which serves the northern and eastern regions of the country. In addition, 16 municipalities operate distribution facilities serving the geographic areas of these municipalities.

Our authorizations are non-exclusive and the MEM has historically granted and may in the future grant authorizations to one or more competing distribution companies in our service area.

Distribution companies are required to have PPAs in place with generating companies for the supply of sufficient energy to supply their projected demand for the current year and for the following year. Each distribution company is annually required to establish its own projection of demand for the period from May 1 of the following year through April 30 of the subsequent year. This projection of demand is then approved by the AMM and used to establish the distributor's minimum contracting requirements. If there is a disagreement between a distributor and the AMM regarding the demand estimation, the regulator will determine the estimation of the demand. If the contracted capacity and energy under a distributor's PPAs are insufficient to meet the demand of its customers or prices under PPAs are not advantageous to a distributor, the distributor may make purchases on the spot market, if authorized by the CNEE or permitted under the terms of its PPAs. Under these PPAs, the distributor has the option of purchasing from the generator or in the spot market (rather than under the PPAs) if the spot market price is lower.

The Wholesale Energy and Capacity Markets

The Guatemalan wholesale energy and capacity markets are "open border" markets that allow market participants to purchase energy and capacity from generators and to sell energy and capacity to customers inside and outside Guatemala. Participation in the wholesale energy and capacity market is not mandatory, but all agents must abide by the AMM rulings and instructions, even if they are not wholesale market participants. The parties that may, but are not required to, participate in the wholesale energy and capacity market include:

- generators with an installed capacity of more than 10 MW;
- distribution companies with 20,000 or more customers;
- transmission companies with a system connected to plants with capacity of more than 10 MW;
- energy brokers buying or selling 10 MW or more, including importers and exporters; and
- unregulated customers.

Purchases and sales of capacity are conducted through the fixed-term wholesale capacity market. Generators may sell generating capacity at negotiated prices through medium- or long-term PPAs with distribution companies, unregulated customers or energy brokers. Distribution companies are required to have PPAs covering at least 100% of their projected capacity needs for the current year and the following year. Distribution companies may only enter into PPAs through public bids conducted under the supervision of the CNEE.

Generators may sell uncommitted energy in the spot market at prices determined as described below. Other participants in the wholesale energy market may buy energy in the spot market to cover shortages under their PPAs or to sell excess energy, however, distribution companies can only purchase energy with the CNEE approval. The AMM dispatches energy in the spot market based on the marginal variable cost of the generators offering energy, giving priority to energy produced at the lowest marginal cost based on:

- the variable costs (fossil fuel price) of energy offered by thermoelectric generators;
- the future replacement cost (water price) of the reservoirs for energy offered by hydroelectric generators; or
- the opportunity cost for energy offered by generators in other countries through international interconnections.

The prevailing price in the spot market for energy is established on an hourly basis based on the cost of the last dispatched plant needed to cover demand.

Participants in the wholesale market can also trade capacity, permitting generators that are unable to supply their committed capacity to purchase additional capacity and other market participants who have contracted to

purchase capacity in excess of their need to sell their excess capacity. Prices in the capacity market are set by the AMM based on the theoretical cost of installing efficient power generation.

Operation of the National Electric System

The AMM is responsible for the safety and operation of the National Electric System, performing economically efficient dispatch, and managing energy resources in a manner that seeks to minimize operating costs, including failure costs, within the restrictions imposed by the transmission system, and service quality requirements.

The AMM must schedule the dispatch of energy to guarantee coverage of energy requirements at minimum cost within the priorities defining the quality and safety of the service, particularly the requirements of supplementary services such as frequency regulation, tension and reactive control, and reserve, among others. The AMM dispatches energy purchased in the spot market according to the efficiency levels of the generators offering energy.

The AMM runs the National Electric System in real time, arranging any re-dispatches deemed necessary to correct differences between actual and projected power demand to ensure that the National Electric System runs safely and efficiently. In the event of generation, transmission or distribution failures and emergencies, the AMM is responsible for ensuring that service be reestablished and normal operation of the National Electric System is achieved.

All participants in the wholesale energy market are required to abide by the operating and dispatch instructions issued by the AMM. The commercial practices and rules of the AMM create the framework within which the participants are obligated to carry on their business in the wholesale energy market.

All parties connected to the National Electric System, including large generation facilities, distribution companies, transmission companies, energy brokers and unregulated customers that choose not to participate in the wholesale market, as well as small generators, transmission companies and distribution companies that cannot participate in the wholesale market, are required to submit to the directions of the AMM in all that concerns technical standards for the adequate operation of the National Electric System.

Quality of Service Regulation

The CNEE establishes minimum levels of quality for energy services. In addition, the CNEE imposes certain obligations on distribution companies related to quality standards, and fines them for failure to comply with such quality standards and other obligations. The CNEE regulates the quality parameters of the supplied energy (tension, frequency and disturbances), establishes parameters for continuity (number and length of interruptions) and minimum standards for customer service. An interruption is defined as any period of time over three minutes during which energy is not available.

The CNEE monitors the number of interruptions, the length of time of each interruption and the total number of customers affected. If a distribution company experiences excessive interruptions, it must indemnify the affected customers.

Each distribution company is required to survey its customers annually to obtain information regarding its compliance with required customer service regulations. The CNEE publishes the results of these surveys. Fines and other sanctions can also be imposed if a distribution company does not comply with the CNEE customer service standards or if there are other service complaints.

If a distribution company does not comply with the CNEE's regulations regarding the quality of the supplied energy and implementation of energy services and quality of service, it can be fined and, ultimately, its authorization can be revoked. In addition, the General Electricity Law provides for the appointment of a receiver and the sale of the distribution company's assets.

Distribution Permits

The General Electricity Law provides that the MEM may authorize a company to use the public domain to distribute or transmit energy. Permits for distribution services are granted on a non-exclusive basis for specific geographic areas and have terms of up to 50 years.

The General Electricity Law provides that a distribution company must provide service to all customers requesting energy that are (1) located within 200 meters of its distribution lines or (2) within the service area of a distribution company's authorization if the requesting party constructs a connection to the distribution company's system. A distribution company must provide energy to any party located outside of the service area of a distribution company's authorization if the requesting party provides its own lines or third party lines to reach the distribution company's system.

Distribution companies can use publicly owned lands and infrastructure in the construction of their distribution lines, cross rivers, remove vegetation, build paths and otherwise use publicly owned spaces for the distribution of energy and receive right-of-ways over state-owned and private lands as necessary to complete their distribution lines. The General Electricity Law provides requirements for such rights-of-way and adjudicatory procedures in cases of complaints by private parties. Distribution companies are required to pay the Guatemalan government for all costs associated with the use of state-owned facilities other than existing infrastructure such as streets, roads and bridges and pay private owners for the use of rights-of-way.

Tariffs and Tolls

Distribution Tariffs

Pursuant to the General Electricity Law, distributors charge customers a price for energy sales based on distribution tariffs, consisting of an energy charge and a VAD charge, which are determined on the basis of legal and regulatory proceedings of the CNEE. The VAD charge of the distribution tariff covers the operating expenses, capital expenditures, and the cost of capital of a model efficient distribution company and is revised every five years with semi-annual adjustments for inflation and local currency exchange rates against the U.S. dollar. The energy charge component of the distribution tariff is designed to allow a distribution company to recover the costs of the energy and capacity that it purchases and the costs of transmission of such energy to the connection points of its own grid. The energy charge component consists of a base tariff and an energy adjustment surcharge, which are revised annually and quarterly, respectively (see definition of "base tariff").

The process of establishing the distribution tariffs involves several parties, including distribution companies, and takes place over several stages. While the tariffs are intended to be set on the basis of objective criteria, the CNEE can exercise discretion. The prices for energy and capacity charged to unregulated customers are not regulated by the CNEE; however, unregulated customers must pay a toll for using the distribution line, equal to the applicable VAD charge.

Tariffs applicable to regulated customers

The CNEE adjusts the purchase and transmission costs of distributors and publishes a schedule of tariff rates for regulated customers every three months, which are designed to fully reimburse the distributor for the purchase and transmission costs actually paid during the previous three months. The regulated tariffs currently include:

- a social tariff available to customers that consume up to 300 kWh of energy per month;
- a regular tariff, available to all customers that purchase energy at low voltage;
- two additional tariffs available to customers that purchase energy for delivery at low voltages;
- two tariffs available to customers that purchase energy and capacity for delivery at medium voltage; and

- a tariff available to municipalities that purchase energy for public lighting.

The social tariff, the regular tariff and the public lighting tariff consist solely of an energy charge and a VAD charge.

The two additional low-voltage tariffs and two medium-voltage tariffs are available for:

- customers that purchase capacity and energy at low- or medium-voltage, with a demand capacity between 11 kW and 100 kW, for no less than 60% of the month; and

- customers that purchase capacity and energy at low- or medium-voltage, with a demand capacity between 11 kW and 100 kW, for less than 60% of the month.

Customers that request these tariffs enter into a contract with the distribution company to purchase a specified amount of capacity. These tariffs consist of a fixed capacity consumption charge for each contracted kW, an energy charge for the energy used by the customer, a capacity consumption charge and a monthly fixed charge for connection to the distribution system. The capacity consumption charge consists of two components: a generation and transmission component and a distribution component. Customers are charged the capacity consumption charge based on the maximum amount of capacity demanded during any billing cycle.

The energy charge and the generation and transmission components of the capacity consumption charge are set and adjusted in the same manner as the energy charge under the social tariff, the regular tariff and the public lighting tariff. The capacity charge and the distribution component of the maximum capacity charge are set and adjusted in the same manner as the VAD charges under the social tariff, the regular tariff and the public lighting tariff.

Tariff Adjustments

The VAD charges for each distribution company are established by the CNEE every five years and are calculated to equal an annuity over 30 years of the VNR of the distribution system of a model efficient distribution company providing service in the same area. The VNR of a distribution system is determined by calculating the new replacement value of a distribution network economically adjusted such that it would allow the distribution company to offer the services as if provided by a distribution company operating in the same area. The new replacement value of the distribution system is determined based on a discount rate set by the CNEE, based on studies conducted by independent consultants, within an allowed range provided by law. The calculation of the VAD charges for a distribution company uses as a benchmark the estimated costs of a model efficient distribution company serving a similar distribution area and accounts for the following costs:

- an allowance for energy losses as determined by the CNEE;

- administrative costs; and

- costs of maintaining and operating the distribution systems, including the cost of capital.

The VAD charges that DEOCSA and DEORSA will charge until January 2019 were established in January 2014. New VAD charges applicable to DEOCSA and DEORSA are scheduled to be established in January 2019. The process of establishing the VAD charges requires the distribution company to engage an independent consultant approved by the CNEE to calculate the components of the VAD charges (including the VNR) applicable to the distribution company's system. If the distributor fails to deliver the requested calculations, the CNEE can hire a consultant to calculate the VAD charges applicable to the distribution company's system. Following the submission of the VAD charges calculated by the independent consultants to the CNEE, the CNEE decides whether to approve the VAD charges calculated by the consultants. In the event that the CNEE does not approve the new VAD charges, the dispute is submitted to an expert panel composed of three individuals, one named by the distribution company, one named by the CNEE and one named by mutual agreement.

The expert panel must rule within 60 days. In one instance, the General Electricity Law and its regulations were construed such that the CNEE was not bound to adopt the decision of the expert panel and was free to set the VAD charges at its discretion.

The VAD charges are adjusted semi-annually to reflect the effect of fluctuations in the *quetzal*/U.S. dollar exchange rate on the U.S. dollar-denominated components of the VNR calculation and the effects of Guatemalan inflation on the *quetzal*-denominated components of the VNR calculation. Approximately 43% of the VAD charge is adjusted for exchange rate fluctuation, and the remaining 57% is adjusted for inflation.

The energy charge is designed to allow a distribution company to recover the costs of the energy and capacity that it purchases and the costs of transmission of such energy to the connection points of its own grid. The energy charge component of the regulated tariffs consists of a base tariff and an energy adjustment surcharge. Under the General Electricity Law and the regulations of the CNEE, the base tariff is adjusted annually to reflect anticipated changes in the cost of the energy and capacity to be purchased by the distribution company during the following year. The energy adjustment surcharge is set quarterly to reflect variations in the actual cost of energy and capacity purchased by the distribution company from the projected cost. These mechanisms attempt to achieve neutrality of the costs incurred by the distributor on the customer's behalf, allowing the distribution company to pass through those costs on to their customers. Pursuant to the CNEE resolutions published in January 2017, the energy adjustment surcharge applicable to us for the period from February 1, 2017 to April 30, 2017 was determined to be a net reduction of our energy charges of approximately US$8,535 thousand. In addition, the January 2017 resolution established an accrual (outstanding balance following the net reduction applied from February 1, 2017 through April 30, 2017) of US$24,510 thousand to be applied to reduce energy charges in future periods as agreed between us and the CNEE.

The Social Tariff

In 2001, the government of Guatemala enacted the *Ley de la Tarifa Social para el Suministro de Energía Eléctrica* (the "Social Tariff Law") which requires that a special tariff, called the "social tariff," be made available to customers with energy consumption of up to 300 kWh per month. Under regulations adopted by the CNEE, distribution companies solicit bids for PPAs to supply the energy to be delivered to customers eligible for the social tariff. The VAD charge is the same for all types of tariffs. Under the social tariff, energy and capacity are provided at market prices, and the INDE subsidizes the consumption of energy by some or all customers eligible for the social tariff.

Our customers who have energy consumption below 100 kWh receive a subsidy from the Guatemalan government towards the payment of the energy charge of the applicable tariff. Such subsidy is calculated and paid directly by the INDE to the distributors, like us, on a monthly basis. The subsidy is calculated by the INDE in order that the customers with the following tranches of average energy consumption are charged with the following amounts per kWh:

- as of December 31, 2016, customers that consumed up to 60 kWh per month paid 0.50 *quetzales* per kWh independently from the cost of the tariff established by the CNEE quarterly;

- as of December 31, 2016, customers that consumed between 60 kWh and 88 kWh per month paid 0.75 *quetzales* per kWh independently from the cost of the tariff established by the CNEE quarterly;

- as of December 31, 2016, customers of DEOCSA that consumed between 89 kWh and 100 kWh per month paid 0.99 *quetzales* per kWh independently from the cost of the tariff established by the CNEE quarterly; and

- as of December 31, 2016, customers of DEORSA that consumed between 89 kWh and 100 kWh per month paid 0.977 *quetzales* per kWh independently from the cost of the tariff established by the CNEE quarterly.

For purposes of determining which customers qualify for each of these tranches, and thus, to receive the subsidy, the INDE considers the customer's average energy consumption during the last 12 months.

During the years ended December 31, 2016, 2015 and 2014, the subsidies that the INDE granted to our customers represented 16.5%, 17.6% and 19.7% of our revenue.

Transmission Tolls

The General Electricity Law provides that all parties that connect to the National Electric System, including all generation companies, transportation companies, distribution companies, energy brokers and unregulated customers, must pay for their connection to and use of the National Electric System. The National Electric System is divided into a primary transmission system and a secondary transmission system, which includes the distribution lines.

There are separate tolls applicable to the primary transmission system and the secondary transmission system. Both tolls are determined on the basis of the variable transmission revenue of replicating a "model" transmission system, including VNR of the transmission system. The VNR of a transmission system is the estimated cost of replicating a "model" transmission system including an estimated return on capital.

The tolls for the primary transmission system are determined by the CNEE based on information provided by the owners of the transmission facilities and the AMM. The CNEE revises transmission tolls for the primary transmission system every two years and whenever new generation capacity is connected to the National Electric System or a portion of the secondary transmission system is upgraded to become part of the primary transmission system. The primary transmission toll is collected by the AMM.

Transmission tolls for the secondary transmission system are negotiated between the owners of these transmission facilities, including distributors, and the generators and energy brokers that use these transmission facilities. If these parties cannot reach an agreement with respect to transmission tolls, the transmission tolls are established by the CNEE according to applicable regulations. The transmission tolls for distribution facilities should be equal to the VAD charges. However, there have been instances where the transmission tolls were lower than the VAD charges.

Transmission tolls for use of the primary transmission system are paid by generation companies or importers and are included as part of the cost in the tariffs paid by regulated customers. Transmission tolls for use of the secondary transmission system are paid by distribution companies, energy brokers or unregulated customers. Transmission tolls for use of the secondary transmission system paid by distribution companies are included as part of the cost in the tariffs paid by regulated customers, if authorized by the CNEE.

BUSINESS

Overview

Through two corporate entities, DEOCSA and DEORSA, we are one of two large energy distributors in Guatemala and the largest distribution company in Central America measured by population served. We use the trade name "Energuate" for the collective distribution businesses of DEOCSA and DEORSA, but Energuate is not a legal entity. We operate in 21 of Guatemala's 22 departments, distributing energy to a service area of 101,914 km^2 with approximately 11.8 million inhabitants. As of December 31, 2016, our service area represented approximately 93.6% of the country's territory in which approximately 72.8% of its total population resides. As of December 31, 2016, we provided services to approximately 1.7 million regulated customers in Guatemala, which we estimate represent approximately 56.0% of Guatemala's population and approximately 54.3% of Guatemala's regulated distribution customers. We operated 70,380 km of distribution lines in Guatemala, representing approximately 83.1% of Guatemala's distribution lines as of December 31, 2016. We hold government authorizations to provide energy distribution services within our service area until 2048.

Our revenue was US$573,286 thousand, US$577,289 thousand and US$591,891 thousand for the years ended December 31, 2016, 2015 and 2014, respectively. Our profit was US$35,898 thousand, US$48,757 thousand and US$16,680 thousand for the years ended December 31, 2016, 2015 and 2014, respectively. Our combined EBITDA was US$90,012 thousand, US$111,157 thousand and US$105,053 thousand for the years ended December 31, 2016, 2015 and 2014, respectively. We had total assets of US$843,838 thousand as of December 31, 2016.

Electricity tariffs in Guatemala are adjusted every quarter to account for the variations in the cost of energy purchased, a pass-through component in the electricity tariff. However, to avoid adjusting tariffs to regulated customers every three months, the CNEE, in agreement with Energuate, may decide to delay the timing of such tariff adjustment (positive or negative), in order to mitigate tariff volatility, particularly in periods with high volatility in fuel costs. The time gap in the adjustments of the tariff by the CNEE can affect our results of operations and our combined EBITDA. For example, between 2013 and 2015, fuel prices and energy costs in Guatemala decreased, as did the average cost of Energuate's energy purchases. In this period, the CNEE, instead of fully transferring this decrease in energy costs to our customers' tariffs, opted to partially reduce electricity tariffs, improving our margins and generating a balance that needed to be adjusted in future periods. During 2016, the CNEE, in agreement with DEOCSA and DEORSA decided to start reducing such balance decreasing tariffs, thereby affecting our results (including gross margins and combined EBITDA).

Competitive Strengths

Largest power distribution company in Central America measured by population served. As of December 31, 2016, we provided electric service to approximately 1.7 million regulated customers (representing approximately 54.3% of Guatemala's regulated distribution customers) and distributed energy to a service area of 101,914 km^2 in Guatemala through 70,380 km of distribution lines (representing approximately 83.1% of Guatemala's distribution lines).

Operations in less electrified and less economically developed areas provide growth opportunities. Guatemala had an electrification level of approximately 92.0% as of December 31, 2016. However, our service area is predominantly rural and had a combined electrification level of approximately 87.9% which, compared to the urban and residential departments in which the only other large Guatemalan energy distribution company operates, is significantly lower. As of December 31, 2016, DEOCSA's service area had an electrification level of 95.1% while DEORSA's service area had an electrification level of 77.9%. This indicates that there are still many parts of our service areas in which we can expand to serve more customers. In addition, we believe the rural areas that we serve are less economically developed and provide higher growth potential in terms of increased consumption than more urban areas and cities outside of our coverage area.

Strong and predictable cash flows. Our sizeable distribution base and limited exposure to fluctuations in the cost of energy (given the applicable tariff framework) allow us to generate predictable cash flows from our operations. The energy charge portion of our tariffs is set annually and adjusted quarterly for our effective cost of energy, capacity and transmission, and the VAD charge portion of our tariff is calculated and fixed for five-year

periods and adjusted semi-annually adjusted for inflation and exchange rate fluctuations of the *quetzal* against the U.S. dollar.

Transparent and stable energy sector framework. We operate in a largely liberalized and stable power market that developed after the government led a large wave of privatizations and implemented the General Electricity Law in 1996. The energy market in Guatemala operates under a highly technical and independent regulatory framework which has supported the implementation of market-oriented pricing systems and enhanced overall transparency. Regulation of energy distribution in Guatemala is designed with the aim of rewarding operators with a constant value annuity with pass-through mechanisms similar to those used in Peru, Chile, Brazil, El Salvador and Colombia. Furthermore, recent distribution tariff adjustments applicable to us have ratified the predictable tariff-fixing process and the reliable framework in which we operate.

Attractive economy with sustained growth potential and stable macroeconomic fundamentals. According to the World Bank, Guatemala has the largest economy in Central America, with real GDP of US$49.9 billion in 2016. As of December 31, 2016, the country had credit ratings of Ba1 by Moody's Investor Service, BB by Standard & Poor's Rating Services and BB by Fitch Ratings Ltd.

According to the Central Bank, over the past five years, the Guatemalan economy, measured by real GDP, has grown at a compound average annual rate of 3.6%, with an average inflation rate of 3.7%, public debt of 24.1% of GDP and average fiscal deficit of 1.1%. The Guatemalan government's prudent and responsible management of the economy, coupled with a conservative monetary policy by the Central Bank, have resulted in economic development, increased internal consumption and strong macroeconomic fundamentals, including low levels of public debt, low inflation, stable currency, low fiscal deficit and high levels of international reserves.

Strong and dedicated controlling shareholder. Our indirect controlling shareholder, IC Power, is a leading owner, developer and operator of power facilities located in key power markets in Latin America, the Caribbean and Israel. As of March 31, 2017, IC Power had 3,360 MW of installed capacity in Latin America, 127 MW of installed capacity in the Caribbean, and 458 MW of installed capacity in Israel. Between 2007 and December 31, 2016, IC Power invested approximately US$3.2 billion in the acquisition, development and expansion of its power generation and distribution assets. The international profile, experience and commitment of IC Power in operating growth-oriented businesses lend Energuate credibility in conducting its operations and provide strategic support in analyzing and evaluating growth opportunities and operational efficiencies. In addition, IC Power is supporting our senior management with its international experience in the energy sector.

Experienced management team. Our senior management team has substantial experience in the energy sector in Guatemala and in Latin American countries, such as Brazil, Argentina and Chile, with an average of 20 years of experience in the energy distribution industry. Most of our senior managers have master's degrees in their relevant fields of specialization from leading business schools in Latin America and/or the United States. In addition to the experience of our senior management, certain members of our board of directors also have extensive experience in the energy distribution industry in Latin America including, in particular, Cristián Fierro, who has over 24 years of experience in the industry, including, among others, previous senior positions at Edesur in Argentina, Chilectra and Endesa in Chile and Coelce and Ampla in Brazil, and Juan Camilo Olavarría, who has over 35 years of experience in the industry, including, among others, previous senior positions at Chilectra in Chile, Edesur in Argentina and Ampla in Brazil.

Business Strategy

We expect to benefit from IC Power's pan-regional experience in the energy sector to optimize our operations. We intend to implement the following strategies in order to increase our earnings growth and improve our cash flow generation in following years.

Reduce our energy losses (both commercial and technical) in the near-to medium-term. We experience two types of energy losses: technical losses and commercial energy losses. Technical losses occur in the ordinary course of our distribution of energy and include losses due to energy dissipation in conductors and magnetic losses in transformers, while commercial energy losses result from customers' illegal connections, fraud and billing errors. These factors are considered in defining the model distribution company and establishing the VAD. Our total energy

losses in the years ended December 31, 2016, 2015 and 2014 were 19.6%, 16.9% and 17.0% of our total energy received, respectively. Even though our costs associated with energy losses, up to approximately 15% of our total energy received, is passed on to our customers as a component of the VAD charges, our management intends to reduce commercial energy losses through improving customer billing practices, increasing targeted inspections and meter replacements, implementing a communication program with local communities and modernizing our facilities to reduce tampering, especially in areas where energy theft has been more prevalent. We also intend to reduce technical losses by investing in the modernization of our transmission grid and distribution system. Efficiency improvements may have a positive impact on our profitability.

Increase service quality. Pursuant to the terms of our authorizations, we may be fined for failing to achieve certain levels of quality service. Through the implementation of our quality service plan, we aim to increase service levels while reducing service interruption, which we believe will increase consumption and thereby our revenue. We aim to (1) implement a maintenance program targeted to improve, protect and replace critical circuits and transformers; (2) evaluate and improve key processes including demand-focused teams and management tools; (3) install command and control equipment that promotes operating flexibility; and (4) design and develop technological solutions to predict maintenance activities.

Improve capital performance through effective capital expenditure projects. We are establishing a disciplined capital expenditure program which is intended to (1) enhance network development and reliability; (2) expand our customer base; (3) increase regulatory savings by reducing penalties and fines; and (4) reduce technical losses through investment in the modernization of our transmission grid and distribution system. The cost/benefit analysis that we will undertake for all capital expenditures will take into account the regulatory savings associated with the resulting improvements in network reliability.

Improve collection rates. For the years ended December 31, 2016, 2015 and 2014, our collection rates (which reflect the amounts collected divided by the total billed amounts) were 95.9%, 96.1% and 95.9%, respectively. We aim to improve our collection rates through (1) creating a division focused on monitoring our customers with past due accounts, (2) implementing a comprehensive control process for our customers with past due accounts focusing on early detection, significant increase of energy cut-offs, pre-judicial and legal actions and (3) setting up a dedicated team focused on the recovery of bills owed by municipal clients. We intend to dedicate the required resources to substantially improve our collection rates, which have a direct effect on our results of operations and financial position.

History and Background

During the 1970s, the Guatemalan government was the only distributor of energy in Guatemala through the INDE and EEGSA. In the next two decades, the Guatemalan energy sector became increasingly privatized and, in 1994, the Guatemalan government adopted a new law to deregulate and privatize the Guatemalan electric energy industry in order to encourage privately funded growth. In 1996, the Guatemalan government adopted the General Electricity Law, which created a legal and regulatory framework designed to reduce government intervention and attract private investment into the sector.

Until December 15, 1998, the INDE was the majority shareholder of DEOCSA and DEORSA, when the Guatemalan government conducted an auction for these companies as part of the privatization of the Guatemalan energy sector and they were sold to Compañía Distribuidora Eléctrica del Caribe, S.A., a subsidiary of Unión Fenosa Internacional, and employees of DEOCSA and DEORSA. On May 19, 2011, Actis LLP, a private equity firm, indirectly acquired a 90.6% equity interest in DEOCSA and a 92.7% equity interest in DEORSA, along with two smaller related businesses, Comercializadora Guatemalteca Mayorista de Electricidad, S.A. and Redes Eléctricas de Centroamérica, S.A.

In January 2016, we, along with Comercializadora Guatemalteca Mayorista de Electricidad, S.A. and Redes Eléctricas de Centroamérica, S.A., were indirectly acquired by IC Power from Deorsa-Deocsa Holdings Limited, an investment company owned by Actis LLP, for US$266 million in cash and assumed debt of US$284 million.

As of the date of this offering memorandum, IC Power holds an indirect 90.6% equity interest in DEOCSA and an indirect 92.7% equity interest in DEORSA. The remaining 9.3% equity interest in DEOCSA and 7.3% equity interest in DEORSA are held by minority shareholders. For more information regarding our shareholders, see "Principal Shareholders."

Overview of Regulatory Environment

The electric energy industry in Guatemala is regulated by the MEM, the CNEE and the AMM. The MEM is responsible for enforcing the General Electricity Law and the related regulations and for the coordination of policies between the CNEE and the AMM. The CNEE acts as the technical arm of the MEM and determines the transmission and distribution tariffs while ensuring compliance with energy laws. The AMM is a private entity that coordinates the operation of the generation facilities and international interconnections and transmission lines that form the National Electric System in Guatemala.

Authorizations for distribution services are granted on a non-exclusive basis for specific geographic areas and have terms of up to 50 years. The General Electricity Law provides that those companies in the energy distribution business that have been granted an authorization from the MEM may use public property to carry on their business activities.

Guatemalan distribution companies acquire energy and capacity on behalf of their customers through PPAs from generation facilities, transport the energy to their lines, and then deliver energy through low-voltage and medium-voltage transmission lines to regulated customers and large users and perform a range of related services such as metering, billing and management. Regulated customers pay a distribution tariff for the sale of the energy and the services provided, and large users pay tolls for their use of the distribution lines.

For further information on the regulations applicable to us, see "Overview of the Electric Energy Industry in Guatemala."

Our Authorizations

Under Agreement No. 401-98 of the MEM dated December 14, 1998 the *Empresa de Distribución de Energía Eléctrica del INDE – Región Oeste* (the Electric Energy Distribution Company of the INDE – Western Region), was authorized to transfer the service of final distribution of energy in the service areas described below to DEOCSA for a 50-year period commencing on December 12, 1998. In addition, under Agreement No. 381-98 of the MEM dated November 23, 1998 the *Empresa de Distribución de Energía Eléctrica del INDE – Región Este* (the Electric Energy Distribution Company of the INDE – Eastern Region), was authorized to transfer the service of final distribution of energy in the service areas described below to DEORSA for a 50-year period, commencing on December 12, 1998.

These agreements also granted us authorizations to use public property (including rivers) and impose easements on private lands, thus enabling us to deliver energy over our distribution systems in our service areas for a period of 50 years. Our authorizations allow us to conduct our operations and include the right to use public roads and other public domain spaces and to obtain easements over certain state-owned and private lands in order to construct, maintain and operate our distribution system. These easements remain in place as long as necessary to provide passage for the distribution lines and appropriate access to our distribution network. We are required to negotiate with the owners for new easements over private land and must pay the owners of the private land for those easements. If the parties cannot reach an agreement, we can petition the MEM to impose an easement.

Our authorizations are non-exclusive and the MEM has historically granted, and may in the future grant, authorizations to one or more competing distribution companies in our service area.

We are required to construct our facilities and transmission lines in a manner that guarantees the public's safety. Once constructed, we are required to operate and maintain the facilities in safe working condition. However, pursuant to Guatemalan law, we need to apply and obtain a construction license to commence any construction project. These licenses are issued by the municipality that has jurisdiction over the place in which the construction is located. The CNEE has promulgated a series of technical rules related to the design and operation of distribution

facilities. Our authorizations require that we comply with the rules promulgated by the CNEE. Our authorizations also require us to maintain appropriate insurance on our facilities.

Our obligations under our authorizations are primarily focused on quality of service. The CNEE has published a series of technical rules related to the quality of distribution services that contain restrictions on the maximum number of interruptions and maximum length of interruptions. If interruptions exceed the maximum levels set by the CNEE, we may be fined by the CNEE. We also have the obligation to provide service to all customers requesting such service within areas that are located (1) within 200 meters of our distribution lines or (2) within our service area if the requesting party constructs a connection to our distribution line. In addition, we are required to survey our customers annually. If customer satisfaction levels set by the CNEE are not achieved, we may be fined by the CNEE. If we continually incur such fines, do not pay fines that have been imposed or otherwise provide repeatedly deficient services, our authorizations may be rescinded.

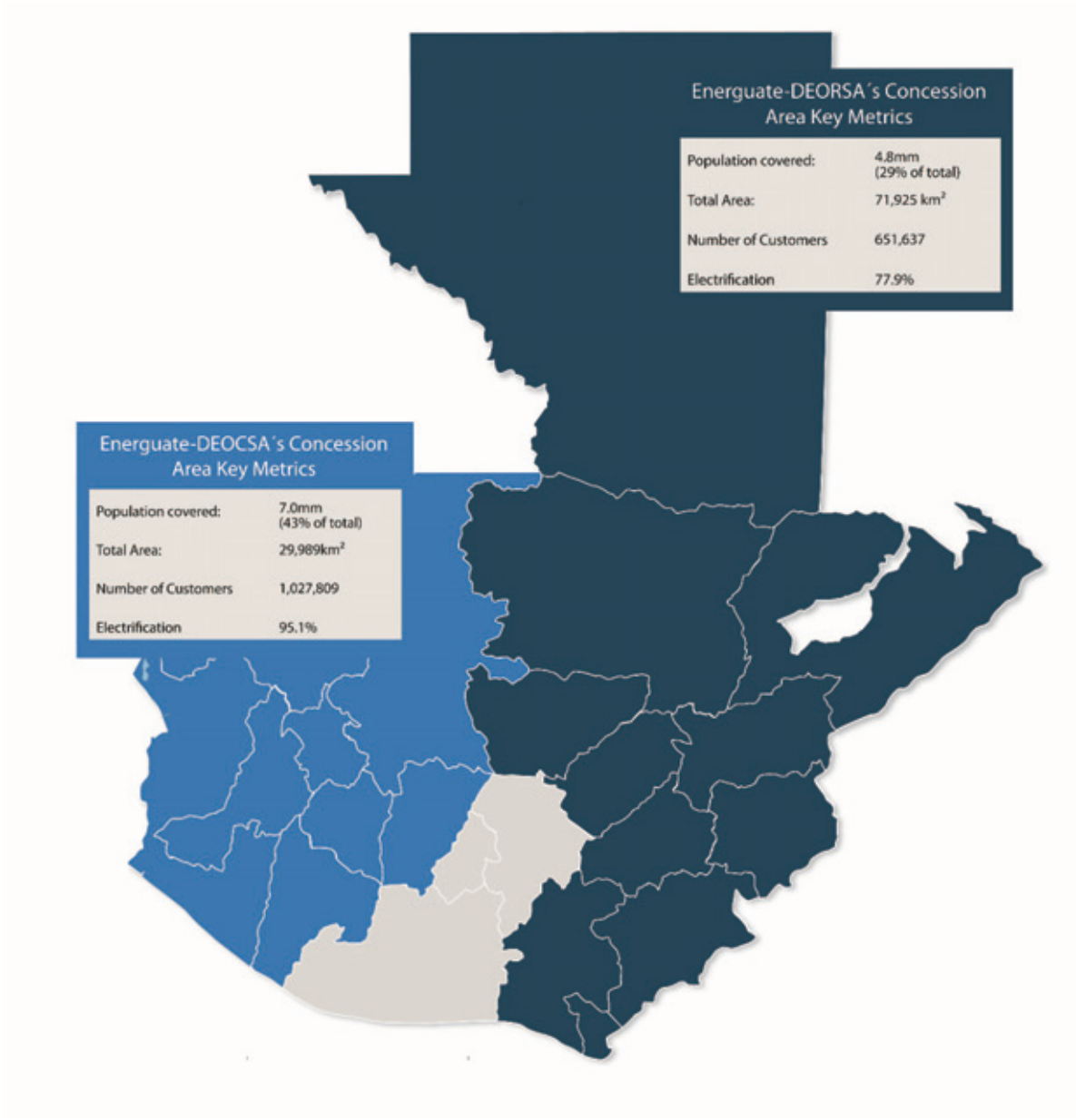
Our authorizations can either be terminated (1) upon the expiration of the original term or (2) by the regulatory authorities as a result of non-compliance with the obligations assumed by us under the terms of our authorizations, in accordance with the procedures set forth in the General Electricity Law. In case of a default under the terms of the authorizations, the MEM may rescind all or a portion of the authorized service areas. Once an authorization is terminated, Article 57 of the General Electricity Law establishes that the rights and assets relating to such authorization will be auctioned publicly as an economic unit, within 180 days. The former concessionaire can participate in the auction process unless the authorization was terminated as a result of poor quality of service. From the value obtained in the auction process, the MEM will deduct the expenses incurred in the auction and debts that the former concessionaire may have and the remaining amount will be transferred to the former concessionaire. The creditors of the former concessionaire may not, for any reason, oppose the auction and, provided that such creditors asserted their claims in legal proceedings, will be paid with amounts obtained from the auction. In case of the termination of an authorization, the former concessionaire must guarantee the continuity of the service pursuant to Article 57 of the General Electricity Law. As a consequence, a former concessionaire may not suspend service until the auction and the transfer of the assets to a new concessionaire is completed, and will be responsible for the damages and losses caused by the non-fulfillment of its obligation.

Service Area

We have authorizations to provide energy distribution services within our service area until 2048. We operate in 21 of Guatemala's 22 departments, excluding Sacatepéquez, covering 101,914 km2 with approximately 11.8 million inhabitants. DEOCSA's service area covers the south-western region of Guatemala, while DEORSA's service area covers northern and eastern regions of Guatemala.

However, our authorizations are non-exclusive and the MEM has historically granted and may in the future grant authorizations to one or more competing distribution companies in our service area.

The following map indicates, as of December 31, 2016, the areas in which DEOCSA and DEORSA operate.



Compared to the urban and residential departments in which EEGSA, the other large Guatemalan distribution company, operates, our service area is predominantly rural and characterized by lower electrification levels and underdeveloped infrastructure. For example, in our service area, there are still some households that utilize propane and wood for cooking, illumination and other household needs. As a result, we believe that our service area has room for further growth in energy distribution.

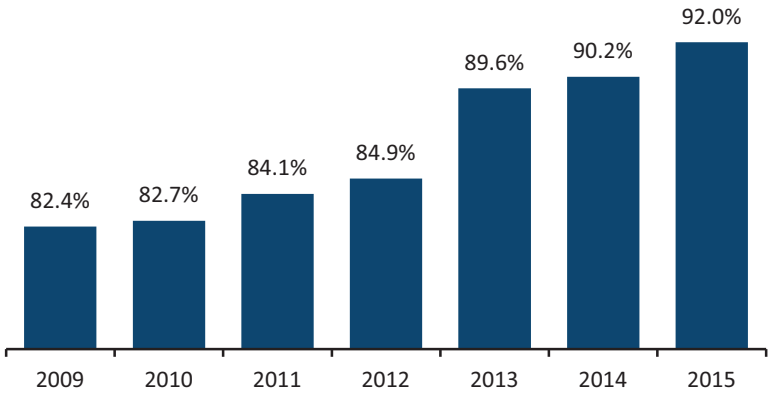
The Guatemalan government has historically implemented projects to increase electrification levels in Guatemala. For example, until 2014, we managed part of the PER, an electrification project funded by the Guatemalan government. As part of this project, on May 4, 1999, we entered into an Electric Energy Transmission Works Construction Agreement with the INDE and a trust administration agreement with respect to a trust that was formed to fund electrification initiatives in rural areas in the western and eastern regions of Guatemala within our service area. Banco Agromercantil de Guatemala, S.A. acted as trustee of the trust. Upon the termination of the

relevant construction projects, the transmission assets become property of the INDE while the distribution assets will form part of the property, plant and equipment of DEOCSA and DEORSA. The program ended in July 2015. As of December 31, 2016, 2015 and 2014, the assets constructed by us with government grants under this project, net of accumulated depreciation, amounted to US$140,666 thousand, US$105,410 thousand and US$148,918 thousand, respectively. As a result of the PER, we had supplied energy to 3,143 and 4,602 new customers within our service areas as of December 31, 2015 and 2014, respectively. As of December 31, 2016, we had not supplied energy to new customers under PER.

During the second half of 2014, the INDE sought the extension of the trust for five more years, but such extension was not approved by the Ministry of Public Finance of Guatemala. Although the trust agreement was terminated on July 14, 2015, some construction works were still in progress. According to the contract terms, once the term of the trust concluded, if there was a disagreement regarding the acceptance and/or liquidation of the pending works among parties, and no friendly arrangement was reached, the parties were required to initiate arbitration. For more information about the arbitral process, see "—Legal Proceeding—Arbitration with the INDE." Such process was initiated in September 2015 and it is pending as of the date of this offering memorandum.

In addition, the Guatemalan government conducts certain minor projects, which are managed by the INDE, for the electrification of certain rural areas within our service areas. We believe the Guatemalan government will continue to promote access to electric energy through different policies such as subsidies for rural customers with low-consumption.

The following chart shows the growth of electrification levels in Guatemala between 2009 and 2015.



Source: *The Ministry of Public Finance of Guatemala.*

As of December 31, 2016, the combined electrification level in our service area was 87.9%.

Distribution Network

For the year ended December 31, 2016, we distributed approximately 29.1% of the energy distributed in Guatemala. Energy is transferred from supply points connected with the National Electric System to customers through our distribution system, which consists of a wide network of overhead lines, cables and substations carrying successively lower voltages. As of December 31, 2016, our distribution system represented approximately 83.1% of Guatemala's distribution lines.

The following table provides certain information concerning our distribution system as of the dates indicated:

	As of December 31,		
	2016	2015	2014
Kilometers of distribution lines			
Medium-voltage	34,230	34,158	33,180
Low-voltage	36,150	35,670	35,504
Transformer Capacity (MVA)			
Medium-voltage / Low-voltage	1,932	1,941	1,904

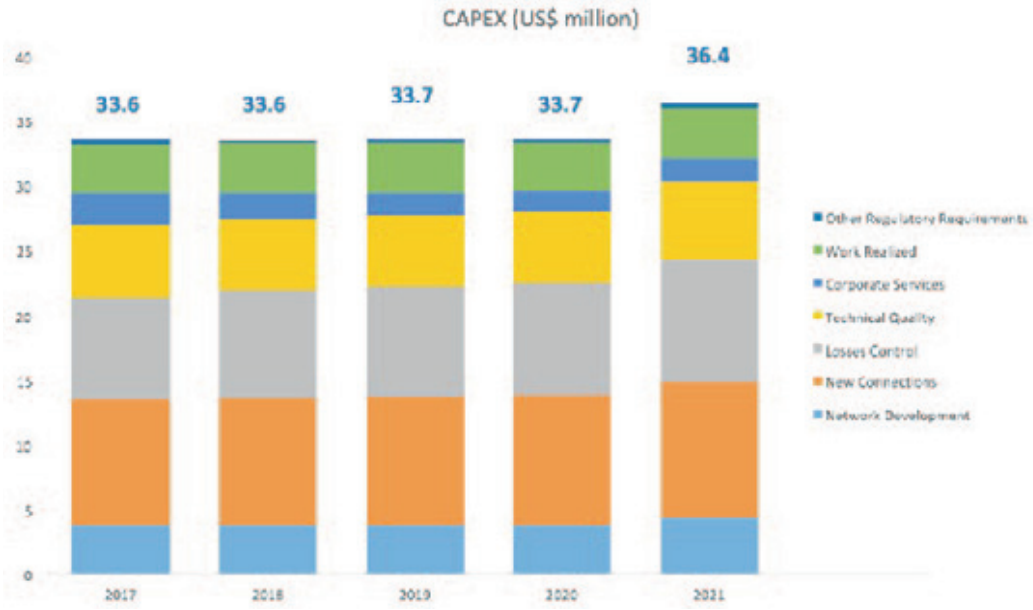
During 2015 and 2016, we implemented significant improvements to our technological platform, which included:

- reengineering of the technological platform of the *Sistema de Gestión Comercial* (Management System);
- implementation of the PrimeGrid system to improve the control of losses in our systems;
- updating of the directory to the 2012 version;
- implementation of QOS solutions and grid contents filtering;
- updating of the technological platform of regulatory reports;
- implementation of a SAP system to coordinate work orders in the distribution and commercial areas; and
- development of a new version of our human resources system.

In addition, our distribution line may be expanded due to certain electrification projects that the Guatemalan government has historically conducted to promote access to energy within our service area.

For the next five years, we intend to implement an investment program to further improve our service quality, increase the number of customers we serve and reduce our energy losses.

The following chart sets forth the capital investments we expect to make in the next five years.



The initiatives that we expect to include in this program, are among others, the following:

- replacement of 36 km per year of three-phase-conductor distribution lines for single-phase-conductor to improve voltage;
- reconditioning of 500 transformers per year presenting low-voltage problems;
- installation of 45 load-transfer equipment per year, to improve failure-response times;
- replacement of 1,517 overloaded transformers and 110 transformers with probability to overload;
- construction of six new medium-voltage circuits per year, to reduce length and over demand in existing circuits;
- construction of a new distribution substation each year;
- reconditioning of 35 medium-voltage outputs to comply with current regulations;
- installation of 136 triple trip circuit breakers per year, placed in critical derivatives that allow a fast recovery of faults; and
- installation of 4,900 connection works to add an estimate of 6,000 new customers that are within 200 meters from our network.

Additionally, as part of the investment program, we are planning to undertake the following measures related to the commercial and sale area:

- perform 60,000 customer regularizations per year;
- modernization of our meter laboratory to certify regulatory measurement parameters and to reutilize meters;
- normalize 25,000 customers in conflict areas per year;

- installation of 60,000 new customer connections, improving installations to shield the network in order to reduce theft of material and equipment; and

- updating our technological infrastructure to improve operations and losses and collection procedures.

Customer Base

As of December 31, 2016, we provided electric service to approximately 1.7 million regulated customers and 115 unregulated customers. Our regulated customer base is divided into four categories:

- Residential (some of whom receive subsidies for their purchase of energy);

- Commercial (small- to medium-sized enterprises, such as local hospitals, gas stations, irrigation pumps and small-sized agricultural facilities);

- Industrial (large-sized enterprises, such as hotel and resort complexes, commercial malls and large-scale agricultural facilities); and

- Other (which includes certain government entities, such as municipalities).

The following table sets forth the volume of energy purchased, the percentage of purchased energy lost and the volume of energy distributed to our customers for the periods indicated.

	For the years ended December 31,		
	2016	**2015**	**2014**
Energy purchased (GWh)	**2,882.3**	**2,785.4**	**2,630.6**
Total energy losses (%)[1]	**19.6%**	**16.9%**	**17.0%**
Energy distributed (GWh)			
To regulated customers	2,215.7	2,158.6	2,010.5
Residential	1,663.4	1,611.8	1,498.9
Commercial	252.9	246.2	234.4
Industrial	37.3	34.5	26.7
Other customers	262.1	266.1	250.5
To unregulated customers	100.7	156.6	173.6
Total energy distributed	**2,316.4**	**2,315.2**	**2,184.1**

(1) We experience energy losses in the form of technical and commercial energy losses. For more information, see "—Energy Losses."

The following tables set forth the number of customers by category as of the dates indicated.

	As of December 31,					
	2016		**2015**		**2014**	
		%		%		%
Regulated customers						
Residential	1,674,916	99.7	1,630,204	99.7	1,575,204	99.7
Commercial	4,036	0.2	4,037	0.2	3,991	0.3
Industrial	81	—	79	—	65	—
Other customers	298	—	296	—	295	—
Total regulated customers	**1,679,331**	**100.0**	**1,634,616**	**100.0**	**1,579,555**	**100.0**
Unregulated customers	**115**	—	**157**	—	**170**	—
Total	**1,679,446**	**100.0**	**1,634,773**	**100.0**	**1,579,725**	**100.0**

Distribution Tariffs

Under the General Electricity Law and the regulations of the CNEE, the tariffs that we charge to our regulated customers are subject to the approval of the CNEE. The prices for energy and capacity charged to

unregulated customers are not regulated by the CNEE; however, unregulated customers must pay a toll, equivalent to the applicable VAD charge when supplied by a generator or wholesale energy broker, for delivery through the facilities of a distribution company, as a toll. We charge distribution tariffs for all energy delivered through our distribution system, whether to our customers or the customers of wholesale energy brokers. The tariffs we charge wholesale energy brokers do not include the energy charge described below.

There are seven different tariffs that are applicable to our regulated customers. Each of our regulated customers agrees to purchase energy and capacity from us at one of these tariff rates. Our schedule of tariffs includes:

- a *social tariff* available to customers with energy consumption of up to 300 kWh per month. As of December 31, 2016, 96.7% of our customers were eligible for the social tariff. Consumption of energy at the social tariff accounted for 52.0% and 50.7% of the energy we sold to our customers in the years ended December 31, 2016 and 2015, respectively. The Guatemalan government grants a subsidy to customers that purchase 100 kWh or less per month.

- a *regular tariff*, available to all customers that purchase energy at low-voltage, with energy consumption higher than 300 kWh per month and a demand capacity of up to 11 kW. As of December 31, 2016, 3.1% of our customers purchased energy at the regular tariff. Consumption of energy at the regular tariff accounted for 19.8% and 18.9% of the energy we sold to our customers in the years ended December 31, 2016 and 2015, respectively.

- a *low-voltage peak tariff* available to customers that purchase energy and capacity at low voltage (less than 1,000 volts), with a demand capacity between 11 kW and 100 kW, for no less than 60% of the month, who are generally customers that have a predictable level of demand, primarily commercial and industrial customers. Under these tariffs, customers agree to purchase a specified amount of capacity from us and are charged a fixed capacity charge per kW for the capacity purchased. Customers are charged an energy charge for energy actually consumed. In addition, customers are charged a capacity usage charge based on the maximum capacity demanded during any 15-minute increment in a monthly billing period. If the maximum capacity demanded by the customer is less than the contracted capacity, the customer is charged for the actual amount demanded. If the maximum capacity demanded by the customer is more than the contracted capacity, the customer is charged the capacity usage charge for the contracted capacity plus twice the capacity usage charge for the excess capacity demanded, and the amount of capacity under the contract is increased by us for future periods to equal the maximum capacity demanded by the customer during that billing period. If the maximum demand in any month of a customer under this tariff is less than 60% for that month, that customer's contract is changed to a low-voltage off-peak contract for the following period, lowering that customer's capacity usage charges.

- a *low-voltage off-peak tariff* available to customers that purchase energy and capacity at low voltage (less than 1,000 volts), with a demand capacity between 11 kW and 100 kW, for less than 60% of the month, who are generally customers that have a predictable level of demand, primarily commercial and industrial customers. Under these tariffs, customers agree to purchase a specified amount of capacity from us and are charged a fixed capacity charge per kW for the capacity purchased. Customers are charged an energy charge for energy actually consumed. In addition, customers are charged a capacity usage charge based on the maximum capacity demanded during any 15-minute increment in a monthly billing period. If the maximum capacity demanded by the customer is less than the contracted capacity, the customer is charged for the actual amount demanded. If the maximum capacity demanded by the customer is more than the contracted capacity, the customer is charged the capacity usage charge for the contracted capacity plus twice the capacity usage charge for the excess capacity demanded, and the amount of capacity under the contract is increased by us for future periods to equal the maximum capacity demanded by the customer during that billing period. If the maximum demand in any month of a customer under the low-voltage off-peak tariff is equal to or higher than 60% for that month, that customer's contract is changed to a low-voltage peak contract for the following periods, raising that customer's capacity usage charges.

- a *medium-voltage peak tariff* available to customers that purchase energy and capacity at medium voltage (greater than 1,000 volts and equal to or less than 60,000 volts), with a demand capacity between 11 kW and 100 kW, for no less than 60% of the month, who are generally customers that have a predictable level of demand, primarily commercial and industrial customers. This tariff operates in the same manner as the low-voltage peak tariff.

- a *medium-voltage off-peak tariff* available to customers that purchase energy and capacity at medium voltage (greater than 1,000 volts and equal to or less than 60,000 volts), with a demand capacity between 11 kW and 100 kW, for less than 60% of the month, who are generally customers that have a predictable level of demand, primarily commercial and industrial customers. This tariff operates in the same manner as the low-voltage off-peak tariff.

- a *tariff available to municipalities* that purchase energy for public lighting. In addition to the applicable tariff, we bill our customers a fee for public lighting on behalf of these municipalities. The amount owed to us under the public lighting tariff is netted against the amount of these fees collected by us and the surplus, if any, is paid to the governmental entity. We invoice the governmental entity for any deficiency.

The following tables set forth the volume of energy delivered by us to our regulated customers by type of tariff for the periods indicated.

	For the years ended December 31,					
	2016		2015		2014	
	(GWh)	%	(GWh)	%	(GWh)	%
Regulated customers						
Social tariff	1,204.7	54.4	1,174.9	54.4	1,101.9	54.8
Regular tariff	458.7	20.7	436.9	20.3	397.4	19.8
Low-voltage peak tariff	108.1	4.9	99.7	4.6	74.0	3.7
Low-voltage off-peak tariff	144.8	6.5	146.5	6.8	160.4	8.0
Medium-voltage peak tariff	18.0	0.8	14.3	0.7	1.9	0.1
Medium-voltage off-peak tariff	19.3	0.9	20.3	0.9	24.8	1.2
Public lighting tariff	262.1	11.8	266.1	12.3	250.1	12.4
Total regulated customers	**2,215.7**	**100.0**	**2,158.6**	**100.0**	**2,010.5**	**100.0**

The following tables set forth the number of our customers by applicable tariff at the dates indicated.

	For the years ended December 31,					
	2016		2015		2014	
		%		%		%
Regulated customers						
Social tariff	1,623,197	96.7	1,581,226	96.7	1,533,897	97.1
Regular tariff	51,719	3.1	48,978	3.0	41,307	2.6
Low-voltage peak tariff	1,437	0.1	1,391	0.1	1,214	0.1
Low-voltage off-peak tariff	2,599	0.1	2,646	0.2	2,777	0.2
Medium-voltage peak tariff	11	—	13	—	7	—
Medium-voltage off-peak tariff	70	—	66	—	58	—
Public lighting tariff	298	—	296	—	295	—
Total regulated customers	**1,679,331**	**100.0**	**1,634,616**	**100.0**	**1,579,555**	**100.0**
Unregulated customers	**115**	**—**	**157**	**—**	**170**	**—**
Total	**1,679,446**	**100.0**	**1,634,773**	**100.0**	**1,579,725**	**100.0**

The differences between the forecasted generation and transmission costs and the actual cost, related to the social tariff, the regular tariff (residential, commercial or industrial) and the public lighting tariff, are adjusted under the same mechanism and included in the energy charge of all tariffs every three months. The VAD charge applicable to the social tariff, the regular tariff and the public lighting tariff is adjusted in the same adjustment periods in which the VAD is adjusted for all types of tariffs.

The energy charge consists of a base tariff and an energy adjustment surcharge. Under the General Electricity Law and the regulations of the CNEE, the base tariff is adjusted annually each year on May 1 to reflect anticipated changes in the cost of energy and capacity to be purchased by us during the following year. The energy adjustment surcharge is set quarterly to reflect variations in the actual cost of energy and capacity purchased by us against the projected cost. The energy charge is designed to reimburse distribution companies for the cost of energy and capacity that they purchase.

The VAD charges are revised every five years with semi-annual adjustments for inflation and local currency exchange rates against the U.S. dollar. The VAD charges are set by the CNEE. The VAD charges were last set in January 2014 and will expire in January 2019. In setting the VAD charges, the range for permitted theoretical after-inflation return on investment for distribution companies is between 7% and 13%. Currently, the VAD charges approved for our authorizations contemplate a return of approximately 7%. The VAD charge is designed to permit a model efficient distribution company to cover its operating expenses, complete its capital expenditure plans and recover its cost of capital. In the last three reviews of the VAD charges of DEOCSA and DEORSA made by the CNEE, the VAD charges increased 13.98% in 2004, 5.97% in 2009 and 5.98% in 2014.

The following table sets forth the number of unregulated customers, the energy distributed and the amount of tolls collected from our unregulated customers as of and for the dates and periods indicated.

	As of and for the years ended December 31,		
	2016	2015	2014
Number of unregulated customers	115	157	170
Energy distributed (GWh)	100.7	156.6	173.6
Tolls collected (US$ in thousands)	5,497	3,746	3,296

Billing and Collection

We bill our customers on a monthly basis. Our customers (other than public lighting customers) have meters installed to record energy usage, and we send our customers invoices each month based on their total energy and capacity consumption based on meter readings or other metering methods authorized by the CNEE. The Guatemalan government and certain municipalities are billed for public lighting based on the number of bulbs installed, the wattage, the number of hours of use (generally 12 hours per day) and the number of calendar days of the month, rather than metering.

Payments are required to be made within 30 days from the issuance of the bills. Invoices can be paid at any Guatemalan bank or through the internet. Ten banks are connected directly to our information systems and payments at these banks are immediately credited to customers' accounts. In rural areas, we have appointed agents that collect invoices on our behalf and deposit the collected payments with one of the banks for credit to the customers' accounts. We pay a service fee that averages US$0.22 for each payment processed in person through a bank or an agent. In addition, we accept payments at our 23 offices through our information system and payments are immediately credited to customers' accounts.

Overdue bills accrue interest on a monthly basis at an annual rate determined by the CNEE every quarter. As of December 31, 2016, the annual interest rate as determined by the CNEE was 13.1%. Pursuant to applicable law, we cannot terminate the supply of energy to a customer until two consecutive invoices are past due. Customers who fail to pay a bill will receive a notice in the following month's invoice stating that energy will be disconnected if the overdue payment plus interest is not received within 30 days counted from the date of this notice. Once a customer has an overdue bill, unpaid invoices are sent to our internal collections department. Depending on the number of days the bill is overdue, we engage the delinquent customers in different ways, from a text message or mail notifications to personal payment requests, disconnection of the service or the initiation of legal actions. Generally, we will cease supplying the service to a customer when a customer fails to pay three or more bills, usually, between 60 to 105 days from billing. Customers that wish to be reconnected must pay all outstanding invoices plus interest, and a reconnection fee. The reconnection fee covers our costs for both disconnection and reconnection.

We record a monthly provision for doubtful accounts based on our past collection experience and management estimates regarding future collections. Amounts are written off when the collections department deems an account to be irrecoverable. For the years ended December 31, 2016, 2015 and 2014, our collection rates (which reflect the amounts collected divided by the total billed amounts) were 95.9%, 96.1% and 95.9%, respectively.

Power Purchase Agreements and Spot Market Purchases

We purchase the energy we distribute to our customers and the capacity that our customers demand through PPAs with generation companies, including our affiliate Puerto Quetzal. Distribution companies can only purchase capacity and energy and enter into PPAs through a public bidding process supervised by the CNEE. According to article 62 of the General Electricity Law, the purchase of energy and capacity by distribution companies is done through an open bidding process. The CNEE is the public entity that approves the terms and conditions of the bid and once the distribution companies have the approval from the CNEE, the respective distribution company publishes the procedure and sets the day, hour and conditions to file the technical and economic offer. As of December 31, 2016, we were party to 73 PPAs with 31 generation companies with a weighted average life of 12 years.

We 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 following year. Each year, we estimate and submit to the AMM the expected demand for energy of our customers for the period from May 1 of the following year through April 30 of the subsequent year. This projection of demand is then approved by the AMM and used to establish our minimum contacting requirements. If there is a disagreement between us and the AMM regarding the demand estimation, the AMM will determine the estimation of the demand. If the contracted capacity and energy under our PPAs are insufficient to meet the demand of our customers, we make purchases on the spot market, but only if authorized by the CNEE. Additionally, most of our PPAs provide that we are able to purchase energy in the spot market if the price in the spot market is more advantageous to us than the PPA price.

The following table sets forth the supplier, the amount of contracted capacity and the expiration date of our PPAs entered into with our five largest suppliers of capacity as of December 31, 2016, covering 77.4% of our contracted capacity.

Supplier	Contracted Capacity (MW)	Expiration Date
Jaguar Energy Guatemala LLC	200	April 2030
INDE	162	April 2017 – April 2032
Energía del Caribe	60	April 2030
Renace, S.A.	55	April 2030 – April 2033
Hidro Xacbal, S.A.	30	April 2030

Under most of our PPAs, we pay a capacity charge and an energy charge. We pay a specified amount for each MW of capacity purchased under these PPAs and an energy charge for the kWh of energy actually delivered to us. Most of our PPAs also provide that the energy charge is indexed to changes in published quotations for the type of fuel used by the generator. In addition, we are required to pay certain additional costs incurred by the generators to provide energy including connection costs, transmission tolls, additional costs imposed by the CNEE and other similar costs. We have an average of approximately 53 days from the last day of consumption of the month to pay our counterparties under our PPAs. Our counterparties under our PPAs do not charge interest on late payments of invoices.

There are different categories of PPAs. Most of our PPAs are included in one of the following categories:

- *With capacity curve*, in which the parties agree upon a value for the capacity to be provided during the term of the agreement and the generator agrees to provide an amount of capacity subject to the curve of demand during the life of the agreement. Our main suppliers under this category of PPA are Renace S.A., the INDE and Hidro Xacbal. We currently have 281.54 MW of contracted capacity under this category of PPA.

- *Option to purchase energy*, in which the parties agree upon an option price to purchase energy. Under this kind of PPA, the generator only supplies energy when the option price is lower than the spot market price. Our main suppliers under this category of PPA are Jaguar Energy Guatemala S.A. and Energía del Caribe. We currently have 300.79 MW of contracted capacity under this category of PPA.

- *Energy generated*, in which the generator agrees to supply a percentage or a maximum value of the energy generated in a specific period. Our main suppliers under this category of PPA are Eólico San Antonio El Sitio and Sibo. We currently have 87.53 MW of contracted capacity under this category of PPA.

- *Capacity without related energy*, in which the parties agree upon a value for the capacity to be applied over the term of the PPA. Our main suppliers under this category of PPA are Duke Energy, the INDE and Ingenio Magdalena. We currently have 73.28 MW of contracted capacity under this category of PPA.

Energy Losses

We experience energy losses in the form of technical and commercial energy losses. Technical losses are those that occur in the ordinary course of the distribution of energy or those resulting from the specific characteristics of a distribution network, and include losses due to energy dissipation in conductors and magnetic losses in transformers. Commercial energy losses are those resulting from illegal connections, fraud or billing errors. Our energy losses for the years ended December 31, 2016, 2015 and 2014 were 19.6%, 16.9% and 17.0% of the total energy we received during each period, respectively. The distribution tariffs that we charge our regulated customers include VAD charges, which provide for an allowance for losses incurred in the distribution of energy determined by the CNEE. To the extent that our energy losses exceed the allowance (currently our costs associated with energy losses, up to approximately 15% of our total energy received, which includes both technical and commercial energy losses) contemplated in the current formulas of the VAD charges, we will bear the cost of such losses.

Our management has established a goal to reduce our energy losses. We intend to reduce commercial energy losses through improving customer billing practices, increasing targeted inspections and meter replacements, implementing a communication program with local communities and modernizing our facilities to reduce tampering, especially in areas where energy theft has been more prevalent, while reducing technical losses by investing in the modernization of our grid and distribution system. In particular, we intend to inspect around 15 thousand specifically targeted meters each month for evidence of fraud and replace approximately 56 thousand old meters each year. To this end, we invested US$30,329 thousand in capital expenditures in respect of tangible fixed assets in the year ended December 31, 2016, and expect that our capital expenditures will increase in the coming years.

Service Standards

Pursuant to our authorizations, we are required to meet specified standards with respect to the quality and delivery of the energy distributed to our customers. The quality standards refer to the energy's voltage levels. A breach may be deemed to have occurred when there are changes in the voltage level. A monetary fine is imposed under our authorizations for breaches exceeding certain limits, with such fines credited towards the affected customer's next bill. Delivery standards refer to the frequency and duration of interruptions in the supply of energy.

We are also required to survey our customers annually to assess their satisfaction levels. The survey covers:

- perceived service quality, which indicates the percentage of customers who did not perceive variations in the voltage of the energy they received during the year;

- technical services, which indicates the percentage of customers who did not perceive interruptions or blackouts during the year; and

- overall customer service, which indicates the percentage of customers who are satisfied with the overall customer service provided by the distribution company.

If we repeatedly incur fines imposed by the CNEE, do not pay fines that have been imposed or otherwise repeatedly provide deficient service, our authorizations may be revoked. If our authorizations are revoked, the MEM may sell our distribution assets through a public auction.

We may be subject to other monetary fines and penalties for failure to comply with other terms of our authorization agreements. For the year ended December 31, 2016, we paid total fines and penalties of US$265 thousand as compared to US$503 thousand for the year ended December 31, 2015. For further information on claims against us relating to our service standards, see "—Legal Proceedings—Legal Proceedings Related to our Technical Service Quality."

Transmission, Construction and Maintenance Services

We pay tolls for transmission of energy over the primary and secondary transmission systems. These tolls are subject to the approval of the CNEE and will expire on December 31, 2018. The payments are due in 12 monthly anticipated installments.

The tolls are determined by the CNEE according to the following factors:

- annual investment made in installations; and
- annual cost of operation, maintenance and administration, up to 3% of the total cost of investment (which percentage could be subject to review by the CNEE).

For existing installations of the primary transmission system, the maximum amount of the toll to be paid is calculated by dividing the annual cost of transmission by the capacity (*potencia firme*) related to the primary system, and for existing installations of the secondary transmission system, the maximum amount of the toll to be paid is calculated by dividing the annual cost of transmission of the secondary transmission system by the capacity (*potencia firme*) related to the secondary system. In case of new installations, the tolls are calculated according to the following:

- for new installations built by private parties, the toll cost will be the amount agreed by those private parties and the CNEE; and
- for new installations built under a public tender process, the toll payments are divided in two periods: amortization period and operation period. During the amortization period, the cost of the toll is equal to a pro rata amount of the capacity (*potencia firme*). In the operation period, the toll amount is determined by the CNEE.

The cost of transmission tolls are included in the energy charge component of our tariffs, which are then passed through to our customers as one of the costs incurred to purchase energy.

We have outsourced certain construction, maintenance and billing activities to various third parties. For these purposes, we have entered into 42 agreements with construction and maintenance companies with a total annual cost of US$25,051 thousand, which provide the following services to us:

- 24-hour emergency services, including call center, fault response, building security and personal security services;
- building new connections, installations and cleaning;
- engineering and design services;
- providing connection and disconnection services; and
- maintaining and repairing installations and equipment, including substations, transformers and node

stations.

We invested US$30,329 thousand in the year ended December 31, 2016 to modernize and expand our transmission grid, improve service quality and customer satisfaction levels, reduce energy losses and improve our billing and collection systems.

Insurance

As of December 31, 2016, we had insurance for loss and damage to property, including damage due to floods, fires and earthquakes and business interruption insurance covering up to US$14,000 thousand. Our transmission grid is not covered by insurance in accordance with the prevailing standards for the industry since we consider the risk to be dispersed.

We are also insured against theft of cash and securities for a maximum annual amount of Q2,500 thousand. In addition, we maintain insurance, subject to customary deductibles and limitations, related to directors' and officers' liability insurance, civil liability insurance, and life insurances for all our officers and employees.

Seasonality

Seasonality does not have a significant impact on the demand for energy in our service area. Demand for energy is consistent throughout the year due to a steady number of daylight hours throughout the year and limited use of heating and air conditioning systems within our service areas.

Employees

	As of December 31,		
	2016	**2015**	**2014**
DEOCSA	386	407	407
DEORSA	374	390	383
Total	760	797	790

As of December 31, 2016, we had a total of 760 employees, divided into operative, administrative and customer service employees. As of December 31, 2016, 62% of our employees were unionized and were members of one of four labor unions, each of which are currently party to collective bargaining agreements with DEOCSA and DEORSA, which expired in December 2016 and are currently under negotiations to be renewed. These collective bargaining agreements extend automatically a month before the date of expiration if a specified notice is otherwise not provided. However, if a specified notice is provided, the agreements will be renegotiated. The collective bargaining agreements reached by these negotiations usually set out wage scales, working hours, training and health and safety issues, among other things. There are currently no labor conflicts and the relation of DEOCSA and DEORSA with each of the unions is good. When the current collective bargaining agreements expire, new ones will have to be negotiated with the unions. We do not expect such negotiations to present conflict.

Our commercial and technical field operations are completely outsourced to third party contractors. The scope of these agreements includes technical and commercial activities, such as medium-voltage development, maintenance of the medium and low-voltage line, and customer billing, among others. The commercial field operation agreements were entered into in February and March 2017, and expire in February 2022, and the technical field operations agreements were entered into in 2010 and expire in April 2017. Pursuant to the terms of the commrcial operations agreements, we have the option to renew them until 2023. Pursuant to the terms of the technical field operations agreements, we have the option to renew them until 2018 in consideration of a 2% increase in the fees payable to our vendors. In addition, we may terminate the commercial field operations agreements by giving 30-day prior notice, and the technical field operations agreements by giving 60-day prior notice. All of these agreements include a guarantee for the performance of the services.

Competition

The energy distribution market in Guatemala is predominantly served by three companies: DEOCSA DEORSA and EEGSA. In addition, there are 16 municipal distributors operating in the AMM. EEGSA operates in

an urban and suburban service area, including the departments of Guatemala (which includes the country's capital, Guatemala City), Sacatepéquez, Escuintla, Chimaltenango, Jalapa and Santa Rosa, and holds an authorization covering its service area until 2048.

Our authorizations are non-exclusive and the MEM has historically granted, and may in the future grant, authorizations to one or more competing distribution companies in our service area. In addition, we are facing competition from other distributors within those departments, which hold authorizations to operate in certain departments located in our service area.

Environmental Matters

We are subject to environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the management, treatment, storage, transportation and disposal of solid and hazardous wastes and hazardous materials, and impose obligations to investigate and remediate contamination in certain circumstances. Liabilities relating to investigation and remediation of contamination, as well as other liabilities concerning hazardous materials or contamination, such as claims for personal injury or property damage, may arise at many locations, including formerly owned or operated properties and sites where wastes have been treated or disposed of, as well as properties currently owned or operated by us. Such liabilities may arise even where the contamination does not result from noncompliance with applicable environmental laws. Under some environmental laws, such liabilities may also be joint and several, meaning that a party can be held responsible for more than its share of the liability involved, or even the entire share. Although environmental requirements generally have become more stringent and compliance with those requirements more expensive, we are not aware of any specific developments that would increase our costs for such compliance in a manner that would be expected to have a material adverse effect on our results of operations, financial position or liquidity.

We have built 10 facilities called *estaciones de resíduos* (waste stations) designed specifically to contain waste, which is later collected for recycling. Inside the waste stations there is an area designed to store transformers contaminated with PCBs, with structures prepared for an unexpected leakage of oil as well as with a containing system for the event of a major leakage. In each of our headquarters there are departments to classify the waste and immediately manage its recycling in order to decrease the use/generation of energy, water, fuel, paper and hazardous products.

Our *Área de Control de Vegetación y de Trámites y Permisos* (department of control of vegetation and proceedings and licenses) controls and manages the vegetation around our facilities to avoid service failures due to such vegetation. Such control and management is performed in accordance with the *Ley Forestal* (Forest Law).

Some properties in which we have an ownership interest or at which we operate are, or are suspected of being, affected by environmental contamination. We are not aware of any pending or threatened claims against us with respect to environmental contamination relating to these properties, or of any investigation or remediation of contamination at these properties, that entail costs likely to materially affect us. Some facilities and properties are located near environmentally sensitive areas such as wetlands.

Claims have been made or threatened against electric utilities for bodily injury, disease or other damages allegedly related to exposure to electromagnetic fields associated with electric transmission and distribution lines. While we do not believe that a causal link between electromagnetic field exposure and injury has been generally established and accepted in the scientific community, the liabilities and costs imposed on our business could be significant if such a relationship is established or accepted. We are not aware of any pending or threatened claims against us for bodily injury, disease or other damages allegedly related to exposure to electromagnetic fields and electric transmission and distribution lines that entail costs likely to have a material adverse effect on our results of operations, financial position or liquidity.

Legal Proceedings

In the ordinary course of our business, we are party to various lawsuits filed against us involving labor, employee compensation and personal injury claims, arbitration proceedings, and administrative proceedings initiated by the CNEE for non-compliance with the General Electricity Law. As of December 31, 2016, we had established

total combined provisions relating to these contingencies in the amount of US$9,287 thousand. We do not believe that the resolution of any of these lawsuits or proceedings will have a material adverse effect on our financial condition or results of operations.

In addition, we are party to the legal proceedings described below.

Arbitration with Hidroxacbal

We were party to a commercial arbitration process with Hidroxacbal S.A. in the ICC International Court of Arbitration. Hydroxacbal S.A. claimed the payment of US$1,512 thousand from us due to losses on energy transmission. In January 2017, the ICC International Court of Arbitration ruled against us and, therefore, we had to pay such amount, plus US$179 thousand in interest, to Hidroxacbal S.A. However, under the Guatemalan General Law of Electricity and its implementing regulations, this payment is treated as a cost of energy and, therefore, is reflected as an adjustment of the electricity tariff. The CNEE has recognized this tariff adjustment in the first quarter of 2017.

Legal Proceedings Related to Our Technical Service Quality

Under current regulations and the terms of our authorization, we are obligated to compensate our customers for failures to meet certain technical service quality requirements set by the CNEE. The CNEE has initiated sanctions processes against us for failures to comply with technical service quality standards amounting to approximately US$32,550 thousand as of December 31, 2016. Although we believe that we have meritorious defenses to these claims, there can be no assurance as to the ultimate outcomes of these matters.

Tax Claims

In July 2016, the SAT issued a criminal complaint against us for back taxes for fiscal years 2011 and 2012, alleging that, under our previous ownership, we improperly deducted interest and amortization of goodwill relating to our acquisition in 2011 by our prior owner in a leveraged buy-out.

In February 2015, the SAT issued a binding tax opinion (the "Tax Opinion"), confirming that the method we used to calculate the goodwill was acceptable and that interest payments were deductible as long as they complied with certain legal requirements including, primarily, that the proceeds from the underlying debt were used to produce taxable income. Notwithstanding the Tax Opinion, in July 2016, the SAT filed a criminal complaint against us, which requested the initiation of a criminal proceeding for tax fraud, and the payment of alleged back taxes, interest and fines in relation to fiscal years 2011 and 2012, on the grounds that the structure of the 2011 acquisition was used solely to generate tax deductions in respect of interest and amortization for goodwill. In August 2016, the *Juzgado Quinto de Primera Instancia Penal, Narcoactividad y Delitos Contra el Ambiente de Guatemala* (First Instance Penal Court, Drug Activities and Crimes Against the Environment of Guatemala) ordered us to pay US$17,171 thousand in alleged back taxes for fiscal years 2011 and 2012, respectively, plus interest and fines within 60 days following the court order. To recover control of our bank accounts which had been frozen by the court, we made such payments. In addition, in December 2016, following discussions with, and upon the instruction of the SAT, and in order to avoid other potential measures by the SAT, we paid to the SAT US$25,721 thousand in full satisfaction of the interest and fines assessed by the SAT in connection with the alleged 2011 and 2012 back taxes. In order to make these payment, we used cash in hand and the lines of credit available under our existing syndicated loan agreements, pursuant to which we drew down US$30,000 thousand under our syndicated loans.

In light of the SAT's actions, and in order to avoid the initiation of complaints by the SAT concerning fiscal years 2013, 2014 and 2015 and any fines and interest, upon instruction of the SAT, we revised our tax returns for these years and, on August 9, 2016, we made a payment of US$18,093 thousand for the years 2014 and 2015 and, on August 19, 2016, we paid US$13,189 thousand for the year 2013. In addition, during 2016, we made pre-payments of income taxes of US$5,393 thousand for the first three quarters of fiscal year 2016, and in January 2017, we made additional pre-payments of income taxes of US$2,773 thousand for the last quarter of fiscal year 2016.

We are disputing the SAT's claims and have made all payments subject to a broad reservation of rights, including but not limited to seeking restitution of such payments. We have recognized these payments as a non-current tax asset in our financial statements (recorded on our balance sheet as income tax receivables). We and our legal advisors are considering all available remedies with respect to this matter. The non-current tax asset we recorded in connection with our payments to the SAT may be subject to impairment. Such impairment would have a material adverse effect on our financial position and results of operation. To the extent that such asset is impaired, this may affect our financial statements. Furthermore, although we are pursuing legal remedies through the Guatemalan legal system to determine our ability to deduct interest and amortization relating to the 2011 acquisition, we may not be able to deduct such historical amounts or take similar deductions in the future. In light of the court orders referred to above, at this time, we do not plan to deduct such items which could result in our recording a higher effective tax rate.

Arbitration with the INDE

On September 29, 2015, we initiated an arbitration proceeding against the INDE in relation to the termination to the administration agreement of the trust related to PER. For more information regarding the PER, see "—Service Area." We requested the arbitral panel to render an award to order the INDE to (1) pay us US$3,765 thousand as compensation for the services provided by us in relation to construction projects within the PER, and (2) the receipt of certain construction projects concluded by us that were not accepted by the INDE when finished. The INDE, when responding to Energuate's request for arbitration, claimed a breach of contract by Energuate and requested a refund of certain advances in the aggregate amount of US$11,376 thousand, plus damages or the completion of the construction projects. In addition, INDE is demanding the transfer of title of certain documents, such as environmental assessments, rights of way and easements, among others or, in lieu thereof, reimbursement of the amounts paid by the INDE.

The arbitration process is subject to the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL). Once the arbitration panel was formed, Energuate filed its claim on December 19, 2016. After Energuate's claim is notified to the INDE, the latter will have 45 business days to submit its answer to Energuate's claim. After that answer is submitted, the panel will provide the dates for subsequent steps.

For more information on our judicial and administrative proceedings, see note 30 a) to our audited combined financial statements.

MANAGEMENT

DEOCSA and DEORSA have parallel boards of directors (*consejos de administración*) and senior management. Accordingly, the following information relates to both companies.

Directors and Senior Management

The following table sets forth information regarding the members of our boards of directors as of December 31, 2016.

Name	Age	Position	Current Position Held Since	Term Expires
Javier García-Burgos	46	Executive Chairman	January 22, 2016	January 21, 2019
Cristián Fierro	49	Director	January 22, 2016	January 21, 2019
Juan Camilo Olavarría	62	Director	January 22, 2016	January 21, 2019
Juan Carlos Camogliano	53	Director	January 22, 2016	January 21, 2019
Alberto Triulzi	59	Director	January 22, 2016	January 21, 2019
Roberto Cornejo	53	Director	January 22, 2016	January 21, 2019
Francisco Sugrañes	51	Director	January 22, 2016	January 21, 2019

The following table sets forth information regarding our senior management as of December 31, 2016.

Name	Age	Position	Date of appointment
Luciano Galasso	49	Chief Executive Officer	January 23, 2016
Horacio Albin	47	Chief Financial Officer	January 23, 2016
Paulo Cesar Parra	40	Chief Commercial Officer	February 1, 2016
Oscar Iturra	53	Chief Operating Officer	February 15, 2016
Adriana Lazcano	45	Chief Personnel Officer and Health, Safety, Environmental and Quality Officer	July 15, 2009
Dimas Carranza	44	Regulatory Affairs Officer	November 24, 2004
Renato Aquino	45	Corporate Services Officer	February 1, 2016
Jorge Mario Colindres	43	General Counsel	August 1, 2009

Our business address set forth on the inside back of this offering memorandum is the business address of all of the members of our boards of directors and senior management.

Biographies of our Directors and Senior Management

Javier García-Burgos has been our Executive Chairman since January 22, 2016. Mr. García-Burgos has served as the Chief Executive Officer of IC Power since 2011 and Chief Executive Officer of Inkia from 2007 to date. Previously, Mr. García served as Chief Executive Officer of Kallpa Generación S.A. from 2005 to 2015, Chief Executive Officer of Southern Cone from 2002 to 2014 and Regional Director for Globeleq in South America from 2002 to 2007, Planning and Control Vice President of Edegel in 2001, Planning and Control Manager of Edegel from 2000 to 2001, Development Manager of Edegel from 1998 to 2000 and in other positions with Edegel beginning in 1996. Mr. García-Burgos has over 20 years of experience in the energy industry, having served as a board member of approximately 20 power companies in 12 countries. Mr. García-Burgos holds a Bachelor's Degree in Aerospace Engineering from San Diego State University and a Master's of Business Administration from *Escuela de Administración de Negocios para Graduados* (ESAN) in Peru.

Cristián Fierro has been a Director since January 22, 2016. Mr. Fierro has served as Chief Operating Officer—Distribution of IC Power since 2016. Previously, he served as the Chief Executive Officer of Distribution Business for Latin America—Endesa and Chief Executive Officer of Chilectra (Chile) from 2010 to 2014, Chief Executive Officer of Ampla (Brazil) from 2007 to 2010, Chief Executive Officer of Coelce (Brazil) from 2003 to 2007 and in other executive positions in Chile and Argentina within the Enersis Group between 1992 and 2007. Mr. Fierro has over 24 years of experience in the energy industry, having served as a board member of over 10 power

companies in five countries. Mr. Fierro holds an Electrical Engineering Degree from Universidad de Chile and a Master's Degree in Business Administration from *Instituto de Altos Estudios-Universidad Austral* (IAE) in Argentina.

Juan Camilo Olavarría has been a Director since January 22, 2016. Mr. Olavarría has served as Deputy Chief Operating Officer—Distribution of IC Power since 2016. Mr. Olavarría has over 26 years of experience in the energy distribution industry. Prior to joining Energuate, he served as Director in Empresas Azeta from 2007 to 2013, Operations and Market Manager in Chilectra from 2003 to 2006, Chief Comercial Manager in Chilectra from 2000 to 2003, other executive positions in Edesur - Argentina from 1992 to 2000 and other management positions in Chilectra from 1980 to 1992. He holds a degree in Electrical Engineering from Universidad de Santiago and a Postgraduate degree in Executive Management from Universidad Austral.

Juan Carlos Camogliano has been a Director since January 22, 2016. He has served as IC Power Chief Investment Officer since 2011 and has served as the Vice President of Business Development at Inkia since 2008. Previously, Mr. Camogliano worked at Suez Energy Peru, a member of the Suez Group, as Planning, Project and Business Development Vice President from 2006 to 2007, Planning and Project Vice President from 2004 to 2005, and Commercial Vice President and Chief Financial Officer from 2001 to 2004. He worked in the trading department of Morgan Stanley from 2000 to 2001 and in the commercial and development department of Edegel from 1997 to 2000. Mr. Camogliano has over 18 years of experience in the power industry. Mr. Camogliano holds a Bachelor's Degree in Mechanical Engineering from the Peruvian Navy School and a Master's of Business Administration from *Escuela de Administración de Negocios para Graduados* (ESAN) in Peru.

Alberto Triulzi has been a Director since January 22, 2016. He has served as IC Power Chief Financial Officer since 2013. Previously, Mr. Triulzi served as Chief Executive Officer of Nejapa and Cenérgica from 2008 to 2013, Chief Finance and Administration Officer of EGE Haina from 2001 to 2008, Chief Financial Officer of Edegel from 1995 to 2001, Vice President and Controller of Edesur S.A. from 1992 to 1995, Project Development Manager for Entergy Corporation from 1988 to 1992, and executive consultant for Stone and Webster Management Consultants from 1983 to 1988. Mr. Triulzi holds a Bachelor's Degree in Economics and a Master's of Business Administration in Finance, both from Loyola University.

Roberto Cornejo has been a Director since January 22, 2016. He has served as IC Power Chief Operating Officer-Generation since 2011. Previously, Mr. Cornejo served as the Chief Operating Officer and Commercial Vice President of Inkia from 2007 to 2011, as a Commercial Vice President for Edegel from 2000 to 2007 and as Commercial Manager for Edegel from 1997 to 2000. Mr. Cornejo has over 20 years of experience in the energy industry in Latin America. He holds a Bachelor's Degree in Industrial Engineering from the *Pontificia Universidad Católica del Perú* and a Master's Degree in Business Administration from the *Universidad del Pacífico* in Peru.

Francisco Sugrañes has been a Director since January 22, 2016. He has served as our Chief Technical Officer since 2011 and has also served as the Vice President of Production at Inkia since 2009. Previously, he was Senior Director of Operations for Ashmore Energy International ("AEI"), responsible for operations worldwide and reporting to the Vice President of Operations, from 2004 to 2009. Additionally, Mr. Sugrañes was assigned to different positions during his tenure at AEI such as General Manager of Pantanal Energía Power Plant in Cuiaba, Brazil from 2002 to 2004 and General Manager of Jamaica Private Power Co. in Kingston, Jamaica from 2008 to 2009. Mr. Sugrañes has close to 25 years of experience in the energy industry. He holds a Bachelor's Degree in Civil Engineering and a Master's of Construction Management from Texas A&M University.

Luciano Galasso has been our Chief Executive Officer since January 23, 2016. Mr. Galasso has over 23 years of experience in the energy distribution industry in Latin America. Prior to joining Energuate, he worked in senior positions at Chilectra in Chile, Ampla and Coelce in Brazil, Codensa in Colombia and Edelnor in Peru. Mr. Galasso holds a degree in Civil Industrial Engineering, with a specialization in energy, from *Universidad Católica de Chile* and holds a Master's of Business Administration in Finance from *Universidade Federal de Rio de Janeiro*.

Horacio Albin has been our Chief Financial Officer since January 23, 2016. Mr. Albin has over 20 years of experience in the energy distribution industry in Latin America. From 2013 to January 2016, he was responsible for the development of various projects in Central America for Grupo Gran Solar. He was Chief Financial Officer of Energuate from 2000 until 2013. Prior to joining Energuate, he previously held senior positions at Union Fenosa.

Mr. Albin is a Certified Public Accountant and holds a degree in Accountancy from *Universidad de la República Oriental de Uruguay* and a Master's of Business Administration from *Escuela de Negocios de la Universidad de Montevideo,* as well as a Master's of Business Administration in Finance from *Universidad de Barcelona*.

Paulo Cesar Parra has been our Chief Commercial Officer since February 1, 2016. Mr. Parra has over 18 years of experience in the energy distribution industry in Colombia. Prior to joining to Energuate, he worked in senior positions as responsible of commercial operations and operation and network maintenance operations for Codensa, a company that is part of Enel Group. Mr. Parra holds a degree in Electronic Engineering from *Universidad del Valle* (Colombia) with specialization in Technology Management from *Universidad Javeriana (Colombia)*, and holds a Master's of Business Administration from *IE Business School Madrid*.

Oscar Iturra has been our Chief Operating Officer since February 15, 2016. Mr. Iturra has over 27 years of experience in the energy distribution industry in Latin America. Prior to joining to Energuate, he worked in senior positions at *Chilectra* in Chile and *Edesur* in Argentina. Mr. Iturra holds a degree in Electrical Engineering from *Universidad de Santiago,* and a degree in Industrial Engineering from *Universidad of Atacama*.

Adriana Lazcano has been our Chief Personnel Officer and Health, Safety, Environmental and Quality Officer since July 15, 2009. Ms. Lazcano has over 20 years of experience in electric utility companies in Latin America. Prior to joining Energuate, she worked at Union Fenosa, Usinas y Transmisiones Eléctricas de Uruguay and at Luz y Fuerza del Centro in Mexico. Ms. Lazcano holds a degree in Chemical Engineering from *UDELAR*, Montevideo, Uruguay, and a Master's Degree in Quality Management from *Universidad Politécnica de Madrid*.

Dimas Carranza has been our Regulatory Affairs Officer since November 24, 2004. Mr. Carranza has over 18 years of experience in the energy industry distribution in Guatemala. Prior to joining Energuate, he was a professor at the *Universidad de San Carlos de Guatemala*. He holds a degree in Electrical Engineering from *Universidad de San Carlos de Guatemala*, a degree in *Programa de Desarrollo Directivo* from ESADE Business School Madrid and holds a Master's of Business Administration from *Universidad Católica de Chile*.

Renato Aquino has been our Corporate Services Manager since February 1, 2016. Mr. Aquino has over 20 years of experience in distribution and generation companies in Latin America. Prior to joining Energuate, he worked in senior positions at Generación Limpia Guatemala and Unión Fenosa, in Uruguay, Argentina and Guatemala. He holds a degree in Electrician Engineering from *Universidad Federal de Itajuba*, in Brazil, and holds a Master's of Business Administration from *Universidad Católica de Chile*.

Jorge Mario Colindres has been our General Counsel since August 1, 2009. Mr. Colindres has over 12 years of experience in the energy industry distribution in Latin America. Prior to joining Energuate, he worked at the Attorney General's Office (*Ministerio Público de Guatemala*). Mr. Colindres holds a degree in Law from *Universidad Rafael Landivar* in Guatemala and holds a post-graduate degree in law from *Universidad de San Carlos de Guatemala* e *Instituto de Derecho Notarial de Guatemala.*

Board Practices

The members of our boards of directors are elected by the general meeting of shareholders for three-year terms. Our boards of directors are currently comprised of seven members.

Our boards of directors conduct ordinary meetings every three months and extraordinary meetings whenever considered convenient or necessary, as called by the president or the secretary of our boards of directors at least 24 hours prior to the meeting. Ordinary sessions can be held without notice when all members are present or represented.

Resolutions of the boards of directors are passed by a majority of their respective members.

Compensation of Directors and Officers

Members of our boards of directors do not receive any compensation. Until January 2016, our executive officers received compensation from Arthasan, S.A. (a former related party). Beginning in January 2016, our executive officers are compensated by us.

Code of Ethics

Our Board of Directors has adopted a code of ethics that describes our commitment to, and requirements in connection with, ethical issues relevant to business practices and personal conduct.

PRINCIPAL SHAREHOLDERS

DEOCSA

DEOCSA is a corporation (*sociedad anónima*) organized under the laws of Guatemala. Its only issued capital consists of 1,363,344,407 common shares. After acquiring our immediate parent, DEOCSA B.V. and Estrella Cooperatief B.A. on January 22, 2016, IC Power indirectly held 90.6% of its shares. The table below sets forth our principal shareholders as of December 31, 2016:

	Percentage	Number of Shares
DEOCSA B.V.	90.62%	1,235,454,765
Estrella Cooperatief B.A.	—	8
Other shareholders[(1)]	9.38%	127,889,634
	100.00%	1,363,344,407

[(1)] None of these shareholders individually owns more than 1% of the capital stock of DEOCSA.

DEORSA

DEORSA is a corporation (*sociedad anónima*) organized under the laws of Guatemala. Its only issued capital consists of 610,066,991 common shares. After acquiring our immediate parent, DEORSA B.V., on January 22, 2016, IC Power indirectly held 92.7% of its shares. The table below sets forth our principal shareholders as of December 31, 2016:

	Percentage	Number of Shares
DEORSA B.V.	92.68%	565,437,004
Estrella Cooperatief B.A.	—	3
Other shareholders[(1)]	7.32%	44,629,984
	100.00%	610,066,991

[(1)] None of these shareholders individually owns more than 1% of the capital stock of DEORSA.

Our Controlling Shareholder

Our indirect controlling shareholder, IC Power is a leading owner, developer and operator of power facilities located in key power generation markets in Latin America, the Caribbean and Israel, utilizing a range of energy sources, including natural gas, hydroelectric, heavy fuel oil, diesel and wind. IC Power's principal focus is on Latin American markets, which typically have higher GDP growth rates and lower overall and per capita energy consumption, as compared with more developed markets. For the year ended December 31, 2016, we represented all of IC Power's distribution business and 20% of IC Power's EBITDA. As of March 31, 2017, IC Power's installed capacity was 3,945 MW.

IC Power's activities in Latin America began in 2007 when Inkia, a subsidiary of Israel Corporation Ltd., an Israeli conglomerate, acquired Globeleq Americas Limited's power generation assets in Latin America, which represented 549 MW of installed capacity.

In 2010, Israel Corporation Ltd. formed IC Power and contributed to it both Inkia and O.P.C. Rotem Ltd., a generation company in Israel. In January 2015, Israel Corporation Ltd. transferred IC Power to Kenon in connection with Israel Corporation Ltd.'s spin-off of Kenon. Kenon is currently IC Power's sole shareholder.

RELATED PARTY TRANSACTIONS

We are party to related party transactions with certain of our affiliates. IC Power has the indirect power to review and approve our related party transactions. IC Power's audit committee, pursuant to its charter, must review and approve all related party transactions. IC Power's audit committee has a written policy with respect to the approval of related party transactions and considers a number of factors when determining whether to approve a related party transaction, including considering whether the related party transaction is on terms and conditions no less favorable to us than may reasonably be expected in arm's-length transactions with unrelated parties.

We believe that we have complied and are in compliance in all material respects with the requirements of the relevant provisions of the Guatemalan law governing related party transactions with respect to all of our transactions with related parties.

Transactions entered into between DEOCSA and DEORSA have been eliminated from our audited combined financial statements.

Transactions with Redes Eléctricas de Centroamérica, S.A.

Our direct parent company, Estrella Cooperatief B.A., owns 100% of the capital stock of Redes Eléctricas de Centroamérica, S.A. ("RECSA"), an energy transmission company that operates transmission lines and sub-stations in Guatemala. DEOCSA and DEORSA enter into a variety of transactions with RECSA from time to time. During the years ended December 31, 2016, 2015 and 2014, these transactions consisted of sales of materials and energy to RECSA and receiving toll services from RECSA.

We recorded (1) inventory reductions from the sale of materials of US$28 thousand for the year ended December 31, 2016; (2) expenses from toll service received of US$737 thousand, US$782 thousand and US$279 thousand for the years ended December 31, 2016, 2015 and 2014, respectively; and (3) revenues from energy supplied to substations of US$22 thousand, US$41 thousand and US$51 thousand for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, we recorded accounts receivable from RECSA in the amount of US$833 thousand.

Transactions with Comercializadora Guatemalteca Mayorista de Electricidad, S.A.

Our direct parent company, Estrella Cooperatief B.A., owns 100% of the capital stock of Comercializadora Guatemalteca Mayorista de Electricidad, S.A. ("Guatemel"), an energy trading company that supplies energy and capacity to large users in Guatemala. DEOCSA and DEORSA enter into a variety of transactions with Guatemel from time to time. During the years ended December 31, 2016, 2015 and 2014, these transactions consisted of sales of materials, providing toll services to Guatemel, sales of energy and capacity to Guatemel on the spot market, purchase of vehicles from Guatemel, leasing vehicles from Guatemel and a replacement of financial leasing agreement from Guatemel.

We recorded (1) inventory reductions from the sale of materials of US$7 thousand during the year ended December 31, 2014; (2) a property plant increase of US$20 thousand from the purchase of vehicles for the year ended December 31, 2015; (3) revenues from toll billing of US$1,040 thousand, US$971 thousand and US$ 1,518 thousand during the years ended December 31, 2016, 2015 and 2014, respectively; (4) expenses from leasing of vehicle of US$249 thousand and US$372 thousand for the years ended December 31, 2016 and 2015, respectively; (5) a reduction in energy purchases of US$257 thousand during the year ended December 31, 2016; and (6) an expense for replacement of financial leasing agreement of US$216 thousand for the year ended December 31, 2016. As of December 31, 2016, we recorded accounts receivable from Guatemel in the amount of US$124 thousand and accounts payable to Guatemel in the amount of US$244 thousand.

Transactions with Puerto Quetzal Power LLC

Our indirect parent company, IC Power, indirectly owns 100% of the capital stock of Puerto Quetzal Power LLC ("Puerto Quetzal"), a power generation company in Guatemala. We purchased energy from Puerto Quetzal

during the year ended December 31, 2016 for an aggregate amount of US$210 thousand. As of December 31, 2016, we recorded accounts payable to Puerto Quetzal in the amount of US$53 thousand.

Transactions with IC Power Chile Inversiones Ltda.

Our indirect parent company, IC Power, indirectly owns 100% of the capital stock of IC Power Chile Inversiones Ltda. ("IC Power Chile"), a holding company that acquired and develops power generation and distribution assets. During the year ended December 31, 2016, we incurred fees for technical assistance and reimbursable expenses in an aggregate amount of US$1,331 thousand. As of December 31, 2016, we recorded accounts payable to IC Power Chile in the amount of US$89 thousand.

THE GUATEMALAN LOAN AGREEMENTS

The following is a description of the material provisions of the Guatemalan Loan Agreements.

DEOCSA Guatemalan Loan Agreement

On April 7, 2017, DEOCSA, as borrower, entered into an up to Q684 million *quetzal*-denominated loan agreement with BISA, as lender, to refinance a portion of its existing indebtedness. The principal amount of the loan to be disbursed under the DEOCSA Guatemalan Loan Agreement (the "DEOCSA Guatemalan Loan") will bear interest at a variable rate equal to the TAPP rate for loans in *quetzales*, as published by the Central Bank two Guatemalan business days prior to the first day of the relevant interest period, less an applicable discount of 6.00% per annum, with a floor interest rate of 7.00% per annum, payable on a monthly basis. The DEOCSA Guatemalan Loan will be unsecured and will rank *pari passu* with all of DEOCSA's other unsecured and unsubordinated indebtedness. The DEOCSA Guatemalan Loan Agreement will mature on June 30, 2027, with quarterly principal amortization payments in *quetzales* due at the end of each calendar quarter beginning on September 30, 2020. Each quarterly principal amortization payment will be in an amount equal to 3.57% of the principal amount of the DEOCSA Guatemalan Loan, except for the principal amortization payment due on the maturity date, which will be in an amount equal to 3.61% of the principal amount of the DEOCSA Guatemalan Loan. The full amount of the loan will be disbursed on the Issue Date.

Under the DEOCSA Guatemalan Loan Agreement, DEOCSA will be obligated to comply with certain customary covenants, such as limitations on investments and dividend payments, mergers, asset sales and the incurrence of additional debt, among others, which are generally consistent with the covenants applicable to us set forth in the Loan Agreement. In addition, the DEOCSA Guatemalan Loan Agreement includes customary events of default. The DEOCSA Guatemalan Loan Agreement is governed by the laws of the State of New York.

DEORSA Guatemalan Loan Agreement

On April 7, 2017, DEORSA, as borrower, entered into an up to Q456 million *quetzal*-denominated loan agreement with BISA, as lender, to refinance a portion of its existing indebtedness. The principal amount of the loan to be disbursed under the DEORSA Guatemalan Loan Agreement (the "DEORSA Guatemalan Loan") will bear interest at a variable rate equal to the TAPP rate for loans in *quetzales*, as published by the Central Bank two Guatemalan business days prior to the first day of the relevant interest period, less an applicable discount of 6.00% per annum, with a floor interest rate of 7.00% per annum, payable on a monthly basis. The DEORSA Guatemalan Loan will be unsecured and will rank *pari passu* with all of DEORSA's other unsecured and unsubordinated indebtedness. The DEORSA Guatemalan Loan Agreement will mature on June 30, 2027, with quarterly principal amortization payments in *quetzales* due at the end of each calendar quarter beginning on September 30, 2020. Each quarterly principal amortization payment will be in an amount equal to 3.57% of the principal amount of the DEORSA Guatemalan Loan, except for the principal amortization payment due on the maturity date, which will be in an amount equal to 3.61% of the principal amount of the DEORSA Guatemalan Loan. The full amount of the loan will be disbursed on the Issue Date.

Under the DEORSA Guatemalan Loan Agreement, DEORSA will be obligated to comply with certain customary covenants, such as limitations on investments and dividend payments, mergers, asset sales and the incurrence of additional debt, among others, which are generally consistent with the covenants applicable to us set forth in the Loan Agreement. In addition, the DEORSA Guatemalan Loan Agreement includes customary events of default. The DEORSA Guatemalan Loan Agreement is governed by the laws of the State of New York.

DESCRIPTION OF THE LENDER

The following is a description of the Lender. Capitalized terms used in this section but not defined are as defined under "The Loan Agreement and the Loan."

Credit Suisse AG, Cayman Islands Branch ("Credit Suisse Cayman") is initially acting as Lender with respect to the making of the Loan. Credit Suisse Cayman is licensed under the laws of the Cayman Islands. Credit Suisse Cayman is a branch of Credit Suisse AG ("Credit Suisse"), the Swiss bank subsidiary of Credit Suisse Group AG ("Credit Suisse Group"), a publicly held holding company incorporated under the laws of Switzerland on March 3, 1982.

The obligations of Credit Suisse Cayman under the Participation Agreement are not insured by the Federal Deposit Insurance Corporation (the "FDIC") or any other regulatory agency of the United States or any other jurisdiction.

Credit Suisse is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking services to its customers throughout the United States and around the world. As of December 31, 2016, Credit Suisse had total assets of approximately CHF 819,861 million (or US$804,464 million based on exchange rates on that date) and shareholder's equity of approximately CHF 41,897 million (or US$41,110 million based on exchange rates on that date). The obligations of Credit Suisse Cayman under the Participation Agreement are not, and will not be, guaranteed by Credit Suisse.

Moody's currently rates Credit Suisse's long-term certificates of deposit as "A1" and short-term certificates of deposit as "P-1." S&P currently rates Credit Suisse's long-term certificates of deposit as "A" and its short-term certificates of deposit as "A-1." Fitch currently rates Credit Suisse's long-term certificates of deposit as "A" and its short-term certificates of deposit as "F1." Further information with respect to such ratings may be obtained from Moody's, S&P and Fitch, respectively. No assurances can be given that the current ratings of Credit Suisse's instruments will be maintained.

THE NOTES ARE NOT DEPOSITS OR OBLIGATIONS OF CREDIT SUISSE CAYMAN, CREDIT SUISSE OR CREDIT SUISSE GROUP OR ANY OF THEIR AFFILIATES AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE NOTES ARE NOT INSURED BY THE FDIC OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The above information relates to and has been obtained from Credit Suisse Cayman. The information concerning Credit Suisse Cayman, Credit Suisse and Credit Suisse Group contained herein is furnished solely to provide limited introductory information regarding Credit Suisse Cayman, Credit Suisse and Credit Suisse Group and does not purport to be comprehensive. This information is qualified in its entirety by the detailed information appearing in the filings made by Credit Suisse Group with the Commission; provided, however, that such filings shall not be deemed to be incorporated by reference herein. This information is not guaranteed as to accuracy or completeness.

None of Credit Suisse Cayman, Credit Suisse and Credit Suisse Group is issuing, selling or offering the Notes offered hereby. None of Credit Suisse Cayman, Credit Suisse and Credit Suisse Group has furnished or assumes any responsibility for, any information regarding either Borrower or any of affiliate or operations of such Borrower, the Notes, the Indenture, the Indenture Trustee, the Cayman Trustee, the Trust Deed or the Trust or any of their operations, except insofar as such information directly relates to the documents to which Credit Suisse Cayman is a party.

The delivery of this offering memorandum shall not create any implication that there has been no change in the affairs of Credit Suisse Cayman, Credit Suisse or Credit Suisse Group since the date on the cover of this offering memorandum, or that the information contained or referred to above is correct as of any time subsequent to such date.

THE LOAN AGREEMENT AND THE LOAN

The following is a description of the material provisions of the Loan Agreement among the Lender, the Borrowers and the Administrative Agent (the "Loan Agreement"). The following information does not purport to be a complete description of the Loan Agreement and is subject to, and qualified in its entirety by reference to, such document, a copy of which may be obtained by contacting the Administrative Agent at the address set forth under "Available Information."

General

Pursuant to the terms of the Loan Agreement among Credit Suisse AG, Cayman Islands Branch, as lender (the "*Lender*"), Distribuidora de Electricidad de Occidente, S.A. and Distribuidora de Electricidad de Oriente, S.A., as borrowers (together, the "*Borrowers*"), and The Bank of New York Mellon, as administrative agent (the "*Administrative Agent*") and account bank, the Lender will agree to make a term loan (the "*Loan*") in an aggregate principal amount equal of US$330 million, in the form of two tranches in the aggregate amounts of US$200 million and US$130 million, in each case, as provided herein on the date that the Notes are issued (the "*Disbursement Date*"). The Loan will be made by the Lender in a single disbursement on the Disbursement Date, subject additional borrowings as provided under "—Further Disbursements."

The Loan will not be subject to being repaid and reborrowed and once repaid may not be reborrowed. The Loan will not be secured by any collateral.

The Loan Agreement will provide that principal of, and premium, if any, and interest (including Additional Amounts (as defined below under "—Covenants—Additional Amounts"), if any) on, the Loan are payable only in U.S. dollars and will the joint and several obligations of the Borrowers.

Principal and Maturity

The initial aggregate principal amount of the Loan will be US$330 million. The Loan will mature on May 3, 2027 (the "*Maturity Date*").

Interest

The Loan will bear interest at a fixed rate of 5.875% per annum (the "*Interest Rate*"). Interest on the Loan will be payable semi-annually in arrears on May 3 and November 3 of each year (each such date, a "*Payment Date*"), commencing on November 3, 2017.

Evidence of Loan

Each Loan made by the Lender shall be evidenced by one or more accounts or records maintained by the Lender in the ordinary course of its business. In addition, the Borrowers shall execute and deliver to the Lender a promissory note in respect of the Loan, governed by the laws of Guatemala (the "*Promissory Note*").

Loan Guarantees

General

The Loan will not initially be guaranteed by any Person. If either Borrower creates or acquires one or more Restricted Subsidiaries that are required pursuant to the covenant described under "—Covenants—Future Loan Guarantees" to become Loan Guarantors, each such Restricted Subsidiary will, pursuant to the Loan Agreement, absolutely, unconditionally and irrevocably guarantee, jointly and severally, as primary obligor and not as surety, to the Lender and the Administrative Agent (each such Person, a "*Beneficiary*" and such guarantees, collectively, the "*Loan Guarantees*") (1) the full and punctual payment when due, whether at the Maturity Date, by acceleration or otherwise, of the principal of, premium, if any, and interest and Additional Amounts on the Loan, (2) the full punctual payment when due and any and all other obligations arising under the Loan Agreement, the Expense

Reimbursement and Indemnity Agreement and each other Transaction Document to which either Borrower is a party (collectively, the "*Specified Agreements*") and (3) the full punctual payment when due and any and all expenses incurred by any Beneficiary in enforcing any rights under any Specified Agreement or otherwise owed to such Beneficiary thereunder (such obligations collectively being referred to herein as the "*Loan Guaranteed Obligations*").

The obligations of each Loan Guarantor in respect of its Loan Guarantee will be limited to the maximum amount as will result in the obligations not constituting a fraudulent conveyance, fraudulent transfer or similar illegal transfer under applicable law.

Each Loan Guarantor's obligations under its Loan Guarantee will be a senior, direct, unsecured, unconditional and unsubordinated obligation of such Loan Guarantor and will rank *pari passu* in right of payment with all other present and future senior, unsecured and unsubordinated indebtedness of such Loan Guarantor, but effectively subordinated to (i) their present and future secured obligations to the extent of the value of the assets securing such indebtedness and (ii) statutory obligations or other liabilities preferred under applicable law.

Each Loan Guarantor will waive the right to any defenses to which it may be entitled under applicable Guatemalan law, to the extent permitted under Guatemalan law.

Payment

Pursuant to the Loan Guarantees, if any, in the event that either Borrower has not made payment to any Beneficiary under any Specified Agreement of all or a portion of the Loan Guaranteed Obligations, upon notice of such non-payment by such Beneficiary to any Loan Guarantor, such Loan Guarantor will be required to make immediate payment to such Beneficiary of all amounts as are due and payable under such Specified Agreement. This notice shall specify the amount of principal, premium, if any, and accrued but unpaid interest and other amounts (including Additional Amounts, if any, or Tax Reimbursement Payments (as defined under "The Trust—Expense Reimbursement and Indemnity Agreement—Tax Reimbursement Payments"), if any) due on or with respect to such Specified Agreement that were not paid on the date that such amounts were required to be paid under the terms thereof.

The Loan Guarantors' obligations under the Loan Guarantees shall be absolute and unconditional and shall remain in full force and effect until the date on which all the Loan Guaranteed Obligations have been paid or satisfied in full. The Loan Guarantors have agreed that the Loan Guaranteed Obligations will be paid in accordance with the terms of the Specified Agreements. The Loan Guarantors will agree that the Loan Guarantees will continue to be effective or be reinstated, as the case may be, if any payment is made in respect of the Loan Guaranteed Obligations and such payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to any Person, all as if such payment had not been made.

All amounts payable by the Loan Guarantors under the Loan Guarantees shall be payable in U.S. dollars in immediately available funds to, or at the direction of, the applicable Beneficiary upon receipt of notice of non-payment or non-performance by either Borrower of any Specified Agreement.

Release

No Loan Guarantor will be relieved of its obligations under its Loan Guarantee unless and until the Loan and all other obligations under the Loan Agreement have been paid in full in cash in connection with legal defeasance, covenant defeasance or satisfaction and discharge of the Loan Agreement as provided under "—Prepayments in Connection with Defeasance and Discharge"; *provided* that a Loan Guarantor will also be relieved of its obligations under its Loan Guarantee:

(1) in connection with any sale or other disposition of all or substantially all of the assets of such Loan Guarantor (including by way of merger, consolidation or otherwise) to a Person that is not (either before or after giving effect to such transaction) a Borrower or a Restricted Subsidiary of a Borrower, if the sale or other disposition does not violate the covenant described under "—Covenants—Asset Sales";

(2) in connection with any sale or other disposition of all of the Capital Stock of such Loan Guarantor to a Person that is not (either before or after giving effect to such transaction) a Borrower or a Restricted Subsidiary of a Borrower, if the sale or other disposition does not violate the covenant described under "—Covenants—Asset Sales"; or

(3) if a Borrower designates such Loan Guarantor to be an Unrestricted Subsidiary in accordance with the covenant described under "—Covenants—Designation of Restricted and Unrestricted Subsidiaries."

Subrogation

Until such time as the Loan Guaranteed Obligations have been irrevocably paid in full, the Loan Guarantors shall not be entitled to be subrogated to any of the rights of any Beneficiary or any other Person or any collateral security or guarantee or right of offset held by any Beneficiary for the payment of the Loan Guaranteed Obligations, nor shall any Loan Guarantor seek or be entitled to seek any contribution or reimbursement from either Borrower or any other Person in respect of payments made by such Loan Guarantor pursuant to the Loan Guarantees. If any amount shall be paid to any Loan Guarantor on account of such subrogation rights at any time when all of the Loan Guaranteed Obligations shall not have been irrevocably paid in full, such amount shall be held by such Loan Guarantor in trust for the applicable Beneficiary, segregated from other funds of such Loan Guarantor, and shall, forthwith upon receipt by such Loan Guarantor, be turned over to such Beneficiary in the exact form received by such Loan Guarantor (duly indorsed by the Loan Guarantor to such Beneficiary, if required), to be applied against the Loan Guaranteed Obligations.

Continuation of the Loan Guarantees

The Loan Guarantors' obligations under the Loan Guarantees will remain in full force and effect until all the Loan Guaranteed Obligations have irrevocably been paid or satisfied in full. The Loan Guarantees will continue to be effective or be reinstated, as the case may be, if at any time any payment of all or any portion of the Loan Guaranteed Obligations is rescinded or must otherwise be returned by any Beneficiary upon the insolvency, bankruptcy or reorganization of the Lender, any Loan Guarantor or any Borrower, all as though such payment had not been made.

Additional Amounts

Each Loan Guarantor will make all payments of amounts due under the Loan Guarantees free and clear of and without deduction for any Taxes imposed or levied by any Relevant Taxing Jurisdiction unless such Loan Guarantor is compelled by law to make such deduction or withholding. If any such Taxes are required to be deducted or withheld, such Loan Guarantor will pay such additional amounts in respect of such Taxes as may be necessary to ensure that the amounts received by the applicable Beneficiary after such withholding or deduction of Taxes will equal the respective amounts that would have been receivable by such Beneficiary in the absence of such withholding or deduction, subject to exceptions for Excluded Taxes (for these purposes, treating the Beneficiary as the Lender and the Loan Guarantors as the Borrowers). See "—Covenants—Additional Amounts."

Optional Prepayments

The Loan will not be subject to optional prepayment by the Borrowers prior to the Maturity Date, except as set forth in this "—Optional Prepayments" section and the third paragraph under "—Mandatory Prepayments—Change of Control Prepayment."

Optional Prepayment with a Make-Whole Premium

Prior to May 3, 2022, the Borrowers may, at their option, prepay, at any time, all or, from time to time, a part of the Loan at a prepayment price equal to 100% of the principal amount of the Loan being prepaid plus the excess, if any, of: (1) the present value (as determined by an Independent Investment Banker) at the date of such prepayment of (a) the prepayment price of the Loan at May 3, 2022 (such prepayment price being set forth in the table below under "—Optional Prepayment on or after May 3, 2022") plus (b) all required payments of interest

(including Additional Amounts, if any) through May 3, 2022 (excluding accrued but unpaid interest to such prepayment date), computed using a discount rate equal to the Comparable Treasury Price as of such prepayment date plus 50 basis points, over (2) the principal amount of the Loan being prepaid, plus, in each case, any accrued and unpaid interest (including Additional Amounts, if any) thereon to such prepayment date.

"*Comparable Treasury Issue*" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the period from the applicable prepayment date to May 3, 2022; *provided* that if the period from such prepayment date to May 3, 2022 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"*Comparable Treasury Price*" means, with respect to any prepayment date (1) the average as determined by an Independent Investment Banker, of the Reference Treasury Dealer Quotations for such prepayment date after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if fewer than five such Reference Treasury Dealer Quotations are obtained, the average, as determined by such Independent Investment Banker, of all such quotations.

"*Independent Investment Banker*" means one of the Reference Treasury Dealers appointed by the Borrowers.

"*Reference Treasury Dealer*" means Credit Suisse Securities (USA) LLC and Scotia Capital (USA) Inc., or their affiliates which are primary United States government securities dealers, and not less than three other primary United States government securities dealers in New York City reasonably designated by the Borrowers; *provided* that, if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "*Primary Treasury Dealer*"), the Borrowers will substitute therefor another Primary Treasury Dealer.

"*Reference Treasury Dealer Quotation*" means, with respect to each Reference Treasury Dealer and any prepayment date, the average, as determined by an Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed, in each case, as a percentage of its principal amount) quoted in writing to such Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third Business Day preceding such prepayment date.

Optional Prepayment on or after May 3, 2022

On or after May 3, 2022, the Borrowers may, at their option, prepay, at any time, all or, from time to time, part of the Loan at the prepayment prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest (including Additional Amounts, if any) on the Loan prepaid to the applicable prepayment date, if prepaid during the 12-month period beginning on May 3 of the years indicated below:

Year	Percentage
2022	102.938%
2023	101.958%
2024	100.979%
2025 and thereafter	100.000%

Optional Prepayment upon a Withholding Tax Event

The Loan may be prepaid, in whole but not in part, at the Borrowers' option, at a prepayment price equal to 100.000% of the outstanding principal amount of the Loan, plus accrued and unpaid interest (including Additional Amounts, if any) to but excluding the prepayment date, if, as a result of any enactment of new laws or any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction, or any change in the official application, administration or interpretation of such laws, regulations or rulings (including, without limitation, a holding by a court of competent jurisdiction) in such jurisdiction, either Borrower has or will become obligated to pay Additional Amounts or Tax Reimbursement Payments (as defined under "The Trust—Expense Reimbursement and Indemnity Agreement—Tax Reimbursement Payments") in excess

of the Additional Amounts or Tax Reimbursement Payments payable as of the date of the Loan Agreement on or in respect of the Loan Agreement (including the Loan Guarantees contained therein, if any), the Expense Reimbursement and Indemnity Agreement, the Indenture, the Notes or the Note Guarantees ("*Excess Additional Amounts*") (it being understood and agreed that the rate imposed by Guatemala as of the date of such agreements is 10%; *provided, however*, that if the Borrowers shall have received a Binding Tax Ruling, such rate shall be deemed to be 0%, beginning on the date such ruling shall be effective), if such change or amendment is announced and becomes effective on or after the date of the Loan Agreement and such obligation cannot be avoided by the relevant Borrower taking reasonable measures available to it (a "*Withholding Tax Event*"); *provided* that no notice of prepayment will be given earlier than 64 days prior to the earliest date on which the relevant Borrower would be obligated to pay such Excess Additional Amounts, were a payment in respect of the Loan then due.

Prior to the giving of notice of prepayment of the Loan, the relevant Borrower or Borrowers will deliver to the Administrative Agent (with a copy to the Lender) an Officer's Certificate to the effect that the relevant Borrower or Borrowers is or are or at the time of the prepayment will be entitled to effect such a prepayment pursuant to the Loan Agreement, setting forth in reasonable detail the circumstances giving rise to such right of prepayment, and stating that the relevant Borrower or Borrowers cannot avoid payment of such Excess Additional Amounts by taking reasonable measures available to the relevant Borrower or Borrowers. Such Officer's Certificate will be accompanied by a written opinion of recognized counsel of the applicable Relevant Taxing Jurisdiction, independent of the Borrowers, addressed to the Administrative Agent and the Lender to the effect, among other things, that the relevant Borrower or Borrowers is or are, or is or are reasonably expected to become, obligated to pay such Excess Additional Amounts as a result of a change or amendment, as described above. Any such notice of prepayment shall be irrevocable.

Optional Prepayment upon Equity Event

At any time prior to May 3, 2019, the Borrowers may, at their option, on any one or more occasions prepay part of the Loan at a prepayment price of 105.875% of the principal amount thereof, plus accrued and unpaid interest (including Additional Amounts, if any) to the prepayment date, with the net cash proceeds from a sale of common shares of either or both Borrowers or a contribution to either or both Borrowers' equity capital not representing an interest in Redeemable Stock made with the net cash proceeds from a concurrent offering of common stock of such Borrower's direct or indirect parent; *provided* that:

(1) at least 65% of the aggregate principal amount of (a) the Loan originally disbursed under the Loan Agreement remains outstanding immediately after the occurrence of such prepayment and (b) the Notes originally issued under the Indenture (excluding Notes held by either Borrower or any of its Subsidiaries) remains outstanding immediately after the related consummation of the redemption described under "Description of the Notes—Mandatory Redemption—Redemption upon Equity Event"; and

(2) the prepayment occurs within 90 days of the date of the closing of such sale by such Borrower or offering by such parent.

Prepayment in Connection with Defeasance and Discharge

The Loan may be prepaid, in whole but not in part, at the Borrowers' option, in connection with a legal defeasance or covenant defeasance of the Notes or a satisfaction and discharge of the Indenture, at a price equal to the amount required to be deposited by the Trust with the Indenture Trustee to effectuate a legal defeasance or covenant defeasance of the Notes or a satisfaction and discharge of the Indenture, in each case, pursuant to the terms of the Indenture.

Prepayments in Part

Any prepayment of the Loan in part shall be in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

Notice of Optional Prepayment

The Borrowers shall give notice of prepayment not less than 34 nor more than 64 days prior to the prepayment date to the Administrative Agent (with a copy to the Lender). All notices of prepayment shall state:

- the prepayment date;
- the provisions of the Loan Agreement pursuant to which such prepayment is being made;
- the prepayment price and the amount of accrued interest payable;
- whether or not the Borrowers are prepaying the outstanding principal amount of the Loan in whole or part;
- any conditions to the prepayment; and
- if the Borrowers are not repaying the outstanding principal amount of the Loan in full, the aggregate principal amount of the Loan that the Borrowers are repaying and the aggregate principal amount of the Loan that shall remain outstanding following such partial prepayment.

If the Borrowers give notice of prepayment in accordance herewith, all or part of the Loan to be prepaid shall, on the prepayment date, subject to the provisions of the prepayment notice given in accordance with the preceding paragraph, become due and payable at the prepayment price specified in the applicable notice (together with accrued interest and Additional Amounts, if any, to the prepayment date) and from and after the prepayment date (unless the Borrowers shall default in the payment of the prepayment price and accrued interest and Additional Amounts) the Loan that is prepaid, or the portion of the Loan, as applicable, shall cease to bear interest.

Mandatory Prepayments

Change of Control Prepayment

Upon the occurrence of a Change of Control Triggering Event, the Borrowers shall deliver a Change of Control Prepayment Notice to the Administrative Agent (with a copy to the Lender) no less than 34 nor more than 64 days prior to the Change of Control Payment Date and make an offer to prepay all or part of the Loan (the "*Change of Control Prepayment Offer*") at a prepayment price equal to 101.000% of the Loan being prepaid, plus accrued and unpaid interest and Additional Amounts thereon, if any, to the Change of Control Payment Date.

The Loan Agreement will provide that no later than three Business Days prior to the Change of Control Payment Date, the Lender or the Administrative Agent acting at the direction of the Lender will deliver to the Borrowers a notice setting forth the aggregate principal amount of the Loan that is subject to mandatory prepayment on the Change of Control Payment Date.

In the event that the Lender requests that at least 90% in outstanding aggregate principal amount of the Loan be prepaid in connection with a Change of Control Prepayment Offer and the Borrowers prepay such amount, the Borrowers will have the right, at their option, upon not more than 34 and not less than 64 days' notice to the Administrative Agent and the Lender, not more than 64 days following the purchase pursuant to the Change of Control Prepayment Offer described above, to prepay all of the principal that remains outstanding on the Loan following the consummation of the Change of Control Prepayment Offer at a prepayment price equal to 101.000% of the entire remaining principal amount of the Loan, plus accrued and unpaid interest to the date of such prepayment and any Additional Amounts thereon.

Asset Sale Prepayment

Upon the occurrence of an Asset Sale Offer Trigger Event, the Borrowers shall deliver an Asset Sale Prepayment Notice to the Administrative Agent (with a copy to the Lender) no less than 34 nor more than 64 days

prior to the Asset Sale Offer Payment Date and make an offer (the "*Asset Sale Prepayment Offer*") to prepay the Loan in a principal amount up to the amount that may be prepaid out of the Excess Proceeds, after taking into account any other Debt to which such Asset Sale Prepayment Offer may be made pursuant to the Loan Agreement (the "*Asset Sale Prepayment Amount*"), pursuant to which the Borrowers shall be required to purchase up to the Asset Sale Prepayment Amount in principal amount of the Loan at a prepayment price equal to 100.000% of the principal amount of the Loan being prepaid, plus accrued and unpaid interest and Additional Amounts thereon, if any, to the Asset Sale Offer Payment Date.

The Loan Agreement will provide that no later than three Business Days prior to the Asset Sale Offer Payment Date, the Lender or the Administrative Agent acting at the direction of the Lender will deliver to the Borrowers a notice setting forth the aggregate principal amount of the Loan that is subject to mandatory prepayment on the Asset Sale Offer Payment Date.

Payments and Computations

The Borrowers will make each payment under the Loan Agreement, without regard to the existence of any counterclaim, set-off, defense or other right that either Borrower may have at any time against the Lender, the Administrative Agent or any other Person, whether in connection with the transaction contemplated in the Loan Agreement or any unrelated transaction, not later than 10:00 a.m. (New York City time) two Business Days prior to the date due in U.S. dollars to the Administrative Agent for the account of the Lender in same day immediately available funds.

If any Note Guarantor makes a payment under its Note Guarantee in respect of any amount of principal, premium, if any, and/or interest due on the Notes, or if the Trust or either Borrower or any other Note Guarantor shall tender Notes to the Indenture Trustee for cancellation, then the amounts so paid by such Note Guarantor and the tendering of such Notes and cancellation thereof shall be deemed to be a payment by the Borrowers to the Lender to reduce amounts outstanding under the Loan such that the principal amounts outstanding of the Loan (after giving effect to any such payment under the Note Guarantees or such cancellation of such Notes) shall be equal to the aggregate principal amount of the Notes outstanding under the Indenture.

The Borrowers and the Lender will agree in the Loan Agreement that notwithstanding anything to the contrary in the Loan Agreement or the Indenture, if (i) the Borrowers have made any payment under the Loan Agreement in respect of any amount of principal, premium, if any, and/or interest due on the Loan, (ii) the Lender fails to turn over all or any portion of such amounts to the Trust pursuant to the Participation Agreement and (iii) any Note Guarantor makes a payment under its Note Guarantee in respect of any shortfall arising in respect of the Notes due to such failure of the Lender to so turn over all such amounts to the Trust pursuant to the Participation Agreement, then so long as no (A) Default or Event of Default has occurred and is then continuing under clause (7) or (8) under "—Events of Default" or (B) Default or Event of Default under, and as defined under, the "Description of the Notes" has occurred and is then continuing under clauses (1), (2) or (3) under the "Description of the Notes—Events of Default," the Lender shall promptly refund to the Borrowers such amounts that were not so turned over by the Lender to the Trust.

All computations of interest on the Loan will be made by the Administrative Agent on the basis of a 360-day year consisting of twelve 30-day months. Each determination by the Administrative Agent of an interest amount under the Loan Agreement shall be conclusive and binding for all purposes, absent manifest error.

Ranking

The Borrowers' joint and several obligations under the Loan will be senior, direct, unsecured, unconditional and unsubordinated obligations of each Borrower, will rank *pari passu* in right of payment with all other present and future senior, unsecured and unsubordinated indebtedness of such Borrower from time to time outstanding, except for liabilities formalized through public deeds and such other liabilities as are or may be preferred under Guatemalan bankruptcy law, and will be effectively subordinated to all of such Borrower's secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally subordinated to all of the existing and future liabilities of such Borrower's future (i) Restricted Subsidiaries, if any, that are not Loan Guarantors and (ii) Unrestricted Subsidiaries, if any.

Further Disbursements

The Lender may (and for the avoidance of doubt, shall not be obligated to), from time to time, agree with the Borrowers to make additional disbursements under the Loan Agreement; *provided* that (1) no Default or Event of Default shall have occurred and be continuing or shall occur as the result of such additional disbursements, (2) such additional disbursements rank *pari passu* with the Loan and have the same terms as the Loan, (3) the Lender shall have received the funds for the making of the Loan from a third-party source of funding satisfactory to the Lender, (4) the Borrowers and Loan Guarantors, if any, have delivered an amendment or supplement to the Loan Agreement reflecting such additional disbursements, (5) the Borrowers have executed and delivered a replacement Promissory Note relating to the Loan in a principal amount equal to the sum of (x) the outstanding principal amount of the Promissory Note that is being replaced and (y) the aggregate principal amount of the loans that are being made a part of the Loans as a result of any such further disbursements and (6) customary closing conditions satisfactory to the Lender and Administrative Agent are met. Except as set forth above, the Lender will have no commitment or other obligation to make further disbursements under the Loan Agreement.

Covenants

For so long as any amount remains unpaid under the Loan Agreement and the Loan or any Note remains outstanding, the Borrowers will, and will cause their Restricted Subsidiaries, if any, to, comply with, among others, the terms of the covenants described below.

Performance of Obligations Under the Loan

Each of the Borrowers shall duly and punctually pay all amounts owed by it and comply with all of its other obligations under the terms of the Loan Agreement, the Promissory Note, the Note Guarantees, the Indenture, the Expense Reimbursement and Indemnity Agreement and the Fee Letters in accordance with the terms thereof.

Limitation on Debt

The Borrowers will not, and will not permit any of their respective Restricted Subsidiaries to, Incur any Debt, unless, on the date of such Incurrence and after giving effect thereto, (1) the Net Leverage Ratio as of the end of the most recent four full fiscal quarters for which combined financial statements of the Borrowers are available immediately preceding the date on which such Debt is Incurred would be equal to or less than (x) 4.50 to 1.00, if such Debt is Incurred on or prior to December 31, 2018 and (y) 4.00 to 1.00, if such Debt is Incurred thereafter, and (2) the Coverage Ratio as of the end of such four-quarter period would be equal to or greater than 2.00 to 1.00, determined on a *pro forma* basis (including the *pro forma* application of the net proceeds therefrom), as if such Debt had been Incurred at the beginning of such four-quarter period.

Notwithstanding the foregoing limitation, the following Debt ("*Permitted Debt*") may be Incurred (x) regardless of whether the Borrowers are able to satisfy the ratios set forth in the immediately preceding sentence and (y) in addition to any Debt incurred pursuant to the immediately preceding sentence:

(1) the Incurrence by a Borrower or its Restricted Subsidiaries of Debt and letters of credit under one or more Credit Facilities represented by (i) the Credit Agreements and (ii) one or more Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1)(ii) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of such Borrower or Restricted Subsidiary thereunder) not to exceed the greater of (x) US$40.0 million and (y) 5.00% of Combined Net Tangible Assets of the Borrowers and their Restricted Subsidiaries;

(2) any direct or indirect obligations owed in connection with the payment obligations on the Loan in the aggregate principal amount on the Disbursement Date after giving effect to the disbursement thereof and the Loan Guarantees in respect of the Loan disbursed on the Disbursement Date;

(3) Debt outstanding on the Disbursement Date;

(4) the Incurrence by a Borrower or its Restricted Subsidiaries of intercompany Debt between or among one or both Borrowers and/or one or more of their respective Restricted Subsidiaries; *provided*, that:

(a) if a Borrower or Loan Guarantor is the obligor on such Debt and the payee is not another Borrower or Loan Guarantor, such Debt must be expressly subordinated to the prior payment in full in cash of all obligations of such Borrower or Loan Guarantor (that is the obligor on such intercompany Debt) under the Loan or its Loan Guarantee, as the case may be; and

(b) (i) any subsequent issuance or transfer of Capital Stock that results in any such Debt being held by a Person other than (A) a Borrower or (B) a Restricted Subsidiary of a Borrower and (ii) any sale or other transfer of any such Debt to a Person that is not either a Borrower or a Restricted Subsidiary of a Borrower, will be deemed, in each case, to constitute an Incurrence of such Debt by such Borrower or Restricted Subsidiary, as the case may be, that was not permitted by this clause (4);

(5) Acquired Debt;

(6) Debt consisting of Permitted Interest Rate, Currency or Commodity Price Agreements;

(7) the Incurrence by a Borrower or Restricted Subsidiaries of a Borrower of Permitted Refinancing Debt in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Debt (other than intercompany Debt) that was permitted by the Loan Agreement to be Incurred under the first paragraph of this covenant or clause (1)(i) (it being understood and agreed for the avoidance of doubt that any such Incurrence of Permitted Refinancing Debt shall thereafter be permitted to be outstanding under this clause (7) and not as a Credit Facility permitted to be outstanding under such clause (1)(i)), (2), (3), (5) or (6) of this paragraph or this clause (7);

(8) Debt of a Borrower or Restricted Subsidiary of a Borrower represented by letters of credit in order to provide security for workers' compensation claims, health, disability or other employee benefits, payment obligations in connection with self-insurance or similar requirements of such Borrower or Restricted Subsidiary in the ordinary course of business;

(9) customary indemnification, adjustment of purchase price or similar obligations, or guarantees or letters of credit, surety bonds or performance bonds securing any such obligations, in each case, Incurred in connection with the disposition of any business or assets of a Borrower or any Restricted Subsidiary of a Borrower, and earn-out provisions or contingent payments in respect of purchase price or adjustment of purchase price or similar obligations in acquisition agreements other than guarantees of Debt Incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of each such Incurrence of such Debt will at no time exceed the gross proceeds actually received by such Borrower or Restricted Subsidiary in connection with the related disposition;

(10) obligations in connection with bid proposals or applications for licenses related to the business of the distribution of electricity in Guatemala, in the ordinary course of business and not related to Debt for borrowed money, and obligations in respect of bid, performance, completion, guarantee, surety and similar bonds, including guarantees or obligations of a Borrower or any Restricted Subsidiary of a Borrower with respect to letters of credit supporting such obligations, in the ordinary course of business and not related to Debt for borrowed money;

(11) Debt of a Borrower or any Restricted Subsidiary of a Borrower arising from the honoring by a bank or other financial institution of a check, draft or similar instrument including, but not limited to, electronic transfers, wire transfers, netting services and commercial card payments, drawn against insufficient funds; *provided* that such Debt is extinguished within five Business Days of Incurrence;

(12) the Incurrence by a Borrower or any Restricted Subsidiary of a Borrower of (i) Debt, including Capital Lease Obligations, mortgage financings or purchase money obligations, Incurred within 365 days of the acquisition or completion of construction or installation for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in the business of a Borrower or any Restricted Subsidiary of a Borrower and (ii) Permitted Refinancing Debt Incurred to renew, refund, refinance, replace, defease or discharge any Debt Incurred pursuant to clause (i) of this clause (12) or this clause (ii) in an aggregate principal amount at any time outstanding under clauses (i) and (ii) of this clause (12) not to exceed at any time outstanding the greater of (a) US$10.0 million and (b) 1.25% of Combined Net Tangible Assets of the Borrowers and their Restricted Subsidiaries;

(13) (i) guarantees by a Borrower or any Restricted Subsidiary of a Borrower of Debt of the other Borrower or a Borrower or Restricted Subsidiary of a Borrower permitted under the Loan Agreement; *provided* that if any such guarantee is of subordinated Debt, then the guarantee of such subordinated Debt shall be subordinated to the Loan of such Borrower in the case of a guarantee by such Borrower or the Loan guarantees of such Restricted Subsidiary in the case of a guarantee by such Restricted Subsidiary and (ii) the Note Guarantees in respect of Notes issued on the Issue Date and any Notes issued thereafter, the net proceeds of which are used to fund additional disbursements of the Loan Incurred by the Borrowers under, and in accordance with, the Loan Agreement;

(14) Debt to the extent the net cash proceeds thereof are substantially concurrently deposited to defease or satisfy and discharge all of the Notes in accordance with the Indenture;

(15) any direct or contingent obligations arising under any one or more letters of credit, bank guarantees, bid bonds, surety bonds or similar instruments (it being understood and agreed for the avoidance of doubt that this clause shall not permit advances, loans or other funded debt), in each case, Incurred in the amounts required by the *Administrador del Mercado Mayorista* (the "*AMM*") in connection with or otherwise attributable to the purchase by a Borrower of energy in the ordinary course of business in the Guatemalan Wholesale Electricity Market operated by the AMM; and

(16) Debt not otherwise permitted to be Incurred pursuant to clauses (1) through (15) above, which, together with any other outstanding Debt Incurred pursuant to this clause (16), has an aggregate principal amount at any time outstanding not in excess of the greater of (a) US$20.0 million and (b) 2.50% of Combined Net Tangible Assets of the Borrowers and their Restricted Subsidiaries.

For the purposes of determining compliance with this covenant, in the event that an item of Debt meets the criteria of more than one of the types of Permitted Debt or is entitled to be Incurred pursuant to the first sentence of this "—Limitation on Debt" section, the Borrowers in their sole discretion may classify, in whole or in part, and from time to time reclassify, in whole or in part, such item of Debt or any portion thereof and only be required to include the amount of such Debt as one of such types; *provided*, that Permitted Debt under the Credit Facilities outstanding on the Disbursement Date will initially be deemed to have been Incurred on such date under clause (1) of the second paragraph of this "—Limitation on Debt" section.

For the purposes of determining compliance with any covenant in the Loan Agreement or whether an Event of Default has occurred, in each case, where Debt is denominated in a currency other than U.S. dollars, the amount of such Debt will be the U.S. Dollar Equivalent determined on the date of such Incurrence; *provided, however*, that if any such Debt that is denominated in a different currency is subject to an Interest Rate, Currency or Commodity Price Agreement with respect to U.S. dollars covering principal and premium, if any, payable on such Debt, the amount of such Debt expressed in U.S. dollars will be adjusted to take into account the effect of such an agreement.

The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Debt in the form of additional Debt with the same terms and the payment of dividends on Redeemable Stock in the form of additional shares of the same class of Redeemable Stock will not be deemed to be an Incurrence of Debt for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Combined Interest Expense of the Borrowers as accrued.

The amount of any Debt outstanding as of any date will be:

(1) the accreted value of the Debt, in the case of any Debt issued with original issue discount;

(2) the principal amount of the Debt, in the case of any other Debt; and

(3) in respect of Debt of another Person secured by a Lien on the assets of the specified Person, the lesser of:

    (a) the Fair Market Value of such assets at the date of determination; and

    (b) the amount of the Debt of the other Person.

The amount of Debt Incurred by a Person on the Incurrence date thereof shall equal the amount recognized as a liability on the balance sheet of such Person determined in accordance with IFRS and the amount of Debt issued at a price that is less than the principal amount thereof will be equal to the amount of liability in respect thereof determined in accordance with IFRS. Accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Debt of the same instrument or the payment of regularly scheduled dividends on Redeemable Stock in the form of additional Redeemable Stock with the same terms will not be deemed to be an Incurrence of Debt for purposes of this covenant.

With respect to any U.S. dollar-denominated restriction on the incurrence of Debt, the U.S. dollar-equivalent principal amount of Debt denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Debt was incurred, in the case of term Debt, or first committed, in the case of revolving credit Debt; *provided* that, if such Debt is incurred to refinance other Debt denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Debt does not exceed the principal amount of such Debt being refinanced. Notwithstanding any other provision of this covenant, the maximum aggregate principal amount of Debt that the Borrowers and their Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Debt incurred to refinance other Debt, if incurred in a different currency from the Debt being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Debt is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Borrowers will not, and will not permit their respective Restricted Subsidiaries to, directly or indirectly (each of following clauses (1) through (4) being a "*Restricted Payment*"):

(1) declare or pay any dividend or make any distribution in respect of the Borrowers' or their respective Restricted Subsidiaries' Capital Stock, excluding (a) any dividends or distributions by the Borrowers or any Restricted Subsidiaries payable solely in shares of any Borrower's or Restricted Subsidiary's Capital Stock (other than Redeemable Stock) or in options, warrants or other rights to acquire any Borrower's Capital Stock (other than Redeemable Stock), and (b) any dividends or distributions payable to the Borrowers or any of their Restricted Subsidiaries (and, if any such Restricted Subsidiary has shareholders other than the Borrowers or any Restricted Subsidiary of the Borrowers, to its other shareholders on a *pro rata* basis (or on less than a *pro rata* basis to such shareholders));

(2) purchase, redeem or otherwise acquire or retire for value (including in connection with any merger or consolidation involving either Borrower) any Capital Stock of either Borrower or any direct or indirect parent of a Borrower;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Debt of any Borrower or Loan Guarantor that is contractually subordinated in right of

payment to the Loan or its Loan Guarantee, as the case may be (excluding any intercompany Debt between or among the Borrowers and their respective Restricted Subsidiaries), except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Investment, other than Permitted Investments (each such investment a "*Restricted Investment*"),

unless, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing;

(b) after giving *pro forma* effect to such Restricted Payment as if such Restricted Payment had been made at the beginning of the applicable fiscal quarter period, the Borrowers could Incur at least US$1.00 of additional Debt pursuant to the first paragraph of "—Limitation on Debt"; and

(c) upon giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments from the Disbursement Date (excluding Restricted Payments permitted by clauses (B), (C), (D), (E), (G), (H), (I) and (L) of the next succeeding paragraph), would not exceed an amount equal to:

(i) the difference between (x) 100% of cumulative Combined EBITDA for the period, taken as one accounting period, beginning on the first day of the fiscal quarter immediately following the fiscal quarter in which the Disbursement Date occurs through the last day of the last full fiscal quarter ended for which the Borrowers' quarterly or annual combined financial information available immediately prior to the date such Restricted Payment minus (y) an amount equal to 150% of cumulative Combined Interest Expense of the Borrowers for such period; *plus*

(ii) 100% of the aggregate net cash proceeds and the Fair Market Value of property other than cash received by the Borrowers and their Restricted Subsidiaries from any Person from any:

(A) (1) contribution to the equity capital of the Borrowers not representing an interest in Redeemable Stock and, (2) issuance and sale of Qualified Capital Stock of the Borrowers, in each case, subsequent to the first day of the fiscal quarter immediately following the fiscal quarter in which the Disbursement Date occurs; or

(B) issuance and sale subsequent to the first day of the fiscal quarter immediately following the fiscal quarter in which the Disbursement Date occurs of any Debt included in clauses (1), (2), (3) and (4) of the definition thereof of the Borrowers and their Restricted Subsidiaries that has been converted into or exchanged for Qualified Capital Stock of a Borrower,

excluding, in each case, (x) net cash proceeds received from, or any such Qualified Capital Stock issued to, a Borrower or a Restricted Subsidiary of a Borrower or (y) any such Qualified Capital Stock or net cash proceeds applied accordance with clause (B) or (C) of the second paragraph of this covenant below; *plus*

(iii) to the extent that any Restricted Investment is sold (other than to a Borrower or a Restricted Subsidiary of a Borrower) or otherwise liquidated or repaid, the proceeds with respect to such Restricted Investment (less the cost of disposition, if any) in the case of any sale, liquidation or repayment; *provided* that, if such Restricted Investment was made prior to the Disbursement Date, such amount shall not be included in determining if the Borrowers and their Restricted Subsidiaries can make a Restricted Payment provided for in clauses (1), (2) and (3) of the first paragraph of this covenant; *plus*

(iv) to the extent that a Borrower, a Loan Guarantor or Restricted Subsidiary terminates all or part of any commitment to make an Investment that was previously accounted for as a Restricted

Payment under clause (K) of the next succeeding paragraph, the amount of such terminated commitment; *plus*

(v) to the extent that any Unrestricted Subsidiary of a Borrower Designated as such after the Disbursement Date is redesignated as a Restricted Subsidiary, the Fair Market Value of such Borrower's Investment in such Unrestricted Subsidiary as of the date of such redesignation (other than to the extent the Investment in such Unrestricted Subsidiary constituted a Permitted Investment); *plus*

(vi) to the extent not included above under this clause (c), 100% of any dividends, distributions or cash received by a Borrower or any of its Restricted Subsidiaries from an Unrestricted Subsidiary or any Person in which a Borrower or any of its Restricted Subsidiaries owns a minority interest.

The preceding paragraph will not prohibit:

(A) the payment of any dividend or distribution or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or distribution or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend, distribution or redemption payment would have complied with the provisions of the Loan Agreement;

(B) the making of any Restricted Payment in exchange for, out of or with the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of a Borrower) of, Capital Stock of a Borrower (other than Redeemable Stock) or from the substantially concurrent contribution to the equity capital of a Borrower not representing an interest in Redeemable Stock;

(C) the repurchase, redemption, defeasance or other acquisition or retirement for value of Debt of a Borrower or Loan Guarantor that is contractually subordinated in right of payment to the Loan or its Loan Guarantee, as the case may be, with the net cash proceeds from a substantially concurrent Incurrence of Permitted Refinancing Debt;

(D) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of a Borrower or any Restricted Subsidiary of a Borrower held by any future, current or former officer, director or employee of a Borrower or any Restricted Subsidiary of a Borrower (or their permitted transferees, assigns, estates or heirs) pursuant to any management equity plan, stock option plan, equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement or any other management or employee benefit plan, agreement or arrangement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US$15.0 million in any 12-month period commencing on the Disbursement Date; *provided further* that such amount in any 12-month period may be increased by an amount not to exceed the net cash proceeds of "key man" life insurance policies received by a Borrower or Restricted Subsidiary of a Borrower after the Disbursement Date;

(E) the repurchase of Capital Stock deemed to occur upon, or the cash payment for fractional shares in the case of, the exercise of stock options or warrants or similar stock based instruments to the extent such Capital Stock represents a portion of the exercise price of those stock options;

(F) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Redeemable Stock of a Borrower or any Restricted Subsidiary of a Borrower issued on or after the Disbursement Date in accordance with the first paragraph under "—Limitation on Debt";

(G) payments of cash, dividends or distributions, advances or other Restricted Payments by a Borrower or any Restricted Subsidiary of a Borrower to allow the payment of cash in lieu of fractional shares;

(H) Restricted Payments made at any time in respect of (a) the Capital Reductions and the Dividend Payments and (b) dividend payments, advances, loans and/or other distributions by one or both of the Borrowers to its or their direct or indirect shareholders, in each case, with the proceeds from the Loan disbursed on the Disbursement Date;

(I) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, payments of cash, dividends or distributions to each of the members or other holders of the Capital Stock of a Borrower or any Restricted Subsidiary of a Borrower in an amount sufficient to cover such member's or such holder's actual tax liability attributable to the taxable income of a Borrower and/or its Subsidiaries; *provided* that any payment pursuant to this clause (I) with respect to the income of any Unrestricted Subsidiary for any taxable period shall be limited to the amount actually paid with respect to such period by such Unrestricted Subsidiary to a Borrower or any Restricted Subsidiary of a Borrower for the purposes of paying taxes with respect to such income;

(J) repurchases of subordinated Debt at a purchase price not greater than (a) 101% of the principal amount or accreted value, as applicable, of such subordinated Debt and accrued and unpaid interest thereon in the event of a Change of Control Triggering Event or (b) 100% of the principal amount or accreted value, as applicable, of such subordinated Debt and accrued and unpaid interest thereon in the event of an Asset Disposition, in connection with any change of control prepayment offer or asset sale prepayment offer required by the terms of such subordinated Debt, but only if: (i) in the case of a Change of Control Triggering Event, the Borrowers have first complied with and fully satisfied their obligations under the covenant described under "—Mandatory Prepayments—Change of Control Prepayment"; or (ii) in the case of an Asset Disposition, the Borrowers have first complied with and fully satisfied their obligations under the covenant described under "—Mandatory Prepayments—Asset Sale Prepayment";

(K) the payment at any time of all or any part of a Restricted Investment, if at the time of the entering into the commitment to make the Restricted Investment, the making of such Restricted Investment would have been permitted under the Loan Agreement (including this covenant (other than this clause (K))); *provided* that at the time of entering into such commitment to make the Restricted Investment the entire amount of such commitment shall be deemed to have been made as a Restricted Payment under the Loan Agreement on the date of such commitment as if the entire amount thereof was made on such date; and

(L) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, Restricted Payments not otherwise permitted hereby in an aggregate amount not to exceed US$10.0 million (or the equivalent in other currencies) since the Disbursement Date.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by a Borrower or any Restricted Subsidiary of a Borrower, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors of the relevant Borrower whose resolution with respect thereto will be delivered to the Indenture Trustee.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Borrowers will not permit any of their respective Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Restricted Subsidiary:

(1) to pay dividends (in cash or otherwise) or make any other distributions in respect of its Capital Stock to the Borrowers or any other Restricted Subsidiary;

(2) to pay any Debt or other obligation owed to any Borrower or any other Restricted Subsidiary;

(3) to make loans or advances to the Borrowers or any other such Restricted Subsidiary; or

(4) to transfer any of its property or assets to the Borrowers or any other Restricted Subsidiary.

Notwithstanding the foregoing, the Borrowers may permit any of their respective Restricted Subsidiaries to, suffer to exist any such encumbrance or restriction:

(a) pursuant to the Loan Agreement, the Indenture or any Guarantees;

(b) pursuant to any agreement as in effect on the Disbursement Date;

(c) pursuant to an agreement relating to any Acquired Debt which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person obligated in respect of such Acquired Debt when such Person was acquired as a Restricted Subsidiary;

(d) pursuant to an agreement by which a Borrower or a Restricted Subsidiary obtains financing; *provided* that (i) such restriction is not materially more restrictive than customary provisions in comparable financing agreements, and (ii) such Borrower's management determines that at the time such agreement is entered into such restriction will not materially impair such Borrower's ability to make payments on the Loan;

(e) pursuant to agreements governing Permitted Refinancing Debt; *provided* that the restrictions contained in such agreements governing such Permitted Refinancing Debt are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Debt being refinanced with the proceeds of such Permitted Refinancing Debt;

(f) restrictions contained in any security agreement (including a capital lease) securing Debt of any of the Borrowers' Restricted Subsidiaries otherwise permitted under the Loan Agreement, but only to the extent such restrictions restrict the transfer of the property subject to such security agreement;

(g) customary non-assignment provisions in contracts, agreements, leases, permits and licenses;

(h) pursuant to customary restrictions contained in asset sale agreements limiting the transfer of property (including Capital Stock) subject to such agreements pending the closing of such sales, or pursuant to customary restrictions in share purchase agreements otherwise permitted under the Loan Agreement for the sale of Subsidiaries on such sold Subsidiaries;

(i) Liens permitted to be incurred under the provisions of the covenant described below under "—Limitation on Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;

(j) restrictions on cash, Cash Equivalents or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(k) customary restrictions pursuant to joint venture agreements or similar documents that restrict the transfer of ownership interests in or the payment of dividends or distributions from such joint venture or similar Person;

(l) purchase money Debt and Capital Lease Obligations for assets acquired in the ordinary course of business and pursuant to the covenant described under "—Limitation on Debt" that impose encumbrances and restrictions only on the assets so acquired or subject to lease; or

(m) if such encumbrance or restriction is the result of applicable law, rule, regulation or order, or is required pursuant to any governmental authorization or similar agreement.

Limitation on Sale and Leaseback Transactions

The Borrowers will not, and will not permit any of their respective Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction with respect to any of their respective assets or property unless:

(1) such Borrower or such Restricted Subsidiary would be entitled to: (a) Incur Debt in an amount equal to the Attributable Debt with respect to such Sale and Leaseback Transaction and (b) create a Lien on such assets or property securing such Attributable Debt without also securing the Loan, its obligations under the Indenture and each of its Guarantees, as the case may be, pursuant to "—Limitation on Liens"; and

(2) such Sale and Leaseback Transaction is effected in compliance with the covenant described under "—Asset Sales"; *provided* that if a Covenant Suspension Event has occurred and is continuing, the Borrowers and such Restricted Subsidiaries will only be required to comply with the conditions set forth in the first paragraph of the covenant described under "—Asset Sales" (which will be deemed to be in effect solely for these purposes).

Limitation on Liens

The Borrowers will not, and will not permit any of their respective Restricted Subsidiaries to, create, incur or suffer to exist any Lien (other than Permitted Liens) on or with respect to any property or assets now owned or hereafter acquired to secure any Debt unless the obligations of (i) the Borrowers under the Loan, the Indenture, the Promissory Note and each Note Guarantee, and (ii) the Loan Guarantors, if any, under the Loan Guarantees, the Indenture and the Note Guarantees are equally and ratably secured pursuant to a perfected security interest by such Lien; *provided* that, if the Debt secured by such Lien is subordinate or junior in right of payment to the Loan, the Promissory Note, a Loan Guarantee, any such obligation under the Indenture or a Note Guarantee, then the Lien securing such Debt shall be subordinate or junior in priority to the Lien securing the Loan, the Promissory Note, such Loan Guarantee, any such obligations under the Indenture or such Note Guarantee, as the case may be. The Transaction Documents will provide that notwithstanding anything to the contrary therein, for so long as the Loan, the Promissory Note, any Loan Guarantee, any such obligations under the Indenture or any Note Guarantee is so secured equally and ratably, the term "Loan Agreement" shall be deemed to include any collateral documents pursuant to which such Lien was granted.

Limitation on Layering

The Borrowers will not, and will not permit any of their respective Restricted Subsidiaries that is a Loan Guarantor to, Incur any Debt (including Permitted Debt) that is contractually subordinated in right of payment to any other Debt of such Borrower or Restricted Subsidiary unless such Debt is also contractually subordinated in right of payment to the Loan, its obligations under the Indenture, each Guarantee of such Borrower or Restricted Subsidiary, as the case may be, and in the case of the Borrowers, the Promissory Note on substantially identical terms; *provided, however*, that no Debt will be deemed to be contractually subordinated in right of payment to any other Debt of such Borrower or Loan Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

Asset Sales

Neither Borrower will, nor will either Borrower permit any of its Restricted Subsidiaries to, make any Asset Disposition in one or more related transactions unless:

(1) such Borrower or Restricted Subsidiary, as the case may be, receives consideration for such Asset Disposition at least equal to the Fair Market Value for the assets sold or disposed of;

(2) at least 75% of the consideration for such Asset Disposition consists of (a) cash or Cash Equivalents or the assumption of such Borrower's or Restricted Subsidiary's Debt or other liabilities (other than Debt or liabilities that are subordinated to the Loan or a Loan Guarantee) or Debt or other liabilities of such

Restricted Subsidiary relating to such assets and, in each case, such Borrower or the Restricted Subsidiary, as applicable, is released from all liability on the Debt assumed, or (b) Related Assets, or any combination thereof; and

(3) any securities, notes or other obligations received by such Borrower or Restricted Subsidiary from such transferee that are converted within 180 days by such Borrower or Restricted Subsidiary into cash or Cash Equivalents, to the extent of the cash or Cash Equivalents received in that conversion.

Within 365 days after the receipt of any Net Available Proceeds from an Asset Disposition, such Borrower or Restricted Subsidiary, as the case may be, may apply such Net Available Proceeds:

(1) (x) to repay or prepay any unsubordinated Debt that is secured by a Permitted Lien or (y) to the extent such Net Available Proceeds are attributable to an Asset Disposition of assets of a Restricted Subsidiary of a Borrower that is not a Loan Guarantor, Debt of a Restricted Subsidiary of a Borrower that is not a Loan Guarantor;

(2) to acquire (including by way of a purchase of assets or stock, merger, consolidation or otherwise) all or substantially all of the assets of, or any Capital Stock of, another Related Business, if, after giving effect to any such acquisition of Capital Stock, the Related Business is or becomes a Restricted Subsidiary of such Borrower or Restricted Subsidiary;

(3) to make capital expenditures for a Related Business; or

(4) to acquire other assets that are not classified as current assets under IFRS and that are used or useful in a Related Business;

provided, that such Borrower or Restricted Subsidiary will be deemed to have complied with clauses (2) and (4) above if and to the extent that, within 365 days after the receipt of such Net Available Proceeds, such Borrower or Restricted Subsidiary, as the case may be, has entered into and not abandoned or rejected a binding agreement to make an investment as described in clause (2) or (4) above, and such investment, acquisition, purchase or capital expenditure is thereafter completed within 180 days after the end of such 365-day period.

Notwithstanding the foregoing, if an Asset Disposition is the result of an involuntary expropriation, nationalization, taking or similar action by or on behalf of any Governmental Authority, such Asset Disposition need not comply with clauses (1) and (2) of the first paragraph of this covenant. In addition, the proceeds of any such Asset Disposition shall not be deemed to have been received (and the 365-day period with respect to which to apply any Net Available Proceeds shall not begin to run) until the proceeds to be paid by or on behalf of the Governmental Authority have been paid in cash to such Borrower or Restricted Subsidiary and if any litigation, arbitration or other action is brought contesting the validity of or any other matter relating to any such expropriation, nationalization, taking or other similar action, including the amount of the compensation to be paid in respect thereof, until such litigation, arbitration or other action is finally settled or a final judgment or award has been entered and any such judgment or award has been collected in full.

Pending the final application of any Net Available Proceeds, such Borrower or Restricted Subsidiary, as the case may be, may temporarily reduce revolving credit borrowings (under the Credit Facilities or otherwise) or otherwise invest such Net Available Proceeds in Cash Equivalents.

Any Net Available Proceeds from Asset Dispositions that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds US$25.0 million (the occurrence of such event, an "*Asset Sale Offer Trigger Event*"), then within 30 days thereof the Borrowers shall make an Asset Sale Prepayment Offer as described under "—Mandatory Prepayments—Asset Sale Prepayment." At the Borrowers' option, such offer may be made on a pro rata basis to holders of any of either or both the Borrowers' and/or Guarantors' other unsubordinated Debt (including, without limitation, the Credit Agreements) that is not held by a Borrower or any of its Restricted Subsidiaries with similar provisions requiring the Borrowers or Guarantors to purchase such other unsubordinated Debt with the proceeds of

Asset Dispositions at an offer price equal to 100.000% of the principal amount or accreted value thereof, as applicable, plus accrued and unpaid interest thereon, and in such case, the Asset Sale Prepayment Notice shall specify the amount of such other Debt and the ratable amounts of the Excess Proceeds that will be available to prepay the Loan versus prepay such other Debt. If any Excess Proceeds remain after consummation of an Asset Sale Prepayment Offer, the Borrowers may use those Excess Proceeds for any purpose not otherwise prohibited by the Loan Agreement. Upon completion of each Asset Sale Prepayment Offer, the amount of Excess Proceeds will be reset at zero.

The Borrowers will consummate the Asset Sale Prepayment Offer in accordance with the provisions of the Loan Agreement described under "—Mandatory Prepayment—Asset Sale Prepayment."

Limitation on Transactions with Affiliates

Each Borrower will not, and will not permit any of its Restricted Subsidiaries to, enter into any transaction (or series of related transactions) involving aggregate consideration in excess of US$5.0 million with any Affiliate of a Borrower (other than between or among either one or both of the Borrowers and/or any of their Restricted Subsidiaries, which, for the avoidance of doubt, shall not be limited by this covenant), either directly or indirectly, unless such transaction is on terms no less favorable to such Borrower or such Restricted Subsidiary than those that could reasonably be expected to be obtained in a comparable arm's length transaction at such time with an entity that is not an Affiliate of such Borrower or Restricted Subsidiary. For any such transaction (or series of related transactions) that involves in excess of (1) US$10.0 million, a majority of the members of the relevant Borrower's Board of Directors (including a majority of the disinterested members thereof, if any) shall approve such transaction and determine that such transaction satisfies the above criteria and shall evidence such a determination by a Board Resolution, and (2) US$25.0 million, the relevant Borrower's Board of Directors shall have received an opinion from an independent accounting, appraisal or investment banking firm of international standing as to the fairness of such transaction from a financial point of view to such Borrower or Restricted Subsidiary.

The foregoing restriction shall not apply to:

(1) transactions among or with one or both of the Borrowers and/or their respective Restricted Subsidiaries and Comercializadora Guatemalteca Mayorista de Electricidad, S.A. and/or Redes Eléctricas de Centroamérica, S.A.; *provided* that such transactions are on terms no less favorable to such Borrower or such Restricted Subsidiary than those that could reasonably be expected to be obtained in a comparable arm's length transaction at such time with an entity that is not an Affiliate of such Borrower or Restricted Subsidiary;

(2) any employment agreement, services agreement, supervision agreement, management agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by a Borrower or any of its Restricted Subsidiaries in the ordinary course of business and any payments made pursuant thereto;

(3) any Permitted Investments and any Restricted Payments permitted under "—Limitation on Restricted Payments";

(4) transactions with a Person (other than an Unrestricted Subsidiary of a Borrower) that is an Affiliate of a Borrower solely because a Borrower owns, directly or through a Restricted Subsidiary, Capital Stock in, or controls, such Person;

(5) payment of reasonable compensation, fees and reimbursement of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees, consultants or agents of the Borrowers or any of their respective Restricted Subsidiaries who are not otherwise Affiliates;

(6) any issuance of Capital Stock (other than Redeemable Stock) of a Borrower to any officer, director or employee of a Borrower or any Restricted Subsidiary of a Borrower or to any other Affiliates of a Borrower;

(7) (a) transactions with customers, clients, distributors, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, on market terms and consistent with past practice or industry norms, or (b) transactions with joint ventures or other similar arrangements entered into in the ordinary course of business, on market terms and consistent with past practice or industry norms;

(8) any transactions (including but not limited to transactions among or with one or both of the Borrowers and Comercializadora Guatemalteca Mayorista de Electricidad, S.A. and/or Redes Eléctricas de Centroamérica, S.A.) existing on the Disbursement Date and described under "Related Party Transactions" and any amendment, supplement, restatement, replacement, renewal, extension, refinancing thereof or thereto, including without limitation with different counterparties (so long as the renewed, replaced or new agreement is not materially more disadvantageous to the relevant Borrower, than the original agreement as in effect on the Disbursement Date); and

(9) purchases of capacity and/or energy authorized by the *Comisión Nacional de Energía Eléctrica* (National Electric Energy Commission of Guatemala) by one or more of the Borrowers or any Restricted Subsidiary thereof from Affiliates of a Borrower and related guarantees, letters of credit, surety bonds, bid bonds or similar instruments that (a) are in favor of such Affiliates and (b) secure such obligations.

Future Loan Guarantees

If a Borrower or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary after the Disbursement Date that will be a Significant Subsidiary or any Restricted Subsidiary of a Borrower that is not a Loan Guarantor becomes a Significant Subsidiary, then such Restricted Subsidiary will, within 60 days of the date on which it was acquired or created or became a Significant Subsidiary:

(1) execute and deliver to the (A) Administrative Agent a joinder substantially in the form attached to the Loan Agreement, pursuant to which such Restricted Subsidiary shall fully and unconditionally guarantee, on a senior unsecured basis, all of the Loan Guaranteed Obligations and (B) to the Lender, an *aval* to each Promissory Note, pursuant to which such Restricted Subsidiary shall fully and unconditionally guarantee, on a senior unsecured basis, all of the Loan Guaranteed Obligations;

(2) deliver to the Administrative Agent an opinion of counsel (subject to customary qualifications and assumptions) that such joinder has been duly authorized, executed and delivered by such Restricted Subsidiary and constitutes a legally valid and binding and enforceable obligation of such Restricted Subsidiary and, if applicable, promptly after the delivery of any other documents required to be delivered pursuant to clause (3) below, an opinion of counsel (subject to customary qualifications and assumptions) that such documents have been duly authorized, executed and delivered by such Restricted Subsidiary and constitute legally valid and binding and enforceable obligations of such Restricted Subsidiary; and

(3) take such further actions and execute and deliver such other documents, if any, specified in the Loan Agreement to give effect to the foregoing.

Notwithstanding anything to the contrary in the immediately preceding paragraph, each Restricted Subsidiary of a Borrower that guarantees or otherwise provides direct credit support for any obligations of a Borrower or any other Loan Guarantor shall become a Loan Guarantor in accordance with the covenant described under this "Future Loan Guarantees" section.

Provision of Financial Information

The Borrowers will furnish (or in lieu of furnishing, make accessible electronically by written notice to the Administrative Agent) to the Administrative Agent, without cost to it:

(1) (i) within (A) 150 days after each Borrower's fiscal year ending December 31, 2017, audited annual combined financial statements of the Borrowers and their respective Subsidiaries, prepared in accordance with IFRS, together with an audit report thereon by an internationally recognized firm of independent public accountants, and (B) 120 days after the end of each Borrower's fiscal year thereafter, audited annual combined financial statements of the Borrowers and their respective Subsidiaries, prepared in accordance with IFRS, together with an audit report thereon by an internationally recognized firm of independent public accountants; and (ii) within 90 days of the end of each of the first three fiscal quarters of each Borrower's fiscal year commencing with the fiscal year ending December 31, 2017, unaudited quarterly combined financial statements of the Borrowers and their respective Subsidiaries (including a statement of financial position, statement of profit or loss and cash flow statement for the fiscal quarter or quarters then ended) prepared in accordance with IAS 34, together with a limited review report prepared by an internationally recognized firm of independent public accountants. The audited annual combined financial statements shall be accompanied by a "Management's Discussion and Analysis of Results of Operations and Financial Condition" or other substantially similar report from management providing an overview in reasonable detail of the results of operations and financial condition of the Borrowers and their respective Subsidiaries on a combined basis. English translations will be provided of any of the foregoing documents prepared in another language; and

(2) copies (including English translations of documents prepared in another language) of public filings made by either Borrower (or any direct or indirect parent thereof that relates to either Borrower or any of their respective Restricted Subsidiaries) with any securities exchange or securities regulatory agency or authority in Guatemala or elsewhere within 30 days of such filing.

Existence and Maintenance of Properties

Each of the Borrowers will do or cause to be done all things necessary to preserve and keep in full force and effect such Borrower's existence, rights (charter and statutory) and franchises; *provided*, *however*, that (1) no Borrower shall be required to preserve any such right or franchise if its Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of such Borrower's business, and (2) the foregoing shall not apply to a transaction permitted under "—Merger, Consolidations and Certain Sales of Assets." Each Borrower will use its reasonable best efforts to cause all material properties used or useful in the conduct of the business of such Borrower and its Restricted Subsidiaries, taken as a whole, to be maintained and kept in good condition, repair and working order (ordinary wear and tear excepted) and will cause to be made all necessary repairs thereof, all in such Borrower's judgment; *provided*, *however*, that nothing in this paragraph shall prevent any Borrower or any Restricted Subsidiary from discontinuing the operation or maintenance of any of such properties if such discontinuance is, in such Borrower's judgment, desirable in the conduct of the business of such Borrower and its Restricted Subsidiaries, taken as a whole.

Payment of Taxes

The Borrowers will pay or discharge or cause to be paid or discharged, before the same becomes delinquent, all taxes, assessments and governmental charges levied or imposed upon the Borrowers or any of their Restricted Subsidiaries, or the Borrowers' or any of their Restricted Subsidiaries' income, profits or property; *provided*, *however*, that the Borrowers shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment or charge whose amount, applicability or validity is being contested in good faith by appropriate proceedings and as to which adequate reserves in accordance with IFRS have been made or where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Limitation on Lines of Business

The Borrowers, together with their Restricted Subsidiaries, shall not engage in any business other than in a Related Business, except to such extent as would not be material to the Borrowers and their respective Restricted Subsidiaries taken as a whole.

Maintenance of Books and Records

Each of the Borrowers shall, and shall cause each of its Restricted Subsidiaries to, maintain books, accounts and records as may be necessary to comply with all applicable laws and to enable its financial statements to be prepared in accordance with IFRS.

Maintenance of Office or Agency

Each Borrower shall, and shall cause each Loan Guarantor, if any, to, appoint an agent in New York County of the State of New York, where notices to and demands upon any of the Borrowers and the Loan Guarantors in respect of the Loan Agreement, the Indenture, the Note Guarantees, the Loan Guarantees of such Loan Guarantors, if any, and each Transaction Document to which it is a party may be served. Initially this agent will be National Corporate Research, Ltd., located at 10 E. 40th Street, 10th floor, New York, New York 10016. Each Borrower shall provide notice of any change in the designation of such appointment within 10 Business Days to the Administrative Agent (with a copy to the Lender).

Notice of Certain Events

Each of the Borrowers shall deliver to the Administrative Agent, upon becoming aware of the occurrence any Default or Event of Default under the Loan Agreement, a written notice setting forth the nature of such Default or Event of Default and stating what action such Borrower is taking or proposes to take in respect thereof.

In addition, each of the Borrowers shall deliver to the Administrative Agent (with a copy to the Lender) within 120 days after the end of each fiscal year of each Borrower commencing with the fiscal year ending December 31, 2017, an Officer's Certificate stating that in the course of the performance by the signer of his or her duties as an officer of the Borrowers he or she would normally have knowledge of any Default or Event of Default under the Loan Agreement and whether or not, to the best of his or her knowledge, the signer knows of any Default or Event of Default under the Loan Agreement that has occurred during such period, and, if so, describing any such Default or Event of Default, its status and what action the Borrowers are taking or propose to take with respect thereto.

Compliance with Laws

Each of the Borrowers will, and will cause each of their Restricted Subsidiaries to, comply with all applicable laws, rules, regulations, orders and directives of any government or Governmental Authority having jurisdiction over such Borrower, such the Borrower's businesses or any of the transactions contemplated herein, except where the failure so to comply could not reasonably be expected to have a Material Adverse Effect.

Maintenance of Government Approvals

Each of the Borrowers will, and will cause each of their Restricted Subsidiaries to, duly obtain and maintain in full force and effect all governmental approvals, consents or licenses of any government or Governmental Authority under the laws of Guatemala or any other jurisdiction having jurisdiction over the Borrowers or their respective Restricted Subsidiaries necessary in all cases for each of the Borrowers or their respective Restricted Subsidiaries to perform its obligations under the transaction documents to which it is a party (including, without limitation, any authorization required to obtain and transfer U.S. dollars, or any other currency which at that time is legal tender in the United States, out of Guatemala in connection with the Loan) or for the validity or enforceability thereof, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Further Actions

The Borrowers will, at their joint and several cost and expense, and will, if applicable, cause their respective Restricted Subsidiaries to, at their own cost and expense, satisfy any condition or take any action (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license,

order, recording or registration) as may be necessary or as the Lender may reasonably request, in accordance with applicable law and/or applicable regulations, to be taken, fulfilled or done in order to (1) enable the Borrowers and such Restricted Subsidiaries, if any, that are Guarantors to lawfully enter into, exercise their rights and perform and comply with their obligations under, the Loan Agreement, the Promissory Note and each other Transaction Document to which they are party, (2) ensure that the Borrowers' and such Restricted Subsidiaries' obligations under the Loan Agreement, the Promissory Note and each other Transaction Document to which they are party, are legally binding and enforceable against the Borrowers and such Restricted Subsidiaries, (3) make the Loan Agreement, the Promissory Note and each other Transaction Document to which they are party admissible in evidence in the courts of the State of New York, and (4) enable the Administrative Agent, the Lender (solely following the assumption of its rights under the Loan Agreement by the Trust pursuant to an assignment of such rights by the Lender to the Trust pursuant to the terms of the Loan Agreement, the Cayman Trustee) and the Indenture Trustee to exercise and enforce their respective rights under, and carry out the terms, provisions and purposes of, the Loan Agreement, the Promissory Note and each other Transaction Document to which they are party.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of either Borrower may designate (a "*Designation*") any Restricted Subsidiary of such Borrower to be an Unrestricted Subsidiary if that Designation would not cause a Default or an Event of Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Borrowers and their respective Restricted Subsidiaries in the Subsidiary properly designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the Designation and will reduce the amount available for Restricted Payments under the covenant described under "—Limitation on Restricted Payments" or under one or more clauses of the definition of Permitted Investments, as determined by such Borrower. That Designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of such Borrower may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default or an Event of Default.

Any Designation of a Subsidiary of either Borrower as an Unrestricted Subsidiary will be evidenced to the Administrative Agent by filing with the Administrative Agent a certified copy of a resolution of the Board of Directors of such Borrower giving effect to such designation and an Officer's Certificate certifying that such Designation complied with the preceding conditions and was permitted by the covenant described under "—Limitation on Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Loan Agreement and any Debt of such Subsidiary will be deemed to be Incurred by a Restricted Subsidiary of such Borrower as of such date and, if such Debt is not permitted to be Incurred as of such date under the covenant described under "—Limitation on Debt," such Borrower will be in default of such covenant.

The Board of Directors of such Borrower may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of such Borrower; *provided* that such Designation will be deemed to be an Incurrence of Debt by a Restricted Subsidiary of such Borrower of any outstanding Debt of such Unrestricted Subsidiary, and such Designation will only be permitted if (1) such Debt is permitted under the covenant described under "—Limitation on Debt," calculated on a *pro forma* basis as if such designation had occurred at the beginning of the four quarter reference period; and (2) no Default or Event of Default is then outstanding or would occur as a result of such Designation.

Merger, Consolidations and Certain Sales of Assets

A Borrower may not, in a single transaction or a series of related transactions, (1) consolidate with or merge into any other Person (other than the other Borrower) or permit any other Person (other than the other Borrower or a Restricted Subsidiary of a Borrower) to consolidate with or merge into such Borrower, or (2) directly or indirectly, convey, transfer, sell, lease or otherwise dispose of all or substantially all of such Borrower's assets to any other Person (other than the other Borrower or a Restricted Subsidiary of a Borrower) (each such transaction, a "*Specified Transaction*"), unless:

(a) such Borrower is the continuing entity or the Person (a "*Specified Transaction Successor*") formed by such consolidation or into which such Borrower is merged or that acquired or leased such property or assets of such Borrower (if not such Borrower) will be a company organized and validly existing under the laws of Guatemala, the United States or any country which is a member country of the Organization for Economic Co-operation and Development and shall irrevocably submit, for purposes of the Loan Agreement and each other Transaction Document to which such Borrower is a party, to the jurisdiction of the federal and New York State courts in the County of New York of the State of New York, appoint an agent for service of process in the County of New York of the State of New York and expressly assume (jointly and severally with such Borrower, unless such Borrower shall have ceased to exist as part of such merger, consolidation or amalgamation), by a joinder, supplemental indenture or other instrument, as applicable, executed and delivered to the Administrative Agent and the Lender in form satisfactory to the Administrative Agent and the Lender, all of the obligations of such Borrower under the Loan Agreement and any other Transaction Documents to which such Borrower is a party;

(b) immediately after giving effect to such transaction and treating any Debt which becomes the obligation of a Borrower or any of its Restricted Subsidiaries as a result of such transaction as having been Incurred by such Borrower or such Restricted Subsidiary at the time of the transaction, no Default or Event of Default shall have occurred and be continuing;

(c) immediately after giving effect to such transaction and treating any Debt which becomes the obligation of a Borrower or any of its Restricted Subsidiaries as a result of such transaction as having been Incurred at the time of the transaction, either (i) the Borrowers (including any successor entity) could Incur at least US$1.00 of additional Debt pursuant to the first paragraph under "—Covenants—Limitation on Debt" or (ii) (A) the Net Leverage Ratio as of the end of the most recent four full fiscal quarters for which combined financial statements of the Borrowers are available immediately preceding the date on which such transaction had occurred determined on a *pro forma* basis as if such transaction had occurred and such Debt, if any had been Incurred, in each case, at the beginning of such four-quarter period would be equal to or less than the Net Leverage Ratio as of the end of such four-quarter period immediately prior to the occurrence of such transaction and such Incurrence and (B) the Coverage Ratio as of the end of such four-quarter period determined on a *pro forma* basis as if such transaction had occurred and such Debt, if any had been Incurred, in each case, at the beginning of such four-quarter period would be equal to or greater than the Coverage Ratio before giving effect to the occurrence of such transaction and such Incurrence;

(d) the successor company agrees to indemnify the Lender against any tax, assessment or governmental charge thereafter imposed on the Lender solely as a consequence of such consolidation, merger, conveyance, transfer, sale, lease or disposition with respect to the payment of principal of, or interest on, the Loan; and

(e) such Borrower or the Person formed by such consolidation or into which such Borrower is merged or that acquired or leased such property or assets of such Borrower has delivered to the Administrative Agent an Officer's Certificate and an opinion of counsel, each stating that the consolidation, merger, conveyance, transfer, sale, lease or other disposition and, if required in connection with such transaction, the joinder or other instrument, as applicable, comply with the applicable provisions of the Loan Agreement and that all conditions precedent in the Loan Agreement relating to the transaction have been satisfied.

The Loan Agreement will provide that upon any consolidation or merger in which a Borrower is not the continuing corporation or any transfer (excluding any lease) of all or substantially all of the assets of a Borrower in accordance with the foregoing, the successor entity shall succeed to, and be substituted for, and may exercise every right and power of, such Borrower under the Loan Agreement, the Promissory Note, the Expense Reimbursement and Indemnity Agreement and each other Transaction Document to which such Borrower was a party with the same effect as if such successor entity had been named as such.

No Loan Guarantor may, in a single transaction or a series of related transactions, (1) consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into such Loan Guarantor or

(2) directly or indirectly, convey, transfer, sell, lease or otherwise dispose of all or substantially all of such Loan Guarantor's assets to any other Person (in each case, other than a Borrower or another Loan Guarantor) (a "*Specified Restricted Subsidiary Transaction*"), unless:

(a) (i) immediately after giving effect to such transaction and treating any Debt which becomes the obligation of a Borrower or any of its Restricted Subsidiaries as a result of such transaction as having been Incurred by such Borrower at the time of the transaction, no Default or Event of Default shall have occurred and be continuing; and

(ii) either:

(A) the Person (a "*Specified Restricted Subsidiary Transaction Successor*") (1) acquiring the property in any such sale or disposition or (2) formed by or surviving any such consolidation or merger (if other than such Loan Guarantor) unconditionally assumes all the obligations of such Loan Guarantor under the Loan Agreement (including the Loan Guarantee set forth therein); or

(B) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of such Loan Guarantor or the sale or disposition of all or substantially all the assets of such Loan Guarantor otherwise permitted by the Loan Agreement; and

(b) such Loan Guarantor or the Person formed by such consolidation or into which such Loan Guarantor is merged or that acquired or leased such property or assets of such Loan Guarantor has delivered to the Administrative Agent an Officer's Certificate and an opinion of counsel, each stating that the consolidation, merger, conveyance, transfer, sale, lease or other disposition and, if required in connection with such transaction, the guarantee joinder agreement, comply with the applicable provisions of the Loan Agreement and that all conditions precedent in the Loan Agreement relating to the transaction have been satisfied.

Additional Amounts

All payments of principal, premium, interest or any other amount by, at the direction of or on behalf of the Borrowers under the Loan Agreement will be made free and clear of, and without deduction or withholding for or on account of any present or future Taxes imposed or levied by or on behalf of any Relevant Taxing Jurisdiction, unless the relevant Borrower is compelled by law to deduct or withhold such Taxes.

If any such Taxes are required to be deducted or withheld, the Borrowers will pay such additional amounts ("*Additional Amounts*") in respect of Taxes as may be necessary to ensure that the amounts received by the Administrative Agent or the Lender after such withholding or deduction will equal the respective amounts that would have been receivable in respect of the Loan Agreement in the absence of such withholding or deduction (taking into account any taxes imposed on such Additional Amounts) whether or not such Taxes were correctly or legally imposed or asserted by the Relevant Taxing Jurisdiction; *provided* that no Additional Amounts will be payable with respect to the following ("*Excluded Taxes*"):

(1) any Tax imposed by reason of the Lender having a present or former direct or indirect connection with the Relevant Taxing Jurisdiction other than solely by reason of the Lender's holding or owning the Loan or participation in the transactions effected by the Loan Agreement or any other Transaction Document, the enforcement of rights with respect to the Loan Agreement or any other Transaction Document, and the receipt of payments thereunder;

(2) any Tax that would not have been imposed but for the failure of the Lender to comply with any reasonable certification, identification, information, documentation or other reporting requirement that the Lender is legally able to comply with (within 30 days following a written request from the Borrowers, the Administrative Agent or (in the case of a Participant, the Lender) to the extent (a) such compliance is required by applicable law or an applicable treaty as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes; and (b) the Lender is able to

comply with such requirements without undue hardship and at least 30 days prior to the first payment date with respect to which such requirements under the applicable law or applicable treaty shall apply, the Borrowers have notified the Administrative Agent (with a copy to the Lender) that it will be required to comply with such requirements, except that the Borrowers need not provide notice to the Administrative Agent or the Lender with respect to any such requirements imposed by Guatemala (or any political subdivision therein) in effect on the date of the Loan Agreement;

(3) any estate, inheritance, gift, personal property, sales, use, transfer or other similar Tax imposed;

(4) any Tax that would not have been imposed but for the fact that the Lender presented evidence of the Loan Agreement for payments (where presentation is required) more than 30 days after the later of (a) the date on which such payment became due, and (b) the date on which the amount payable is actually available for payment; *provided, however*, that the Borrowers shall pay Additional Amounts to which the Lender would have been entitled had evidence of the Loan Agreement been presented on the last day of such 30-day period;

(5) any Tax not imposed by means of deduction or withholding; or

(6) any withholding or deduction imposed on or in respect of Section 1471 through 1474 of the Code ("*FATCA*"), any current or future regulations or official interpretations thereof, any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation of FATCA, the laws of any Relevant Taxing Jurisdiction implementing FATCA or any such intergovernmental agreement, any agreement between either Borrower and the United States or any authority thereof entered into for FATCA purposes, and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

All references herein to principal, premium or interest payable with respect to the Loan will be deemed to include references to any Additional Amounts payable with respect to such principal, premium or interest.

The Borrowers:

(1) at least 14 Business Days before the first interest payment date on which any Taxes (the "*Relevant Withholding Taxes*") shall be required to be deducted or withheld from any payment under the Loan (and at least 10 Business Days before each succeeding interest payment date if there has been any change with respect to such matters), shall deliver to the Administrative Agent an Officer's Certificate: (a) specifying the amount (if any) required to be so deducted or withheld and the Additional Amounts (if any) due in connection with such payment and (b) certifying that the Borrowers will pay to the appropriate taxing authority such deduction or withholding on or before the date on which such amount is due;

(2) on or before the due date for the payment thereof, shall pay any such Relevant Withholding Taxes, together with any penalties or interest applicable thereto; and

(3) after paying such Relevant Withholding Taxes, shall promptly deliver to the Lender and the Administrative Agent evidence of such payment and of the remittance thereof to the relevant taxing authority reasonably satisfactory to the Lender and the Administrative Agent.

The Borrowers will pay promptly when due any and all, present or future, stamp, issue, registration, transfer, administrative, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including penalties, interest and any other liabilities related thereto) that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to the Loan Agreement or any other Transaction Documents (such taxes, "*Other Taxes*").

The Participant will be entitled to payments of Additional Amounts (subject to the limitations described above) to the same extent as if it were the Lender. Accordingly, in respect of periods during which the Participation

is in effect, the provisions of the first two paragraphs of this "Additional Amounts" section (including, for the avoidance of doubt, the definition of Excluded Taxes) shall be read by substituting "Participant (or a beneficial owner on whose behalf the Participant holds the Participation)" for "Lender." The Borrowers will provide the Participant with documentation reasonably satisfactory to the Participant evidencing the payment of any amounts deducted or withheld promptly upon the Borrowers' payment thereof.

Without limiting the foregoing, each of the Borrowers shall without duplication jointly and severally indemnify the Lender, and shall make payment in respect thereof, for the full amount of any Taxes or Other Taxes imposed by a Relevant Taxing Jurisdiction (including Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this "Additional Amounts" section but excluding Excluded Taxes determined by application to the Lender in its own capacity) and withheld or deducted by either of the Borrowers or the Administrative Agent or otherwise incurred or paid by the Lender, as the case may be, relating to the Loan Agreement and the other Transaction Documents and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. For the avoidance of doubt, the Borrowers shall not be required to make duplicative payments of any amounts payable pursuant to this paragraph.

If the Borrowers shall be required as a result of a Change in Law to pay Additional Amounts to the Lender pursuant to the terms of the Loan Agreement, the Borrowers and the Lender will use reasonable endeavors to obtain an exemption from the payment of (or otherwise avoid the obligation to pay) the tax, assessment or other governmental charge which has resulted in the requirement that such Additional Amounts be paid. The foregoing obligations shall survive any termination of the Loan Agreement.

Increased Costs

If the Lender determines that any Change in Law affecting the Lender, or its holding company, as the case may be, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on capital for the Lender or its holding company, if any, as a consequence of the Loan Agreement, the commitment of the Lender or the Loan, to a level below that which the Lender or its holding company could have achieved but for such Change in Law (taking into consideration the Lender's or its holding company's policies, as applicable, with respect to capital adequacy), then from time to time and as specified by the Lender, the Borrowers will pay to the Lender such additional amount or amounts as will compensate the Lender or its holding company for any such reduction suffered.

In the event the Lender makes a request for additional amounts under the preceding paragraph, the Lender shall (at the written request of the Borrowers) use commercially reasonable efforts to designate a different lending office for funding or booking the Loan hereunder or to assign its rights and obligations hereunder to another of its offices, branches or Affiliates, if, in the judgment of the Lender, such designation or assignment would eliminate or reduce amounts payable or that may thereafter accrue under the preceding paragraph; *provided* that (1) the Borrowers shall provide written consent to any such assignment and reimburse the Lender and the Administrative Agent for all costs and expenses incurred as a result of any such designation or assignment of the Loan (including, but not limited to, all legal and administrative costs and expenses arising as a result therefrom), (2) any such assignee shall assume the Lender's obligations under the Loan Agreement and any participation of the Loan Agreement and the Loan that is effective as of the date of such assignment and comply with the "know your client" and other documentary requirements described in the Loan Agreement, and (3) such assignment would not subject the Lender or the Administrative Agent to any unreimbursed cost or expense and would not otherwise be disadvantageous to the Lender or the Administrative Agent.

Covenant Suspension

If on any date following the Disbursement Date, (1) the Notes have Investment Grade Ratings from at least two of Fitch, Moody's and S&P, and (2) no Default or Event of Default has occurred and is continuing under the Loan Agreement (the occurrence of the events described in the foregoing clauses (1) and (2) being collectively referred to as a "*Covenant Suspension Event*"), the Borrowers and their respective Restricted Subsidiaries will not be subject to the following covenants (collectively, the "*Suspended Covenants*"):

- clause (c) of the first paragraph of "—Merger, Consolidations and Certain Sales of Assets,"
- "—Limitation on Debt,"
- "—Limitation on Restricted Payments,"
- "—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries,"
- "—Asset Sales" and
- "—Limitation on Transactions with Affiliates."

In the event that the Borrowers and their respective Restricted Subsidiaries are not subject to the Suspended Covenants under the Loan Agreement for any period of time as a result of the foregoing, and on any subsequent date (the "*Reversion Date*") at least two of Fitch, Moody's or S&P no longer give the Notes an Investment Grade Rating, then the Borrowers and their respective Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Loan Agreement.

The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to in this description as the "*Suspension Period*." In the event of any such reinstatement, no action taken or omitted to be taken by the Borrowers or any of their Restricted Subsidiaries in respect of the Suspended Covenants prior to such reinstatement will give rise to a Default or Event of Default under the Loan Agreement; *provided* that (1) with respect to Restricted Payments made after any such reinstatement, the amount of Restricted Payments made will be calculated as though the covenant described under "—Limitation on Restricted Payments" had been in effect prior to, but not during, the Suspension Period; *provided further* that any Subsidiaries designated as Unrestricted Subsidiaries during the Suspension Period shall automatically become Restricted Subsidiaries on the Reversion Date (subject to each Borrower's right to subsequently designate them as Unrestricted Subsidiaries pursuant to "—Designation of Restricted and Unrestricted Subsidiaries"), and (2) all Debt Incurred or Redeemable Stock issued, during the Suspension Period will be classified to have been Incurred or issued pursuant to clause (2) of the second paragraph of "—Limitation on Debt."

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Rating.

Events of Default

The Loan Agreement will provide that each of the following constitutes an event of default (each, an "*Event of Default*"):

(1) default in the payment when due (on the maturity date, upon prepayment or otherwise) of the principal of, or premium, if any, on, the Loan;

(2) default in the payment of any interest, or other amount on, or with respect to, the Loan, the Loan Agreement or the Expense Reimbursement and Indemnity Agreement within 30 days after the due date therefor;

(3) the Borrowers fail to make a Change of Control Prepayment Offer or Asset Sale Prepayment Offer and thereafter prepay a portion of the Loan in an amount sufficient to permit the Trust to accept and pay for Notes tendered when and as required pursuant to the provisions described under "Description of the Notes—Repurchase at the Option of the Holders—Change of Control Triggering Event" or "Description of the Notes—Repurchase at the Option of the Holders—Asset Sale Triggering Event" or either Borrower fails to comply with the provisions set forth under "—Covenants—Merger, Consolidations and Certain Sales of Assets";

(4) failure by either of the Borrowers or any of their Restricted Subsidiaries to perform or observe any covenant or agreement (not specified in clauses (1), (2), or (3) above) contained in the Loan

Agreement or any other Transaction Document, on its part to be performed or observed, and such failure continues for 60 days after written notice of such failure has been given to the Borrowers by the Lender or the Administrative Agent acting at the direction of the Lender;

(5) the occurrence with respect to any Debt of either of the Borrowers or any of their Restricted Subsidiaries, of (1) an event of default that results in such Debt being accelerated prior to its scheduled maturity, or (2) the failure to make any payment (a "*Payment Default*") of such Debt when due and such defaulted payment is not made, waived or extended within the applicable grace period and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates US$35.0 million or more;

(6) failure by either of Borrower or any of their Restricted Subsidiaries to pay one or more final judgments against any of them, aggregating US$35.0 million or more, for which, either (a) there is a period of 60 consecutive days or more following such judgment(s) during which such judgment(s) are not paid, discharged or stayed, or (b) an enforcement proceeding has been commenced by any creditor upon such judgments and is not dismissed within 60 days following commencement of such enforcement proceedings;

(7) an involuntary case or other proceeding is commenced against either Borrower or any Restricted Subsidiary of a Borrower that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Borrowers that, taken together, would constitute a Significant Subsidiary with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or an order for relief is entered against either Borrower or any Restricted Subsidiary of a Borrower that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Borrowers that, taken together, would constitute a Significant Subsidiary under the federal bankruptcy laws as now or hereafter in effect;

(8) either Borrower or any Restricted Subsidiary of a Borrower that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Borrowers that, taken together, would constitute a Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of either Borrower or any Restricted Subsidiary of a Borrower that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Borrowers that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property and assets of either Borrower or any Restricted Subsidiary of a Borrower that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Borrowers that, taken together, would constitute a Significant Subsidiary or (c) effects any general assignment for the benefit of creditors;

(9) the authorization or concession agreement of either Borrower or any of its Restricted Subsidiaries entitling such Borrower or any of its Restricted Subsidiaries to engage in the sale and distribution of electricity to regulated customers within the geographic area in which such activities were being conducted on the Disbursement Date shall have been revoked or terminated, unless the revocation or termination is being contested by such Borrower or Restricted Subsidiary, as the case may be, by appropriate proceedings and the relevant Borrower is permitted to conduct its business in the same manner as it did prior to such revocation or termination;

(10) any Governmental Authority of Guatemala (a) nationalizes, seizes or expropriates all or substantially all of the assets of (i) either Borrower and its Restricted Subsidiaries, taken as a whole, or (ii) the Borrowers and their respective Restricted Subsidiaries, taken as a whole, (b) seizes, expropriates or impedes the use by either Borrower or any of its Restricted Subsidiaries of an asset that is

indispensable to their provision of electricity distribution services, or (c) assumes control of the business and operations of either Borrower; or

(11) the Loan Agreement, a Loan Guarantee, the Expense Reimbursement and Indemnity Agreement or any other Transaction Document (including, without limitation, the Indenture or any Note Guarantee) to which the Borrowers or any Loan Guarantor is a party, at any time after its execution and delivery and for any reason, other than as expressly permitted hereunder and thereunder, shall cease to be in full force and effect or enforceable against any party thereto in accordance with its terms, or either of the Borrowers or any Loan Guarantor shall contest the validity or enforceability of the Loan Agreement, a Loan Guarantee, the Expense Reimbursement and Indemnity Agreement or any other Transaction Document (including, without limitation, the Indenture or any Note Guarantee) to which the Borrowers or any Loan Guarantor is a party.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) of the definition thereof) has occurred and is continuing, the Lender or the Administrative Agent acting at the direction of the Lender may declare the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Loan to be immediately due and payable by notice in writing to the Borrowers specifying the Event of Default and that it is a "notice of acceleration." If an Event of Default specified in clause (7) or (8) of the definition thereof occurs, then the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Loan will become immediately due and payable without any declaration or other act on the part of the Lender or the Administrative Agent.

At any time after a declaration of acceleration has occurred and before a judgment for payment of the money due has been obtained, the Lender, or the Administrative Agent on behalf of the Lender, may rescind and annul such declaration and its consequences if (1) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction, and (2) all existing Events of Default, other than the nonpayment of the principal of the Loan and interest on the Loan that have become due solely by the declaration of acceleration, have been cured or waived; *provided* that no such rescission shall affect any subsequent Default or impair any right consequent thereon.

Amendment and Modification

No amendment or waiver of any provision of the Loan Agreement, nor consent to any departure by either Borrower from the terms thereof, shall be effective unless the same shall be in writing and signed by the Lender and the Administrative Agent (and, in the case of an amendment, each Borrower), and any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. The Lender will consent to any such amendment or waiver only in accordance with the terms of the Loan Agreement, the Participation Agreement and the other Transaction Documents as described under "Description of the Notes—Modification of the Loan Agreement and the Transaction Documents."

The Lender, or the Administrative Agent on behalf of the Lender, will provide written notice to the Trust and the Trust will provide written notice to the Indenture Trustee promptly of any and all matters relating to the Transaction Documents, including any request by either of the Borrowers for amendment, waiver or consent or any other affirmative action with respect to either of the Borrowers and the Transaction Documents at least 15 Business Days prior to effectiveness of any such amendment, waiver or consent.

Notwithstanding anything to the contrary in the Loan Agreement, the Lender shall not agree to any modification of the terms of the Transaction Documents to which it is a party without having first received directions from the Trust and the Indenture Trustee, except as set forth under "Description of the Notes—Modification of the Loan Agreement and the Transaction Documents—Amendment without Consent of Holders"; *provided however* that, notwithstanding anything to the contrary in the foregoing, the Lender may exercise its sole discretion (without receiving any such direction) in determining whether the condition precedents set forth in clause (3) or (6) of the first sentence under "—Further Disbursements" have been satisfied or may be waived.

Waiver of Set-off

The Lender will waive any right of set-off, counterclaim, deduction, diminution or abatement based upon any claim it may have against either Borrower under the Loan Agreement or any other Transaction Document.

Assignments

(a) The Loan will be assignable by the Lender, in accordance with applicable law, in whole or in part, only in the following circumstances:

(1) to the Cayman Trustee, in its capacity as trustee of the Trust upon the occurrence of (A) a Default or an Event of Default, (B) a declaration of a general suspension of payment or a moratorium on the payment of debt of either Borrower or a Loan Guarantor, if any (which does not expressly exclude the Loan Agreement, the Loan Guarantees, the Indenture, the Note Guarantees and the Expense Reimbursement and Indemnity Agreement) by any Governmental Authority of Guatemala or (C) a Change in Law that, in the Lender's reasonable judgment, would result in an adverse change or effect described under clause (2) of the definition of Material Adverse Effect; *provided* that the Lender shall thereafter provide the Borrowers with prompt notice of such occurrence, and such assignment shall not require the consent of the Borrowers;

(2) subject to paragraph (b) below, to the Cayman Trustee, in its capacity as trustee of the Trust in the event (A) of a Change in Law that imposes a material restriction affecting any of the Loan Agreement or the other Transaction Documents or the ability of the parties thereto to comply with their respective obligations thereunder, or (B) that any change in the accounting rules or interpretation thereof, or compliance by the Lender with such change or interpretation, has the effect of changing the accounting treatment, balance sheet usage or reporting method applicable to the Lender in connection with the Loan or the Participation, and such assignment shall not require the consent of the Borrowers; *provided* that (i) the Lender has given the Borrowers 30 days' prior notice of its intention to effect an assignment contemplated by this clause (2) (unless, in the reasonable opinion of the Lender, a shorter notice period is required under applicable law to effect such an assignment), and (ii) the Borrowers may, at their sole expense and effort, upon 10 days' prior written notice to the Lender no later than the 20th day following the Lender's notice, request that the Lender assign all of its interests, rights and obligations under the Loan Agreement and the other Transaction Documents to an assignee selected by the Borrowers; *provided further* that (x) any such assignee selected by the Borrowers assumes the Lender's obligations under the Loan Agreement and any participation that is effective as of the date of such assignment, (y) the Lender and the Administrative Agent shall be reasonably satisfied with the results of "know your client" or other checks in relation to the identity of the assignee, and (z) such assignment shall have been consummated within 30 days (unless, in the reasonable opinion of the Lender, a shorter period is required under applicable law to effect such assignment) of receipt by the Lender of the notice from the Borrowers referred to above. If an assignment requested by the Borrowers as described in subclause (ii) of the previous sentence is not consummated within such 30-day period (or such shorter period), then the Lender may assign the Loan and its interest in the Loan Agreement to the Cayman Trustee as provided in this paragraph (2);

(3) subject to paragraph (b) below, to the Cayman Trustee, in its capacity as trustee of the Trust, if the Lender determines, in its sole discretion, that (A) there is an implementation or adoption of, or change in, any applicable law or regulation, or the interpretation or administration thereof by any court, tribunal or regulatory authority with competent jurisdiction, or the Lender reasonably anticipates the imminent occurrence of any of the foregoing, the effect of which is that (i) it is or would be unlawful, impossible or impracticable for the Lender to maintain or carry out its obligations under the Loan Agreement, any of the other Transaction Documents or any participation or any activity contemplated thereby, or (ii) compliance with the foregoing will result in increased costs for the Lender, or (B) there is a change in the Lender's interpretation of, or internal position with respect to, any applicable law or regulation, or the interpretation or administration thereof by any court, tribunal or regulatory authority with competent jurisdiction

that (i) would make it unlawful, impossible or impracticable for the Lender to maintain or carry out its obligations under the Loan Agreement or any of the other Transaction Documents or any activity contemplated thereby, or (ii) compliance with the foregoing will result in increased costs for the Lender; *provided* that (x) the Lender has given the Borrowers 30 days' prior notice of its intention to effect an assignment contemplated by this clause (3) (unless, in the reasonable opinion of the Lender, a shorter notice period is required under applicable law to effect such an assignment), (y) the Borrowers agree to deliver to the Lender all documents and information reasonably requested by the Lender to enable the Lender to make any determination under this clause (3); and (z) the Borrowers may, at their sole expense and effort, upon 10 days' prior written notice to the Lender no later than the 20th day following the Lender's notice, request that the Lender assign all of its interests, rights and obligations under the Loan Agreement and the other Transaction Documents to an assignee selected by the Borrowers; *provided further* that (I) any such assignee selected by the Borrowers assumes the Lender's obligations under the Loan Agreement and any participation that is effective as of the date of such assignment, (II) the Lender and the Administrative Agent shall be reasonably satisfied with the results of "know your client" or other checks in relation to the identity of the assignee, and (III) such assignment shall have been consummated within 30 days (unless, in the reasonable opinion of the Lender, a shorter period is required under applicable law to effect such assignment) of receipt by the Lender of the notice from the Borrowers referred to above. If an assignment requested by the Borrowers as described in subclause (z) of the previous sentence is not consummated within such 30-day period (or such shorter period), then the Lender may assign the Loan and its interest in the Loan Agreement to the Cayman Trustee as provided in this paragraph (3); or

(4) to any Person (other than a natural person) for any other reason with the consent of the Borrowers (which shall not be unreasonably withheld or delayed); *provided* that, no consent of the Borrowers shall be required if such transfer is (A) to another non-Guatemalan banking or financial institution that is an entity fully licensed under the law of its country of origin (provided that immediately after giving effect to the proposed transfer, the Borrowers would not be obligated to pay Excess Additional Amounts), or (B) in connection with any of clause (1), (2) or (3) above, if for any reason such assignment to the Cayman Trustee cannot become effective, so long as, in each case, such assignee assumes the Lender's obligations under the Loan Agreement and any participation that is effective as of the date of such assignment.

The Cayman Trustee, in its capacity as trustee of the Trust shall be deemed to have irrevocably accepted any assignment of the Loan in clause (1), (2) or (3) of this clause (a) in exchange for the cancellation of the Participation (as defined hereafter) and the termination of the Participation Agreement, and an Assignment and Assumption in respect of the full principal amount of the Loan outstanding on the date such assignment occurs shall be deemed duly delivered by all parties thereto upon the Lender's delivery of the Assignment and Assumption to the Administrative Agent and notice by the Lender to the Borrowers and the Administrative Agent thereof.

(b) Prior to any assignment to the Cayman Trustee pursuant to clause (a)(2) or (3) above, the Lender shall promptly notify the Administrative Agent and the Borrowers of the Lender's intention to assign the Loan and, at the written request of the Borrowers, for a period not exceeding 30 days after such notice (which shall run concurrently with the 30-day notice period referred to in clause (a)(2) or (3) above), the Lender shall use its commercially reasonable efforts to designate a different lending office for funding or booking the Loan hereunder or assign its rights and obligations hereunder to another of its offices, branches or Affiliates or to such other non-Guatemalan banking or financial institution that is an entity fully licensed under the law of its country of origin, if, in the judgment of the Lender, such designation or assignment would prevent or avoid any of the events and/or results set forth in clause (a)(2) or (3) above from occurring; *provided* that (A) the Borrowers shall provide written consent to any such assignment and reimburse the Lender and the Administrative Agent for all costs and expenses incurred as a result of any such designation or assignment of the Loan (including, but not limited to, all legal and administrative costs and expenses arising as a result therefrom), (B) such assignee shall assume the Lender's obligations under the Loan Agreement and any participation that is effective as of the date of such assignment, (3) such assignment would not otherwise be disadvantageous to the

Lender; and (4) after giving effect to such assignment or designation, the Borrowers would not be obligated to pay Excess Additional Amounts; *provided*, *however*, the Borrowers may at any time revoke their election pursuant to this provision by written notice to the Lender and the Administrative Agent, at which point the Borrowers will not be required to pay any additional costs and expenses incurred by the Lender and the Administrative Agent following the Lender's and the Administrative Agent's receipt of such revocation notice.

(c) In the event that:

(1) the Lender requests compensation under "—Covenants—Increased Costs," the Borrowers have requested the Lender to designate a different lending office or assign its rights and obligations and the Lender is unable to designate or assign the Loan to a different lending office for funding or booking the Loan or assign its rights and obligations to another of its offices, branches or Affiliates to avoid or mitigate (A) the increased costs necessitating compensation under "—Covenants— Increased Costs" and (B) the Borrowers' obligation to pay Excess Additional Amounts after giving effect to such designation or assignment;

(2) the Borrowers become obligated to pay Excess Additional Amounts and, after the Borrowers have requested the Lender to designate a different lending office or assign its rights and obligations in order to avoid or mitigate this obligation, the Lender is unable to designate or assign the Loan to a different lending office for funding or booking the Loan or assign its rights and obligations to another of its offices, branches or Affiliates to avoid or mitigate the Borrowers' obligation to pay Excess Additional Amounts;

(3) the Lender is in bankruptcy, insolvency, reorganization, liquidation or other similar proceedings; or

(4) FATCA withholding is imposed on payments made under the Loan Agreement and the other Transaction Documents due to the Lender's status under FATCA,

then in any such case, the Lender shall if requested by the Borrowers, at the Borrowers' sole expense and effort, upon 10 days' prior written notice by the Borrowers to the Lender, assign all of its interests, rights (other than its existing rights to payments pursuant to "—Covenants—Additional Amounts" and "—Covenants—Increased Costs" and its existing rights pursuant to the expense reimbursement and indemnity provisions of the Loan Agreement and the Expense Reimbursement and Indemnity Agreement) and obligations under the Loan Agreement and the other related Transaction Documents to an assignee selected by the Borrowers; *provided* that (A) such assignee is a non-Guatemalan banking or financial institution that is an entity fully licensed under the law of its country of origin, (B) such assignee assumes the Lender's obligations under the Loan Agreement and any participation that is effective as of the date of such assignment, (C) the Lender shall be satisfied with the results of "know your client" or other checks in relation to the identity of the assignee, and (D) such assignment shall have been consummated within 30 days of receipt by the Lender of the notice referred to above.

(d) The Lender may, with the consent of the Borrowers which shall not be unreasonably withheld or delayed (unless an Event of Default exists and is then continuing, in which case the Borrowers shall have no consent rights), in accordance with applicable law, sell or agree to sell to one or more other Persons (each a "*Participant*") a participation (the "*Participation*") in all or any part of the Loan held by it; *provided*, *however*, that the Borrowers will expressly consent to the sale of a Participation by the Lender to a Participant on the date of the Loan Agreement; and *provided further*, that, such Participant shall not have any rights or obligations under the Loan Agreement except to the extent expressly set forth therein (the Participant's rights against the Lender in respect of such Participation to be those set forth in the agreements executed by the Lender in favor of the Participant) and the other parties to the Loan Agreement shall have no rights against or obligations to such Participant under the Loan Agreement except to the extent expressly set forth in the Loan Agreement. Any agreement or instrument pursuant to which the Lender sells such a Participation (1) shall provide that the Lender or the Administrative Agent on behalf of the Lender shall retain the right to enforce the Loan Agreement

with respect to the Participation (but may do so at the direction of the Participant or its designee), (2) may provide that the Lender may agree to take certain actions under the Loan Agreement (including, without limitation, consenting to any amendment, modification or waiver of any provision of the Loan Agreement) only with the prior written agreement, or direction, of the Participant or its designee delivered to the Lender, and (3) may contemplate that in the event of the bankruptcy of the Lender or either Borrower, the Participant will have the option, subject to applicable law, to (A) elevate its position as a Participant to the rights of the Lender under the Loan Agreement, or (B) designate a third party financial institution to be the lender of record to the Borrowers.

Governing Law

The Loan Agreement will be governed by the laws of the State of New York. The Promissory Note will be governed by the laws of Guatemala.

Jurisdiction

The Borrowers and the Loan Guarantors will consent to the jurisdiction of any court of the State of New York or any U.S. federal court sitting in the Borough of Manhattan in The City of New York, New York, United States and any appellate court from any thereof. Each of the Borrowers and the Loan Guarantors will appoint National Corporate Research, Ltd., located at 10 E. 40th Street, 10th floor, New York, New York 10016 as its authorized agent upon which service of process may be served in any action or proceeding brought in any court of the State of New York or any U.S. federal court sitting in The City of New York in connection with the Loan Agreement and each other Transaction Document to which it is a party.

Waiver of Immunities

To the extent that either of the Borrowers or any Loan Guarantor may be or become entitled to claim in any jurisdiction for itself or its assets or revenues any immunity from suit, court jurisdiction, execution of a judgment, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with the Loan Agreement, the Loan or any other Transaction Document to which it is a party, and to the extent that in any jurisdiction there may be immunity attributed to either Borrower or its assets, whether or not claimed, such Borrower or Loan Guarantor will irrevocably agree with the Lender and each other Beneficiary not to claim, and to irrevocably waive, such immunity to the fullest extent permitted by law.

Judgment Currency

The obligations of each of the Borrowers and the Loan Guarantors, if any, under the Loan Agreement and the other Transaction Documents to which it is a party to the Lender or any other Beneficiary (an "*Entitled Person*") to make payment in U.S. dollars shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any other currency or in another place except to the extent that on the Business Day following receipt of any sum adjudged to be so due in the Judgment Currency (as defined below) such Entitled Person may in accordance with normal banking procedures purchase, and transfer to New York, New York, U.S. dollars in the amount originally due to such Entitled Person with the Judgment Currency. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in U.S. dollars into another currency ("*Judgment Currency*"), the rate of exchange that shall be applied shall be that at which in accordance with normal banking procedures the Entitled Person could purchase such U.S. dollars at New York, New York, with the Judgment Currency on the Business Day immediately preceding the day on which such judgment is rendered. Each of the Borrowers and the Loan Guarantors will agree, as a separate obligation and notwithstanding any such judgment, to indemnify such Entitled Person against, and to pay each Entitled Person on demand, in U.S. dollars, the amount, if any, by which the sum originally due to such Entitled Person in U.S. dollars hereunder exceeds the amount of the U.S. dollars purchased and transferred as aforesaid.

Certain Definitions

"*Acquired Debt*" means Debt of any Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary of a Borrower or at the time it merges or consolidates with a Borrower or any Restricted Subsidiary thereof or is assumed in connection with the acquisition of assets from such Person; *provided* that (i) such Debt will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary of a Borrower or at the time it merges or consolidates with a Borrower or a Restricted Subsidiary thereof or at the time such Debt is assumed in connection with the acquisition of assets from such Person and (ii) immediately after the deemed Incurrence of such Debt, either (A) the Borrowers could Incur at least US$1.00 of additional Debt pursuant to the first paragraph under "—Covenants—Limitation on Debt" or (B) (1) the Net Leverage Ratio as of the end of the most recent four full fiscal quarters for which combined financial statements of the Borrowers are available immediately preceding the date on which such Debt is Incurred determined on a *pro forma* basis as if such Debt had been Incurred at the beginning of such four-quarter period would be equal to or less than the Net Leverage Ratio as of the end of such four-quarter period immediately prior to such Incurrence and (2) the Coverage Ratio as of the end of such four-quarter period determined on a *pro forma* basis as if such Debt had been Incurred at the beginning of such four-quarter period would be equal to or greater than the Coverage Ratio before giving effect to such Incurrence.

"*Administrative Agent Fee Letter*" means that certain fee letter dated November 11, 2016 between the Borrowers and the Administrative Agent.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control," when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Asset Disposition*" means any transfer, conveyance, sale, lease or other disposition (including by way of a Sale and Leaseback Transaction) by any Borrower or any Restricted Subsidiary of a Borrower (including a consolidation or merger or other sale of any such Restricted Subsidiary with, into or to another Person in a transaction in which such Restricted Subsidiary ceases to be a Restricted Subsidiary of a Borrower, but excluding a disposition (1) by a Restricted Subsidiary to a Borrower or Restricted Subsidiary of a Borrower, (2) by a Borrower to a Restricted Subsidiary of a Borrower, or (3) by a Borrower to another Borrower) of:

(a) shares of Capital Stock (other than directors' qualifying shares) or other ownership interests of a Restricted Subsidiary of a Borrower;

(b) substantially all of the assets of a Borrower or any Restricted Subsidiary of a Borrower representing a division or line of business; or

(c) other assets or rights of a Borrower or any Restricted Subsidiaries of a Borrower outside of the ordinary course of business;

provided that in each case the aggregate consideration for such transfer, conveyance, sale, lease or other disposition is equal to US$5.0 million or more; *provided further* that the term "Asset Disposition" shall not include:

(1) leases or subleases to third parties of real property owned in fee or leased by a Borrower or a Restricted Subsidiary or a disposition or assignment (as lessor) of a lease of real property or right of way or other interest in real property, or license of intellectual property, in each case, in the ordinary course of business;

(2) any sale, lease, sublease, license, sublicense, consignment, conveyance or other disposition of property or assets of any Borrower or any of its Restricted Subsidiaries in the ordinary course of business, or that in the reasonable judgment of such Borrower, have become uneconomic, obsolete or worn out;

(3) the Incurrence of Liens not prohibited by the Loan Agreement and the disposition of assets related to such Liens by the secured party pursuant to a foreclosure;

(4) any disposition of cash or Cash Equivalents and other assets referred to in clause (1) of the definition of "Permitted Investments" in the ordinary course of business;

(5) the sale, lease, conveyance or other disposition of all or substantially all of the assets of either Borrower and its Restricted Subsidiaries taken as a whole (which will be governed by the provisions of the Loan Agreement described under "—Covenants—Merger, Consolidations and Certain Sales of Assets" and not by the provisions of the covenant described under "—Covenants—Asset Sales");

(6) any transaction subject to, and permitted under, "—Covenants—Limitation on Restricted Payments";

(7) dispositions of receivables and related assets or interests in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(8) the settlement, compromise, release, dismissal or abandonment of any action or claims against any Person; or

(9) any Permitted Investment.

"*Asset Sale Offer Payment Date*" means a Business Day no earlier than 34 days nor later than 64 days subsequent to the date on which the Asset Sale Prepayment Notice is delivered (other than as may be required by applicable law).

"*Asset Sale Prepayment Notice*" means notice of an Asset Sale Prepayment Offer made pursuant to the Loan Agreement, which shall be sent to the Administrative Agent (with a copy to the Lender) within 34 days following the date upon which an Asset Sale Offer Trigger Event occurred, and which shall govern the terms of the Asset Sale Prepayment Offer and shall state:

(1) that an Asset Sale Offer Trigger Event has occurred, the circumstances or events causing such Asset Sale Offer Trigger Event, that an Asset Sale Prepayment Offer is being made pursuant to the Loan Agreement, **a**nd that an outstanding principal amount of the Loan up to the Asset Sale Prepayment Amount requested by the Lender to be prepaid will be prepaid by the Borrowers;

(2) the Asset Sale Prepayment Amount, the prepayment price at which the principal amount of the Loan is to be prepaid pursuant to the Asset Sale Prepayment Offer, and the Asset Sale Offer Payment Date;

(3) that the outstanding principal amount of the Loan not requested by the Lender to be prepaid shall continue to accrue interest;

(4) that the principal amount of the Loan prepaid pursuant to the Asset Sale Prepayment Offer shall cease to accrue interest from and after the Asset Sale Offer Payment Date;

(5) that the Lender requesting to have any principal amount of the Loan prepaid pursuant to the Asset Sale Prepayment Offer must notify the Administrative Agent and notify or direct the Administrative Agent to notify the Borrowers of the principal amount to be prepaid on or prior to close of business on the third Business Day preceding the Asset Sale Offer Payment Date;

(6) that the Lender shall be entitled to adjust the principal amount of the Loan to be prepaid or withdraw the request for prepayment if the Borrowers and the Administrative Agent receive not later than the close of business on the third Business Day preceding the Asset Sale Offer Payment Date, a notice from the Lender adjusting the principal amount or withdrawing the request of the Lender to have the Loan or portions thereof prepaid pursuant to the Asset Sale Prepayment Offer; and

(7) any other information necessary to enable the Lender to have any portion of the principal amount of the Loan prepaid pursuant to the Loan Agreement.

"*Attributable Debt*" in respect of a Sale and Leaseback Transaction means, at any date of determination,

(1) if such Sale and Leaseback Transaction is a Capital Lease Obligation, the amount of Debt represented thereby according to the definition of "Capital Lease Obligation" and

(2) in all other instances, the present value (discounted at the interest rate implicit in the Sale and Leaseback Transaction) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction (including any period for which such lease has been extended).

"*Binding Tax Ruling*" means the final and irrevocable ruling, official response or binding opinion issued by the *Superintendencia de Administración Tributaria* (Guatemalan Tax Authority (SAT)) in respect of written requests submitted by DEOCSA and DEORSA at any time or from time to time and filed as established by Article 102 of the Guatemalan Tax Code, to the effect that payments of interest on the Loan to the Lender by the Borrowers are exempt from withholding income tax imposed by Guatemala.

"*Board of Directors*" means the board of directors of any Borrower.

"*Board Resolution*" means, with respect to any Person, a copy of a resolution of such Person duly adopted by the Board of Directors of such Person delivered to the Lender and/or the Administrative Agent.

"*Business Day*" means a day (other than a Saturday or Sunday) that is not (1) a day on which banking institutions in New York, New York, Guatemala City, Guatemala or the Cayman Islands generally are authorized or obligated by law, regulation or executive order to close, or (2) a day on which banking and financial institutions in New York, New York, Guatemala City, Guatemala or the Cayman Islands are closed for business with the general public.

"*Capital Lease Obligation*" of any Person means the obligation to pay rent or other payment amounts under a lease of real or personal property of such Person which is required to be classified and accounted for as a capital lease on the face of a balance sheet of such Person in accordance with IFRS. The Stated Maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. The principal amount of Debt represented by such obligation shall be the capitalized amount thereof that would appear on the face of a balance sheet of such Person in accordance with IFRS.

"*Capital Reductions*" means the capital reductions approved by the respective shareholders of each Borrower on December 2, 2016.

"*Capital Stock*" of any Person means any and all shares, interests, participation or other equivalents (however designated) of corporate stock or other equity participation, including partnership interests, whether general or limited, of such Person.

"*Cash Equivalents*" means, with respect to any Person:

(1) United States dollars, euros, *quetzals* or money in other currencies received in the ordinary course of business;

(2) Government Securities;

(3) demand deposits, certificates of deposit, time deposits or bankers' acceptances maturing within one year from the date of acquisition thereof issued by (a) any bank organized under the laws of the United States of America or any state thereof or the District of Columbia, (b) any member State of the

European Union, (c) any U.S. branch of a non-U.S. bank having at the date of acquisition thereof combined capital and surplus of not less than US$250.0 million, (d) with respect to Cash Equivalents made by any Person whose principal place of business is in a jurisdiction other than the United States, Guatemala or such member state of the European Union, a bank operating in such other jurisdiction that either (A) has a long-term local currency rating of A or higher from Fitch, A2 or higher from Moody's or A or higher from S&P, or (B) is ranked (by any applicable governmental regulatory authority or by any reputable, non-governmental rating organization) as one of the top three banks in such jurisdiction (ranked by total assets), or (e) any bank to the extent a Borrower or its Restricted Subsidiary maintains any deposits with such bank in the ordinary course of business, so long as no such deposit is outstanding for longer than 14 days;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having an Investment Grade Rating from Fitch, Moody's or S&P and in each case maturing within six months after the date of acquisition;

(6) (a) marketable direct obligations issued or unconditionally guaranteed by Guatemala, (b) demand deposits, time deposits or certificates of deposit with maturities not exceeding one year from the date of acquisition thereof by a Borrower or its Restricted Subsidiary of financial institutions regulated by the Superintendency of Banks of Guatemala, the commercial paper or other short-term unsecured debt obligations of which (or in the case of a bank that is the principal subsidiary of a holding company, the holding company) are rated the highest rating of any Guatemalan bank and maturing within 90 days (unless the short-term rating is not less than P-1 by Moody's or A-1 by S&P in which case maturing within one year from the date of acquisition thereof by a Borrower or a Restricted Subsidiary of a Borrower), (c) repurchase obligations with a term of not more than 180 days for underlying securities of the types described in clause (a) above entered into with a bank meeting the qualifications described in clause (b) above, or (d) commercial paper of a Guatemalan issuer the long-term unsecured debt obligations of which are rated with a rating at least equal to the rating of the long term debt issued by Guatemala and maturing within one year from the date of acquisition thereof by any Borrower or a Restricted Subsidiary of a Borrower; or

(7) money market funds which invest substantially all of their assets in investments of the type described in clauses (1) through (6) above.

"*Change in Law*" means the occurrence, after the date of the Loan Agreement, of any of the following: (1) the adoption or taking effect of any law, rule, regulation or treaty, (2) any change in or amendment to any law, rule, regulation or treaty (including any binding opinions or rulings promulgated thereunder) or in the administration, interpretation, implementation or application thereof by any Governmental Authority, or (3) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; *provided* that, notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith, and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case, pursuant to Basel III, shall in each case be deemed to be a "Change in Law," regardless of the date enacted, adopted or issued.

"*Change of Control*" means the occurrence of one or more of the following events:

(1) the Permitted Holders cease to be the beneficial owners (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that the Permitted Holders shall be deemed to have beneficial ownership of all shares that they have the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of a majority of the total voting power of the Voting Stock of either of the Borrowers;

(2) either of the Borrowers consolidates with or merges into any Person, or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its properties and assets to any Person other than the Permitted Holders, whether or not otherwise in compliance with the provisions of the Loan Agreement; or

(3) the approval by the holders of Capital Stock of either of the Borrowers of any plan or proposal for the liquidation or dissolution of such Borrower, whether or not otherwise in compliance with the provisions of the Loan Agreement.

"*Change of Control Payment Date*" means a Business Day no earlier than 34 days nor later than 64 days subsequent to the date on which the Change of Control Prepayment Notice is delivered (other than as may be required by applicable law).

"*Change of Control Prepayment Notice*" means notice of a Change of Control Prepayment Offer, which shall be sent to the Administrative Agent (with a copy to the Lender) within 34 days following the date upon which a Change of Control Triggering Event occurred and which notice shall govern the terms of the Change of Control Prepayment Offer and shall state:

(1) that a Change of Control Triggering Event has occurred, the circumstances or events causing such Change of Control Triggering Event, that a Change of Control Prepayment Offer is being made pursuant to the Loan Agreement, and that any outstanding principal amount of the Loan requested by the Lender to be prepaid will be prepaid by the Borrowers;

(2) the prepayment price at which the principal amount of the Loan is to be prepaid pursuant to the Change of Control Prepayment Offer;

(3) that the outstanding principal amount of the Loan not requested by the Lender to be prepaid shall continue to accrue interest;

(4) that the principal amount of the Loan prepaid pursuant to the Change of Control Prepayment Offer shall cease to accrue interest from and after the Change of Control Payment Date;

(5) that the Lender requesting to have any principal amount of the Loan prepaid pursuant to the Change of Control Prepayment Offer must notify the Administrative Agent and notify or direct the Administrative Agent to notify the Borrowers of the principal amount to be prepaid on or prior to close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that the Lender shall be entitled to adjust the principal amount of the Loan to be prepaid or withdraw the request for prepayment if the Borrowers and the Administrative Agent receive, not later than the close of business on the third Business Day preceding the Change of Control Payment Date, a notice from the Lender adjusting the principal amount or withdrawing the request of the Lender to have the Loan or portions thereof prepaid pursuant to the Change of Control Prepayment Offer; and

(7) any other information necessary to enable the Lender to have any portion of the principal amount of the Loan prepaid pursuant to the Loan Agreement.

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and a Rating Decline.

"*Code*" means the U.S. Internal Revenue Code of 1986, as amended.

"*Combined EBITDA*" for any period means the Combined Net Income of the Borrowers and their Restricted Subsidiaries for such period:

(a) plus the following (without duplication) to the extent deducted in calculating Combined Net Income:

(1) combined income tax expense (benefit) of the Borrowers and their Restricted Subsidiaries for such period determined in accordance with IFRS and any Restricted Payments made pursuant to clause (I) of the second paragraph under —Covenants—Limitation on Restricted Payments" in respect of such combined income tax expense for such period;

(2) combined financial expenses of the Borrowers and their Restricted Subsidiaries for such period determined in accordance with IFRS;

(3) combined depreciation and amortization expense of the Borrowers and their Restricted Subsidiaries for such period determined in accordance with IFRS; and

(4) combined other non-cash items of the Borrowers and their Restricted Subsidiaries reducing Combined Net Income for such period determined in accordance with IFRS, including impairments and expenses and charges related to any equity offering, incurrence of Debt, Investment, acquisition or divestiture permitted by the Loan Agreement, whether or not consummated (other than any non-cash items increasing net income to the extent that it will result in payments in the future);

(b) less the following (without duplication) to the extent added in calculating Combined Net Income:

(1) combined financial income of the Borrowers and their Restricted Subsidiaries for such period determined in accordance with IFRS; and

(2) combined other non-cash items of the Borrowers and their Restricted Subsidiaries increasing Combined Net Income for such period determined in accordance with IFRS.

"*Combined Interest Expense*" for any period means the combined interest expense included in a combined income statement (without deduction of interest income) of the Borrowers and their Restricted Subsidiaries for such period (taken as one accounting period) determined in accordance with IFRS, including without limitation or duplication (or, to the extent not so included, with the addition of):

(1) the amortization of Debt discounts;

(2) any payments or fees with respect to letters of credit, bankers' acceptances or similar facilities;

(3) fees with respect to interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements;

(4) Preferred Stock dividends (other than with respect to Redeemable Stock) declared paid or payable;

(5) accrued Redeemable Stock dividends whether or not declared or paid;

(6) interest on Debt guaranteed by any Borrower or any of their Restricted Subsidiaries (other than, for the avoidance of doubt, interest on the Notes guaranteed pursuant to any Note Guarantee); and

(7) the interest component of any Capital Lease Obligation;

provided, that notwithstanding the foregoing, "Combined Interest Expense" shall not include any interest expense of the Borrowers and their Restricted Subsidiaries that is in respect of deposits received from customers thereof in the ordinary course of business to secure their obligations so long as such interest is not payable prior to the return of such deposits.

"*Combined Net Income*" for any period means the combined profit (or loss) included in a combined income statement of the Borrowers and their Restricted Subsidiaries for such period (taken as one accounting period) determined in accordance with IFRS; *provided* that there shall be excluded therefrom (without duplication):

(1) the net income (or loss) of any Person acquired by either of the Borrowers or any of their respective Restricted Subsidiaries for any period prior to the date of such transaction;

(2) the net income (or loss) of any Person other than the Borrowers and their respective Restricted Subsidiaries except to the extent of the amount of dividends or other distributions actually paid to a Borrower or a Restricted Subsidiary by such Person during such period;

(3) gains or losses on Asset Dispositions by any Borrower or any of its Restricted Subsidiaries or other dispositions of assets outside the ordinary course of business;

(4) all extraordinary, non-recurring or exceptional gains and extraordinary, non-recurring or exceptional losses;

(5) the cumulative effect of changes in accounting principles (whether effected through cumulative effect adjustment or a retroactive application, in each case, in accordance with IFRS);

(6) non-cash gains or losses resulting from fluctuations in currency exchange rates;

(7) non-cash compensation expense incurred with any issuance or grant of equity interests to an employee of the Borrowers or any of their respective Restricted Subsidiaries;

(8) any restructuring charges, severance payments and charges relating to litigation settlements or judgments; and

(9) the tax effect of any of the items described in clauses (1) through (8) above;

provided further that any Restricted Payments made pursuant to clause (I) of the second paragraph under "—Covenants—Limitation on Restricted Payments" that are used to fund payments that if paid by either Borrower would have reduced Combined Net Income, shall be included to reduce Combined Net Income.

"*Combined Net Tangible Assets*" as of any date of determination means the total combined assets shown on the combined balance sheet of the Borrowers and their respective Restricted Subsidiaries as of the most recent date for which combined financial statements have been provided to the Administrative Agent pursuant to the covenant described under "—Covenants—Provision of Financial Information," determined in accordance with IFRS, less all goodwill, patents, trade names, trademarks, copyrights, franchises, experimental expenses, organization expenses and any other amounts classified as intangible assets in accordance with IFRS (and, in the case of any determination relating to any Permitted Investment, on a *pro forma* basis including any property or assets being acquired in connection therewith).

"*Coverage Ratio*" when used in connection with any Incurrence (or deemed Incurrence) of Debt, means, as of any date of determination, the ratio of (1) Combined EBITDA for the four most recent full fiscal quarters prior to the Incurrence of such Debt for which combined financial statements are available ending prior to the date of such determination, determined on a *pro forma* basis as if any such Debt had been Incurred and the proceeds thereof had been applied, or such other Debt had been repaid, redeemed or repurchased, as applicable, at the beginning of such four fiscal quarter period, to (2) Combined Interest Expense for such period.

For purposes of making the computations referred to above, any Investments, acquisitions, dispositions, mergers, consolidations and disposed operations that have been made by either Borrower or any of its Restricted Subsidiaries during such four fiscal quarter period or subsequent to such four fiscal quarter period and on or prior to or simultaneously with such date of determination shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in Combined EBITDA resulting therefrom) had occurred on the first day of such four fiscal quarter period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into either Borrower or any of its Restricted Subsidiaries since the beginning of such four fiscal quarter period shall have made any Investment, acquisition,

disposition, merger, consolidation or disposed or discontinued operation that would have required adjustment pursuant to this definition, then the Coverage Ratio shall be calculated giving *pro forma* effect thereto for such four fiscal quarter period as if such Investment, acquisition, disposition, merger, consolidation or disposed operation had occurred at the beginning of the applicable four quarter fiscal period.

"*Credit Agreements*" means, collectively, the loan agreement, dated as of April 7, 2017, between DEOCSA and Banco Industrial S.A. ("*Banco Industrial*"), and the loan agreement, dated as of April 7, 2017, between DEORSA and Banco Industrial.

"*Credit Facilities*" means, with respect to either Borrower or any of its Restricted Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Credit Agreements or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Debt, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the original Credit Agreements or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes, any letters of credit and reimbursement obligations related thereto, any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents).

"*Debt*" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent:

(1) the principal of and premium, if any, in respect of every obligation of such Person for money borrowed;

(2) the principal of and premium, if any, in respect of every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations Incurred in connection with the acquisition of property, assets or businesses;

(3) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person (but only to the extent such obligations are not reimbursed within five Business Days following receipt by such Person of a demand for reimbursement);

(4) every obligation of such Person issued or assumed as the deferred purchase price of property or services (including securities repurchase agreements but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business (such as, for the avoidance of doubt, deposits received from customers to secure their obligations));

(5) every Capital Lease Obligation of such Person;

(6) all Redeemable Stock issued by such Person;

(7) the net obligation of such Person under Interest Rate, Currency or Commodity Price Agreements of such Person; and

(8) every obligation of the type referred to in clauses (1) through (7) of another Person and all dividends of another Person the payment of which, in either case, such Person has guaranteed or is responsible or liable for, directly or indirectly, as obligor, guarantor or otherwise;

provided that the term "Debt" shall include all Debt of others secured by a Lien on any asset of the specified Person (whether or not such Debt is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Debt of any other Person; and *provided, further* that, notwithstanding any existing or future requirements of IFRS, Debt shall not include regulatory liabilities (*pasivo regulatorio*).

"*Default*" means an event that with the passing of time or the giving of notice, or both would constitute an Event of Default.

"*Designation*" has the meaning set forth under "—Covenants—Designation of Restricted and Unrestricted Subsidiaries."

"*Dividend Payments*" means the dividend payments approved by the respective shareholders of each Borrower on November 15, 2016 and on April 25, 2017.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller. Fair Market Value will be determined in good faith by the management of the Borrowers that is (or whose Restricted Subsidiary is) a party to the applicable transaction, and in the case of a transaction exceeding US$5.0 million, Fair Market Value shall be determined in good faith by such Board of Directors and evidenced by a Board Resolution provided to the Administrative Agent and/or the Lender.

"*Fee Letters*" means, collectively, the Administrative Agent Fee Letter and the Lender Fee Letter.

"*Fitch*" means Fitch Ratings Ltd. and its successors.

"*Government Securities*" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which obligations or guarantee the full faith and credit of the United States is pledged and which have a remaining weighted average life to maturity of not more than one year from the date of Investment therein.

"*Governmental Authority*" means the government of Guatemala or of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"g*uarantee*" by any Person means any obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guaranteeing, any Debt of any other Person (the "*primary obligor*") in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt;

(2) to purchase property, securities or services for the purpose of assuring the holder of such Debt of the payment of such Debt; or

(3) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt

(and "g*uaranteed*," "g*uaranteeing*" and "g*uarantor*" shall have meanings correlative to the foregoing); *provided*, *however*, that the guarantee by any Person shall not include endorsements by such Person for collection or deposit, in either case, in the ordinary course of business.

"*Guarantees*" means, collectively, the Loan Guarantees and the Note Guarantees.

"*Guarantors*" means, collectively, the Loan Guarantors and the Note Guarantors.

"*IFRS*" means International Financial Reporting Standards, as issued by the International Accounting Standards Board, as in effect from time to time.

"*Incur*" means, with respect to any Debt or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, guarantee or otherwise become directly or indirectly liable in respect of such Debt or other obligation, including by acquisition of Subsidiaries (the Debt of any other Person becoming a Subsidiary of such Person being deemed for this purpose to have been incurred at the time such other Person becomes a Subsidiary), or the recording, as required pursuant IFRS or otherwise, of any such Debt or other obligation on the balance sheet of such Person (and "*Incurrence*," "*Incurred*" and "*Incurring*" shall have meanings correlative to the foregoing); *provided*, *however*, that a change in IFRS that results in an obligation of such Person that exists at such time becoming Debt shall not be deemed an Incurrence of such Debt.

"*Interest Rate, Currency or Commodity Price Agreement*" of any Person means any forward contract, futures contract, swap, option or other financial agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements) relating to, or the value of which is dependent upon, interest rates, currency exchange rates or commodity prices or indices (excluding contracts for the purchase or sale of goods in the ordinary course of business).

"*Investment*" by any Person means any direct or indirect loan, advance or other extension of credit or capital contribution (by means of transfers of cash or other property to others or payments for property or services for the account or use of others, or otherwise) to, or purchase or acquisition of Capital Stock, bonds, notes, debentures or other securities or evidence of Debt issued by, any other Person, including any payment on a guarantee of any obligation of such other Person, but shall not include (1) trade accounts receivable in the ordinary course of business on credit terms made generally available to the customers of such Person, or (2) commission, travel, payroll, entertainment, relocation and similar advances to officers and employees and profit sharing and other employee benefit plan contributions made in the ordinary course of business.

"*Investment Grade Rating*" means BBB- or higher by Fitch, Baa3 or higher by Moody's or BBB- or higher by S&P, or the equivalent of such global ratings by Fitch, Moody's or S&P.

"*Lender Fee Letter*" means that certain fee letter dated the Disbursement Date between the Lender and the Borrowers.

"*Lien*" means, with respect to any property or assets, any mortgage, pledge, security interest, lien, charge, encumbrance, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such property or assets (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

"*Loan Guarantors*" means each Restricted Subsidiary, if any, of a Borrower that guarantees the obligations of each Borrower under the Loan Agreement, the Expense Reimbursement and Indemnity Agreement and each other Transaction Document to which such Borrower is a party in accordance with the Loan Agreement and its successors and assigns, in each case, until the Loan Guarantee of such Person has been released in accordance with the provisions of the Loan Agreement.

"*Material Adverse Effect*" means a material adverse change in or effect on (1) the performance by the Borrowers of the Loan Agreement or any other Transaction Document to which they are party, (2) the condition (financial or otherwise), earnings, business or properties of the Borrowers and their Restricted Subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, (3) the legality, validity, binding effect or enforceability of any of the Loan Guarantees, the Indenture and the other Transaction Documents, (4) the rights and remedies of the Administrative Agent or the Lender (or following the assignment of its rights thereunder, the Trust) under the Loan Agreement and the Promissory Note or the Lender or the Trust under the Expense Reimbursement and Indemnity Agreement or (5) the rights and remedies of the Indenture Trustee or any holder of a Note under the Indenture (including any Note Guarantee set forth therein) or any Note.

"*Moody's*" means Moody's Investors Service, Inc., or any successor thereto.

"*Net Available Proceeds*" from any Asset Disposition means cash or Cash Equivalents received (including by way of sale or discounting of a note, installment receivable or other receivable, but excluding any Related Assets and other consideration received in the form of assumption by the acquirer of Debt or other obligations relating to such properties or assets) therefrom by any Borrower or any Restricted Subsidiary of a Borrower, net of:

(1) all legal, title and recording tax expenses, commissions and other fees and expenses Incurred and all federal, state, provincial, foreign and local taxes required to be accrued as a liability as a consequence of such Asset Disposition;

(2) all payments made by any Borrower or any Restricted Subsidiary of a Borrower, on any Debt which is secured by such assets in accordance with the terms of any Lien upon or with respect to such assets or which must by the terms of such Debt or Lien, or in order to obtain a necessary consent to such Asset Disposition or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments made to other equity holders in the Borrowers' Restricted Subsidiaries, or joint ventures as a result of such Asset Disposition; and

(4) appropriate amounts to be provided by the Borrowers or any Restricted Subsidiary of a Borrower, as the case may be, as a reserve in accordance with IFRS, against any liabilities associated with such assets and retained by the Borrowers or any Restricted Subsidiary of a Borrower, as the case may be, after such Asset Disposition, including, without limitation, liabilities under any indemnification obligations and severance and other employee termination costs associated with such Asset Disposition, in each case as determined by the Board of Directors, in its reasonable good faith judgment evidenced by a Board Resolution delivered to the Administrative Agent and/or the Lender; *provided* that any reduction in such reserve within 12 months following the consummation of such Asset Disposition will be treated for all purposes of the Loan Agreement as a new Asset Disposition at the time of such reduction with Net Available Proceeds equal to the amount of such reduction.

"*Net Leverage Ratio,*" when used in connection with any Incurrence (or deemed Incurrence) of Debt, means, as of any date of determination, the ratio of (1) the aggregate principal amount of Total Net Debt of the Borrowers and their Restricted Subsidiaries as of such date to (2) Combined EBITDA of the Borrowers and their Restricted Subsidiaries for the four most recent full fiscal quarters for which combined financial statements are available ending prior to the date of such determination; *provided,* that Combined EBITDA of the Borrowers and their Restricted Subsidiaries will be calculated in the manner contemplated by, and subject to the *pro forma* and other adjustments provided in, the definition of "Coverage Ratio."

"*Note Guarantee*" has the meaning set forth under the "Description of the Notes."

"*Note Guarantors*" has the meaning set forth under the "Description of the Notes."

"*Officer's Certificate*" means a certificate signed by the President, Chairman of the board of directors, any Vice Chairman of the board of directors, any Director, the Chief Executive Officer, the Chief Financial Officer, the Chief Accounting Officer, the Chief Treasury Officer, the Chief Legal Officer, any Senior Vice President, or the Secretary of the board of directors of any Person and delivered to the Administrative Agent and/or the Lender.

"*Permitted Holders*" means Kenon Holdings Ltd., IC Power Ltd. and their respective Affiliates.

"*Permitted Interest Rate, Currency or Commodity Price Agreement*" of any Person means any Interest Rate, Currency or Commodity Price Agreement designed to protect such Person against fluctuations in interest rates or currency exchange rates or commodity price fluctuations and not for purposes of speculation.

"*Permitted Investments*" means:

(1) Investments in Cash Equivalents;

(2) Investments by any Borrower or any Restricted Subsidiary in a Borrower or a Restricted Subsidiary that is primarily engaged in a Related Business;

(3) Investments by a Borrower or any Restricted Subsidiary in a Person, if as a result of such Investment (a) such Person becomes a Restricted Subsidiary that is primarily engaged in a Related Business, or (b) such Person is merged, consolidated or amalgamated into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, a Borrower or a Restricted Subsidiary that is primarily engaged in a Related Business;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Disposition that was made pursuant to and in compliance with the covenant described under "—Covenants—Asset Sales";

(5) Investments by a Borrower and its Restricted Subsidiaries consisting of deposits, prepayment and other credits to suppliers or lessors in the ordinary course of business;

(6) Investments in customers and suppliers in the ordinary course of business which either (a) generate accounts receivable, or (b) are accepted in settlement of bona fide disputes;

(7) loans and advances to officers, directors and employees of a Borrower or its Restricted Subsidiaries for travel, moving and other relocation expenses, in each case made in the ordinary course of business and not exceeding US$2.0 million outstanding in the aggregate at any one time;

(8) any Investments received in compromise or resolution of (A) obligations of Persons that were incurred in the ordinary course of business of a Borrower or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any Persons; or (B) litigation, arbitration or other disputes;

(9) advances, loans or extensions of trade credit in the ordinary course of business by a Borrower or any of its Restricted Subsidiaries;

(10) any Investment existing on, or made pursuant to written agreements existing on, the Disbursement Date and any extension, modification or renewal of such Investments (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof (unless a binding commitment therefore has been entered into on or prior to the Disbursement Date), other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Disbursement Date);

(11) Investments in Interest Rate, Currency or Commodity Price Agreements not otherwise prohibited under the Loan Agreement;

(12) the Note Guarantees in respect of the Notes issued on the Issue Date and any Notes issued thereafter, the net proceeds of which are used to fund additional disbursements under the Loan Incurred by the Borrowers under, and in accordance with, the Loan Agreement, and any payments thereon; and

(13) other Investments in Persons primarily engaged in a Related Business in an aggregate amount at any time outstanding not to exceed the greater of (a) US$20.0 million or (b) 2.50% of Combined Net Tangible Assets of the Borrowers and their Restricted Subsidiaries.

"*Permitted Liens*" means:

(1) Liens for taxes, assessments or governmental charges or levies on the property of any Borrower or any Restricted Subsidiary of a Borrower if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision that shall be required in conformity with IFRS shall have been made therefor;

(2) Liens imposed by law, such as statutory Liens of landlords', carriers', warehousemen's and mechanics' Liens and other similar Liens, on the property of any Borrower or any Restricted Subsidiary of a Borrower arising in the ordinary course of business, or Liens arising solely by virtue of any statutory or common law (but not contractual) provisions relating to bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution;

(3) Liens on the property of any Borrower or any Restricted Subsidiary of a Borrower Incurred in the ordinary course of business to secure performance of obligations with respect to statutory or regulatory requirements, performance bids, trade contracts, letters of credit performance or return-of-money bonds, surety bonds, obligations in connection with a bid or other process for the award of a power purchase agreement, or other obligations of a like nature and Incurred in a manner consistent with industry practice, in each case which are not Incurred in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property and which do not in the aggregate impair in any material respect the use of property in the operation of the business of the Borrowers and their Restricted Subsidiaries, taken as a whole;

(4) Liens on the property of a Person at the time such Person becomes a Restricted Subsidiary of a Borrower; *provided*, that any such Lien may not extend to any other property of any Borrower, any other Restricted Subsidiary of a Borrower that is not a direct or, prior to such time, indirect Subsidiary of such Person; *provided further*, that any such Lien was not Incurred in anticipation of or in connection with the transaction or series of transactions pursuant to which such Person became a Restricted Subsidiary of a Borrower;

(5) Liens Incurred or deposits made by any Borrower or any Restricted Subsidiary of a Borrower under workmen's compensation laws, unemployment insurance laws or similar legislation (including any lien securing letters of credit in connection with the foregoing) or deposits made by a Borrower or any Restricted Subsidiary of a Borrower in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which any Borrower or any Restricted Subsidiary of a Borrower is party, or deposits to secure public or statutory obligations of any Borrower or any Restricted Subsidiary of a Borrower or deposits for the payment of rent, in each case Incurred in the ordinary course of business;

(6) utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character;

(7) any provision for the retention of title to any property by the vendor or transferor of such property which property is acquired by any Borrower or a Restricted Subsidiary of a Borrower in a transaction entered into in the ordinary course of business of any Borrower or a Restricted Subsidiary of a Borrower and for which kind of transaction it is customary market practice for such retention of title provision to be included;

(8) Liens arising by means of any judgment, decree or order of any court, to the extent not otherwise resulting in an Event of Default hereunder so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree or order have not been fully terminated or the period within which such proceedings may be initiated has not expired, and any Liens that are required to protect or enforce rights in any administrative, arbitration or other court proceeding in the ordinary course of business;

(9) any Lien securing Debt permitted to be Incurred under any Permitted Interest Rate, Currency or Commodity Price Agreements pursuant to clause (6) of the second paragraph of "—Covenants—Limitation on Debt";

(10) Liens on and pledges of the Capital Stock of any Unrestricted Subsidiary to secure Debt of that Unrestricted Subsidiary;

(11) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which any Borrower or any Restricted Subsidiary of a Borrower has easement rights or on any real property leased by any Borrower or any Restricted Subsidiary of a Borrower or similar agreements relating thereto, and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(12) Liens existing on the date of the Loan Agreement;

(13) Liens in favor of any Borrower or any Restricted Subsidiary of a Borrower;

(14) Liens on goods (and the proceeds thereof) and documents of title and the property covered thereby securing Debt in respect of commercial letters of credit issued to facilitate the purchase, shipment or storage of such inventory or other goods;

(15) Liens on the property of any Borrower or any Restricted Subsidiary of a Borrower to replace in whole or in part, any Lien described in the foregoing clauses (4) and (12) through (14); *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Debt being refinanced or in respect of property that is the security for a Permitted Lien hereunder;

(16) Liens on any escrow account used in connection with pre-funding a refinancing of Debt otherwise permissible by the Loan Agreement;

(17) Liens for the purpose of securing Debt incurred for the payment of all or any part of the purchase price of property, plant or equipment or other assets, included but not limited to obligations under Capital Lease Obligations, mortgage financings or purchase money obligations, in each case covering only the assets acquired with or financed by such Debt (including, for the avoidance of doubt, Capital Stock); *provided* that, in each case, (a) the aggregate principal amount of Debt is permitted under clause (12) of the second paragraph of "—Covenants—Limitation on Debt" above does not exceed the cost of the assets or property so acquired or constructed, and (b) such Liens are created within 365 days of the construction or acquisition of such assets or property and do not encumber any other assets or property of the Borrowers or any Restricted Subsidiary of a Borrower other than such assets or property and assets affixed or appurtenant thereto;

(18) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(19) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Borrowers and their Restricted Subsidiaries, including rights of offset and set-off;

(20) any interest or title of a lessor under any Capital Lease Obligation or operating lease;

(21) Liens securing Debt Incurred pursuant to clauses (1) and (16) of the second paragraph of "—Covenants—Limitation on Debt";

(22) Liens incurred with respect to obligations that do not exceed the greater of (a) US$40.0 million and (b) 5.00% of Combined Net Tangible Assets of the Borrowers and their Restricted Subsidiaries; and

(23) existing Liens that secured any Debt or other obligations under, or in respect of, the Amended and Restated Credit Agreement, dated as of April 23, 2015, among DEOCSA, DEOCSA B.V., Banco Agromercantil de Guatemala, Sociedad Anónima and the other lenders party thereto and/or the Amended and Restated Credit Agreement, dated as of April 23, 2015, among DEORSA, DEORSA B.V., Banco Agromercantil de Guatemala, Sociedad Anónima and the other lenders party thereto; *provided* that (a) all such Debt and other obligations shall have been paid in full on the Disbursement Date, (b) such Liens shall be permitted under the Credit Agreements and (c) such Liens shall have been terminated within 90 days of the Disbursement Date.

"*Permitted Refinancing Debt*" means any Debt of a Borrower or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Debt of such Borrower or any of its Restricted Subsidiaries (other than intercompany Debt); *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Debt does not exceed the principal amount (or accreted value, if applicable) of the Debt renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Debt and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Debt has a final maturity date that is the same as or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the remaining Weighted Average Life to Maturity of, the Debt being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Debt being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Debt is subordinated in right of payment to the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Debt being renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) such Debt is incurred either by the Borrower or by the Restricted Subsidiary that is the obligor on the Debt being renewed, refunded, refinanced, replaced, defeased or discharged.

"*Person*" means any individual, corporation (including a business trust), company, voluntary association, partnership, limited liability company, joint venture, trust, unincorporated organization or Governmental Authority or other entity of whatever nature.

"*Preferred Stock*" of any Person means Capital Stock of such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"*Qualified Capital Stock*" of any Person means any Capital Stock of such Person (other than Redeemable Stock).

"*Rating Agency*" means each of Fitch, Moody's and S&P, or if any of the foregoing shall not make a rating on the Notes publicly available, a "nationally recognized statistical organization" (within the meaning of Section 3(a)(62) of the Exchange Act) as selected by the Borrowers, which shall be substituted for Fitch, Moody's or S&P, as the case may be.

"*Rating Decline*" means that, at any time within 90 days (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) after the earlier of the date of public notice of a Change of Control and of the intention of any Borrower or that of any Person to effect a Change of Control, (i) in the event the Notes are assigned an Investment Grade

Rating by at least two of the Rating Agencies prior to such public notice, the rating of the Notes by any Rating Agency shall be below an Investment Grade Rating; or (ii) in the event the Notes are not assigned an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the Notes by two or more Rating Agencies shall be decreased by one or more categories (*i.e.*, notches); *provided* that, in each case, any such Rating Decline is in whole or in part in connection with, or arising as a result of, a Change of Control.

"*Redeemable Stock*" of any Person means any Capital Stock of such Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or otherwise (including upon the occurrence of an event) matures or is required to be redeemed (pursuant to any sinking fund obligation or otherwise) or is convertible into or exchangeable for Debt or is redeemable at the option of the holder thereof, in whole or in part, at any time prior to the 91st day following final Stated Maturity of the Loan.

"*Related Assets*" means all assets, rights (contractual or otherwise) and properties, whether tangible or intangible (including ownership interests), used or intended for use in connection with a Related Business.

"*Related Business*" means any business in which any Borrower or any of its Restricted Subsidiaries are engaged, directly or indirectly, that consists primarily of, or is related to, acquiring, operating, developing or constructing any electricity distributions network and related businesses, and any business ancillary, complementary, similar or related to such businesses.

"*Relevant Taxing Jurisdiction*" means Guatemala, any jurisdiction where either Borrower or any other Guarantor is organized, a resident for tax purposes or is subject to net income or franchise tax, the Cayman Islands or any other jurisdiction from or through which payments under the Loan Agreement, the Participation Agreement, the Expense Reimbursement and Indemnity Agreement, the Notes or any Guarantee are made, or any political subdivision thereof or any authority therein having power to tax.

"*Restricted Subsidiary*" means any Subsidiary of the Borrowers or any Restricted Subsidiary thereof, other than an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Rating Service or any successor thereto.

"*Sale and Leaseback Transaction*" means any direct or indirect arrangement relating to assets or property now owned or hereafter acquired whereby any Borrower or a Restricted Subsidiary of a Borrower transfers such assets or property to another Person and such Borrower or such Restricted Subsidiary leases it from such Person.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be, in respect of the relevant Borrower and its Restricted Subsidiaries taken as a whole, a "significant subsidiary" as defined in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Disbursement Date.

"*Stated Maturity*," when used with respect to any security or any installment of interest thereon, means the date specified in such security as the fixed date on which the principal of such security or such installment of interest is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"*Subsidiary*" of any Person means (1) a corporation more than 50% of the combined voting power of the outstanding Voting Stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof, or (2) any other Person (other than a corporation) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof; *provided*, that notwithstanding the foregoing, if any Person is not a Subsidiary of either Borrower but would be a Subsidiary of the Borrowers on a combined basis, then such Person shall be deemed to be a Subsidiary of each Borrower.

"*Subsidiary Note Guarantor*" has the meaning set forth under "Description of the Notes."

"*Taxes*" means all taxes, withholdings, duties, levies, assessments, value-added taxes or other governmental charges (including interest and penalties) imposed or levied by or on behalf of any Relevant Taxing Jurisdiction.

"*Total Net Debt*" means, with respect to any Person as of any date of determination, an amount equal to the aggregate amount (without duplication) of all combined Debt of such Person outstanding at such time less the aggregate amount of unrestricted combined cash and Cash Equivalents (but, in any event, excluding the net proceeds from the disbursement of the Loan and any Cash Equivalents acquired with such net proceeds), in all cases determined in accordance with IFRS and as set forth in the most recent combined balance sheet of the Borrowers.

"*Transaction Documents*" means, collectively, the Notes, the Guarantees, the Indenture, the Loan Agreement, the Promissory Note, the Participation Agreement and the Expense Reimbursement and Indemnity Agreement.

"*Unrestricted Subsidiary*" means (1) any Subsidiary designated as such by a Borrower's board of directors pursuant to the Loan Agreement and (2) any Subsidiary of an Unrestricted Subsidiary.

"*U.S. Dollar Equivalent*" means with respect to any monetary amount in a currency other than U.S. dollars, at any time of determination thereof, the amount of U.S. dollars obtained by translating such other currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable other currency as published in the Financial Times on the date that is two Business Days prior to such determination.

"*U.S. Government Obligations*" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the option of the issuer thereof.

"*Voting Stock*" of any Person means Capital Stock of such Person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

"*Weighted Average Life to Maturity*" means, when applied to any Debt or Preferred Stock at any date, the number of years obtained by dividing (1) the then outstanding principal amount of such Debt or liquidation preference of such Preferred Stock, as the case may be, into (2) the total of the product obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal or upon mandatory redemption, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment.

THE PARTICIPATION AGREEMENT

The following is a description of the material provisions of the Participation Agreement between the Lender and the Trust (the "Participation Agreement"). The following information does not purport to be a complete description of the Participation Agreement and is subject to, and qualified in its entirety by reference to, such document, a copy of which may be obtained by contacting the Indenture Trustee at the address set forth above under the caption "Available Information." Capitalized terms, used in this section but not defined are as defined under "The Loan Agreement and the Loan."

General

The Lender, with the consent of the Borrowers, will enter into the Participation Agreement with the Trust in order to grant participation interests in substantially all of the rights and remedies of the Lender under the Loan Agreement, the Loan and the Promissory Note, pursuant to the Participation Agreement between the Trust, as participant, and the Lender, which will remain as lender of the Loan. The Trust will purchase and pay for a 100% participation interest (the "Participation") in the Loan Agreement, the Loan, the Promissory Note and the proceeds thereof and all rights and related interests with respect thereto out of the net proceeds of the sale of the Notes. As a result of the purchase of the Participation, the Trust shall be entitled to receive an amount equal to all of the payments of principal, interest and other amounts payable by the Borrowers on, or with respect to, the Loan Agreement, the Loan and the Promissory Note as are actually received by the Lender (except for certain retained interests in connection with the Lender's Retained Interest (as defined under "—Lender's Retained Interest")), together with the right to instruct the Lender with respect to all of the rights and remedies available to the Lender thereunder.

Payments to the Participant

Pursuant to the Loan Agreement, the Administrative Agent, acting under the Lender's instruction, shall receive all funds from the Borrowers into its account. In light of the Trust having pledged the Participation to the Indenture Trustee under the Indenture, and at the instruction of the Trust, the Lender or the Administrative Agent on behalf of the Lender, as the case may be, will pay over to a designated account established in connection with the issuance of the Notes all payments of principal, premium, interest and other amounts received from the Borrowers and directed toward the Lender from time to time on or with respect to the Loan (except for amounts received in connection with the Lender's Retained Interest), so that all such amounts will be promptly paid to the Indenture Trustee (on behalf of the Trust) for payment and distribution to the holders of the Notes.

The Trust will acknowledge that if any payment under the Note Guarantees is required to be paid to the Indenture Trustee in respect of any amount of principal, premium and/or interest payable on the Notes, or if the Trust, either Borrower or any Note Guarantor shall tender any Notes to the Indenture Trustee for cancellation, then all amounts so paid (excluding Additional Amounts) or Notes tendered and cancelled shall be deemed to be a payment by the Borrowers to the Lender to reduce amounts outstanding under the Loan such that the principal or interest amounts outstanding of the Loan (after giving effect to any payment under such Note Guarantee or the Notes cancelled) shall be equal to the principal and interest amount of the Notes outstanding under the Indenture.

The Trust acknowledges that under certain circumstances described in the third paragraph under "The Loan Agreement and the Loan—Payments and Computations," the Lender shall be required to refund to the Borrowers amounts previously paid by them to the Lender in respect of the Loan instead of turning over such amounts to the Trust.

Delivery of Documents and Information

Upon receipt of any (1) notification and/or information delivered by either Borrower to the Administrative Agent or the Lender under the Loan Agreement, the Promissory Note or the other Transaction Documents or in respect of the Lender's right, title and interest (excluding in respect of the Lender's Retained Interest) in the Loan and related to the Loan Agreement, the Promissory Note or the other Transaction Documents, and (2) any other information either Borrower requests in writing that the Administrative Agent or the Lender transmit to the Trust and/or the Indenture Trustee, the Administrative Agent or the Lender, as the case may be, will promptly (and in no event later than five Business Days after receipt) deliver such notification and/or information to the Trust and the

Indenture Trustee. The Administrative Agent and the Lender will also transmit to the Borrowers any documents or information in their respective possession which the Trust or the Indenture Trustee may request in writing of the Administrative Agent or the Lender, as the case may be, to be transmitted to the Borrowers.

Pursuant to the Participation Agreement, promptly after a responsible officer of the Administrative Agent or the Lender receives written notice or actual knowledge of a Default or Event of Default has occurred under the Loan Agreement, the Administrative Agent or the Lender, as the case may be, shall deliver to the Trust and the Indenture Trustee a notice of such event describing the same in reasonable detail.

Administration of the Participation

In administering the Loan Agreement, the Promissory Note and the Loan, from time to time the Lender, or the Administrative Agent at the written instruction of the Lender, will seek instructions from the Trust, which shall in turn seek instructions from the Indenture Trustee who shall seek instructions from the holders of the Notes in accordance with the terms of the Indenture, as to all matters and actions that shall be required to be taken under the Loan Agreement, the Promissory Note and the Loan, including instructions relating to the exercise of rights and remedies with respect to any of the foregoing (other than those in respect of the Lender's Retained Interest).

Subject to the following paragraph and the Lender's right to indemnification from the Trust under the Participation Agreement, the Lender will (1) act in good faith and in a manner in which the Lender would act if no Participation had been sold and administer and manage the Participation at the Trust's expense (subject to reimbursement pursuant to the Expense Reimbursement and Indemnity Agreement (as defined under "The Trust")) in the ordinary course of business and in accordance with its usual practices, modified from time to time as it deems appropriate under the circumstances, and (2) be entitled to use its discretion in taking or refraining from taking any actions in connection with the Participation.

Notwithstanding the foregoing, (1) subject to the requirements of the Loan Agreement, the Promissory Note and the other Transaction Documents, the Lender, or the Administrative Agent at the instruction of the Lender, shall promptly notify the Trust in writing of any matter (other than in respect of the Lender's Retained Interest) in respect of which the Lender, or the Administrative Agent at the instruction of the Lender, may act under the Loan, the Loan Agreement, the Promissory Note or any other Transaction Document, and (2) subject to the requirements of the Loan Agreement, the Promissory Note and the Loan and to the extent not related to the Lender's Retained Interest, the Lender, or the Administrative Agent at the written instruction of the Lender (a) shall not take any action, or refrain from taking any action, with respect to the Borrowers, the Loan, the Promissory Note or the Loan Agreement without the written consent of the Trust (*provided however* that, notwithstanding anything to the contrary in the foregoing, the Lender may exercise its sole discretion (without receiving any such consent) in determining whether the condition precedents set forth in clause (3) or (6) of the first sentence under "—Further Disbursements" have been satisfied or may be waived), and (b) shall take all action, or refrain from taking any action, as the Trust shall direct in writing; *provided*, *however*, that, notwithstanding anything in the Participation Agreement to the contrary, the Lender shall not be required to take, and shall not be required to refrain from taking, any action to the extent that doing the same would be inconsistent with the Lender's corporate policies or adversely affect or conflict with any election made by the Lender or any of its Affiliates in connection with loans, commitments or other claims held for its own account or for the account of others, and neither the Lender nor the Administrative Agent on behalf of the Lender shall be required to take or refrain from taking, any action to the extent such action or inaction would (a) violate or cause the Lender, the Administrative Agent, or any of their respective Affiliates to violate any provision of applicable law or any documents executed in connection with the Loan, or (b) require any new money advances except as contemplated under "The Loan Agreement and the Loan—Further Disbursements."

As a result of the purchase of the Participation by the Trust, the Trust will benefit from the rights and remedies of the Lender under the Loan Agreement, the Promissory Note, the Loan and the other Transaction Documents (other than the Lender's Retained Interest) and may direct the Lender, and the Administrative Agent on behalf of the Lender, subject to having received instructions from the Indenture Trustee, acting to the extent necessary, on the instructions of the holders of the Notes in accordance with the Indenture and subject to the Participation Agreement, to either take any action or withhold any action including, without limitation, those actions that relate generally to (1) the Loan Agreement, the Promissory Note and any amendment thereto, (2) the Loan and the amounts and terms of additional advances thereunder as a result of any further issuances of the Notes as

provided for in the Participation Agreement and in the Indenture, (3) conditions to effectiveness and making of any additional advances, (4) appointment of any agent, (5) additional payments due to the Lender as a result of any prepayment of principal, (6) waiver of set off by the Lender, (7) assignments and participations involving the Lender's rights and obligations under the Loan Agreement, the Promissory Note and the Loan (other than those relating to the Lender's Retained Interest) and (8) all matters relating to expenses and indemnities contemplated in the Loan Agreement.

Notwithstanding anything to the contrary in the Participation Agreement, the Lender will not, and will not direct the Administrative Agent to:

(1) agree to any modification of the terms of the Loan Agreement, the Promissory Note, the Loan or any other Transaction Document without having first received directions from the Trust, acting upon, as a result of the pledge described herein, as provided in and as required by the Indenture, the direction of the Indenture Trustee, which, in certain instances as set forth in the Indenture may require the written consent of the Required Holders (as defined under "Description of the Notes— Certain Definitions") or all of the holders of the Notes, as applicable;

(2) notify the Borrowers of any Default under clause (4) under "The Loan Agreement and the Loan—Events of Default" without having first received directions with respect thereto from the Trust in accordance with the terms of the Indenture; and

(3) declare the Loan, all interest thereon and all other amounts payable under the Loan Agreement and the Promissory Note to be forthwith due and payable upon the occurrence and continuation of any Event of Default under the Loan Agreement without having first received directions with respect thereto from the Trust (which directions it shall follow) in accordance with and as specified in the terms of the Indenture; *provided*, *however*, that the Loan, all interest thereon and all other amounts payable under the Loan Agreement and the Promissory Note shall be automatically deemed due and payable without any action on the part of the Lender, the Trust, the Indenture Trustee or the holders of the Notes upon the occurrence of an Event of Default described in clauses (7) or (8) under "The Loan Agreement and the Loan—Events of Default."

Notwithstanding anything in this section to the contrary, the Lender may, at its discretion, assign all (but not less than all) of its rights and obligations under or in respect of the Loan, the Loan Agreement, the Promissory Note and the Expense Reimbursement and Indemnity Agreement (other than the Lender's Retained Interest) to the Trust or another Person pursuant to the terms of the Loan Agreement and the Participation Agreement and, in respect of an assignment to the Trust, the provisions set forth under "—Assignment of the Lender's Rights and Obligations under the Loan and Acceptance by the Participant" with or without the direction of the Trust.

None of the Lender, the Administrative Agent, the Trust or the Indenture Trustee shall be required to take any action or refrain from taking any action under or pursuant to the Participation Agreement, the Loan Agreement, the Promissory Note or any other Transaction Document, unless such Person is indemnified to its satisfaction against any liability, cost or expense (including without limitation the fees and disbursements of counsel) which may be incurred in connection therewith. None of the Lender, the Administrative Agent, the Trust or the Indenture Trustee will be under any obligation to take any action or refrain from taking any action under the Participation Agreement, the Loan Agreement, the Promissory Note or any other Transaction Document and nothing in the Participation Agreement, the Loan Agreement, the Promissory Note or any other Transaction Document shall require such Person to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity or security against such risk or liability is not reasonably assured to it.

Nothing in the Participation Agreement shall entitle the Trust to share in any fee or other payment in respect of the Lender's Retained Interest under the Loan Agreement except as expressly set forth in the Participation Agreement.

Standard of Care

The Lender shall be required under the Participation Agreement to act in good faith and in a manner in which the Lender would act if no Participation had been sold. Notwithstanding the foregoing, the Participation Agreement will provide that:

(1) the Lender and the Administrative Agent shall have no liability in respect of (x) any action of the Lender, or any action of the Administrative Agent on behalf of the Lender, taken on behalf of the Trust or (y) the Lender's (or the Administrative Agent's on behalf of the Lender) omission to take any act for which notice to the Trust is (in the Lender's reasonable judgment) required, to the extent that the Trust has not agreed in writing that the Lender (and the Administrative Agent's on behalf of the Lender) may take such act and that the Lender and the Administrative Agent will be indemnified for any costs incurred in connection with taking such act or as a result of taking such act;

(2) the Trust shall acknowledge that the sale of the Participation and the other matters related thereto is without recourse to the Lender, and that the Trust expressly assumes all risk of loss in connection therewith;

(3) neither the Lender nor the Administrative Agent shall have any liability, express or implied, for any action taken or omitted to be taken by the Lender or the Administrative Agent on behalf of the Lender or for any failure or delay in exercising any right or power possessed by the Lender or the Administrative Agent in connection with the Participation, the Loan Agreement, the Promissory Note or the Loan (including, without limitation, any action taken upon the written direction of the Trust or the Indenture Trustee upon an Event of Default), except for actual and direct damages, if any, suffered by the Trust that are directly caused by the Lender's own gross negligence, willful misconduct or bad faith (as determined by a final, non-appealable judgment by a court of competent jurisdiction);

(4) the Lender and the Administrative Agent (a) shall not be deemed to be a trustee or agent for the Trust in connection with any extension of credit made pursuant to the sale of the Participation; *provided*, *however*, that the Lender agrees that any proceeds (other than proceeds related to the Lender's Retained Interest) that the Lender receives in connection with the Participation shall be held by the Lender for the Trust's account and shall be paid to the Indenture Trustee on behalf of the Trust, in each case, on the terms and conditions, as provided in the Participation Agreement; (b) may serve as a voting member of a creditors' committee in regards to a plan of reorganization related to the Participation; (c) may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of banking business with, either Borrower, any Loan Guarantor, their respective Subsidiaries and Affiliates or any other Person having obligations relating to the extensions of credit related to the Participation and receive payments on such extensions of credit and otherwise act with respect thereto freely and without accountability in the same manner as if the Participation did not exist; (d) may directly or indirectly purchase or otherwise acquire any capital stock, shares, participations, certificates of interest, bonds, notes, debentures or other securities, or a beneficial interest therein, issued by either of the Borrowers, any Loan Guarantor, their respective Subsidiaries and Affiliates or any Person having obligations under the related documents and may make capital contributions and receive payments in connection with any such instrument; and (e) may act as financial adviser to either of the Borrowers, the Loan Guarantor, their respective Subsidiaries and Affiliates, the Participant and other parties to the Loan Agreement and the Loan or as a placement agent for any debt or equity securities of either of the Borrowers or their Subsidiaries and Affiliates, the Trust, the Indenture Trustee or other parties to the Loan Agreement, the Loans or the Indenture or any other person; and

(5) nothing in the Participation Agreement shall place the Lender or the Administrative Agent under any obligation to inquire as to the occurrence or otherwise of a Default or an Event of Default or other event or action under or relating to the Loan Agreement.

Lender's Retained Interest

Notwithstanding anything herein to the contrary, the Lender will retain its right, title and interest in, and to, (1) any indemnification or expense reimbursement under the Loan Agreement, the Expense Reimbursement and Indemnity Agreement or any other Transaction Document, and (2) the Lender's right to assign the Loan, in whole or in part, in accordance with "The Loan Agreement and the Loan—Assignments" (the "Lender's Retained Interest").

Relationship with the Borrower

Each of the Cayman Trustee, the Lender and their Affiliates (other than the Trust) may engage in any kind of business or relationship with the Borrowers or any of their Affiliates without liability to the other parties to the Participation Agreement or any obligation to disclose such business or relationship to the other parties.

Transfer of the Participation

Other than as contemplated in the Indenture, the Trust will agree not to sell, assign, or otherwise transfer its rights and obligations under the Participation Agreement, and not to grant any participations or subparticipations in those rights and obligations without the prior written consent of the Lender and the Borrowers (other than to the Indenture Trustee for the benefit of the holders of the Notes).

Assignment of the Lender's Rights and Obligations under the Loan and Acceptance by the Participant

The Lender shall have the right to assign all (but not less than all) of its right and obligations under or in respect of the Loan, the Promissory Note and the Loan Agreement (other than the Lender's Retained Interest) to the Trust pursuant to clauses (a)(1), (2) and (3) set forth under "The Loan Agreement and the Loan—Assignments," and the Trust shall be obligated to accept such assignment in exchange for the cancellation of the Participation and the termination of the Participation Agreement. For the avoidance of doubt, this paragraph does not limit the rights of the Lender as set forth in the Loan Agreement to assign the Loan to another Person in accordance with the terms of the Loan Agreement and the Participation Agreement.

Upon the occurrence of an Event of Default under the Loan Agreement and any of the other conditions set forth in clauses (a)(1), (2) and (3) set forth under "The Loan Agreement and the Loan—Assignments," the Loan Agreement, the Promissory Note and the Loan may be immediately assigned by the Lender to the Trust without requiring any action of either Borrower, the Administrative Agent, the Trust, the Indenture Trustee or the holders of the Notes.

Relationship Between the Lender and the Trust

The Lender and the Trust will agree that the relationship between them is that of seller and buyer and not of debtor and creditor, that neither party is a trustee, agent, or partner of the other, and that neither party owes fiduciary obligations to the other.

Agreement by Lender

The Lender will agree not to petition or take any action for the bankruptcy of the Trust until the later of (a) one year and one day after the date on which the Participation Agreement has terminated in its entirety and all settlements thereunder have been effected in full, and (b) the expiration of any then applicable preference period under the laws of the Cayman Islands and Guatemala.

The obligations of the Trust are limited in recourse to the amounts remaining after application of the Trust Assets (as defined under "The Trust—Limited Recourse and Nature of Obligations of the Cayman Trustee") towards the redemption or repayment of the Notes in accordance with the Indenture and, to the extent there is any shortfall, any outstanding obligations of the Trust shall be extinguished and the Trust shall have no further liability to the Lender.

Additional Amounts

If the Lender in its reasonable discretion is required by applicable law or regulation to withhold or deduct any amount from any payment to the Trust under the Participation Agreement (a "Participation Tax"), the Lender will withhold or deduct the amount so required and will remit the amount withheld or deducted to the applicable Governmental Authority without any liability therefor and provide written notice of the same to the Trust and the Indenture Trustee. Neither the Lender (nor the Administrative Agent on behalf of the Lender) will be required to pay any additional amounts to the Trust on account of any such Participation Tax. For the avoidance of doubt, in accordance with "—Payments to the Participant," the Lender, or the Administrative Agent on behalf of the Lender, shall pass on to the Participant any Additional Amounts and Tax Reimbursement Payments received from the

Borrowers pursuant to the provisions described under "The Loan Agreement and the Loan—Covenants—Additional Amounts." The Lender will represent in the Participation Agreement that payments made thereunder to the Trust are payable without deduction or withholding for or on account of any taxes imposed by any Governmental Authority of the Cayman Islands.

Amendment

No amendment of any provision of the Participation Agreement, or consent to any departure by the Lender or the Participant, therefrom, shall in any event be effective unless it is in writing and signed by the Lender, the Administrative Agent and the Participant, acting in accordance with the terms of the Trust Deed (as defined under "The Trust") and the Indenture, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No such amendment, waiver or consent to any departure by any party to the Participation Agreement in connection with the Participation Agreement, to the extent such amendment, waiver or consent to any departure by any party to the Participation Agreement could reasonably be materially adverse to either Borrower's interest under the Loan Agreement and the other Transaction Documents, will be effective unless such Borrower has consented in writing, which consent will not be unreasonably withheld (*provided* that no such consent shall be required if an Event of Default exists and is then continuing).

Furthermore, the Participation Agreement will provide that notwithstanding any other provision of the Participation Agreement or the Indenture, the Lender may exercise its sole discretion with respect to the satisfaction or waiver of certain conditions precedent under the Loan Agreement.

Governing Law

The Participation Agreement will be governed by the laws of the State of New York.

THE TRUST

The following is a description of the material provisions of the Trust Deed made by the Cayman Trustee (the "Trust Deed") and the Expense Reimbursement and Indemnity Agreement among the Lender, the Indenture Trustee, the Cayman Trustee and the Borrowers (the "Expense Reimbursement and Indemnity Agreement"). The following information does not purport to be a complete description of the Trust Deed and the Expense Reimbursement and Indemnity Agreement and is subject to, and qualified in its entirety by reference to, such documents, a copy of which may be obtained by contacting the Indenture Trustee at the address set forth above under "Available Information." Capitalized terms used in this section but not defined are as defined under "The Loan Agreement and the Loan."

General

The Trust

The Trust was formed under the laws of the Cayman Islands by Intertrust SPV (Cayman) Limited (the "Cayman Trustee"), pursuant to the Trust Deed dated December 24, 2016. The legal name of the Trust is Energuate Trust.

The Cayman Trustee, acting solely in its capacity as trustee of the Trust, has not, and will not have, prior to the Disbursement Date conducted any operations with respect to the Trust other than activities incidental to the formation of the Trust. On the Issue Date, the Trust will issue the Notes to the initial purchasers for sale to investors on such date or thereafter.

In consideration for an equity contribution of US$250, Maples FS Limited (the "Settlor") is the Settlor and the sole beneficiary of the Trust and will be entitled to a profit fee of US$250. The Settlor is a licensed trust company incorporated in the Cayman Islands. Pursuant to the Trust Deed, the Settlor may not transfer its interest without the consent of the Cayman Trustee, except that the Settlor may make such a transfer pursuant to a consolidation or amalgamation with, or merger with or into, or transfer all or substantially all of its assets to, another Person or grant an interest pursuant to a charitable declaration of trust. The equity contribution of US$250 and the profit fee of US$250 will be deposited into an account held by the Cayman Trustee for the benefit of the Settlor and will be distributed in accordance with the Trust Deed.

The Trust will not be a separate legal or juridical entity. The holders of the Notes will only have a contractual relationship with the Cayman Trustee pursuant to the Indenture. The holders of the Notes are not beneficiaries of the Trust and the Cayman Trustee does not owe them any fiduciary duties (as it does to the Settlor). For ease of reference, when used herein, the term "Trust" shall not refer to a separate legal entity but shall, unless the context otherwise requires, refer to the Cayman Trustee acting as trustee of the Trust under the Trust Deed.

The Cayman Trustee

The Cayman Trustee was incorporated in the Cayman Islands on December 14, 1995 and provides corporate and trustee services to a wide variety of clients. The corporate services involve, among other things, providing administration, registered office and corporate director services for Cayman Islands companies. The trustee services involve establishing and acting as trustee of a variety of trusts including, but not limited to, trusts used as structured finance special purpose vehicles, orphan trusts for holding shares of special purpose vehicles, STAR trusts, charitable trusts and unit trusts. Intertrust SPV (Cayman) Limited is regulated in the Cayman Islands as an unrestricted trust company under the Cayman Islands Banks and Trust Companies Law (as amended). The principal office of Intertrust SPV (Cayman) Limited is at 190 Elgin Avenue, George Town, KY1-9005, Cayman Islands.

Purpose and Powers

The Trust will engage in only those activities required or expressly authorized by the Trust Deed, the Indenture, the Notes, the Participation Agreement and the other Transaction Documents. The sole purposes of the Trust shall be to (1) issue the Notes pursuant to the Indenture, (2) use the proceeds thereof to acquire the

Participation in the Loan Agreement, the Promissory Note and the Loan, (3) pledge the Trust Assets (as defined below) to secure the obligations of the Trust under the Notes and the Indenture, (4) execute the Indenture, the Notes, the Participation Agreement and the other Transaction Documents, as applicable, (5) receive funds and/or notices from the Lender or, following the assignment described under clause (7) below, the Administrative Agent under the Loan Agreement, (6) provide the Lender or, following the assignment described under clause (7) below, the Administrative Agent with instructions as requested or required or as necessary under, or in connection with, the Participation and/or the Participation Agreement, (7) accept an outright assignment of the Loan Agreement, the Promissory Note and the Loan on terms and conditions described below under "—Assignment of the Loan," and (8) all matters reasonably incidental or related to any or all of the foregoing.

Limited Recourse and Nature of Obligations of the Cayman Trustee

As noted above, the Trust is not a separate legal entity and cannot take actions in its own name. The Cayman Trustee is acting solely in its capacity as trustee of the Trust in relation to the issuance of the Notes and entry into the Indenture and the Participation Agreement. Pursuant to the Indenture, the Notes will be secured obligations of the Trust but are limited in recourse solely to the assets of the Trust. The assets of the Trust will consist principally of all cash and other proceeds received in connection with the Indenture, the Participation Agreement and the Participation, the Promissory Note, the Loan Agreement, the Expense Reimbursement and Indemnity Agreement and the other Transaction Documents, as applicable, and all rights of the Trust related to the foregoing (the "Trust Assets"). Accordingly, the holders of the Notes must rely solely on amounts payable under or in respect of the Trust Assets as the source for the payment of principal of and premium, if any, interest and other amounts due on, or with respect to, the Notes. The Notes do not represent interests in or obligations of the Lender or the Borrowers or any of their respective affiliates or any person or entity other than the contractual obligations of the Cayman Trustee referable to the Trust Assets and the Trust subject to the limited recourse provisions described herein.

To the extent that the Trust Assets are not sufficient to meet in full the claims of all holders of the Notes, the holders of the Notes may not take any action (including, without limitation, the filing of any petition for the bankruptcy, winding-up or insolvency of the Cayman Trustee) to enforce their rights other than to require the realization of such assets. Claims of the holders of the Notes in respect of any shortfall remaining after collection or other realization in respect of the Trust Assets will be extinguished.

Assignment of the Loan

Except as set forth under "The Loan Agreement and the Loan," the Lender may not assign its rights or obligations under the Loan Agreement, the Promissory Note or the Loan without the prior written consent of the Borrowers, which consent may not be unreasonably withheld or delayed. Any purported assignment without such prior written consent shall be null and void.

Except in connection with the termination of the Trust and a distribution of the Trust Assets to the holders of the Notes secured thereby as contemplated by the Indenture, the Trust will agree not to sell, assign, or otherwise transfer its rights in and obligations under the Participation Agreement and not to grant any participations or sub-participations in those rights and obligations without the prior written consent of the Lender, which consent shall not be unreasonably withheld or delayed.

Notwithstanding the foregoing, upon the occurrence of any Default or Event of Default with respect to the Loan and certain other events described under "The Loan Agreement and the Loan—Assignments," the Lender shall have the right to assign the Lender's interest in the Loan, the Promissory Note and the Loan Agreement outright to the Trust, and the Trust shall have the obligation to accept such assignment, in exchange for the cancellation of the Participation and termination of the Participation Agreement. Any such assignment shall be effected without any payment by or to the Lender or the Trust and upon consummation thereof, the Participation Agreement and the Participation shall be of no further force and effect. Upon any such assignment, payments of interest on the Loan may become subject to withholding tax, and the Lender shall have no further responsibility to the Trust or the holders of the Notes with respect to any matter relating to the Loan, and will relinquish its rights and be released from its obligations under the Participation Agreement and the Participation.

Modification of Trust Deed

The Trust Deed may not be amended or modified except with the written consent of the Indenture Trustee acting in accordance with the Indenture upon the written instruction of the Required Holders (as defined under "Description of the Notes—Certain Definitions") and as otherwise set forth under "Description of the Notes—Modification of the Loan Agreement and the Transaction Documents."

Covenants Relating to the Separateness of the Trust

Pursuant to the terms of the Trust Deed, in order to protect the separateness of the Trust, the Cayman Trustee will covenant (1) not to commingle or pool funds or other assets attributable to the Trust with those of any other person or with other assets of the Cayman Trustee; (2) to maintain records and books of account relating to the Trust separate from those of any other person or trust; (3) not to create, assume or incur any indebtedness or obligations of any kind or nature as trustee of the Trust, except pursuant to the Indenture, the Notes and the Participation Agreement; and (4) not, as trustee of the Trust, to lend money to any person, or to guarantee or become obligated to provide funds for the purpose of supporting the indebtedness or obligations of any person, except pursuant to the Indenture, the Notes and the Participation Agreement, or, to the extent practicable, permit any person to guarantee, become obligated for, or hold itself or property out to be responsible for, or available to satisfy, the debts or obligations of the Trust. The Cayman Trustee shall make no transfer of the Trust Assets except in accordance with the terms of the Participation Agreement, the Indenture or the other Transaction Documents and after adherence to requisite Cayman Islands trust formalities.

Standard of Care for the Cayman Trustee

The Cayman Trustee, in the administration of the Trust, may act directly or through agents or attorneys pursuant to agreements entered into with any of them, and the Cayman Trustee will not be liable for the default or misconduct of such agents or attorneys if such agents or attorneys were selected by the Cayman Trustee with reasonable care. The Cayman Trustee may consult with counsel, accountants and other skilled persons to be selected with reasonable care and employed by the Cayman Trustee. The Cayman Trustee will not be liable for anything done, suffered or omitted by it in good faith in accordance with the advice or opinion of any such counsel, accountants or other skilled persons.

The Cayman Trustee will manage the affairs of the Trust in accordance with the terms of the Trust Deed and the other Transaction Documents. The Cayman Trustee will not be required to take any actions under the Trust Deed if the Cayman Trustee reasonably determines or is advised by counsel that such action is contrary to the terms of the Trust Deed or is otherwise contrary to applicable law.

Pursuant to the Trust Deed, the Cayman Trustee (or any present or former officer, agent, stockholder, partner, member, director or employee of the Cayman Trustee) shall not have any liability, whether direct or indirect and whether in contract, tort or otherwise, (i) for any action taken or omitted to be taken by any of them unless it willfully failed to follow written directions delivered to it in accordance with the Trust Deed or any other Transaction Document, there has been a final judicial determination that such act or omission was performed or omitted in bad faith or constituted gross negligence, willful default or bad faith, or (ii) for any action taken or omitted to be taken by the Cayman Trustee at the express direction of any person entitled to give such direction in accordance with any Transaction Document.

Appointment, Removal and Resignation of the Cayman Trustee

Pursuant to the Trust Deed, the Required Holders have the power to remove the Cayman Trustee as the trustee of the Trust and appoint a replacement trustee; *provided*, *however*, that the Cayman Trustee may not be removed until a successor trustee with the requisite qualifications stipulated in the Trust Deed has been appointed and has accepted such appointment in a written instrument signed by such successor trustee.

The Cayman Trustee may resign at any time by giving not less than 180 days' prior written notice to the Settlor, the Indenture Trustee, the Borrowers and the holders of the Notes, in which event the Cayman Trustee shall by supplemental deed appoint a successor trustee as the Required Holders shall determine.

If no successor trustee shall have been appointed and accepted such appointment as provided in the Trust Deed within 30 days after delivery to the Settlor, the Indenture Trustee and the holders of the Notes of a notice of resignation, the Cayman Trustee, the Settlor and the Indenture Trustee, at the written direction of the Required Holders, may petition any court of competent jurisdiction to appoint a successor trustee to act until such time as a successor trustee has been appointed and accepted as above provided. Such court may, after prescribing such notice, if any, as it may deem proper and prescribe, appoint a successor trustee. Any resignation of the Cayman Trustee and appointment of a successor trustee will not become effective until written acceptance of the appointment and novation of the Transaction Documents to the successor trustee or until the Trust Assets have been completely liquidated and the proceeds thereof distributed to the holders of the Notes. The successor trustee shall promptly provide written notice of its appointment to any rating agencies which are then rating the Notes.

Liquidation/Termination

The Trust will terminate on the earlier of the date on which (1) the Cayman Trustee receives an acknowledgement of satisfaction and discharge from the Indenture Trustee (pursuant to the applicable provisions of the Indenture) in respect of the Cayman Trustee's obligations under the Indenture and the Notes; (2) the entry of a decree of judicial dissolution of the Trust or judicial action rendering the Trust Deed unenforceable; and (3) the term of the Trust (150 years) expires.

Upon termination of the Trust, all remaining Trust Assets (if any) will be liquidated and applied in accordance with the relevant provisions of the Indenture (as described under "Description of the Notes—Payments on the Notes"), and the Trust will pay or apply any remaining property specified in the Trust Deed to the Settlor.

Expense Reimbursement and Indemnity Agreement

The Borrowers will enter into an Expense Reimbursement and Indemnity Agreement with the Lender, the Settlor, the Administrative Agent, the Cayman Trustee, the Indenture Trustee and any agents appointed pursuant to the Indenture (the "Agents") for the benefit of the Cayman Trustee, the Trust, the Settlor, the Indenture Trustee, the Agents and the holders of the Notes, providing for reimbursement by the Borrowers of specified expenses and tax payments referred to therein, as summarized below.

Expenses

The Borrowers will agree to, jointly and severally, pay or reimburse each of the Lender, the Cayman Trustee, the Settlor, the Indenture Trustee, the Agents and the holders of the Notes, as appropriate, for all costs and expenses from time to time incurred by the Cayman Trustee, the Settlor, the Indenture Trustee, the Agents and/or the holders of the Notes, as applicable, based upon, arising out of, in connection with or relating to (1) the establishment and continued existence of the Trust and all matters contemplated by the Trust Deed and the performance by the Cayman Trustee of its duties thereunder and the taking of actions pursuant thereto, including any government and registrar fees, the fees, costs and expenses of the Cayman Trustee for acting as such under the Trust Deed, the Indenture, the Notes and the Participation Agreement or otherwise as contemplated in the Expense Reimbursement and Indemnity Agreement, (2) any expenses, indemnities or other costs provided, or required to be provided by the Cayman Trustee, on behalf of the Trust, to, the Lender under, or in respect of the Participation Agreement, including the indemnity given to the Lender under the Expense Reimbursement and Indemnity Agreement in connection with the Lender's acting upon any instructions of the Cayman Trustee, the Indenture Trustee and/or the holders of the Notes (pursuant to their right under the Indenture to give instructions to the Cayman Trustee as to matters relating to the Participation Agreement and the Expense Reimbursement and Indemnity Agreement), (3)(a) the issuance of the Notes and the Note Guarantees pursuant to the Indenture, including, without limitation, all compensation as the Borrowers, the Administrative Agent, the Indenture Trustee and the Agents, shall from time to time agree in writing for all services rendered by the Administrative Agent, the Indenture Trustee or such other Agents, as applicable under the Indenture and the related documents (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and all fees and expenses of the Indenture Trustee and the Agents (including, without limitation, the reasonable fees and expenses of their respective counsel) from time to time incurred in connection with the issuance of the Notes and the Note Guarantees, (b) the costs of arranging and maintaining the clearance of the Notes through DTC or otherwise, and the listing of the Notes on the Singapore Stock Exchange and (c) any costs incurred in administrating, maintaining, performing, exercising and enforcing all rights, powers, duties and obligations under the Indenture, the Notes, the Note Guarantees and each other

Transaction Document, including costs and expenses (including reasonable counsel fees and disbursements) necessary (i) to maintain the pledge by the Trust of the Trust Assets under the Indenture, in connection with instructions from the Required Holders with respect to the Expense Reimbursement and Indemnity Agreement, the Indenture, the Notes, the Loan Agreement, the Promissory Note, the Participation Agreement or otherwise, (ii) to implement any mandatory or optional redemption of the Notes as set forth under the Indenture, and (iii) take all action contemplated to be taken by the Indenture Trustee and/or the Agents under the Indenture, the Notes, the Note Guarantees, and/or the related documents or reasonably incidental thereto from time to time in connection with the performance or exercise of the Indenture Trustee's or such Agents' duties, obligations and/or the rights under the Indenture and/or the related documents, (4) enforcing the rights of the Cayman Trustee, the Indenture Trustee, the Agents and the holders of the Notes with respect to the foregoing (including reasonable counsel fees and disbursements), and (6) to the extent not provided above or otherwise provided for in the Expense Reimbursement and Indemnity Agreement, any and all reasonable and necessary expenses, indemnities or other costs (including all associated interest and penalties and reasonable counsel fees and disbursements) of the Cayman Trustee, the Administrative Agent, the Indenture Trustee, the Agents and the holders of the Notes in connection with the transactions contemplated in the Indenture, the Guarantees, the Loan Agreement, the Promissory Note or the Transaction Documents.

Tax Reimbursement Payments

The Borrowers, jointly and severally, will agree to pay the Lender such additional amounts ("Tax Reimbursement Payments") as may be necessary (after taking into account the effect of any Additional Amounts paid by either Borrower pursuant to the Loan Agreement) to ensure that the amounts received by the Cayman Trustee and the holders or beneficial owners of the Notes, after giving effect to any Taxes imposed or levied by or on behalf of any Relevant Taxing Jurisdiction (as defined under "The Loan Agreement and The Loan—Certain Definitions"), will equal the respective amounts that would have been receivable in respect of the Loan Agreement, the Indenture, the Notes and the Note Guarantees in the absence of such Taxes. Subject to the exclusion described below, the Taxes to which Tax Reimbursement Payments will apply include any and all:

(1) Taxes levied or imposed upon the Cayman Trustee and the Trust;

(2) Taxes in respect of which the Borrowers have an obligation to pay Additional Amounts, as described above;

(3) Taxes withheld or deducted from payments or distributions by the Trust to the holders of the Notes, or on amounts received by the Trust, indirectly or directly, from the Borrowers or the Lender;

(4) Taxes imposed upon holders of the Notes by means of withholding or deduction or otherwise imposed in respect of the issuance of the Notes; and

(5) any other Tax that has the effect of reducing the net after-tax amount paid to a holder of the Notes below the stated amount payable pursuant to the Notes,

including, in each case, Taxes imposed on amounts payable under the Expense Reimbursement and Indemnity Agreement.

However, no such Tax Reimbursement Payments will be payable in respect of:

(1) any Tax imposed by reason of the holder of the Notes (or beneficial owner of the Notes) (the "Holder") having a present or former direct or indirect connection with the Relevant Taxing Jurisdiction (as defined under "Description of the Notes—Certain Definitions") other than solely by reason of the Holder's holding or owning the Notes or participations in the transactions effected by the Transaction Documents and the receipt of payments thereunder or the enforcement of rights in respect thereof;

(2) any Tax that would not have been imposed but for the failure of the Holder to comply with any reasonable certification, identification, information, documentation or other reporting requirement that such Holder is

legally able to comply with to the extent (a) such compliance is required by applicable law or an applicable treaty as a precondition to exemption from, or reduction in the rate of such Taxes, and (b) at least 20 days before the first date of any payment on the Notes with respect to which the obligor with respect to a payment shall apply this clause (2), such recipient shall have been notified in writing that such recipient will be required to comply with such requirement;

(3) any Tax that would not have been imposed but for the failure of the Holder to present evidence of the Note for payment (where presentation is required) within 30 days after the date on which such payment became due; *provided*, *however*, that Borrowers will pay Tax Reimbursement Payments to which such person would have been entitled had such evidence been presented on any day (including the last day) within such 30- day period;

(4) any estate, inheritance, gift, personal property, sales, use, stamp, transfer or other similar Tax imposed;

(5) any Tax on Holders of the Notes other than by deduction or withholding;

(6) any Tax imposed in respect of any payment to a holder of a Note that is a fiduciary or partnership (including an entity treated as a partnership for tax purposes) or any person other than the sole beneficial owner of such payment or Note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or Note would not have been entitled to the Tax Reimbursement Payments had such beneficiary, settlor, member or beneficial owner been the actual holder of such Note; or

(7) any combination of items (1) through (6) above.

Without duplication of amounts payable pursuant to the Loan Agreement or elsewhere in the Expense Reimbursement and Indemnity Agreement, the Borrowers will (i) pay promptly any Other Taxes (as defined under "Description of the Notes—Certain Definitions") in respect of any Transaction Documents, and (ii) pay the Lender (acting in its own capacity) any and all Taxes imposed on the Lender that arise in connection with the transactions contemplated under the Trust Deed, the Indenture, the Participation Agreement or any other Transaction Document or in connection with the existence of the Cayman Trustee, other than Excluded Taxes.

Notwithstanding anything to the contrary in the preceding paragraphs, neither of the Borrowers shall be required to pay any Tax Reimbursement Payments with respect to any withholding or deduction imposed pursuant to FATCA, any current or future regulations or official interpretations thereof, any intergovernmental agreement between the United States and other jurisdiction facilitating the implementation of FATCA, the laws of any Relevant Taxing Jurisdiction implementing FATCA or any such intergovernmental agreement, any agreement between either Borrower and the United States or any authority thereof entered into for FATCA purposes, and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

Payments in respect of the foregoing shall be made by the Borrowers to the Lender at least 10 Business Days before the deduction, withholding or payment of the taxes, duties, assessments or other governmental charges for which such amounts are being paid is required or due. At such time, the Borrowers will deliver such information as the Lender shall reasonably request for tax purposes.

Governing Law

The Trust Deed is governed by the laws of the Cayman Islands. The Expense Reimbursement and Indemnity Agreement will be governed by the laws of the State of New York.

DESCRIPTION OF THE NOTES

The following is a description of the material provisions of the indenture governing the Notes and the Guarantees (the "Indenture"). The following information does not purport to be a complete description of the Indenture and is subject to, and qualified in its entirety by reference to, the Indenture, copies of which may be obtained by contacting the Indenture Trustee (as defined below) at the address set forth on the back cover page of this offering memorandum. Capitalized terms used in this section but not defined are as defined under "The Loan Agreement and the Loan."

General

The Notes will be issued by the Trust in the international capital markets as a financing mechanism. The net proceeds received from the sale of the Notes will be used to invest in and purchase the Participation in the Loan that will be disbursed by the Lender to Distribuidora de Electricidad de Occidente, S.A. ("*DEOCSA*") and Distribuidora de Electricidad de Oriente, S.A. ("*DEORSA*" and, together with DEOCSA, the "*Borrowers*" or the "*Parent Guarantors*") substantially concurrently with the sale of the Notes, and using the net proceeds therefrom. The Loan will be the joint and several obligation of the Borrowers. The aggregate principal amount of the Loan will be in an amount equal to the aggregate principal amount of the Notes. See "The Participation Agreement—Administration of the Participation—General" and "Description of the Loan Agreement and the Loan—General."

Payments received by the Trust pursuant to the Participation will be used to make payments of principal, premium, if any, interest, additional amounts in respect of taxes and other amounts payable by the Trust pursuant to the Indenture and the Notes. The principal obligation of the Trust will be to account to the holders of the Notes for all such payments when, as and if actually received by the Lender and, as a result of the Participation, by the Trust pursuant thereto. The Notes do not represent an obligation of the Lender, the Indenture Trustee, any agent appointed pursuant to the Indenture or the Cayman Trustee (other than in its capacity as trustee under the Trust and subject always to the limited recourse provisions described in the Declaration of Trust), or DEOCSA or DEORSA (except in their capacities as Note Guarantors under the Note Guarantees), and none of the foregoing shall be required under the Indenture, in the event funds received in respect of the Loan are insufficient to make payments described below that are due on the Notes, to make up any such shortfall from their own respective funds.

The Notes will be unconditionally and irrevocably guaranteed on a general senior, unsecured and unsubordinated basis by DEOCSA and DEORSA. See "—Note Guarantees."

The Trust and its operations are governed by Cayman Islands law. The Trust is not a separate legal entity, but is rather an equitable obligation binding the Cayman Trustee to deal with property that constitutes assets of the Trust in a particular way. All references herein to the Trust shall in fact refer to the Cayman Trustee acting as such under the Declaration of Trust. Conversely, except as where the context may require otherwise, references herein to the Cayman Trustee shall refer to the Trustee solely acting in its capacity as trustee of the Trust. See "The Trust." The Cayman Trustee acting in respect of the Trust will issue the Notes under the Indenture, among the Cayman Trustee, the Note Guarantors and The Bank of New York Mellon, as Indenture Trustee, Registrar, Paying Agent, Transfer Agent and Depositary Bank.

The Notes will have the following principal terms:

- The Notes will be issued in an aggregate principal amount of US$330 million (the initial outstanding aggregate principal amount is referred to herein as the "Note Principal Amount"). The Note Principal Amount will be payable in full in a single payment on the Maturity Date (as defined below) unless redeemed or repurchased prior to such date.

- The Notes will bear interest at a fixed rate of 5.875% per annum (the "Note Interest") from the date of issuance until all required amounts due in respect thereof have been paid, which rate is equal to the rate of interest payable by the Borrowers on the Loan. Interest on the Notes will be paid semi-annually in arrears on May 3 and November 3 of each year, commencing on November 3, 2017, to the holders of record of the Notes on the immediately preceding April 18 and October 19, whether or not a Business

Day (such date with respect to such interest payment date, the "Record Date"). Interest for the first interest period will accrue from May 3, 2017. Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

- All amounts payable on the Notes shall be paid in U.S. dollars in immediately available funds.

- As security for the Notes, the Cayman Trustee will, pursuant to the Indenture, pledge all of the Trust Assets to the Indenture Trustee, which Trust Assets will consist, as described under "The Trust," of (i) the Participation in the Loan (which initially will have an aggregate principal amount equal to the Note Principal Amount), the Promissory Note and the Loan Agreement, (ii) the rights of the Trust under the Expense Reimbursement and Indemnity Agreement, (iii) all cash paid in respect of any of the foregoing, and (iv) any accounts into which such cash or the proceeds of the foregoing shall be deposited pursuant to the Loan Agreement, the Participation Agreement, the Expense Reimbursement and Indemnity Agreement or otherwise and the rights related thereto with respect to the Loan. All outstanding Notes will share pari passu in the proceeds from the Trust Assets.

- The Notes will be limited recourse obligations of the Cayman Trustee referable to the Trust and will be payable solely out of the Trust Assets (including payments received from the Lender as a result of the Participation) and none of the Cayman Trustee, the Trust or the Indenture Trustee in its individual capacity or any agent appointed pursuant to the Indenture will have any liability, duty or responsibility in respect of all or any portion of the Loan Agreement and will not be bound thereby.

- The Notes are being offered and sold only to investors that are either (1) U.S. Persons (as defined in Regulation S under the Securities Act, as amended ("Regulation S") who are "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and also "qualified purchasers" (as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act")), or (2) non-U.S. Persons (within the meaning of Regulation S) outside of the United States in compliance with Regulation S.

As of December 31, 2016, the Parent Guarantors had US$317.07 million of total indebtedness, US$317.07 million of which was secured indebtedness. As of the same date, after giving effect to the issuance and sale of the Notes and incurrence of the Loan and the application of the net proceeds thereof as described under "Use of Proceeds," the Parent Guarantors would have had total indebtedness of approximately US$450 million, US$0.0 million of which would have been secured indebtedness.

Note Principal Amount

The Indenture Trustee will make payments of principal and premium, if any, in respect of the Note Principal Amount to holders of the Notes out of (1) payments in respect of principal arising as a result of repayment at maturity or earlier as a result of an acceleration or prepayment of the Loan received by the Lender from the Borrowers and paid to the Trust pursuant to the Participation, and (2) any payments of premium or other amounts payable in connection with any prepayment of the principal of the Loan as provided in the Loan Agreement. The Note Principal Amount will be due and payable in full, together with accrued and unpaid Note Interest and other amounts due under the Indenture, if any, on the same date as the maturity date for the Loan, such date being May 3, 2027 (the "*Maturity Date*").

Note Interest

The Indenture Trustee will make payments in respect of the Note Interest to holders of the Notes out of payments of interest on the Loan received by the Lender from the Borrowers and paid to the Trust pursuant to the Participation on any day on which payments are received by the Trust.

Source of Available Funds

As provided above, the Trust will pay all amounts due on or with respect to the Notes solely from the periodic payments it receives from (i) the Lender pursuant to the Participation Agreement representing funds received by the Lender, subject to certain limited exceptions, in respect of the Loan Agreement and the Loan and (ii) the Borrowers under the Expense Reimbursement and Indemnity Agreement in respect of expenses, taxes and certain other amounts.

Note Guarantees

General

Upon the receipt by the Borrowers of the full amount of the Loan, the Note Guarantors will absolutely, unconditionally and irrevocably guarantee, jointly and severally, to the Indenture Trustee, on behalf of itself and the holders of the Notes (collectively, the "*Note Guarantees*") (i) the punctual payment of the principal, interest, premium, if any, and all other amounts due, if any, in respect of the Notes and the Indenture; and (ii) the performance of all other obligations of the Trust under the Indenture and the Notes (collectively, such obligations being the "*Guaranteed Note Obligations*"). The Note Guarantors will guarantee the full punctual payment when due, whether at the expected Maturity Date, by acceleration, redemption or otherwise, of the principal of, premium, if any, and interest on the Notes constituting Guaranteed Note Obligations and agree to pay any and all expenses (including, without limitation, fees and expenses of counsel) incurred by the Indenture Trustee in enforcing any rights under the Note Guarantees or any other Transaction Document or otherwise owed to the Indenture Trustee under the Indenture.

The Note Guarantees will constitute senior, direct, unsecured, unconditional and unsubordinated obligations of the Note Guarantors, will rank *pari passu* in right of payment with all other present and future senior, unsecured and unsubordinated indebtedness of the Note Guarantors, except for liabilities preferred by Guatemalan law, and will be effectively subordinated to all of the Note Guarantors' secured indebtedness with respect to the value of the assets securing such indebtedness.

All amounts payable by the Note Guarantors under the Note Guarantees shall be payable in cash immediately upon receipt of notice by the Indenture Trustee of non-payment by the Trust (as a result of such non-performance by the Borrowers).

All amounts due under each Note Guarantee as specified in any such notice shall accrue interest at a per annum rate equal to 1.0% above the rate applicable to the Notes, from the date the demand is given until the date such amounts are paid in accordance with such Note Guarantee.

The Note Guarantors will waive the right to any defenses under the Note Guarantees to which they may be entitled under applicable Guatemalan Law, to the extent permitted under Guatemalan law.

Covenants of the Note Guarantors

For so long as any part of the Guaranteed Note Obligations shall remain unpaid, each Note Guarantor will covenant and agree that:

(1) the Note Guarantors will perform and observe all of the terms, covenants and agreements set forth in the Loan Agreement and the other Transaction Documents on its part to be performed or observed or that the Parent Guarantors have agreed to cause such Note Guarantor to perform or observe, and understands that failure to be in compliance with such covenants could result in a Loan Event of Default;

(2) The Note Guarantors shall appoint an agent in New York County of the State of New York, where notices to and demands upon any Note Guarantor in respect of the Indenture and the Note Guarantees may be served. Initially this agent will be National Corporate Research, Ltd., with offices currently

located at 10 East 40th Street, New York, New York 10016. The Note Guarantors shall provide notice of any change in the designation of such appointment within 10 Business Days to the Indenture Trustee;

(3) The Parent Guarantors will, at their joint and several cost and expense, and will, if applicable, cause their respective Restricted Subsidiaries to, at their own cost and expense, satisfy any condition or take any action (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) as may be necessary or as the Indenture Trustee may reasonably request, in accordance with applicable Law and/or applicable regulations, to be taken, fulfilled or done in order to enable the Indenture Trustee to exercise and enforce its rights under, and carry out the terms, provisions and purposes of, the Indenture (including the Note Guarantees therein);

(4) If any Parent Guarantor shall engage in a Specified Transaction under "The Loan Agreement and the Loan—Covenants—Merger, Consolidations and Certain Sales of Assets" with, or merge into, a Specified Transaction Successor, such Specified Transaction Successor shall irrevocably submit, for purposes of the Indenture (and the Note Guarantees therein), to the jurisdiction of the federal and New York State courts in the County of New York of the State of New York, appoint an agent for service of process in the County of New York of the State of New York and expressly assume (jointly and severally with such Parent Guarantor, unless such Parent Guarantor shall have ceased to exist as part of merger, consolidation or amalgamation relating to such Specified Transaction), by a supplemental indenture, executed and delivered to the Indenture Trustee in form satisfactory to the Indenture Trustee, all of the obligations of such Parent Guarantor under the Indenture (and the Note Guarantees therein); and deliver to the Indenture Trustee an Officer's Certificate and an opinion of counsel, each stating that the supplemental indenture complies with the applicable provisions of the Indenture and that all conditions in the Indenture relating to such Specified Transaction have been satisfied;

(5) If any Subsidiary Note Guarantor shall engage in a Specified Restricted Subsidiary Transaction under "The Loan Agreement and the Loan—Covenants—Merger, Consolidations and Certain Sales of Assets" with, or merge into, a Specified Restricted Subsidiary Transaction Successor, such Specified Restricted Subsidiary Transaction Successor shall irrevocably submit, for purposes of the Indenture (and the Note Guarantees therein), to the jurisdiction of the federal and New York State courts in the County of New York of the State of New York, appoint an agent for service of process in the County of New York of the State of New York and expressly assume (jointly and severally with such Subsidiary Note Guarantor, unless such Subsidiary Note Guarantor shall have ceased to exist as part of merger, consolidation or amalgamation relating to such Specified Restricted Subsidiary Transaction), by a supplemental indenture, executed and delivered to the Indenture Trustee in form satisfactory to the Indenture Trustee, all of the obligations of such Subsidiary Note Guarantor under the Indenture (and the Note Guarantees therein); and deliver to the Indenture Trustee an Officer's Certificate and an opinion of counsel, each stating that the supplemental indenture complies with the applicable provisions of the Indenture and that all conditions in the Indenture relating to such Specified Restricted Subsidiary Transaction have been satisfied; and

(6) Within 120 days from the Issue Date, the Indenture will be duly notarized, authenticated, consularized and legalized with the Ministry of Foreign Affairs of Guatemala and translated into Spanish by a certified translator in Guatemala.

Notwithstanding anything in the Indenture to the contrary, for as long as the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Parent Guarantors will furnish to any holder of Notes holding an interest in a Restricted Global Note, or to any prospective purchaser designated by such holder of Notes, upon request of such holder of Notes, financial and other information described in paragraph (d)(4) of Rule 144A with respect to the Parent Guarantors to the extent required in order to permit such holder of Notes to comply with Rule 144A with respect to any resale of its Notes, unless during that time, the Parent Guarantors are subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or are exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

Continuation of the Note Guarantees

The Note Guarantors' obligations under the Note Guarantees will remain in full force and effect until all the Guaranteed Note Obligations have been paid or satisfied in full. The Note Guarantees will continue to be effective or be reinstated, as the case may be, if at any time any payment of all or any portion of the Guaranteed Note Obligations is rescinded or must otherwise be returned by the Indenture Trustee or any noteholder upon the insolvency, bankruptcy or reorganization of the Lender, the Trust, any Note Guarantor, any Loan Guarantor or either Borrower, all as though such payment had not been made.

The Note Guarantees and all rights related thereto will be assigned to, and continue in full force and effect for the benefit of, any person to whom the Indenture and the Notes are assigned. The covenants of the Borrowers contained in the Loan Agreement will be deemed made in the Note Guarantees by the Note Guarantors for the benefit of the Indenture Trustee.

Additional Amounts and Tax Reimbursement Payments

The Note Guarantors will make all payments of amounts due under the Note Guarantees free of taxes under principles substantially identical in all material respects to those set forth under "The Trust—Expense Reimbursement and Indemnity Agreement—Tax Reimbursement Payments."

Governing Law

The Note Guarantees will be governed by the laws of the State of New York.

Jurisdiction

The Note Guarantors will consent to the jurisdiction of any court of the State of New York or any U.S. federal court sitting in the Borough of Manhattan in The City of New York, New York, United States and any appellate court from any thereof. The Note Guarantors will appoint National Corporate Research, Ltd., located at 10 E. 40th Street, 10th floor, New York, New York 10016 as its authorized agent upon which service of process may be served in any action or proceeding brought in any court of the State of New York or any U.S. federal court sitting in The City of New York in connection with the Note Guarantees.

Waiver of Immunities

To the extent that any Note Guarantor may, in any jurisdiction, claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with its Note Guarantee (or, as applicable, the Loan Agreement) and to the extent that in any jurisdiction there may be immunity attributed to any Note Guarantor or its assets, whether or not claimed, such Note Guarantor will irrevocably agree with the Indenture Trustee not to claim, and irrevocably waive, immunity to the fullest extent permitted by law.

Judgement Currency

The obligations of each of the Note Guarantors, under the Indenture and the Note Guarantees to the Indenture Trustee, the holders of the Notes or any other beneficial owner thereof (an "Entitled Person") to make payment in U.S. dollars shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any other currency or in another place except to the extent that on the Business Day following receipt of any sum adjudged to be so due in the Judgment Currency (as defined below) such Entitled Person may in accordance with normal banking procedures purchase, and transfer to New York, New York, U.S. dollars in the amount originally due to such Entitled Person with the Judgment Currency. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in U.S. dollars into another currency ("Judgment Currency"), the rate of exchange that shall be applied shall be that at which in accordance with normal banking procedures the Entitled Person could purchase such U.S. dollars at New York, New York, with the Judgment Currency on the Business Day immediately preceding the day on which such judgment is rendered. Each

of the Note Guarantors will agree, as a separate obligation and notwithstanding any such judgment, to indemnify such Entitled Person against, and to pay each Entitled Person on demand, in U.S. dollars, the amount, if any, by which the sum originally due to such Entitled Person in U.S. dollars hereunder exceeds the amount of the U.S. dollars purchased and transferred as aforesaid.

Future Subsidiary Note Guarantors

The Indenture will provide that if a Parent Guarantor or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary after the Issue Date that will be a Significant Subsidiary or any Restricted Subsidiary of a Parent Guarantor that is not a Subsidiary Note Guarantor becomes a Significant Subsidiary, then such Restricted Subsidiary will, within 60 days of the date on which it was acquired or created or became a Significant Subsidiary:

(1) execute and deliver to the Indenture Trustee, a supplemental indenture to the Indenture, substantially in the form attached to the Indenture, binding itself as a Note Guarantor and assuming all of the obligations thereunder;

(2) deliver to the Indenture Trustee an opinion of counsel (subject to customary qualifications and assumptions) that such supplemental indenture been duly authorized, executed and delivered by such Restricted Subsidiary and constitutes a legally valid and binding and enforceable obligation of such Restricted Subsidiary; and

(3) provide all information related to "know your client" or other checks in relation to such Significant Subsidiary requested by the Indenture Trustee with results reasonably satisfactory to the Indenture Trustee.

Notwithstanding anything to the contrary in the immediately preceding paragraph, each Restricted Subsidiary of a Parent Guarantor that guarantees any obligations of a Parent Guarantor or any other Note Guarantor shall become a Note Guarantor in accordance with the Indenture.

Security

Pursuant to the Indenture, the Notes will be secured by a first priority perfected security interest in the Trust Assets as described under "The Trust" and, by virtue thereof, the holders of the Notes will have recourse to be repaid amounts due on or in respect of the Notes solely to the Trust Assets and no Person or entity, other than the Trust (subject to the limited recourse provisions described herein), shall have any liability in respect thereof. Upon the occurrence of an Event of Default under the Loan Agreement and certain other circumstances described under "The Loan Agreement and the Loan—Assignments," the Lender will have the right to assign the Loan Agreement and the Loan to the Trust outright and, as a result of the Trust's pledge of the Trust Assets, the holders of the Notes will succeed to a first priority security interest in the same in consideration of a release of any security interest in the Participation.

Further Issuances

The Indenture by its terms does not limit the aggregate principal amount of Notes that may be issued thereunder and permits the issuance, from time to time, of additional Notes of the same series as the Notes offered hereby; *provided*, that among other requirements, (1) the Lender will make an additional disbursement under the Loan Agreement to the Borrowers with the net proceeds of the additional Notes to be issued and in connection therewith will increase the principal amount of the Loan by an amount equal to the aggregate principal amount of such additional Notes, (2) the Participation Agreement shall have been amended to reflect the additional disbursement under the Loan and the Trust's Participation therein, (3) no Default or Event of Default under the Loan Agreement shall have occurred and then be continuing or shall occur as a result of the additional borrowing under the Loan Agreement or the application by the Borrowers of the proceeds thereof, (4) such additional Notes shall rank *pari passu* with, and have equivalent terms, conditions and benefits as, the Notes offered hereby (except as provided below), (5) the Borrowers shall be permitted to Incur such additional borrowing under the Loan pursuant to the covenant described under "The Loan Agreement and the Loan—Covenants—Limitation on Debt" and (6) a new

Promissory Note shall have been issued to reflect the additional amounts borrowed under the Loan, unless it is endorsed pursuant to the Loan Agreement.

Such additional Notes issued under the Indenture shall have the same terms in all respects as the Notes (except that such additional Notes may have a different issue price or first interest payment date); *provided*, that if such additional Notes are not fungible with the Notes for U.S. federal income tax purposes, then such additional Notes will be issued under a separate CUSIP number. The Notes offered hereby and any additional Notes will be treated as a single series for all purposes under the Indenture and will vote together as one series on all matters with respect to the Notes. For purposes of this "Description of the Notes," whether or not expressly stated, reference to the Notes includes any additional Notes except as otherwise indicated.

Accounts

On or prior to the Issue Date, the Trust will establish a segregated non-interest bearing trust account with the Indenture Trustee in the name of the Trust (the "*Loan Collection Account*"). The Trust will deposit, or cause to be deposited (including pursuant to a request to the Lender), into the Loan Collection Account, so long as the Indenture Trustee has a security interest in the Trust Assets pursuant to the Indenture, all amounts received by the Trust from (i) the Lender or the Administrative Agent on behalf of the Lender under the Participation Agreement and the other Transaction Documents, including all payments of principal, premium, if any, interest and other payments received by the Trust in respect of the Participation representing funds received in respect of the principal, premium, if any, interest and other amounts payable by the Borrowers and the Loan Guarantors, if any, under the Loan Agreement (including the Loan Guarantees), and (ii) the Borrowers and the Loan Guarantors , if any, under the Expense Reimbursement and Indemnity Agreement in respect of expenses, taxes and certain other amounts.

The Trust will also establish or cause to be established and maintain a segregated non-interest bearing trust account with the Indenture Trustee into which it will deposit any amounts allocated for payment in respect of the Notes received by the Trust in respect of the Participation and on deposit in the Loan Collection Account (the "*Note Payment Account*").

Payments on the Notes

Pursuant to the Indenture, on each date a payment in respect of principal, premium, if any, interest or other amounts is due on, or with respect to, the Notes (a "*Note Payment Date*"), the Trust will direct the Indenture Trustee in writing to withdraw all amounts then credited to the Loan Collection Account and apply such amounts in the following order of priority:

(1) *first*, to the Lender, the Administrative Agent, the Indenture Trustee and any agents appointed pursuant to the Indenture in an amount equal to any due but unpaid amounts owing by the Borrowers under the Expense Reimbursement and Indemnity Agreement in respect of fees and expenses to the extent the Borrowers have not theretofore paid the same; and

(2) *second*, the remainder to the Note Payment Account for application in accordance with the terms of the Indenture.

Pursuant to the Indenture, except as described in the immediately succeeding paragraph, the Indenture Trustee, or such Paying Agent as the Trust shall appoint with respect to the Notes, will distribute the funds deposited into the Note Payment Account in the following order of priority, with the amount of each such distribution (and the components thereof) being determined as set forth in the Indenture and the Notes:

(1) *first*, to each holder of Notes, its proportionate share of the accumulated and unpaid Note Interest then due and payable in respect of the Notes held by such holder of Notes; and

(2) *second*, to each holder of Notes, its proportionate interest of the Note Principal Amount then due and payable in respect of the Notes held by such holder of Notes.

Notwithstanding the foregoing, on each Change of Control Payment Date and Asset Sale Offer Payment Date, the Indenture Trustee or the Paying Agent will distribute the funds deposited into the Note Payment Account only to holders who have validly tendered and not validly withdrawn all or any portion of their Notes pursuant to the Change of Control Prepayment Offer or Asset Sale Prepayment Offer related thereto.

The Indenture will provide that each holder of Notes will be deemed to assent and agree, by its acceptance of any Notes, that it will promptly remit to the Indenture Trustee any excess payment it has received on the Notes.

Payment Procedures

Payments in respect of the Note Principal Amount and Note Interest will be made at the Corporate Trust Office of the Indenture Trustee in New York by the Indenture Trustee or at the specified office of any Paying Agent appointed by the Trust for such purpose; *provided* that, so long as the Notes are held in the name of a nominee of DTC, the Indenture Trustee, or such Paying Agent, will make such payments to DTC or its nominee, as the case may be, in accordance with DTC's applicable procedures. The Note Principal Amount of any Note, whether due on the Maturity Date, the date of a redemption pursuant to a redemption described under "—Mandatory Redemption" or the date of a repurchase pursuant to a Change of Control Prepayment Offer or an Asset Sale Prepayment Offer, will be payable only upon surrender of such Note at the Corporate Trust Office of the Indenture Trustee or at the specified office of any Paying Agent appointed by the Trust. All payments of interest will be made to the holders of the Notes of record as of the Record Date applicable to such payment of Note Interest.

Payments with respect to any Note will be made in U.S. dollars by wire transfer in immediately available funds to the account of such holder of Notes at a bank or other entity having appropriate facilities therefor in the United States if such holder of Notes has notified the Indenture Trustee or the Paying Agent, as applicable, in writing of wire instructions by the Record Date immediately prior to the applicable Note Payment Date. If a holder of the Notes does not provide the Indenture Trustee or the Paying Agent, as applicable, with such wire transfer instructions, the Indenture Trustee or the Paying Agent, as applicable, will make payments by U.S. dollar check to the mailing address of such holder of the Notes appearing in the Note register maintained by the Registrar. Until revoked in writing, such instructions will remain in effect with respect to any future payments payable to such holder of the Notes with respect to such Notes.

If the due date for payment of the Note Principal Amount or Note Interest is not a Business Day, the holder of the underlying Notes will not be entitled to payment of the amount due until the next succeeding Business Day and will not be entitled to any further interest or other payment in respect of any such delay.

The Indenture will provide that any funds deposited with the Indenture Trustee or any Paying Agent in trust for the payment of the Note Principal Amount and Note Interest on any Note and remaining unclaimed for two years after such Note Principal Amount and Note Interest have become due and payable will be paid to the Trust upon written request of the Cayman Trustee, and the holder of such Notes will thereafter look only to the Trust for payment thereof, and all liability of the Indenture Trustee or such Paying Agent with respect to such funds will thereupon cease.

The Indenture shall provide that neither Borrower nor any Affiliate thereof may act as a paying agent thereunder.

Mandatory Redemption

The Trust is not required to make mandatory redemption or sinking fund payments with respect to the Notes, except as set forth below. In addition, under certain circumstances, the Trust may be required to offer to purchase Notes as described under "—Repurchase at the Option of Holders."

Redemption with a Make-Whole Premium

Prior to May 3, 2022, the Trust shall redeem all of the Notes at any time or part of the Notes from time to time, upon not less than 30 nor more than 60 days' notice to holders of the Notes (with a copy to the Indenture

Trustee) (*provided* that such notice shall (i) only be given by the Trust if it receives from the Lender or the Administrative Agent a copy of a notice (an "*Optional Prepayment with a Make-Whole Premium Notice*") of the Borrowers exercising their right to prepay all or a part of the amounts due under the Loan pursuant to the provisions described under "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment with a Make-Whole Premium" and (ii) provide that (A) the aggregate principal amount of Notes to be redeemed shall be equal to the aggregate principal amount of the Loan to be prepaid and (B) the date of redemption shall be the same as the date of the prepayment, in each case, as set forth in such Optional Prepayment with a Make-Whole Premium Notice), at a redemption price equal to 100.000% of the principal amount of the Notes being redeemed plus the excess, if any, of: (1) the present value (as determined by an Independent Investment Banker) at the date of such redemption of (a) the redemption price of such Notes at May 3, 2022 (such redemption price being set forth in the table under "—Redemption on or after May 3, 2022") plus (b) all required payments of interest thereon through May 3, 2022 (excluding accrued but unpaid interest to such redemption date), computed using a discount rate equal to the Comparable Treasury Price as of such redemption date plus 50 basis points, over (2) the principal amount of such Notes, plus, in each case, any accrued and unpaid interest (including Note Additional Amounts, if any) thereon to such redemption date.

"*Comparable Treasury Issue*" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the period from the applicable redemption date to May 3, 2022; *provided* that if the period from such redemption date to May 3, 2022 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"*Comparable Treasury Price*" means, with respect to any redemption date (1) the average as determined by an Independent Investment Banker, of the Reference Treasury Dealer Quotations for such redemption date after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if fewer than five such Reference Treasury Dealer Quotations are obtained, the average, as determined by such Independent Investment Banker, of all such quotations.

"*Independent Investment Banker*" means one of the Reference Treasury Dealers appointed by the Borrowers pursuant to the Loan Agreement.

"*Reference Treasury Dealer*" means Credit Suisse Securities (USA) LLC and Scotia Capital (USA) Inc., or their affiliates which are primary United States government securities dealers, and not less than three other primary United States government securities dealers in New York City reasonably designated by the Borrowers pursuant to the Loan Agreement; *provided* that, if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "*Primary Treasury Dealer*"), another Primary Treasury Dealer will be substituted therefore by the Borrowers pursuant to the Loan Agreement.

"*Reference Treasury Dealer Quotation*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed, in each case, as a percentage of its principal amount) quoted in writing to such Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third Business Day preceding such redemption date.

Redemption on or after May 3, 2022

On or after May 3, 2022, the Trust shall redeem all of the Notes at any time or part of the Notes from time to time, upon not less than 30 nor more than 60 days' notice to the holders of the Notes (with a copy to the Indenture Trustee) (*provided* that such notice shall (i) only be given by the Trust if it receives from the Lender or the Administrative Agent a copy of a notice (an "*Optional Prepayment on or after May 3, 2022 Notice*") of the Borrowers exercising their right to prepay all or a part of the Loan pursuant to the provisions described under "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment on or after May 3, 2022" and (ii) provide that (A) the aggregate principal amount of Notes to be redeemed shall be equal to the aggregate principal amount of the Loan to be prepaid and (B) the date of redemption shall be the same as the date of the prepayment, in each case, as set forth in such Optional Prepayment on or after May 3, 2022 Notice), at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest (including Note

Additional Amounts, if any) on the Notes redeemed to the applicable redemption date, if redeemed during the 12-month period beginning on May 3 of the years indicated below:

Year	Percentage
2022	102.938%
2023	101.958%
2024	100.979%
2025 and thereafter	100.000%

Redemption upon a Withholding Tax Event

If the Borrowers exercise their right to prepay, in whole but not in part, all amounts due under the Loan pursuant to the provisions described under "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment upon a Withholding Tax Event," the Trust shall redeem all of the Notes, upon not less than 30 nor more than 60 days' notice to holders of the Notes (with a copy to the Indenture Trustee) (*provided* that (i) such notice shall only be given by the Trust if it receives from the Lender, the Administrative Agent or the Borrowers a copy of a notice (an "*Optional Prepayment upon a Withholding Tax Event Notice*") of the Borrowers' exercising their right to prepay, in whole but not in part, all of the Loan pursuant to the provisions described under "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment upon a Withholding Tax Event," (ii) such notice shall provide that the date of redemption shall be the same as the date of the prepayment set forth in such Optional Prepayment upon a Withholding Tax Event Notice and (iii) the Trust and the Indenture Trustee shall have received a copy of the Officer's Certificate and opinion delivered to the Administrative Agent by the Borrowers as described under "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment upon a Withholding Tax Event"), at a redemption price equal to 100.000% of the principal amount of the Notes redeemed, plus accrued and unpaid interest (including Note Additional Amounts, if any) to the date of redemption.

Redemption upon Equity Event

At any time prior to May 3, 2019, the Trust shall, on any one or more occasions redeem up to 35% of the aggregate principal amount of the Outstanding Notes originally issued under the Indenture upon not less than 30 nor more than 60 days' notice to the holders of the Notes (with a copy to the Indenture Trustee) (*provided* that such notice shall (i) only be given by the Trust if it receives from the Lender or the Administrative Agent a copy of a notice (an "*Optional Prepayment upon Equity Event Notice*") of either one or both of the Borrowers exercising their right to prepay up to 35% of the original principal amount of the Loan pursuant to the provisions described under "The Loan Agreement and the Loan—Optional Prepayments—Optional Prepayment upon Equity Event" and (ii) provide that (A) the aggregate principal amount of Notes to be redeemed shall be equal to the aggregate principal amount of the Loan to be prepaid and (B) the date of redemption shall be the same as the date of the prepayment, in each case, as set forth in such Optional Prepayment upon Equity Event Notice), at a redemption price of 105.875% of the principal amount thereof, plus accrued and unpaid interest (including Note Additional Amounts, if any) to the redemption date, with the net cash proceeds from a sale of common shares of either or both Borrowers or a contribution to either or both Borrowers' equity capital not representing an interest in Redeemable Stock made with the net cash proceeds from a concurrent offering of common stock of such Borrower's direct or indirect parent; *provided* that:

(1) at least 65% of the aggregate principal amount of Notes originally issued under the Indenture (excluding Notes held by either Borrower or any of its Subsidiaries) remains Outstanding immediately after such redemption and the related consummation of the optional prepayment described under "The Loan Agreement and the Loan—Optional Redemption—Optional Redemption upon Equity Event"; and

(2) the redemption occurs within 90 days of the date of the closing of such sale by such Borrower or offering by such parent.

Payments, Selection and Notice

Upon payment by the Borrowers to the Lender or the Administrative Agent for the account of the Lender of the applicable prepayment amounts with respect to a prepayment that corresponds to one of the foregoing redemptions, as provided for under "The Loan Agreement and the Loan—Optional Prepayments" (the "*Optional Prepayment Amounts*"), the Lender or the Administrative Agent at the direction of the Lender shall promptly pay over the Optional Prepayment Amounts so received from the Borrowers for deposit to the Loan Collection Account for the benefit of the Trust and, as described herein, the Indenture Trustee will transfer the Optional Prepayment Amounts, together with Tax Reimbursement Payments, if any, paid to the Trust as provided for under "The Trust—Expense Reimbursement and Indemnity Agreement—Tax Reimbursement Payments," into the Note Payment Account for distribution therefrom to the holders of the Notes being redeemed pursuant to such redemption.

If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected as follows: (1) if the Notes are listed on an exchange, in compliance with the requirements of such exchange, or (2) on a *pro rata* basis to the extent practicable, or, if the *pro rata* basis is not practicable for any reason, by lot or by such other method as the Indenture Trustee in its sole discretion will deem to be fair and appropriate, and in each case, as long as the Notes are in global form, the selection of the Notes to be redeemed shall be subject to customary DTC procedures (in integral multiples of US$1,000; *provided* that the remaining principal amount of such holder's Note, if any, will not be less than US$200,000). Upon surrender of any Note to be redeemed in part, the holder will receive a new Note equal in principal amount to the unredeemed portion of the surrendered Note. The notice of redemption of the Notes to be redeemed pursuant to this paragraph and the preceding paragraph shall be given by the Indenture Trustee in the name and at the expense of the Trust, upon the Trust's written request at least five days prior to the date notice of redemption is to be delivered to the holders of the Notes to be redeemed, which shall include all of the information required to be set forth in the notice of redemption. Once notice of redemption is sent to the holders, and unless such notice is revocable in accordance with its terms and is revoked prior to the redemption date or such shorter period as specified therein for such revocation, Notes called for redemption become due and payable at the redemption price on the redemption date, and, commencing on the redemption date, Notes redeemed will cease to accrue interest (unless the Trust defaults in the payment of the redemption price). Notwithstanding the immediately preceding sentence, no notice of redemption that is provided pursuant to the Indenture as described under "—Mandatory Redemption—Redemption upon a Withholding Tax Event" may be revocable.

Notwithstanding anything herein to the contrary, the funds available to be used to so redeem the Notes shall be limited to funds in respect of the Optional Prepayment Amounts actually received in the Loan Collection Account by the Trust from the Lender or the Administrative Agent acting at the direction of the Lender following receipt of the same from the Borrowers with respect to the prepayment relating to such redemption.

Upon redemption of the Notes by the Trust, the redeemed Notes will be cancelled and cannot be reissued.

All notices of redemption shall also state:

- the redemption date (which shall be the same as the relevant corresponding prepayment date pursuant to the Loan Agreement);
- the provisions pursuant to which such redemption is being made;
- the redemption price and the amount of accrued interest payable, if any;
- whether or not the Trust is redeeming the Outstanding Notes in whole or part;
- any conditions to the redemption; and
- if the Trust is not redeeming all of the outstanding Notes, the aggregate principal amount of the Notes that the Trust is redeeming and the aggregate principal amount of the Notes that shall remain outstanding following such partial redemption.

Acceleration Redemption

The Notes will be subject to mandatory redemption upon the occurrence of any acceleration of amounts due under the Loan Agreement as a result of the occurrence and continuation of an Event of Default thereunder.

Repurchase at the Option of Holders

Change of Control Triggering Event

If a Change of Control Triggering Event occurs, each holder of Notes will have the right to require the Trust to repurchase all or any part (in integral multiples of US$1,000; *provided* that the remaining principal balance of such holder's Note, if any, will not be less than US$200,000) of that holder's Notes pursuant to an offer on the terms set forth in the Indenture (a "*Change of Control Prepayment Offer*"). In the Change of Control Prepayment Offer, the Trust will offer a payment in cash (the "*Change of Control Payment*") equal to 101.000% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest (including Note Additional Amounts, if any) on the Notes repurchased to the date of purchase. Within 35 days following any Change of Control Triggering Event (as specified in a Change of Control Prepayment Notice from the Borrowers to the Administrative Agent (with a copy to the Lender), which the Administrative Agent shall provide to the Trust no later than two Business Days following the receipt thereof), the Trust will give a notice (a "*Change of Control Prepayment Offer Notice*") to each holder (with a copy to the Indenture Trustee) in accordance with the applicable procedures of DTC, attaching thereto the Change of Control Prepayment Notice and offering to repurchase on the date specified in the Change of Control Prepayment Notice (the "*Change of Control Payment Date*") all Notes or portions of Notes properly tendered and not withdrawn, in each case, no later than the fourth Business Day preceding the Change of Control Payment Date, which Change of Control Payment Date will be no earlier than 30 days and no later than 60 days from the date such Change of Control Prepayment Offer Notice is given, pursuant to the procedures required by the Indenture and described in such notice.

The Trust will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Trust will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The Trust will provide prompt notice (and in any event no later than three Business Days prior to the Change of Control Payment Date) to the Lender and the Administrative Agent (with a copy to the Borrowers) of the aggregate principal amount of Notes validly tendered and not validly withdrawn by the fourth Business Day prior to the Change of Control Payment Date, and upon notice from the Lender or the Administrative Agent acting at the direction of the Lender setting forth the aggregate principal amount of the Loan corresponding to the principal amount of the Notes validly tendered and not validly withdrawn, the Borrowers will be required to prepay the Loan on the Change of Control Payment Date in such aggregate principal amount at 101.000% of the aggregate principal amount thereof plus accrued and unpaid interest to such date and Additional Amounts, if any, and Tax Reimbursement Payments, if any, thereon, pursuant to the Loan Agreement.

No later than three Business Days prior to the Change of Control Payment Date, the Trust will deliver to the Indenture Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof to be purchased by the Trust. The Loan Agreement will provide that no later than three Business Days prior to the Change of Control Payment Date, the Lender or the Administrative Agent acting at the direction of the Lender will deliver to the Borrowers a notice stating the aggregate principal amount of the Loan that is subject to a mandatory prepayment on a date that is the same day as the Change of Control Payment Date.

On the Change of Control Payment Date, the Trust will, to the extent lawful, accept for payment all Notes or portions of Notes properly tendered and not withdrawn, in each case, no later than the third Business Day preceding the Change of Control Payment Date pursuant to the Change of Control Prepayment Offer.

The Paying Agent will promptly deliver to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Indenture Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount of at least US$200,000 or an integral multiple of US$1,000 in excess thereof. The Trust will publicly announce the results of the Change of Control Prepayment Offer on or as soon as practicable after the Change of Control Payment Date.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the holders of the Notes to require that Trust to repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction involving either Borrower.

The Trust will not be required to make a Change of Control Prepayment Offer upon a Change of Control Triggering Event (and the Borrowers will not be required to make a Change of Control Prepayment Offer under the Loan Agreement) if (1) one or both of the Borrowers or a third party makes the Change of Control Prepayment Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Prepayment Offer made by the Trust and purchases all Notes properly tendered and not withdrawn under the Change of Control Prepayment Offer and submits all such repurchased Notes to the Indenture Trustee for cancellation and thereafter, such repurchased Notes cannot be reissued, or (2) notice of redemption has been given for all of the Outstanding Notes as described under "—Mandatory Redemption," unless and until there is a default in payment of the applicable redemption price.

Notwithstanding anything to the contrary herein, a Change of Control Prepayment Offer may be made in advance of a Change of Control Triggering Event, conditional upon such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Prepayment Offer.

Other existing and future Debt of either or both of the Borrowers may contain prohibitions on the occurrence of events that would constitute a Change of Control or require that Debt be purchased upon a Change of Control. Moreover, the exercise by the Lender under the Loan Agreement of the right to require the Borrowers to repurchase the Loan upon a Change of Control Triggering Event may cause a default under such Debt even if the Change of Control itself does not.

If a Change of Control Prepayment Offer occurs, the Borrowers may not have available funds sufficient to make the Change of Control Payment (as defined under "The Loan Agreement and the Loan—Mandatory Prepayments—Change of Control Prepayment") for the full principal amount of the Loan that might be requested to be repaid by the Lender or the Administrative Agent acting at the direction of the Lender pursuant to the Change of Control Prepayment Offer. In the event the Borrowers are required to repay the Loan pursuant to a Change of Control Prepayment Offer, the Borrowers expect that they would seek third-party financing to the extent they do not have available funds to meet their purchase obligations and any other obligations they may have. However, we cannot assure you that the Borrowers would be able to obtain necessary financing, and the terms of the Indenture may restrict the ability of the Borrowers to obtain such financing.

The holders of the Notes will not be entitled to require the Trust to make an offer to repurchase the Notes in whole or part upon a Rating Decline in the event of a takeover, recapitalization, leveraged buyout or similar transaction which is not a Change of Control.

In the event that holders of not less than 90% in aggregate principal amount of the then Outstanding Notes accept a Change of Control Prepayment Offer and the Trust (or any third party making such Change of Control Prepayment Offer in lieu of the Borrowers as described above) purchases all of the Notes held by such holders, the Trust will have the right, upon not less than 30 nor more than 60 days' prior notice to the holders of the Notes (with a copy to the Indenture Trustee) (*provided* that such notice shall (i) only be given by the Trust if it receives from the Lender, the Administrative Agent acting at the direction of the Lender or the Borrowers a copy of a notice (an "*Optional Prepayment Following a Change of Control Prepayment Offer Notice*") of the Borrowers exercising their right to prepay all of the principal of the Loan that remains outstanding pursuant to the provisions described under the second paragraph of "The Loan Agreement and the Loan—Mandatory Prepayments—Change of Control Prepayment" and (ii) provide that (A) the aggregate principal amount of Notes to be redeemed shall be equal to the

principal amount of the Loan that remains outstanding which principal amount is to be prepaid and (B) the date of redemption shall be the same as the date of the prepayment, in each case, as set forth in such Optional Prepayment Following a Change of Control Prepayment Offer Notice), given not more than 30 days following the purchase pursuant to the Change of Control Prepayment Offer described above, to redeem all of the Notes that remain outstanding following such purchase at a redemption price equal to the Change of Control Payment plus accrued and unpaid interest (including Note Additional Amounts, if any) to the date of redemption.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of either Borrower and its Restricted Subsidiaries taken as a whole, or the Borrowers and their Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Trust to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of either Borrower and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

Asset Sale Offer Trigger Event

If an Asset Sale Offer Trigger Event occurs, as specified in an Asset Sale Prepayment Notice from the Borrowers to the Administrative Agent, which the Administrative Agent shall provide to the Trust (with a copy to the Lender) no later than two Business Days following the receipt thereof), the Trust shall give a notice (an "*Asset Sale Offer Notice*") to each holder (with a copy to the Indenture Trustee) in accordance with the applicable procedures of DTC, attaching thereto the Asset Sale Prepayment Notice and offering (an "*Asset Sale Prepayment Offer*") to repurchase on the date specified in the Asset Sale Prepayment Notice (the "*Asset Sale Offer Payment Date*") the maximum aggregate principal amount of Notes properly tendered and not withdrawn, in each case, no later than the fourth Business Day preceding the Asset Sale Offer Payment Date, which Asset Sale Offer Payment Date will be no earlier than 30 days and no later than 60 days from the date such Asset Sale Offer Notice is given, pursuant to the procedures required by the Loan Agreement for cash that may be purchased out of the Excess Proceeds (the "*Asset Sale Offer Payment*") at an offer price equal to 100.000% of the principal amount thereof plus accrued and unpaid interest (including Note Additional Amounts, if any) thereon to the Asset Sale Offer Payment Date. At the Borrowers' option, such offer may be made on a *pro rata* basis to holders of the Borrowers' and Loan Guarantors' other unsubordinated Debt that is not held by a Borrower or any of its Restricted Subsidiaries with similar provisions requiring the Borrowers or the Loan Guarantors to purchase such other unsubordinated Debt with the proceeds of Asset Dispositions at an offer price equal to 100.000% of the principal amount or accreted value thereof, as applicable, plus accrued and unpaid interest thereon, and in such case, the Asset Sale Prepayment Notice shall specify the amount of such other Debt and the ratable amounts of the Excess Proceeds that will be available to repurchase Notes versus prepay such other Debt. If the aggregate principal amount of Notes so tendered into and not withdrawn from such Asset Sale Prepayment Offer exceeds the amount of Excess Proceeds, the Indenture Trustee will select the Notes to be purchased on a *pro rata* basis (in integral multiples of US$1,000; *provided* that the remaining principal balance of each holder's Note, if any, will not be less than US$200,000). Upon completion of each Asset Sale Prepayment Offer, the amount of Excess Proceeds will be reset at zero.

The Trust will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes pursuant to such Asset Sale Prepayment Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions described under this section and "—Payment and Selection," the Trust will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

The Trust will provide prompt notice (and in any event no later than three Business Days prior to the Asset Sale Offer Payment Date) to the Lender and the Administrative Agent (with a copy to the Borrowers) of the maximum aggregate principal amount of Notes validly tendered and not validly withdrawn by the fourth Business Day prior to the Asset Sale Offer Payment Date that may be repurchased with Excess Proceeds on the Asset Sale Offer Payment Date, and upon notice from the Lender or the Administrative Agent acting at the direction of the Lender setting forth the aggregate principal amount of the Loan corresponding to such maximum aggregate principal amount of the Notes validly tendered and not validly withdrawn that may be so repurchased with the Excess

Proceeds, the Borrowers will be required to prepay the Loan on the Asset Sale Offer Payment Date in such maximum aggregate principal amount at 100.000% of the aggregate principal amount thereof plus accrued and unpaid interest to such date and Additional Amounts, if any, and Tax Reimbursement Payments, if any, thereon, pursuant to the Loan Agreement.

No later than three Business Days prior to the Asset Sale Offer Payment Date, the Trust will deliver to the Indenture Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof to be purchased by the Trust. The Loan Agreement will provide that no later than three Business Days prior to the Asset Sale Offer Payment Date, the Lender or the Administrative Agent acting at the direction of the Lender will deliver to the Borrowers a notice stating the aggregate principal amount of the Loan that is subject to a mandatory prepayment on a date that is the same day as the Asset Sale Offer Payment Date.

On the Asset Sale Offer Payment Date, the Trust will, to the extent lawful, accept, subject to pro ration or other selection as set forth below, for payment all Notes or portions of Notes properly tendered and not withdrawn, in each case, no later than the third Business Day preceding the Asset Sale Offer Payment Date in an aggregate principal amount not exceeding the amount of Excess Proceeds pursuant to the Asset Sale Offer.

The Paying Agent will promptly deliver to each holder of Notes properly tendered and accepted for repurchase the Asset Sale Offer Payment for such Notes, and the Indenture Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount of at least US$200,000 or an integral multiple of US$1,000 in excess thereof. The Trust will publicly announce the results of the Asset Sale Prepayment Offer on or as soon as practicable after the Asset Sale Offer Payment Date.

Payments and Selection

Upon payment by the Borrowers to the Lender of the applicable prepayment amount with respect to a prepayment that corresponds to a repurchase pursuant to a Change of Control Prepayment Offer or an Asset Sale Prepayment Offer (either, a "*Repurchase Offer*"), as provided for under "The Loan Agreement and the Loan—Mandatory Prepayments" (the "*Mandatory Prepayment Amount*"), the Lender or the Administrative Agent acting at the direction of the Lender shall promptly pay over the Mandatory Prepayment Amount received from the Borrowers for deposit to the Loan Collection Account for the benefit of the Trust and, as described herein, the Indenture Trustee will transfer the Mandatory Prepayment Amount into the Note Payment Account for distribution therefrom to the holders of the Notes being repurchased pursuant to a Repurchase Offer.

If fewer than all of the Notes tendered pursuant to an Asset Sale Prepayment Offer are being repurchased, the Notes to be repurchased shall be selected as follows: (1) if the Notes are listed on an exchange, in compliance with the requirements of such exchange, or (2) on a *pro rata* basis to the extent practicable, or, if the *pro rata* basis is not practicable for any reason, by lot or by such other method as the Indenture Trustee in its sole discretion will deem to be fair and appropriate, and in each case, as long as the Notes are in global form, the selection of the Notes to be repurchased pursuant to such Asset Sale Prepayment Offer shall be subject to customary DTC procedures (in integral multiples of US$1,000; *provided* that the remaining principal amount of such holder's Note, if any, will not be less than US$200,000). Upon surrender of any Note to be repurchased in part pursuant to a Repurchase Offer, the holder will receive a new Note equal in principal amount to the portion of the surrendered Note that was not repurchased pursuant to such Repurchase Offer.

Notwithstanding anything herein to the contrary, the funds available to be used to so redeem the Notes shall be limited to funds in respect of the Mandatory Prepayment Amount actually received in the Loan Collection Account from the Lender or the Administrative Agent acting at the direction of the Lender following receipt of the same from the Borrowers with respect to the prepayment relating to such redemption.

Upon repurchase of the Notes by the Trust pursuant to a Repurchase Offer, the repurchased Notes will be cancelled and cannot be reissued.

Acceptance of the Loan by the Cayman Trustee

The Lender has reserved the right to assign all of its rights under the Loan Agreement, the Promissory Note, the Loan and the Expense Reimbursement and Indemnity Agreement outright without the consent of the Borrowers to the Trust upon the occurrence of a Default or an Event of Default on the Loan and in certain other instances as set forth in "The Loan Agreement and the Loan—Assignments," in which event, after giving the Borrowers notice of the same, the Lender will have no further obligations with respect to any of the foregoing. See "The Loan Agreement and the Loan—Assignments." In such event, the Trust will succeed to all rights of the Lender under the Loan Agreement, the Promissory Note, the Loan and the Expense Reimbursement and Indemnity Agreement. In the event that the Trust succeeds to all rights of the Lender under the foregoing, the Indenture Trustee, acting pursuant to the written instructions of the Required Holders, shall have the right to direct the Trust with respect to all matters relating to the Loan Agreement, the Promissory Note, the Loan and the Expense Reimbursement and Indemnity Agreement as contemplated under "—Voting Rights."

To facilitate the assignment and distribution of the Loan Agreement, the Promissory Note, the Loan and the Expense Reimbursement and Indemnity Agreement to the Trust and by the Trust to the Indenture Trustee on behalf of the holders of the Notes, each holder of the Notes will be deemed, by its purchase of any Notes, to consent to any subsequent assignment to the Trust of all or any portion of the Loan Agreement, the Promissory Note, the Loan and the Expense Reimbursement and Indemnity Agreement to, or for the benefit of, such holder of the Notes. See "Notice to Investors" for the representations that each holder of the Notes will make as an assignee pursuant to such form of assignment and acceptance.

Voting Rights

General

The holders of the Notes will have the right (unless otherwise specifically provided in the Indenture) to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or vote or direct the exercise of any trust or power conferred upon the Indenture Trustee under the Indenture. Unless otherwise specified in the Indenture, all action to be taken by the holders of the Notes shall require the consent of the Required Holders. For purposes of determining whether the holders of the Notes have taken any action authorized by the Indenture with respect to giving instructions, consents or approvals, or with respect to any other matter, any Notes with respect to which a responsible officer of the Indenture Trustee has received written notice that such Notes are owned directly or indirectly either Borrower or any of its respective Affiliates, will be disregarded and not deemed to be outstanding.

Voting Rights With Respect to the Participation

The Trust will send written notification to the Indenture Trustee, and the Indenture Trustee will within five Business Days of the receipt of such notice from the Trust send to each holder of the Notes, a written notice that will contain (1) a copy of such notice to the Trust, (2) a statement that the holders of the Notes at the close of business on a specified record date will be entitled, subject to any applicable provision of law or of the Indenture, to direct the Trust (and, indirectly, the Lender) as to the exercise of such right or remedy, and (3) a brief statement as to the manner in which such specific directions may be given. Any notice that is given in the manner provided in the Indenture to a holder of the Notes will be conclusively presumed to have been duly given, whether or not the holder of the Notes receives such notice.

With respect to the exercise of any right or remedy under the Loan Agreement, the Loans, the Promissory Note or the Loan Guarantees that requires the consent or written notice of the Lender, upon receipt by the Trust of specific written direction from the Required Holders or the Indenture Trustee acting on behalf of and at the direction of the Required Holders (or such other percentage of holders of Outstanding Notes as may be permitted or required pursuant to the terms of the Indenture) approving the exercise of such right or remedy, the Trust will promptly notify the Lender or the Administrative Agent for the benefit of the Lender that it consents to such exercise and, to the extent necessary, the Lender or the Administrative Agent on behalf of the Lender shall so inform the Borrowers, subject to such limitations on the obligation of the Lender to take action, or refrain from taking action as are specified in "The Participation Agreement—Administration of the Participation."

Modification of the Loan Agreement and the Transaction Documents

Amendment with Consent of Holders

Pursuant to the terms of the Participation Agreement, the Lender, or the Administrative Agent on behalf of the Lender, will provide written notice to the Trust and, pursuant to the Indenture, the Trust will provide written notice to the Indenture Trustee promptly of any and all matters relating to the Transaction Documents, including any request by either of the Borrowers for amendment, waiver or consent or any other affirmative action with respect to either of the Borrowers and the Transaction Documents and at least 15 Business Days prior to effectiveness of any such amendment, waiver or consent. Notwithstanding anything to the contrary therein, pursuant to the terms of the Participation Agreement, the Lender shall not agree to any modification of the terms of the Transaction Documents to which it is a party without having first received directions from the Trust and the Indenture Trustee, acting upon the written instructions of the Required Holders, except as set forth below and under "—Amendment without Consent of Holders."

However, no modification of any Transaction Document may be made without the consent or without the direction of each holder of Outstanding Notes that would or, whose effect would be to:

- change the maturity of any payment of principal of or any installment of interest on the Loan or any Notes;
- reduce the principal amount or the rate of interest, or change the method of computing the amount of principal, interest or Note Additional Amounts, payable under any Transaction Document on any date;
- alter or waive the provisions with respect to the redemption of Notes (excluding for the avoidance of doubt the provisions relating to the covenants described under "—Repurchase at the Option of the Holders") or corresponding voluntary prepayment under the Loan Agreement;
- change any place of payment where the principal of or interest under any Transaction Document is payable;
- change the coin or currency in which the principal of or interest under any Transaction Document is payable;
- release the security interest in the Trust Assets created under the Indenture or waive any of the payment obligations of the Trust that would otherwise be payable with respect to such Notes;
- release any Guarantor from any of its obligations under its Guarantee (except in the case of (i) a Loan Guarantor as described under "The Loan Agreement and the Loans—Loan Guarantees—Release " or (ii) any Subsidiary Note Guarantor in connection with (A) certain sales or dispositions specified in the Indenture or (B) such Subsidiary Note Guarantor ceases to be a Restricted Subsidiary under the Loan Agreement);
- reduce the percentage in principal amount of the Outstanding Notes, the consent of whose holders is required for any modification or the consent of whose holders is required for any waiver of compliance with certain provisions of the Indenture;
- change the ranking of the Notes, any Note Guarantees, the Loan or any Loan Guarantees in a manner that adversely affects the rights of the holders of such Notes; or
- modify the amendment and waiver provisions of the Indenture or any other Transaction Document except to increase any percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of each holder of the Notes.

Following the receipt of the consent of each holder of Outstanding Notes to any of the above, the Trust may amend the Transaction Documents to which it is a party and the Borrowers and the other parties thereto may amend the Loan Agreement and the Expense Reimbursement and Indemnity Agreement and issue a new Promissory Note to reflect the amended terms of the Loan Agreement.

Notwithstanding the foregoing, each holder of Notes shall have the right to receive payment of the principal and interest on such Notes on the respective due dates therefor set forth in such Notes (as the same may be amended in accordance with the terms of the Indenture) or to institute suit for the enforcement of any such payment on the respective due dates therefor.

Amendments without Consent of Holders

Notwithstanding the foregoing, the Borrowers, the Lender, the Administrative Agent, the Trust and the Indenture Trustee are permitted to amend or modify any Transaction Document without the direction of the holders of the Notes:

(1) to cure any ambiguity;

(2) to correct or supplement any provision in the Transaction Documents or in any amendment thereto that may be defective or inconsistent with any other provision of the Transaction Documents or any amendment to the Transaction Documents;

(3) to conform to any change in the Investment Company Act or any securities laws or any change in interpretation or application of the rules and regulations promulgated thereunder by any legislative body, court, government agency or regulatory authority;

(4) to modify, eliminate or add to any provisions of the Transaction Documents to such extent as shall be necessary to ensure that the Trust will not be classified as an association (or a publicly traded partnership) taxable as a corporation for U.S. federal income tax purposes;

(5) to provide for certificated Notes in addition to or in place of uncertificated Notes;

(6) to conform the text of any Transaction Document to any provision of this "Description of the Notes," "The Loan Agreement and the Loan," "The Participation Agreement" or "The Trust" to the extent that such provision was intended to be a verbatim recitation of any Transaction Document;

(7) to provide for the assumption of the obligations of a Borrower or Loan Guarantor, as the case may be, under the Loan Documents to which it is a party or a Note Guarantor under its Note Guarantee and the Indenture, in the case of a merger or consolidation or sale of all or substantially all of the assets of such Borrower or Loan Guarantor;

(8) to provide for the issuance of additional Notes in accordance with the limitations set forth in the Indenture and an increase to the Loan and Participation as set forth in the Loan Agreement and the Participation Agreement, respectively;

(9) to evidence and provide for the acceptance and appointment of a successor Indenture Trustee under the Indenture pursuant to the requirements thereof;

(10) to allow for the release of a Loan Guarantor or Subsidiary Note Guarantor from its Loan Guarantee in accordance with the terms of the Loan Agreement or its Note Guarantees in accordance with the terms of the Indenture, respectively; or

(11) to make such other provisions in regard to matters or questions arising under the Transaction Documents as would confer upon the holders of the Notes additional rights or benefits that will not

adversely affect the interests of the Trust and, to the extent applicable, the Indenture Trustee and the holders of the Notes thereunder.

Prior to the execution of any amendment to any Transaction Document, the Trust and the Indenture Trustee will be entitled to receive an opinion or opinions of counsel as to whether (1) such amendment is permitted by, and conforms to the requirements of, the Indenture or such other Transaction Document, as applicable, (2) any conditions precedent to such amendment shall have been satisfied, and (3) such amendment is the legal, valid and binding obligation of the Trust and/or the Borrowers, as applicable, enforceable against it or them in accordance with its terms.

Limitations on Remedies

The obligations of the Trust under the Notes and the Indenture are, from time to time and at any time, limited recourse obligations of the Cayman Trustee, payable solely from the Trust Assets at such time. The Trust will not sell or otherwise dispose of the Participation without the consent of all of the holders of the Notes and payment of all amounts owing to the Indenture Trustee and agents appointed pursuant to the Indenture. Following realization or collection of the Trust Assets and application of proceeds thereof in accordance with the terms of the Indenture, none of the holders of the Notes, the Indenture Trustee, the Trust (including the Cayman Trustee), the Administrative Agent or the Lender will be entitled to take any further action to recover any sums due but remaining unpaid with respect to the Notes and all claims in respect of which will be extinguished and shall not thereafter revive.

No Personal Liability

The Trust will represent and warrant in the Indenture that the Trust is the legal owner of the Participation and other Trust Assets free and clear of all Liens and the Trust (including the Cayman Trustee) has not made any other representation or warranty of any kind (other than in the Transaction Documents) and neither the Trust nor the Indenture Trustee will assume responsibility with respect to (1) any statements, representations or warranties made by the Borrowers in or in connection with the Loan Agreement, the Loan and the Expense Reimbursement and Indemnity Agreement or this offering memorandum, including the accuracy or completeness of the information set forth herein or in any other document used in connection therewith or herewith, (2) the execution, legality, validity, enforceability, genuineness, sufficiency or value of any of the Loan Agreement, the Loan Guarantees, if any, the Loan, the Promissory Note and the Expense Reimbursement and Indemnity Agreement, (3) the financial condition of the Borrowers or any of their respective Subsidiaries or Affiliates or any other Person for the performance or observance by any such Person of any of its obligations under any of the Transaction Documents, or (4) the legality of the sale of the Notes or the effects of such sale.

In addition, there will be no recourse for the payment of any amount owing in respect of the Indenture or the Notes against any trustee, officer, director, authorized signatory, employee or shareholder of the holders of the Notes, the Indenture Trustee, the Cayman Trustee, the Administrative Agent, the Lender, the Borrowers, the Guarantors, the Initial Purchasers, or any of their respective Affiliates, any of their respective directors, officers, employees, agents or representatives, or any of their successors or assigns for any amounts payable under the Indenture or the Notes. Each holder of the Notes by accepting any Notes waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. None of the Cayman Trustee (other than in its capacity as trustee with respect to the Trust and subject to the limited recourse provisions described herein), the Indenture Trustee or any successor trustee will be personally liable under any circumstances, except for its own bad faith, willful misconduct or gross negligence (as conclusively determined by a court of competent jurisdiction), or as otherwise provided in the Indenture.

Tax Reimbursement Payments

Pursuant to the Expense Reimbursement and Indemnity Agreement, subject to certain limitations as further described under "The Trust—Expense Reimbursement and Indemnity Agreement—Tax Reimbursement Payments," in the event that the laws of any Relevant Taxing Jurisdiction impose any withholding or similar tax on payments or distributions by the Trust to the holders of the Notes of amounts received by the Trust, indirectly or directly, from the Lender, the Administrative Agent, either Borrower, or certain other taxes, then upon notice by the Trust to the

Borrowers, the Borrowers shall make additional payments to the Lender, for payment over to the Trust and the Indenture Trustee on behalf of the holders of the Notes, in an amount sufficient to provide the holders of the Notes with aggregate amounts equal to the amounts that the holders of the Notes would have received had no such taxes been imposed.

Tax Administration

The Trust will timely prepare, sign and file (or cause to be prepared, signed and filed) all income, franchise, information and other tax forms, returns, statements and reports required to be filed by or in respect of the Trust in each taxable year of the Trust, and will timely pay (or cause to be paid) any tax, assessment or other governmental charge owing with respect to the Trust out of the Trust Assets; *provided*, *however*, that the Trust will not be required to pay or cause to be paid any such tax, assessment or charge whose amount, applicability or validity is being contested in good faith by appropriate proceedings and as to which adequate reserves in accordance with IFRS have been made or where the failure to do so would not have a material adverse effect on the Trust or have a Material Adverse Effect. The Trust will timely prepare and furnish (or cause to be prepared and furnished) to the Indenture Trustee and each holder of the Notes all tax forms, returns, statements and reports required to be provided by the Trust.

The Trust will comply with all applicable withholding tax requirements (including, without limitation, any United States backup withholding tax requirements). The Trust will file (or cause to be filed) any required forms with all applicable tax authorities and, unless an exemption from withholding and backup withholding tax is properly established by a holder of the Notes, will remit amounts withheld with respect to the holder of the Notes to the applicable tax authorities. However, to the extent that the Trust is required to withhold and pay over any amounts (including taxes, interest, penalties, assessments or additions to tax) to any tax authority with respect to distributions or allocations to any holder of Notes, the amount withheld will be treated as a distribution of cash to the holder of the Notes in the amount of the withholding and will thereby reduce the amount of cash otherwise distributable to the holder of the Notes. If an amount required to be withheld was not withheld, the Trust may reduce subsequent distributions by the amount of such required withholding. As provided under "—Tax Reimbursement Payments," and subject to certain limitations as described under "The Trust—Expense Reimbursement and Indemnity Agreement—Tax Reimbursement Payments," pursuant to the Expense Reimbursement and Indemnity Agreement, the Borrowers are obligated to make additional payments to the Lender pursuant to the Expense Reimbursement and Indemnity Agreement in respect of any such taxes in an amount sufficient to provide the holders of the Notes with aggregate amounts equal to the amounts that such holders would have received had no such tax been imposed. The Trust will notify the Administrative Agent (who shall promptly notify the Borrowers) that such additional amounts are payable and, promptly upon receipt of the same from the Lender or the Administrative Agent on behalf of the Lender will cause such additional amounts to be paid over to holders of the Notes.

The Trust will treat, for U.S. federal, state and local income tax purposes, the Notes as ownership interests in the Loan with the Trust serving as a mere security arrangement that facilitates and secures payment of principal, interest and other amounts due under the Loan pursuant to the Participation Agreement to holders of the Notes.

Covenants

For so long as any of the Notes are Outstanding, the Trust will comply with the terms of the covenants set forth below.

Payment Obligations under the Notes and the Indenture

The Trust shall duly and punctually pay all amounts owed by it, and comply with all its other obligations, under the terms of the Notes and the Indenture, to the extent of availability of the amount in the Trust Assets.

Performance Obligations under the Transaction Documents

The Trust will agree to duly and punctually perform, comply with and observe all obligations and agreements to be performed by it set forth in the Indenture, the Notes, the Participation Agreement, the Expense Reimbursement and Indemnity Agreement and the Declaration of Trust.

Maintenance of Approvals

The Trust will duly obtain and maintain in full force and effect all governmental approvals, consents or licenses of any Governmental Authority under the laws of the Cayman Islands or any other jurisdiction having jurisdiction over the Trust, the Trust Assets, the Trust's business or any of the transactions contemplated in the Transaction Documents (including without limitation, any authorization required to obtain and transfer U.S. Dollars or any other currency, which at that time is legal tender in the United States, out of the Cayman Islands, in connection with the Indenture, the Notes, the Participation Agreement and the Trust Deed).

Maintenance of Books and Records

The Trust will maintain books, accounts and records as may be necessary to comply with all applicable laws and to enable its financial statements in accordance with IFRS, if any, to be prepared, and it will allow the Indenture Trustee, by prior written request, access to copies of those books, accounts and records at reasonable times.

Maintenance of Office or Agency

The Trust shall appoint an agent in New York County, where notices to and demands upon the Trust in respect of the Indenture and the Notes may be served. Initially this office will be at the offices of National Corporate Research, Ltd., located at 10 E. 40th Street, 10th floor, New York, New York 10016. The Trust shall provide notice of any change in the designation of such appointment within 10 Business Days to the Indenture Trustee.

Maintenance of Existence

The Cayman Trustee will maintain in effect the existence of the Trust and all registrations necessary therefor and take all actions to maintain all rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations; *provided*, *however*, that this covenant shall not require the Cayman Trustee to maintain any such right, privilege, title to property, franchise or the like of the Trust, if the failure to do so does not, and will not, have a material adverse effect on the Trust or have a Material Adverse Effect.

Limitation on Subsidiaries and Consolidations, Merger, Conveyance or Transfer

The Cayman Trustee will not establish or acquire any subsidiaries as part of the Trust Assets or in one or a series of transactions, consolidate, amalgamate or merge the Trust into any other trust, or convey, lease or transfer either all or substantially all of the Trust Assets to any other Person or permit any Person to merge with or into it other than an Affiliate or acquire the Trust Assets.

Limitation on Debt; Negative Pledge

The Trust will not issue, assume or guarantee any obligations or Debt of any kind or nature whatsoever (other than the Notes) or grant any Lien, pledge, charge, security interest or encumbrance of any kind or nature on any of the Trust Assets except as required under the Indenture.

Compliance with Laws

The Trust will comply at all times with all applicable laws, rules, regulations, orders and directives of any Governmental Authority having jurisdiction over the Trust, the Trust Assets, the Trust's business or any of the

transactions contemplated in the Transaction Documents, except where the failure by the Trust to comply would not have a material adverse effect on the Trust or a Material Adverse Effect on the rights of the Lender, the Indenture Trustee or the holders of the Notes.

Limitation on Nature of Business

The Trust will not be permitted to engage in any lines of business with respect to the Trust and having reference to the Trust Assets other than (1) holding the Participation and issuing the Notes (including any Additional Notes) and other matters described under "The Trust—Purpose and Powers" and (2) those matters that are reasonably related and ancillary to the ownership of, and enforcement of the Trust's rights with respect to, the same.

Payments of Taxes and Other Claims

Subject to reimbursement by the Borrowers under the Expense Reimbursement and Indemnity Agreement, the Trust will pay (or cause to be paid) any tax, assessment or other governmental charge levied or imposed upon the Trust; *provided*, *however*, that the Trust will not be required to pay or cause to be paid any such tax, assessment or charge whose amount, applicability or validity is being contested in good faith by appropriate proceedings and as to which adequate reserves in accordance with IFRS have been made or where the failure to do so would not have a material adverse effect on the Trust or have a material adverse effect on the rights of the holders of the Notes.

Ranking

The Trust will ensure that the Notes will constitute general senior, direct, unconditional and unsubordinated obligations of the Trust and will rank *pari passu* in right of payment, without any preferences among themselves, with all other present and future unsubordinated obligations of the Trust (other than obligations preferred by statute or by operation of law).

Limitations on Trust Sale and Leaseback Transactions

The Trust will not enter into any Trust Sale and Leaseback Transaction with respect to any of the Trust Assets.

No Liquidation or Termination without Consent

To the extent applicable, the Cayman Trustee shall not terminate or commence a voluntary case or other proceeding seeking winding up, liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seek the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or make a general assignment or conveyance for the benefit of creditors, or take any corporate action to authorize any of the foregoing without the unanimous consent of the holders of the Outstanding Notes. Insofar as the Trust operates through the Cayman Trustee, the Cayman Trustee will agree to refrain from taking any of the foregoing actions unless and until a successor trustee has assumed the obligations of the Cayman Trustee with respect to the Trust, including any obligations under the Transaction Documents.

Notice of Default or Event of Default

Promptly, and in any event, within five Business Days after a responsible officer of the Trust, acting on behalf of the Trust, becomes aware of the occurrence of a Default or Event of Default, the Trust will furnish written notice of the same to the Indenture Trustee, specifically stating the event or condition that caused the Default or Event of Default, specifically stating that such event or condition has occurred and describing it and any action being or proposed to be taken by the Borrowers with respect thereto. Upon receipt of such notice from the Trust, the Indenture Trustee will promptly give such notice to the holders of the Notes.

Provision of Financial Statements and Reports

For as long as the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Trust will, to the extent required, furnish to any holder of Notes holding an interest in a Restricted Global Note (as defined under "Issuance, Form and Denomination"), or to any prospective purchaser designated by such holder of Notes, upon request of such holder of Notes, financial and other information described in paragraph (d)(4) of Rule 144A with respect to the Trust to the extent required in order to permit such holder of Notes to comply with Rule 144A with respect to any resale of its Notes, unless during that time, the Trust is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act and no such information about the Trust is otherwise required pursuant to Rule 144A.

In addition, in the event the Trust shall be required under the law of the Cayman Islands to prepare any financial statements or reports or shall publish or otherwise make such statements or reports publicly available, the Trust shall promptly furnish a copy of such statements or reports to the Indenture Trustee for delivery to the holders of the Notes. It is not expected that the Trust will prepare any such financial statements and reports under Cayman Islands law and the only reports or information to be furnished by the Trust to the Indenture Trustee will be reports, financial statements and other materials relating to the Borrowers, the Loan Agreement and the Loan as are received by the Lender and furnished to the Trust pursuant to the Participation Agreement.

Delivery of such reports, information and documents to the Indenture Trustee pursuant to the Indenture or any other Transaction Document is for informational purposes only and the Indenture Trustee's receipt or transmission of such shall not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Trust's or any other Person's compliance with any of its covenants under the Indenture, the Loan Agreement or any other Transaction Document (as to which the Indenture Trustee is entitled to rely exclusively on Officer's Certificates of the Trust). None of the Indenture Trustee or any authorized agent shall have any duty or obligation to monitor or confirm (i) if and when any items are deliverable by the Trust pursuant to this section or (ii) if the Trust has otherwise complied with its obligations under this section.

Each holder of Notes, by its acceptance of Notes, will be deemed to agree (A) to obtain and provide the Cayman Trustee, on the Trust's behalf (including its agents and representatives), with information or documentation, and to update or correct such information or documentation, as may be necessary or helpful (in the sole determination of the Cayman Trustee or its agents or representatives) to satisfy the Trust's obligations under FATCA, any current or future regulations or official interpretations thereof, any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation of FATCA, any applicable Cayman Islands law implementing FATCA (which for the purposes of this paragraph includes the Cayman Islands Tax Information Authority Law (2016 Revision) together with any regulations and guidance pursuant to such law) or any such intergovernmental agreement, any agreement between the Trust and the United States or any authority thereof entered into for FATCA purposes, and any agreements entered into pursuant to Section 1471(b)(1) of the Code (the "*FATCA Obligations*") and (B) that the Cayman Trustee, on behalf of the Trust, or its agents or representatives may (1) provide such information and documentation and any other information concerning the holder's investment in the Notes to the Indenture Trustee, the Cayman Islands Tax Information Authority, the U.S. Internal Revenue Service and any other relevant tax authority and (2) take such other steps as the Trust deems necessary or helpful to satisfy the FATCA Obligations.

Events of Default

The following will constitute an "Event of Default" under the Indenture:

(1) default in the payment when due (on the maturity date, upon prepayment or otherwise) of the principal of, or premium, if any, on, any Notes;

(2) default in the payment of any interest, or other amount on, or with respect to, the Indenture or the Notes within 30 days after the due date therefor;

(3) the Trust fails to (i) redeem any or all of the Notes to the extent required under "—Mandatory Redemption" or (ii) make a Change of Control Prepayment Offer or Asset Sale Prepayment Offer and thereafter fails to repurchase all Notes validly tendered and not validly withdrawn in connection with any such offer as required pursuant to the Indenture;

(4) the occurrence or existence of any Event of Default under and as defined in the Loan Agreement (a "*Loan Event of Default*"); or

(5) failure by any Note Guarantor or any of its Restricted Subsidiaries for 60 days after notice to the Cayman Trustee and the Note Guarantors by the Indenture Trustee at the direction of the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the covenants to be performed by such Note Guarantor set forth under "—Note Guarantees—Future Subsidiary Note Guarantors" or "—Note Guarantees—Covenants of the Note Guarantors."

If an Event of Default (other than an Event of Default constituting of a Loan Event of Default as specified in clause (7) or clause (8) under "The Loan Agreement and the Loan—Events of Default") has occurred and is continuing, the Indenture Trustee or the holders of at least 25% in principal amount of Outstanding Notes may declare the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Notes to be immediately due and payable by notice in writing to the Trust (and the Indenture Trustee if given by the holders of the Notes) specifying the Event of Default and that it is a "notice of acceleration." If an Event of Default constituting of a Loan Event of Default as specified in clause (7) or clause (8) under "The Loan Agreement and the Loan—Events of Default" occurs, then the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Indenture Trustee or any noteholder.

At any time after a declaration of acceleration has occurred and before a judgment for payment of the money due has been obtained, the Required Holders, by written notice to the Trust (with a copy to the Indenture Trustee), may rescind and annul such declaration and its consequences if the rescission would not conflict with any judgment or decree of a court of competent jurisdiction, all existing Events of Default, other than the nonpayment of the principal of the Notes and interest on the Notes that have become due solely by the declaration of acceleration, have been cured or waived, and no such rescission shall affect any subsequent Default or impair any right consequent thereon.

Purchase

The Borrowers and their respective Affiliates may at any time and from time to time purchase any Note in the open market or otherwise at any price, but any such Note shall not be treated as Outstanding for purposes of any vote to be taken by the holders of the Notes under the Indenture or otherwise, except in the circumstances described in "—Voting Rights."

Defeasance and Discharge

The Borrowers may discharge most of the obligations of the Trust under the Notes and the Indenture by irrevocably prepaying the Loan and causing the Lender to deposit in trust with the Indenture Trustee money and/or U.S. Government Obligations in such amounts as shall be, in the written opinion of an independent auditor delivered to the Indenture Trustee, sufficient to pay principal of, premium, if any, and interest (including any Note Additional Amounts) on the Notes to maturity or redemption (provided any such redemption date shall be irrevocably designated by an Officer's Certificate of the Trust delivered to the Indenture Trustee on or prior to the date of deposit and shall be accompanied by an irrevocable request that the Indenture Trustee give notice of redemption to the holders not less than 30 nor more than 60 days prior to such redemption date in accordance with the Indenture and including a form of such redemption notice including all information required to be set forth therein), subject to meeting certain other conditions.

The Borrowers may also elect to cause the Trust to:

(1) discharge most of the obligations of the Trust in respect of the Notes and the Indenture, not including obligations related to the defeasance trust or to the replacement of Notes or its obligations to the Indenture Trustee ("*legal defeasance*") or

(2) discharge its obligations under most of the covenants under the Indenture and the obligations of the Note Guarantors under clause (4) of "Note Guarantees—Covenants of the Note Guarantors" (and the events listed in clauses (3), (4), (5) and (6) under "The Loan Agreement and the Loan—Events of Default" will no longer constitute Events of Default) ("*covenant defeasance*")

by irrevocably prepaying the Loan and causing the Lender to deposit in trust with the Indenture Trustee money and/or U.S. Government Obligations in such amounts as shall be, in the written opinion of an independent auditor delivered to the Indenture Trustee, sufficient to pay principal of, premium, if any, and interest (including any Note Additional Amounts) on the Notes to maturity or redemption and by meeting certain other conditions, including delivery to the Indenture Trustee of either a ruling received from the Internal Revenue Service or an opinion of counsel (which, in the case of legal defeasance, is based on a change in U.S. federal income tax law) to the effect that the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount, and in the same manner and at the same times as would otherwise have been the case. The defeasance would in each case be effective when 123 days have passed since the date of the deposit of money and/or U.S. Government Obligations in trust.

In the case of either discharge or defeasance, the Note Guarantees will terminate solely with respect to the payment of principal, premium, if any, and interest on the Notes but not as to any other amounts due under the Notes or the Indenture (including, without limitation, Note Additional Amounts).

The Indenture Trustee

The Bank of New York Mellon is the Indenture Trustee under the Indenture and has been appointed by the Trust as Registrar, Paying Agent, Transfer Agent and Depositary Bank with respect to the Notes. The Cayman Trustee, the Trust and the Indenture Trustee may have normal banking relationships with the Borrowers in the ordinary course of business. The address of the Indenture Trustee is 101 Barclay Street, New York, New York 10286.

Paying Agents; Transfer Agents; Registrars

The Trust has initially appointed the Indenture Trustee as Paying Agent, Registrar and Transfer Agent. The Trust may at any time appoint new paying agents, transfer agents and registrars. However, the Trust will at all times maintain a paying agent in New York City until the Notes are paid. The Trust will provide prompt notice of the termination, appointment or change in the office of any Paying Agent, Transfer Agent or Registrar acting in connection with the Notes.

Upon any issuance of individual definitive notes, the Trust will appoint and maintain a paying agent in Singapore, for so long as the notes are listed on the Singapore Exchange Securities Trading Limited (the "*SGX-ST*") and the rules of such exchange so require. In such event, an announcement shall be made through the SGX-ST and will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore. Upon any change in the paying agent or registrar, the Trust will publish a notice in a leading daily newspaper of general circulation in Singapore (which is expected to be The Business Times (Singapore Edition)), for so long as the notes are listed on the SGX-ST and the rules of such exchange so require. See "Issuance, Form and Denomination—Issuance of Certificated Notes."

Listing

Application will be made to list the Notes on the SGX-ST. So long as the Notes are listed on the SGX-ST, the Trust will satisfy any reporting requirements of such exchange; *provided* that, if the Trust deems such

requirements to be unduly burdensome it may delist from such exchange and seek to list the Notes with an alternative exchange.

Notices

Notices to holders of non-Global Notes will be mailed to them at their registered addresses. Notices to holders of Global Notes will be given to DTC in accordance with its applicable procedures. Each person owning a beneficial interest in a Global Note who is not a participant in DTC must rely on the procedures of the participant through which the person owns its interest in the Global Note to receive notices provided to DTC.

In addition, from and after the date the Notes are listed on the SGX-ST, and so long as the rules of such exchange so require, notices to holders of Notes will be published in a leading daily newspaper of general circulation in Singapore (which is expected to be The Business Times (Singapore Edition)).

Notices will be deemed to have been given on the date of delivery to DTC or mailing, as applicable, or of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Governing Law

The Indenture, the Notes and the Note Guarantee will be governed by the laws of the State of New York.

Certain Definitions

Capitalized terms, used in this section but not defined are as defined under "The Loan Agreement and the Loan."

"*Issue Date*" means the first date of issuance of Notes under the Indenture.

"*Note Additional Amounts*" means the sum of (x) the Additional Amounts payable to the Trust pursuant to the Participation Agreement and the Loan Agreement or the Loan Guarantees, respectively and (y) the Tax Reimbursement Payments payable to the Lender for the account of the Trust by the Borrowers or the Guarantors pursuant to the Expense Reimbursement and Indemnity Agreement or the Guarantees, respectively, after accounting for any taxes withheld from such payments to the Trust or otherwise payable by the Trust in respect of such payments.

"*Note Guarantors*" means, collectively, the Parent Guarantors and the Subsidiary Note Guarantors, if any.

"*Officer's Certificate*" means a certificate signed by the President, Chairman of the board of directors, any Vice Chairman of the board of directors, any Director, the Chief Executive Officer, the Chief Financial Officer, the Chief Accounting Officer, the Chief Treasury Officer, the Chief Legal Officer, any Senior Vice President, or the Secretary of the board of directors of any Person, or in the case of the Trust, by any authorized signatory thereof, and delivered to the Indenture Trustee.

"*Outstanding,*" when used with respect to Notes, means, as of the date of determination, all Notes theretofore authenticated and delivered under the Indenture, *except*:

(1) Notes theretofore cancelled by the Indenture Trustee or delivered to the Indenture Trustee for cancellation;

(2) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Indenture Trustee or any Paying Agent under the Indenture for the holders of such Notes; *provided* that, if such Notes are to be redeemed, irrevocable notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Indenture Trustee has been made; and

(3) Notes which have been paid or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture;

provided, however, that in determining whether the holders of the requisite principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by either Borrower, any Note Guarantor or any other obligor upon the Notes or any Affiliate of any Borrower or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which a responsible officer of the Indenture Trustee receives written notice confirming that such Notes are so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Indenture Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not a Borrower, a Note Guarantor or any other obligor upon the Notes or any Affiliate of a Borrower, a Note Guarantor or of such other obligor.

"*Required Holders*" means holders of more than 50% of the aggregate principal amount of the Outstanding Notes.

"*Subsidiary Note Guarantor*" means each Restricted Subsidiary of a Parent Guarantor that executes and delivers to the Indenture Trustee a supplemental indenture, in substantially the form attached to the Indenture.

"*Trust Sale and Leaseback Transaction*" means any direct or indirect arrangement relating to assets or property now owned or hereafter acquired whereby the Trust transfers such assets or property to another Person and the Trust leases it from such Person.

ISSUANCE, FORM AND DENOMINATION

General

The Notes have not been registered and will not be registered under the Securities Act, any U.S. state securities laws, the Securities Market Registry (pursuant to the Stock Exchange Act, Decree 34-96 of the Congress of Guatemala and any of its existing or future amendments (Decree 49-2008)) or the laws of any other jurisdiction, and may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act and the securities laws of any other jurisdiction. The Trust has not been registered under the Investment Company Act, in reliance on the exemption set forth in Section 3(c)(7) thereof. Accordingly, the Notes are being offered and sold only:

- in the United States in reliance on Rule 144A under the Securities Act to investors that are both (1) "qualified institutional buyers" as defined in Rule 144A ("QIBs") and (2) "qualified purchasers" as defined in Section 2(A)(51) of the Investment Company Act ("Qualified Purchasers"); and

- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 in reliance on Regulation S under the Securities Act.

The Notes will be issued on the issue date only against payment in full in immediately available funds. The Notes will be issued in registered form, without interest coupons, in minimum denominations of US$200,000 and in integral multiples of US$1,000 in excess thereof. The Notes are not issuable in bearer form.

Book-Entry, Delivery and Form

The Notes will be represented by a Restricted Global Note (as defined below) and a Regulation S Global Note (as defined below) (each sometimes referred to herein as a "global note" and together sometimes referred to herein as the "global notes").

Notes sold to QIBs who are also Qualified Purchasers in reliance on Rule 144A under the Securities Act initially will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (the "Restricted Global Notes") and will be deposited on behalf of the purchasers of the Notes represented thereby with the trustee as custodian for DTC and registered in the name of DTC or its nominee, for credit to accounts of direct or indirect participants in DTC, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream").

Notes sold in reliance on Regulation S initially will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (the "Regulation S Global Note") and will be deposited on behalf of the purchasers of the Notes represented thereby with the trustee as custodian for DTC, and registered in the name of DTC or its nominee, for credit to accounts of direct or indirect participants in DTC, including Euroclear and Clearstream.

Each of the global note (including beneficial interests in the global notes) will be subject to certain restrictions on transfer and will bear restrictive legends to that effect as described under "Notice to Investors."

Transfers of a Regulation S Global Note or beneficial interest therein to a person who takes delivery in the form of a Restricted Global Note or beneficial interest therein may be made only upon receipt by the Indenture Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a person that the transferor reasonably believes is a QIB and a Qualified Purchaser in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Transfers of a Restricted Global Note or beneficial interest therein to a person who takes delivery in the form of a Regulation S Global Note or beneficial interest therein may be made only upon receipt by the Indenture Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such

transfer is being made in accordance with Rules 903 and 904 of Regulation S.

Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for as long as it remains such an interest.

The Trust will initially appoint the Indenture Trustee at its office in The City of New York specified herein as registrar and New York paying agent and transfer agent for the Notes. In such capacities, the Indenture Trustee will be responsible for, among other things, (1) maintaining a record of the aggregate holdings of Notes represented by the global notes and accepting Notes for exchange and registration of transfer, (2) ensuring that payments of principal, premium, if any, and interest in respect of the Notes received by the Indenture Trustee from the Trust are duly paid to DTC or its nominee, and (3) transmitting to the Trust any notices from holders of the Notes addressed to the Trust.

Global Notes

Upon receipt of a Regulation S Global Note and a Restricted Global Note, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants (including Euroclear and Clearstream). Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such global note for all purposes under the Indenture and the Notes. Unless DTC notifies the Trust that it is unwilling or unable to continue as depositary for a global note, or ceases to be a "clearing agency" registered under the Exchange Act, owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of Notes in certificated form and will not be considered the owners or holders of the global note (or any Notes represented thereby) under the Indenture or the Notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Indenture and, if applicable, those of Euroclear and Clearstream).

Investors may hold their interests in a global note directly through DTC if they are DTC Participants, or indirectly through organizations that are DTC Participants, including Euroclear and Clearstream. Euroclear and Clearstream will hold interests in the global notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC.

Payments of the principal, premium, if any, and interest in respect of Notes represented by a global note registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of the global note representing such Notes. None of the Trust, the Cayman Trustee, the Borrowers any initial purchaser, the Indenture Trustee, any paying agent, the registrar or any transfer agent, will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The Trust, the Cayman Trustee, and the Borrowers expect that DTC or its nominee, upon receipt of any payment of principal, premium, if any, and interest in respect of a global note representing any Notes held by it or its nominee, will credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. The Trust, the Cayman Trustee and the Borrowers also expect that payments by DTC Participants to

owners of beneficial interests in such global note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in certificated form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks. Accordingly, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of each interest, may be affected by the lack of a physical certificate for such interest. Transfers between accountholders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described above and under "Notice to Investors," crossmarket transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other hand, will be effected in DTC in accordance with DTC rules and procedures on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the applicable global note in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date, and the credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear or Clearstream participant on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a global note by or through a Euroclear or Clearstream participant to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC. Transfers between global notes will settle free of payment.

DTC has advised the Trust that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Notes for transfer or exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described above, DTC will exchange the global notes for Notes in certificated form, which it will distribute to DTC Participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the Notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised the Trust as follows: DTC will act as the depositary for the Notes. The Notes will be issued as global notes registered in the name of Cede & Co. (which is DTC's nominee) in the aggregate principal amount of the issue, and will be deposited with DTC or its custodian.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a

"clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes to participants' accounts, thereby eliminating the need for physical movement of notes certificates. Direct participants of DTC include securities brokers and dealers, including the initial purchasers of the notes, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants and by The New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to DTC's system is also available to indirect participants, which includes securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

To facilitate subsequent transfers, all global notes representing the notes which are deposited with, or on behalf of, DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of global notes with, or on behalf of, DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the global notes representing the Notes; DTC's records reflect only the identity of the DTC Participants to whose accounts the Notes are credited, which may or may not be the beneficial owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Neither DTC nor Cede & Co. will consent or vote with respect to the global notes representing the Notes. Under its usual procedure, DTC mails an omnibus proxy to the Trust as soon as possible after the applicable record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those DTC Participants to whose accounts the Notes are credited on the applicable record date (identified in a listing attached to the omnibus proxy).

DTC may discontinue providing its services as securities depositary with respect to the Notes at any time by giving reasonable notice to the Trust or the Indenture Trustee. Under such circumstances, in the event that a successor securities depositary is not obtained, certificated Notes are required to be printed and delivered. See "—Certificated Notes."

Although DTC, Euroclear and Clearstream have agreed to the described above in order to facilitate transfers of interests in the global notes among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Trust, the Cayman Trustee, the Borrowers, the initial purchasers, the trustee, any paying agent, the registrar or any transfer agent will have any responsibility for the performance of DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Issuance of Certificated Notes

If DTC or any successor to DTC is at any time unwilling or unable to continue as a depositary for the reasons described under "—Global Notes" and a successor depositary is not appointed by the Trust within 90 days, the Trust will issue individual definitive Notes in certificated form, having the same terms and conditions as the global notes, in registered form in exchange for the Regulation S Global Note and the Restricted Global Note, as the case may be. Upon receipt of such notice from DTC, the Trust will use its best efforts to make arrangements with DTC for the exchange of interests in the global notes for certificated Notes and cause the requested certificated Notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a global note for certificated Notes will be required to provide the registrar with (a) written instruction and other information required by the Trust to complete, execute and deliver such certificated Notes, and (b) in the case of an exchange of an interest in a Restricted Global Note, certification that such interest is not being transferred or is being transferred only in compliance with Rule 144A under the Securities Act. In all cases, certificated Notes delivered in exchange for any global note or beneficial interests therein will be registered in the names of the beneficial owners of the global notes representing the Notes, which names will be provided by the relevant DTC Participants and issued in approved authorized denominations (as identified by DTC) to the Indenture Trustee. Once issued in certificated form, the Trust need not make any provision

to exchange the certificated Notes into global notes. Individual definitive Notes will not be eligible for clearing and settlement through Euroclear, Clearstream or DTC.

Upon the issue of certificated Notes, the Trust will appoint and maintain a paying agent in Singapore, for so long as the Notes are listed on the SGX-ST and the rules of such exchange so require. In such event, an announcement shall be made through the SGX-GT and will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore. Upon any change in the paying agent or registrar, the Cayman Trustee will publish a notice in a leading daily newspaper of general circulation in Singapore (which is expected to be *The Business Times* (Singapore Edition)).

In the case of certificated Notes issued in exchange for the Restricted Global Note, such certificated Notes will bear, and be subject to, the legend described under "Notice to Investors" (unless the Trust determines otherwise in accordance with applicable law). The holder of a certificated Note may transfer such Note by surrendering it at the office or agency maintained by the Trust for such purpose in the Borough of Manhattan, The City of New York, which initially will be the office of the trustee. Upon the transfer, exchange or replacement of certificated Notes bearing the legend, or upon specific request for removal of the legend on a certificated Note, the Trust will deliver only certificated Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Trust such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Trust, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Neither the Indenture Trustee nor the registrar or any transfer agent will be required to register the transfer of or exchange certificated Notes for a period from the record date to the due date for any payment of principal of, or interest on, the Notes or register the transfer of or exchange any Notes for 15 days prior to selection for redemption through the date of redemption. Prior to presentment of Notes for registration of transfer (including a global note), the Trust, the Indenture Trustee and any agent of the Trust or the Indenture Trustee may treat the person in whose name such Notes are registered as the owner or holder of Notes for the purpose of receiving payment of principal or interest on such Note and for all other purposes whatsoever, whether or not such Notes are overdue, and none of the Trust, the Indenture Trustee or any agent of the Trust or the Indenture Trustee will be affected by notice to the contrary.

Replacement of Notes

In the event that any Note becomes mutilated, defaced, destroyed, lost or stolen, the Trust will execute and, upon the Trust's request, the trustee will authenticate and deliver a new Note, of like tenor (including the same date of issuance) and equal principal amount, registered in the same manner, and bearing interest from the date to which interest has been paid on such Note, in exchange and substitution for such Note (upon surrender and cancellation thereof) or in lieu of and substitution for such Note. In the event that such Note is destroyed, lost or stolen, the applicant for a substitute Note will furnish to the Trust and the trustee such security or indemnity as may be required by them to hold each of them harmless, and, in every case of destruction, loss or theft of such Note, the applicant will also furnish to the Trust and the trustee satisfactory evidence of the destruction, loss or theft of such Note and of the ownership thereof. Upon the issuance of any substituted Note, the Trust may require the payment by the registered holder thereof of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other fees and expenses (including the fees and expenses of the Indenture Trustee) connected therewith.

TAXATION

The following discussion summarizes certain United States, Guatemalan and Cayman Islands tax considerations that may be relevant to you if you invest in the Notes. This summary is based on laws, regulations, rulings and decisions now in effect in the United States, Guatemala and the Cayman Islands, which, in each case, may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisers about the tax consequences of holding the Notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Persons considering the purchase, ownership or disposition of Notes should consult their tax advisers concerning the tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

United States Federal Income Taxation

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of the Notes as of the date hereof. Except where otherwise noted, this summary deals only with Notes that are held as capital assets by a U.S. holder (as defined below) who acquires the Notes upon original issuance at their initial offering price.

A "U.S. holder" means a beneficial owner of the Notes that is, for United States federal income tax purposes, any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. This summary does not address all aspects of United States federal income taxes and does not address the effects of the Medicare contribution tax on net investment income or foreign, state, local or other tax considerations that may be relevant to U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws. For example, this summary does not address:

- tax consequences to U.S. holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities for United States federal income tax purposes, tax-exempt entities or insurance companies;

- tax consequences to persons holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;

- tax consequences to U.S. holders whose "functional currency" is not the U.S. dollar; or

- alternative minimum tax consequences, if any.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Notes, you should consult your tax advisors.

If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under other United States federal tax laws and the laws of any other taxing jurisdiction.

Characterization of Structure for United States Federal Income Tax Purposes

There are no statutory, judicial or administrative authorities that address the United States federal income tax treatment of a transaction consisting of instruments and arrangements similar to the Notes, the Trust, the Participation Agreement, and the Loan and, accordingly, the proper characterization of the Notes is not certain.

The Trust intends to take the position, for United States federal income tax purposes, that the Notes are ownership interests in the Loan, with the Trust serving as a mere security arrangement that facilitates and secures all payments and distributions due under the Loan, and that the Notes will therefore be characterized as indebtedness of the Borrowers. Each beneficial owner of a Note, by acquiring a beneficial interests in a Note, agrees to treat, solely for United States federal, state and local income tax purposes, (a) the Notes as ownership interest in the Loan and (b) the Trust as a mere security arrangement that serves to facilitate and secure payment of distributions due under the Loan to investors in the Notes pursuant to the Participation Agreement. Each of the Borrowers and the Lender has agreed that, in the absence of an administrative determination or judicial ruling to the contrary, it will take no position for United States federal income tax purposes that is inconsistent with the positions to be taken by the Trust and beneficial owners of the Notes.

However, it is possible that the Notes may, instead, be characterized as: (1) ownership interests in the Trust, in which event the Trust may be classified for United States federal income tax purposes as either (a) a grantor trust or (b) a partnership (assuming the timely and effective filing of a protective entity classification election); (2) indebtedness of the Trust; or (3) an obligation of the Lender. The United States federal income tax consequences to a U.S. holder of a Note under any of these alternative characterizations of the structure may differ materially from the consequences described below. See the discussion below under the caption "Possible Alternative Tax Treatments."

Except where expressly noted, the discussion below assumes that the Notes will be treated as ownership interests in the Loan, with the Trust serving as a mere security arrangement.

Treatment of the Notes as Ownership Interests in the Loan

Payments of Interest

Interest on a Note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes. In addition to interest on the Notes, which includes any Guatemalan tax withheld from the interest payments received, you will generally be required to include in income your pro rata share of any Additional Amounts or Tax Reimbursement Payments paid. You may be entitled to deduct or credit any such Guatemalan withholding tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your applicable foreign taxes for a particular tax year). Interest income on a Note will generally be considered foreign source income and, for purposes

of the United States foreign tax credit, will generally be considered passive category income. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Sale, Exchange, Retirement or other Disposition of Notes

Upon the sale, exchange, retirement or other taxable disposition of a Note, you will recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, retirement or other taxable disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and your adjusted tax basis in the Note. Your adjusted tax basis in a Note will generally be your cost for that Note. Any gain or loss you recognize will generally be capital gain or loss and will generally be long-term capital gain or loss if you have held the Note for more than one year. Long-term capital gains of non-corporate U.S. holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize will generally be treated as United States source gain or loss.

Possible Alternative Tax Treatments

Notes May Be Treated as Ownership Interests in a Grantor Trust for United States Federal Income Tax Purposes

The Notes may be treated as ownership interests in the Trust for United States federal income tax purposes. In that case, the Trust could be treated as a grantor trust for United States federal income tax purposes, in which case the Trust would not be subject to United States federal net income taxation, and you would be treated as the beneficial owner of your proportionate share of the assets that are beneficially owned by the Trust (i.e., the Participation in the Loan). Under this characterization, the United States federal income tax treatment of the Notes generally would be the same as above—that is, the Notes would be treated as ownership interests in the Loan with the Trust serving as a mere security arrangement. However, under Section 6048 of the Code and the Treasury regulations issued thereunder, you would be subject to certain potentially onerous information reporting requirements applicable to ownership of, transfers of money or other property to, and distributions from, a foreign trust. Substantial penalties may apply to the failure to comply with these requirements.

Notes May Be Treated as Ownership Interests in a Partnership for United States Federal Income Tax Purposes

If the Notes were treated as ownership interests in the Trust for United States federal income tax purposes, and the Trust were treated as a "foreign eligible entity" under the Treasury regulations relating to entity classification for business entities, the Trust could be treated as a partnership or, in the absence of an election by the Trust to be classified as a partnership for United States federal income tax purposes, as an association taxable as a corporation. While the Trust intends to take the position that Notes are not ownership interests in the Trust, a protective entity classification election to classify the Trust for United States federal income tax purposes as a partnership will be made to prevent any potential adverse United States federal income tax consequences that could result to U.S. holders were the Trust classified as a corporation. Each beneficial owner of a Note, by acquiring a beneficial interest in a Note, will be deemed to have consented to this protective election. Notwithstanding treatment as a partnership, under Section 7704 of the Code, partnerships that are "publicly traded partnerships" are treated in the same manner as corporations for United States federal income tax purposes, except in the case of publicly traded partnerships that recognize "qualifying income" (e.g., interest, dividends and certain capital gains) equal to at least 90% of their gross income. It is anticipated that the Trust will have sufficient qualifying income to satisfy this exception and avoid treatment as a publicly traded partnership taxable as a corporation.

In the event that the Notes are treated as ownership interests in the Trust and the Trust is classified as a partnership for United States federal income tax purposes, you would be required to report on your United States federal income tax return your allocable share of the Trust's income, gains, losses, deductions and credits for the taxable year of the Trust ending within or with your taxable year, whether or not cash or other property associated with that income or gain is distributed to you. The character and source of items of income and gain you derive from the Trust generally would be determined as if you had directly recognized such income or gain, but if you are a

cash-basis taxpayer you would be treated as recognizing income on the Notes when the corresponding payments under the Participation Agreement are received by the Trust and not when you receive distributions from the Trust. In addition, under Section 6038B of the Code and the Treasury regulations issued thereunder, you could be subject to certain information reporting requirements applicable to transfers of money to a foreign partnership in excess of US$100,000 within a twelve-month period with respect to an acquisition of Notes. Substantial penalties may apply to the failure to comply with these requirements.

Notes May Be Treated as Indebtedness of the Trust for United States Federal Income Tax Purposes

It is also possible, although unlikely, that the Notes could be treated, in accordance with their form, as indebtedness of the Trust for United States federal income tax purposes. In that case, we would treat the Notes as described above under "—Treatment of the Notes as Ownership Interests in the Loan."

Notes May Be Treated as an Obligation of the Lender for United States Federal Income Tax Purposes

It is also possible, although unlikely, that the Notes could be treated as an obligation of the Lender for United States federal income tax purposes. In that case, we would treat the Notes as described above under "—Treatment of the Notes as Ownership Interests in the Loan."

Backup Withholding and Information Reporting

Generally, information reporting will apply to all payments of interest and principal on a Note and the proceeds from a sale or other disposition of a Note paid to you, unless you are an exempt recipient. Additionally, if you fail to provide your taxpayer identification number, or in the case of interest payments, fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding on any such payments or proceeds.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

Certain Guatemalan Tax Considerations

The following summary contains a description of the principal Guatemalan tax consequences of the purchase, ownership and disposition of the Notes by a Non-Guatemalan Holder (as defined below). It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Notes. In addition, it does not describe any tax consequences: (1) arising under the laws of any taxing jurisdiction other than Guatemala; or (2) that are applicable to a resident of Guatemala for tax purposes.

Pursuant to Decree 10-2012 of the Congress (*Ley del Impuesto Sobre la Renta*, or the "Income Tax Law"), a "Non-Guatemalan Holder" is a holder who is not a resident in Guatemala for tax purposes, *inter alia*. In general, individuals (1) that do not reside in the territory of Guatemala for more than 183 days (whether or not consecutive) in any one year; (2) whose main center of economic interests is not in Guatemala; or (3) that do not have a permanent establishment in Guatemala (even if a resident outside Guatemala), are not considered to be resident individuals in Guatemala for Income Tax Law purposes. Legal or corporate entities (1) incorporated abroad; (2) with tax residence outside the country; or (3) without effective place of management within Guatemala are not considered to be resident corporations for Income Tax Law purposes.

This summary is based upon the Guatemalan Tax Code (*Código Tributario*) and the Income Tax Law, its executive rules in effect and certain interpretative opinions issued by the tax authorities, as of the date of this offering memorandum, which are subject to change. Prospective purchasers of the Notes should consult their own tax advisers as to the Guatemalan or other tax consequences of the purchase, ownership and acquisition of the Notes, including, in particular, the effect of the laws of any foreign state. The acquisition of the Notes by an investor who is a resident of Guatemala will be made under the investor's own responsibility.

Under the Income Tax Law, and the regulations thereunder, neither payments of principal, interest, nor additional payments on the Notes made by the Issuer will be subject to Guatemalan withholding or other similar taxes. Capital gains related to the sale or other disposition of the Notes by a Non-Guatemalan Holder, outside Guatemala, will not be subject to any Guatemalan capital gains or other taxes.

Payments to the Trust pursuant to the Participation will likewise not be subject to Guatemalan withholding or other taxes.

The Borrowers may file a request for a Binding Tax Ruling (as defined below) from the Guatemalan Tax Authority *(Superintendencia de Administración Tributaria (SAT)*) for a withholding tax exemption based on the nature of the Lender as a financial institution. If granted, neither payments of principal, interest, nor additional payments on the Loan to the Lender by the Borrowers will be subject to Guatemalan withholding or similar taxes provided the Lender is a regulated banking institution in its country of incorporation and has been approved to carry out intermediation activities (Tax Code article 102, and Income Tax Law articles 24, 104). It is expected that the Lender will satisfy these requirements. Otherwise, a withholding income tax at a rate of 10% would apply for Guatemalan tax purposes. The same income tax rate would apply if the Lender assigns the Loan to a non-financial institution.

The "Binding Tax Ruling" is the official response issued by the Guatemalan Tax Authority (*Superintendencia de Administración Tributaria (SAT))* to the written requests that may be submitted by DEOCSA and DEORSA and filed as established by article 102 of the Guatemalan Tax Code. The Borrowers may request the Guatemalan Tax Authority's position regarding the withholding income tax exemption on interest payments to the Lender and the deductibility of the interest expense for Income Tax Law purposes. Pursuant to Guatemalan Tax Code 102, the response is binding to the Guatemalan Tax Authority.

Prior to the receipt of the Binding Tax Ruling, the Borrowers intend to withhold tax at a rate of 10% (or such other rate as may be applicable in the future) on payments of interest on the Loan and to pay additional amounts to the Lender on account of such withholding tax as described under "The Loan Agreement and the Loan—Covenants—Additional Amounts." The Borrowers will no longer withhold such tax or pay additional amounts to the Lender in respect thereof if they obtain a favorable response from the Guatemalan Tax Authority with respect to the Binding Tax Ruling whereby the withholding income tax exemption is granted. Furthermore, prior to the receipt of the Binding Tax Ruling, the Borrowers will treat interest expense on the Loan as non-deductible for Income Tax Law purposes. The Borrowers will no longer treat interest expense on the Loan as non-deductible for Income Tax Law purposes if they obtain a favorable response from the Guatemalan Tax Authority with respect to the Binding Tax Ruling.

If the Trust or any other non-financial institution becomes an assignee of the Loan, payments on the Loan may be subject to Guatemalan withholding tax at a rate of 10%.

Furthermore, payments made by the Borrowers abroad in exchange for financial and/or technical assistance would be subject to Guatemalan withholding tax at a rate of 15%. Payments made by the Borrowers abroad other than interest payments or payments in exchange for financial and/or technical assistance may be subject to a Guatemalan withholding tax at a rate of 25%.

A Non-Guatemalan Holder will not be liable for Guatemalan estate, gift, inheritance or similar taxes with respect to the acquisition, ownership, or disposition of the Notes, nor will it be liable for any Guatemalan stamp, issue, registration or similar taxes, to the extent that the relevant transactions, the assets, or the beneficiaries are not situated within the jurisdiction of Guatemala.

Cayman Islands Tax Considerations

The following is a discussion of certain Cayman Islands tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands law, payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Notes. Notes in certificated form will be stampable if they are executed in or brought into the Cayman Islands. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Cayman Islands – Automatic Exchange of Financial Account Information

The Cayman Islands has entered into two intergovernmental agreements to improve international tax compliance and the exchange of information - one with the United States and one with the United Kingdom (the "US IGA" and the "UK IGA," respectively). The Cayman Islands has also signed, along with over 80 other countries, a multilateral competent authority agreement to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard (the "CRS").

Regulations were issued pursuant to the Cayman Islands Tax Information Authority Law (2016 Revision) on 4 July 2014 to give effect to the US IGA and the UK IGA, and on 16 October 2015 to give effect to the CRS (together, the "AEOI Regulations"). All Cayman Islands "Financial Institutions" (including the Trust) will be required to comply with the reporting requirements of the AEOI Regulations, unless the Trust can rely on an exemption that permits it to be treated as a "Non-Reporting Cayman Islands Financial Institution" (as defined in the relevant AEOI Regulations). The Trust does not propose to rely on any reporting exemption and will therefore comply with the registration, due diligence and reporting requirements of the AEOI Regulations as a "Reporting Financial Institution." As such, the Trust is required to (i) register with the IRS to obtain a Global Intermediary Identification Number (for the purposes of the US IGA only), (ii) register with the Cayman Islands Tax Information Authority (the "TIA"), and thereby notify the TIA of its status as a "Reporting Financial Institution," (iii) conduct due diligence on its accounts to identify whether any such accounts are considered "Reportable Accounts," and (iv) report information on such Reportable Accounts to the TIA. The TIA will transmit such information to the IRS (for US Reportable Accounts), the HMRC (for UK Reportable Accounts) or other applicable overseas fiscal authorities as the case may be. Under the terms of the US IGA, withholding will not be imposed on payments made to the Trust unless the IRS has specifically listed the Trust as a non-participating financial institution, or on payments made by the Trust to the holders of the Notes unless the Trust has otherwise assumed responsibility for withholding under United States tax law.

PLAN OF DISTRIBUTION

Credit Suisse Securities (USA) LLC, Santander Investment Securities Inc. and Scotia Capital (USA) Inc. are acting as the initial purchasers in connection with the offering of the Notes. Subject to the terms and conditions set forth in a purchase agreement among the Trust and the initial purchasers and a purchase facilitation agreement among us and the initial purchasers, the Trust has agreed to sell to the initial purchasers, and each initial purchaser has, severally and not jointly, agreed to purchase from the Trust the principal amount of the Notes set forth opposite its name in the table below.

Initial Purchaser	Principal Amount of Notes
Credit Suisse Securities (USA) LLC	US$132,000,000
Santander Investment Securities Inc.	66,000,000
Scotia Capital (USA) Inc.	132,000,000
Total	US$330,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed to purchase all of the Notes sold under the purchase agreement if any of these Notes are purchased.

The Trust and we have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchaser may be required to make in respect of any of those liabilities.

The purchase agreement provides that the obligation of the initial purchasers to purchase the Notes is subject to approval of legal matters by their counsels, including the validity of the Notes, and to other conditions contained in the purchase agreement and the purchase facilitation agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers and to reject orders in whole or in part.

Offering Terms

The initial purchasers have advised us that they propose initially to offer the Notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed at any time without notice. The initial purchasers may offer and sell Notes through certain of their affiliates.

Notes Are Not Being Registered

The Notes have not been registered under the Securities Act or any state securities laws. The Trust has not been registered and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), in reliance on the exemption set forth in Section 3(c)(7) thereof. The Notes are being offered and sold only to investors that are either (1) U.S. Persons (as defined in Regulation S under the Securities Act) who are both qualified institutional buyers in reliance on Rule 144A under the Securities Act and qualified purchasers within the meaning of Section 2(a)(51) of the Investment Company Act or (2) non-U.S. Persons (within the meaning of Regulation S of the Securities Act) outside of the United States. Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemptions from the provisions of Section 5 of the Securities Act provided by Rule 144A and the exemption from the Investment Company Act provided by Section 3(c)(7) thereof.

The initial purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchasers will not offer or sell the Notes except to persons they reasonably believe to be qualified institutional buyers and qualified purchasers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act unless the dealer makes that offer or sale

in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

New Issue of Notes

The Notes are a new issue of securities with no established trading market. Neither we nor the Trust intend to apply for listing of the Notes on any national securities exchange or for inclusion of the Notes on any automated dealer quotation system, except that application will be made to list the Notes on the SGX-ST. However, we cannot assure you that the application will be approved. The initial purchasers have advised the Trust that they currently intend to make a market in the Notes after completion of the offering. However, they are not obligated to do so and may discontinue any market-making activities with respect to the Notes at any time without notice. Neither we nor the initial purchasers can provide any assurance as to the liquidity of the trading market for the Notes. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 60 days after the date of this offering memorandum, without the prior written consent of Credit Suisse Securities (USA) LLC, Santander Investment Securities Inc. and Scotia Capital (USA) Inc., directly or indirectly, offer, sell, contract to sell, pledge or otherwise dispose of any U.S. dollar-denominated debt securities issued or guaranteed by either Borrower with a maturity of greater than one year.

Short Positions

In connection with the offering of the Notes, the initial purchasers (or persons acting on their behalf) may purchase and sell Notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the initial purchasers of a greater number of Notes than they are required to purchase in the offering.

- Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions.

- Stabilizing transactions involve bids to purchase Notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the initial purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. Neither we nor the initial purchasers make any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Sales Outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the Notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefore.

Switzerland

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this offering memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this offering memorandum nor any other offering or marketing material relating to the offering, nor the Issuer, the Borrowers, nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority (FINMA), and investors in the Notes will not benefit from protection or supervision by such authority.

European Economic Area

In relation to each Member State of the European Economic Area (each, a "Relevant Member State"), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes shall require us or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC, as amended, and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each initial purchaser has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000 ("FSMA") received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to

anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Notice to Canadian Residents

Resale Restrictions

The distribution of the Notes in Canada is being made only in the provinces of Ontario, Quebec, Alberta and British Columbia on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of these securities are made. Any resale of the Notes in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the Notes.

Representations of Canadian Purchasers

By purchasing the Notes in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

the purchaser is entitled under applicable provincial securities laws to purchase the Notes without the benefit of a prospectus qualified under those securities laws as it is an "accredited investor" as defined under National Instrument 45-106 – Prospectus Exemptions, the purchaser is a "permitted client" as defined in National Instrument 31-103 - Registration Requirements, Exemptions and Ongoing Registrant Obligations, where required by law, the purchaser is purchasing as principal and not as agent, and the purchaser has reviewed the text above under Resale Restrictions.

Conflicts of Interest

Canadian purchasers are hereby notified that Credit Suisse Securities (USA) LLC, Santander Investment Securities Inc. and Scotia Capital (USA) Inc. are relying on the exemption set out in section 3A.3 or 3A.4, if applicable, of National Instrument 33-105 – Underwriting Conflicts from having to provide certain conflict of interest disclosure in this offering memorandum.

Statutory Rights of Action

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the offering memorandum (including any amendment thereto) such as this offering memorandum contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser of these securities in Canada should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of the Notes should consult their own legal and tax advisors with respect to the tax consequences of an investment in the Notes in their particular circumstances and about the eligibility of the Notes for investment by the purchaser under relevant Canadian legislation.

Republic of Italy

The offering of securities has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, no securities may be offered, sold or delivered, nor copies of this offering memorandum, the accompanying prospectus or any other documents relating to the Notes may not be distributed in Italy except:

(a) to "qualified investors," as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "Decree No. 58") and defined in Article 26, paragraph 1, letter d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended ("Regulation No. 16190") pursuant to Article 34-ter, paragraph 1, letter. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("Regulation No. 11971"); or

(b) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum, the accompanying prospectus or any other documents relating to the Notes in the Republic of Italy must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended (the "Banking Law"), Decree No. 58 and Regulation No. 16190 and any other applicable laws and regulations;

(b) in compliance with Article 129 of the Banking Law, and the implementing guidelines of the Bank of Italy, as amended; and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed, from time to time, by CONSOB or the Bank of Italy or other competent authority.

Please note that, in accordance with Article 100-bis of Decree No. 58, where no exemption from the rules on public offerings applies, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under Decree No. 58 and Regulation No. 11971.

Furthermore, securities which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are regularly ("*sistematicamente*") distributed on the secondary market in Italy to non-qualified investors become subject to the public offer and the prospectus requirement rules provided under Decree No. 58 and Regulation No. 11971. Failure to comply with such rules may result in the sale of the Notes being declared null and void and in the liability of the intermediary transferring the Notes for any damages suffered by such non-qualified investors.

The Netherlands

In addition and without prejudice to the EEA selling restrictions above, zero coupon debt securities in bearer form on which interest does not become due and payable during their term but only at maturity and other debt securities in bearer form that qualify as savings certificates (*spaarbewijzen*) within the meaning of the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) may be transferred or accepted only through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. and with due observance of the Dutch Savings Certificates Act and its implementing regulations (including the registration requirements), provided that no such mediation is required in respect of (i) the initial issue of such debt securities to the first holders thereof, (ii) any transfer and delivery by natural persons who do not act in the conduct of a profession or trade, and (iii) the issue and trading of such debt securities, if such debt securities are physically issued outside the Netherlands and not distributed in the Netherlands in the course of primary trading or immediately thereafter; in addition (i) certain identification requirements in relation to the issue and transfer of, and payment on, such debt securities have to be complied with, (ii) any reference in publications concerning such debt securities to the words "to bearer" is prohibited, (iii) so long as such debt securities are not listed at the regulated market operated by Euronext

Amsterdam N.V., each transaction involving a transfer of such debt securities must be recorded in a transaction note, containing, at least, the name and address of the counterparty to the transaction, the nature of the transaction, and a description of the amount, registration number(s), and type of the debt securities concerned, and (iv) the requirement described under (iii) must be printed on such debt securities.

Each initial purchaser will acknowledge and agree that it will not make an offer of the Notes to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive unless (i) such offer is made exclusively to persons or entities which are (a) qualified investors as defined in the Prospectus Directive or (b) represented by eligible discretionary asset managers in accordance with Article 55 of the Exemption Regulation DFSA (*Vrijstellingsregeling Wft*), or (ii) a standard warning is used as required by Article 5:5(2) or 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht* or DFSA), provided that no such offer of securities shall require the issuer or any underwriter or agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. For the purpose of this paragraph the expression "Prospectus Directive" means Directive 2003/71/EC as amended and implemented in Dutch law.

Each initial purchaser and agent will furthermore acknowledge and agree that it will not make an offer of securities with a maturity of less than 12 months until the competent authority publishes its interpretation of the term "public" (as referred to in Article 4.1(1) of Regulation (EU) No 575/2013), unless such securities either (a) have a minimum denomination of EUR 100,000, or (b) are offered solely to professional market parties (*professionele marktpartij*) within the meaning of the DFSA and the rules promulgated thereunder and, as soon as the competent authority publishes the interpretation of the term "public" as referred to in Article 4.1(1) of Regulation (EU) No 575/2013, to persons or legal entities that are part of the public within the meaning of Regulation (EU) No 575/2013 and the DFSA and the rules promulgated thereunder.

Spain

Each initial purchaser has represented and agreed that it has not offered, sold or distributed the Notes, nor will it carry out any subsequent resale of the Notes in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of Article 35 of the restated text of the Securities Markets Act approved by Royal Legislative Decree 4/2015, dated 23 October (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), Royal Decree 1310/2005 of 4 November (*Real Decreto 1310/2005 de 4 de noviembre*), and supplemental rules enacted thereunder.

Ireland

The Notes will not and may not be offered, sold, transferred or delivered, whether directly or indirectly, otherwise than in circumstances which do not constitute an offer to the public within the meaning of the Irish Companies Act, 1963-2006, and the Notes will not and may not be the subject of an offer in Ireland which would require the publication of a prospectus pursuant to Article 3 of Directive 2003/71/EC.

Cayman Islands

No invitation is made by or on behalf of the Trust or the Borrowers to the public in the Cayman Islands to subscribe for the Notes.

Guatemala

The Notes have not been, and will not be, registered for public offering in Guatemala with the Securities Market Registry under the Stock Exchange Act, Decree 34-96 of Congress of Guatemala, amended by Decree 49-2008 (the "Guatemalan Securities and Commodities Act"). Accordingly, the Notes may not be offered or sold in Guatemala, except in certain limited transactions exempted from the registration requirements of the Guatemalan Securities and Commodities Act. The Notes do not benefit from tax incentives accorded by the Guatemalan Securities and Commodities Act and are not subject to regulation or supervision by the Securities Market Registry.

Chile

Pursuant to the Securities Market Law of Chile and *Norma de Carácter General* (Rule) No. 336, dated June 27, 2012, issued by the Superintendency of Securities and Insurance of Chile (*Superintendencia de Valores y Seguros*, or the "SVS") ("Rule 336"), the Notes may be privately offered to certain Qualified Investors identified as such by Rule 336 (which in turn are further described in Rule No. 216, dated June 12, 2008, of the SVS).

Rule 336 requires the following information to be made to prospective investors in Chile:

1. Date of commencement of the offer: April 18, 2017. The offer of the Notes are subject to Norma de Carácter General (Rule) No. 336, dated June 27, 2012, issued by the SVS;

2. The subject matter of this offer are Notes not registered with the Securities Registry (*Registro de Valores*) of the SVS, nor with the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS, and therefore the Notes are not subject to the oversight of the SVS;

3. Since the Notes are not registered in Chile there is no obligation by the issuer to deliver public information about the Notes in Chile; and

4. The Notes shall not be subject to public offering in Chile unless registered with the relevant securities registry of the SVS.

This information has been translated into Spanish below.

INFORMACIÓN A LOS INVERSIONISTAS CHILENOS

De conformidad con la Ley N° 18.045, de Mercado de Valores y la Norma de Carácter General N° 336 (la "NCG 336"), de 27 de junio de 2012, de la Superintendencia de Valores y Seguros de Chile (la "SVS"), los bonos pueden ser ofrecidos privadamente a ciertos "Inversionistas Calificados," a los que se refiere la NCG 336 y que se definen como tales en la Norma de Carácter General N° 216, de 12 de junio de 2008, de la SVS.

Panama

The Notes have not been, and will not be, registered for public offering in Panama with the National Securities Commission of Panama under Decree-Law 1 of July 8, 1999 (the "Panamanian Securities Act"). Accordingly, the Notes may not be offered or sold in Panama, except in certain limited transactions exempted from the registration requirements of the Panamanian Securities Act. The Notes do not benefit from tax incentives accorded by the Panamanian Securities Act and are not subject to regulation or supervision by the National Securities Commission of Panama.

Peru

The Notes will not be subject to a public offering in Peru. The Notes and the information contained in this offering memorandum have not been and will not be registered with or approved by the *Superintendencia del Mercado de Valores* (the "SMV") or the Lima Stock Exchange (*Bolsa de Valores de Lima*). Accordingly, the Notes cannot be offered or sold in Peru, except if (i) the Notes were previously registered with the SMV, or (ii) such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities laws establish, among other things, that an offer directed exclusively at Peruvian institutional investors qualifies as a private offering. In making an investment decision, institutional investors (as defined by Peruvian law) must rely on their own examination of the terms of the offering of the Notes to determine their ability to invest in the Notes.

Jamaica

The Notes have not been, and are not being, publicly offered in Jamaica. This offering memorandum does not and is not intended to constitute a public offer of securities in Jamaica.

Pursuant to guidelines ("Guidelines") numbered SR-GUID-08/05-0016 published by the Financial Services Commission of Jamaica ("FSCJ"), securities may be offered in Jamaica by way of an exempt distribution. Exempt distributions are exempt from the requirement to register a prospectus or other offering document. The registration requirement under the provisions of the Securities Act of Jamaica in respect of a trade in a security, where the security is offered by way of an exempt distribution, is satisfied by compliance with the provisions of the Guidelines.

We expect to file the required Notice of Exempt Distribution (Form XDF-1) with the FSCJ. If the FSCJ approves the filing, we expect that it will provide to us a notice in writing that the notes have been granted exemption from registration of an offering document. If the exemption from registration with respect to the notes is granted, the notes will be subject to transfer restrictions pursuant to the Guidelines.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (2) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA, or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes under Section 275 except (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA, (2) where no consideration is given for the transfer, or (3) by operation of law.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap.32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the depositary securities may be issued or may be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to depositary securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Relationships with Initial Purchasers

The initial purchasers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The initial purchasers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, some of the initial purchasers may receive, indirectly, a portion of the proceeds from the offering of the Notes as a result of distributions made by us to our shareholders, which they may use to repay indebtedness under which some of the initial purchasers are lenders.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Settlement

We expect that delivery of the Notes will be made against payment therefor on or about the fourth business day in the United States following the date of the pricing of the Notes (this settlement cycle being referred to as "T+4"). Under Rule 15c6-1 of the Commission under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day in the United States will be required, by virtue of the fact that the Notes initially will settle in "T+4," to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing in the United States should consult their own advisors.

NOTICE TO INVESTORS

The Notes have not been registered and will not be registered under the Securities Act, any U.S. state securities laws, the Securities Market Registry (pursuant to the Stock Exchange Act, Decree 34-96 of the Congress of Guatemala and any of its existing or future amendments (Decree 49-2008)) or the laws of any other jurisdiction, and may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act and the securities laws of any other jurisdiction. The Trust has not been registered under the Investment Company Act, in reliance on the exemption set forth in Section 3(c)(7) thereof. Accordingly, the Notes are being offered and sold only:

- in the United States in reliance on Rule 144A under the Securities Act to investors that are both (1) QIBs and (2) Qualified Purchasers; and

- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 in reliance on Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Restricted Notes

Each purchaser of Restricted Notes (including the registered holders and beneficial owners of the Notes as they exist from time to time, including as a result of transfers, in each case, as of the time of purchase) must be able to and will be deemed to have represented and agreed, on its own behalf and on behalf of each account for which it is purchasing, as follows:

1. It is a QIB who is also a Qualified Purchaser; is aware the sale of the Notes to it is being made in reliance on Rule 144A; is acquiring such Notes for its own account or the account of a QIB who is also a Qualified Purchaser as to which the purchaser exercises sole investment discretion; and it and each such account:

   (i) is not a broker-dealer which owns and invests on a discretionary basis less than US$25,000,000 in securities of unaffiliated issuers;

   (ii) is not formed for the purpose of investing in the Trust;

   (iii) will provide notice of the transfer restrictions described in this "Notice to Investors" section to any subsequent transferees; and

   (iv) acknowledges that the Trust may receive a list of participants holding positions in the Restricted Global Notes from one or more book-entry depositaries.

2. It understands that if at any time the Trust determines in good faith that a holder of the Notes (or of any beneficial interest therein) is in breach, at the time given, of any of the representations and agreements contained in this "Notice to Investors" section, the Trust may require such holder to transfer such Notes (or beneficial interest therein) to a transferee acceptable to the Trust who is able to and who does make all of the representations and agreements set forth in this "Notice to Investors" section. Pending such transfer, such holder will be deemed not to be the holder of such Notes for any purpose, including but not limited to receipt of principal and interest payments on such Notes, and such holder will be deemed to have no interest whatsoever in such Notes except as otherwise required to sell its interest therein as described in this paragraph.

3. It understands that the Trust is not and will not be registered as an "investment company" under the Investment Company Act.

4. It understands and acknowledges that the Restricted Notes are being offered only in a transaction not involving any public offering in the United States, within the meaning of the Securities Act, and the

Restricted Notes offered hereby have not been and will not be registered under the Securities Act or with any securities regulatory authority of any U.S. state, the Guatemalan Securities and Commodities Market Act or any other jurisdiction, and may not be offered, resold, pledged or otherwise transferred except (a) to the Trust or the Borrowers, (b) to a person who the seller reasonably believes is both a QIB and a Qualified Purchaser in a transaction meeting the requirements of Rule 144A, or (c) upon delivery of a written certification in the form provided in the Indenture, in an offshore transaction in accordance with Rule 904 or Regulation S, in each case in accordance with all applicable securities laws of the states of the United States.

5. It understands and acknowledges that Restricted Notes (or any interest therein) may be purchased, sold, pledged or otherwise transferred only in minimum principal amounts of US$200,000 and integral multiples of US$1,000 in excess thereof.

6. It understands that each Restricted Global Note, and each definitive Note issued in exchange for all or part of a Restricted Global Note or an interest therein, will bear a legend to the following effect, unless the Trust determines otherwise in compliance with applicable law:

THE NOTES MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF US$200,000 AND INTEGRAL MULTIPLES OF US$1,000 IN EXCESS THEREOF. IF AT ANY TIME ENERGUATE TRUST (THE "TRUST") DETERMINES IN GOOD FAITH THAT A HOLDER OR BENEFICIAL OWNER OF THIS NOTE OR BENEFICIAL INTERESTS HEREIN IS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE, THE TRUST MAY REQUIRE SUCH HOLDER TO TRANSFER THIS NOTE (OR INTEREST HEREIN) TO A TRANSFEREE ACCEPTABLE TO THE TRUST WHO IS ABLE TO AND WHO DOES SATISFY ALL OF THE REQUIREMENTS SET FORTH HEREIN AND IN THE INDENTURE. PENDING SUCH TRANSFER, SUCH HOLDER WILL BE DEEMED NOT TO BE THE HOLDER OF THIS NOTE (OR INTEREST HEREIN) FOR ANY PURPOSE, INCLUDING BUT NOT LIMITED TO RECEIPT OF PRINCIPAL AND INTEREST PAYMENTS ON THIS NOTE, AND SUCH HOLDER WILL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THIS NOTE EXCEPT AS OTHERWISE REQUIRED TO SELL ITS INTEREST HEREIN AS DESCRIBED HEREIN.

THE NOTES EVIDENCED BY THIS GLOBAL NOTE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE TRUST HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT TO THE TRUST OR THE BORROWERS OR (A)(1) TO A PERSON WHO IS BOTH A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND A "QUALIFIED PURCHASER" (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT AND RELATED RULES), IN EACH CASE PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHO IS ALSO A QUALIFIED PURCHASER AS TO WHICH THE PURCHASER EXERCISES SOLE INVESTMENT DISCRETION, IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A, AND PROVIDED THAT EACH SUCH PERSON AND ACCOUNT FOR WHICH SUCH PERSON IS PURCHASING (A) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT ITS AFFILIATED PERSONS, (B) IS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE TRUST, (C) UNDERSTANDS THAT THE TRUST MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN THIS SECURITY FROM ONE OR MORE BOOK-ENTRY DEPOSITARIES AND (D) MUST BE ABLE TO AND WILL BE DEEMED TO REPRESENT THAT IT AGREES TO COMPLY WITH THE APPLICABLE TRANSFER RESTRICTIONS, AND WILL NOT TRANSFER THIS NOTE OR ANY

BENEFICIAL INTERESTS HEREIN EXCEPT TO A PURCHASER WHO CAN MAKE THE SAME REPRESENTATIONS AND AGREEMENTS ON BEHALF OF ITSELF AND EACH ACCOUNT FOR WHICH IT IS PURCHASING OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT, AND (B) IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES; PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE TRUST OR THE INDENTURE TRUSTEE MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT THE TRUST, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE (OR AN INTEREST HEREIN), REPRESENTS AND AGREES FOR THE BENEFIT OF THE TRUST THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE (OR INTEREST HEREIN) FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

THE FOREGOING LEGENDS MAY BE REMOVED FROM THIS NOTE ONLY ON THE CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN.

7. It understands that no representation can be made as to the availability of the exemption provided by Rule 144 for resales of the Notes offered hereby.

8. It acknowledges that the Indenture Trustee will not be required to accept for registration of transfer any Notes, except upon presentation of evidence satisfactory to the Trust that the restrictions set forth herein have been complied with.

9. It acknowledges that we, the Trust, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes are no longer accurate, it shall promptly notify us, the Trust and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

10. If it, or any other person for which it is acting, is an investment company exempted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof (or a foreign investment company under Section 7(d) thereof relying on Section 3(c)(1) or Section 3(c)(7) with respect to its holders that are U.S. persons) and was formed on or before April 30, 1996, it has received consent of the beneficial owners who acquired their interest on or before April 30, 1996, with respect to its treatment as a qualified purchaser in the manner required by Section 2(a)(51)(C) of the Investment Company Act and the rules promulgated thereunder.

11. It acknowledges that the Cayman Trustee is subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Crime Law (as amended) and The Money Laundering Regulations (as amended). Accordingly, the Trust may, except in relation to certain categories of institutional investors, require a detailed verification of an Investor's identity and the source of the payment used by such Investor for purchasing the Notes. The laws of other major financial centers may impose similar obligations upon the Trust.

Regulation S Notes

Each purchaser of Regulation S Notes must be able to and will be deemed to have represented and agreed as follows:

1. It is a non-U.S. person who is acquiring such Regulation S Notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

2. It understands that such Regulation S Notes are being offered only outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act and that the Regulation S Notes offered hereby have not been and will not be registered under the Securities Act or with any securities regulatory authority of any U.S. state, the Guatemalan Securities and Commodities Market Act or any other jurisdiction, and may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except as permitted by the legend set forth in paragraph 4 below.

3. It agrees that it will deliver to each person to whom it transfers the Regulation S Notes notice of any restrictions on transfer of such Regulation S Notes.

4. It understands that each Regulation S Global Notes, and each definitive note issued in exchange for all or part of a Regulation S Global Note or interest therein, will bear a legend to the following effect, unless the Trust determines otherwise in compliance with applicable law:

   THE NOTES MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF US$200,000 AND INTEGRAL MULTIPLES OF US$1,000 IN EXCESS THEREOF.

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

5. It acknowledges that the Indenture Trustee will not be required to accept for registration of transfer any Notes, except upon presentation of evidence satisfactory to the Trust that the restrictions set forth herein have been complied with.

6. It acknowledges that we, the Trust, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes are no longer accurate, it shall promptly notify us, the Trust and the initial purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

7. It acknowledges that the Cayman Trustee is subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Crime Law (as amended) and The Money Laundering Regulations (as amended). Accordingly, the Trust may, except in relation to certain categories of institutional investors, require a detailed verification of an Investor's identity and the source of the payment used by such Investor for purchasing the Notes. The laws of other major financial centers may impose similar obligations upon the Trust.

Representations and Restrictions on Resale and Transfer by Guatemalan Purchasers

Each Guatemalan purchaser of Notes and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have acknowledged, represented and agreed as follows:

1. the Notes have not been registered under the Stock Exchange Act of Guatemala or the law of any other jurisdiction;

2. the Notes owned by each Guatemalan purchaser have only been privately offered as described in this offering memorandum;

3. pursuant to the Stock Exchange Act of Guatemala, (i) the Notes were not offered to such purchaser in an open market or directly or indirectly by means of mass communication; and (ii) the Notes were not offered to such purchaser with the involvement or intervention of a third party or intermediary; and

4. the Notes may not be publicly offered or sold in Guatemala unless they are registered in Guatemala for public offering.

LEGAL MATTERS

The validity of the Notes will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York, as to certain matters of New York law. The validity of the Notes will be passed upon for the initial purchasers by White & Case LLP. The validity of the Notes will be passed upon for us by Mayora & Mayora, S.C., as to certain matters of Guatemalan law, and for the initial purchasers by Aguilar Castillo Love Guatemala S.A. as to certain matters of Guatemalan law. Certain matters of Guatemalan tax law will be passed upon for us by Ernst & Young. Certain matters of Cayman Islands law will be passed upon by Maples and Calder.

INDEPENDENT AUDITORS

Our combined financial statements as of December 31, 2016 and for the year ended December 31, 2016,, which include the combined statement of financial position as of December 31, 2016 and the related combined statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year ended December 31, 2016, have been audited by Deloitte, Inc., independent auditors, as stated in their report appearing herein. Our combined financial statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014, which include the restated combined statements of financial position as of December 31, 2015 and 2014, and the related restated combined statements of profit or loss and other comprehensive income and changes in shareholders' equity for the years ended December 31, 2015 and 2014 and the combined statements of cash flows for the years ended December 31, 2015 and 2014, have been audited by Deloitte Guatemala S.A., independent auditors, as stated in their report appearing herein.

LISTING AND GENERAL INFORMATION

1. Application will be made to list the Notes in the SGX-T. If the application to the SGX-ST to list the Notes is approved, the Notes will be traded on the SGX-ST in a minimum board lot size of at least 200,000 in Singapore dollars (or its equivalent in other currencies).

2. The Notes have been accepted for clearance through DTC. The CUSIP numbers and ISIN numbers for the Notes are as follows:

	CUSIP Number	ISIN Number
Restricted Global Note	29277R AA3	US29277RAA32
Regulation S Global Note	G3040L AA0	USG3040LAA01

3. Except as disclosed in this offering memorandum, there are no pending actions, suits or proceedings against or affecting us or any of our properties, which, if determined adversely to us would individually or in the aggregate have an adverse effect on our financial condition or would adversely affect our ability to perform our obligations under the Loan or which are otherwise material in the context of the issue of the Notes, and, to the best of our knowledge, no such actions, suits or proceedings are threatened.

4. Except as disclosed in this offering memorandum, since December 31, 2016, there has been no change (or any development or event involving a prospective change of which we are or might reasonably be expected to be aware) which is materially adverse to our financial condition.

INDEX TO FINANCIAL STATEMENTS

AUDITED COMBINED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016, 2015 (RESTATED) AND 2014 (RESTATED) AND FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 (RESTATED) AND 2014 (RESTATED)

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Management Committee and Shareholders of
Distribuidora de Electricidad de Occidente, S.A. and
Distribuidora de Electricidad de Oriente, S.A.
(Guatemalan entities)

Opinion

We have audited the Combined Financial Statements of Distribuidora de Electricidad de Occidente, S.A. ("DEOCSA") and Distribuidora de Electricidad de Oriente, S.A. ("DEORSA") ("the Combined Entities"), which comprise the combined statements of financial position as of December 31, 2016, and the combined statement of profit or loss and other comprehensive income, changes in shareholders´ equity, and cash flows for the year then ended, and notes to the Combined Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Combined Financial Statements present fairly, in all material respects, the financial position of the Combined Entities as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as 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 *Auditor's Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of the Group under the requirements of section 290 of the International Ethics Standards Board for Accountants ("IESBA") Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As stated in Note 23 of the accompanying Combined Financial Statements, on December 2, 2016, a reduction in the capital stock was approved by the respective Combined Entities shareholders through the decrease in the nominal value of the Combined Entities´ respective shares. According to Guatemala's Commerce Code, the reduction of capital stock can be recorded only when it is registered in the Commercial Register. As further indicated in Note 23, as of the date of issuance of the accompanying Combined Financial Statements the registration in the Commercial Register is pending, and as such the abovementioned reduction was not recognized.

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

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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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 Combined Entities' 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 Combined Entities' or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Combined Entities' financial reporting process.

Auditor's 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 auditor's 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.

Deloitte.

Deloitte, Inc.
Panama City, Panama
March 29, 2017

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Management Committee and Shareholders of
Distribuidora de Electricidad de Occidente, S.A. and
Distribuidora de Electricidad de Oriente, S.A.
(Guatemalan entities)

Opinion

We have audited the Combined Financial Statements of Distribuidora de Electricidad de Occidente, S.A. ("DEOCSA") and Distribuidora de Electricidad de Oriente, S.A. ("DEORSA") ("the Combined Entities"), which comprise the combined statements of financial position as of December 31, 2015 and 2014, and the combined statements of profit or loss and other comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and notes to the Combined Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Combined Financial Statements present fairly, in all material respects, the financial position of the Combined Entities as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as 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 *Auditor's Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of the Group under the requirements of section 290 of the International Ethics Standards Board for Accountants ("IESBA") Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As stated in Note 23 of the accompanying Combined Financial Statements, on December 2, 2016, a reduction in the capital stock was approved by the respective Combined Entities shareholders' meetings through the decrease in the nominal value of the Combined Entities' respective shares. According to Guatemala's Commerce Code, the reduction of capital stock can be recorded only when it is registered in the Commercial Register. As further indicated in Note 36, as of the date of issuance of the accompanying Combined Financial Statements the inscription in the Commercial Register is pending, and as such the abovementioned reduction was not recognized.

As stated in Note 30.c) of the accompanying Combined Financial Statements, which describes the effects of a criminal complaint filed by the Guatemalan Tax Authority (*Superintendencia de Administración Tributaria*, or the "SAT"), in July 2016, the SAT filed a criminal complaint against DEOCSA and DEORSA, which requested the initiation of a criminal proceeding for tax fraud, and

the payment of alleged back taxes, interest and fines in relation to fiscal years 2011 and 2012, on the grounds that the structure of the 2011 acquisition was used solely to generate tax deductions in respect of interest and amortization of goodwill. As of December 31, 2016, the Combined Entities paid a total of Q. 137,505 thousand (approximately US$ 18,093 thousand) for the years 2014 and 2015; and on 19 August 2016, they paid a total of US$ 13,189 thousand (Q. 100,236 thousand) for the year 2013. In addition, during 2016 the Combined Entities made additional payments of income tax in advance by Q. 40,729 thousand (US$ 5,393 thousand) corresponding to year 2016, not computing as deductible amounts the items related to goodwill, depreciation and interest that were subject to the tax claim. The Combined Entities' Management considers, based on the opinion of its tax and legal advisors, that the receivable generated by these payments is more likely than not to be recovered as a result of the final outcome of this claim and of the other recourses to be initiated by the Combined Entities.

As discussed in Note 1.b, the Combined Financial Statements as of December 31, 2015 and 2014 and for the years then ended have been restated for the correction of errors.

Our opinion is not modified with respect to these matters.

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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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 Combined Entities' 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 Combined Entities' or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Combined Entities' financial reporting process.

Auditor's 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 auditor's 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.

Sergio Patzán
CPA Register No. 2200

Deloitte Guatemala, S.A.

Guatemala City, Guatemala
March 29, 2017

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

Combined statements of profit or loss and other comprehensive income
for the years ended December 31, 2016, 2015 (restadted) and 2014 (restated)
(Stated in thousands of US dollars, except otherwise indicated)

	Notes	2016	2015 (Restated) (Note 1.b)	2014 (Restated) (Note 1.b)
Revenue:				
Energy sales	5	546,307	556,616	570,007
Services rendered	6	10,590	8,267	6,604
Other revenues	7	16,389	12,406	15,280
Total revenue		573,286	577,289	591,891
Costs of sales:				
Energy purchases	8	(377,062)	(361,378)	(390,221)
Other costs of sales	9	(71,958)	(71,124)	(68,187)
Total costs of sales		(449,020)	(432,502)	(458,408)
Gross profit		124,266	144,787	133,483
General, selling and administrative expenses	11	(62,633)	(63,802)	(57,265)
Financial income	10	7,517	3,974	9,311
Financial expenses	12	(23,088)	(25,921)	(22,610)
Other income	13	2,795	4,282	1,928
Profit before income tax		48,857	63,320	64,847
Income tax	14	(12,959)	(14,563)	(48,167)
Profit for the year		35,898	48,757	16,680
Other comprehensive income (loss), net of income tax				
Items that will not be reclassified subsequently to profit or loss:				
Translation differences		1,901	(875)	5,388
Remeasurement of defined benefit obligation loss:	27	(186)	(1,058)	(1,168)
Items that will be reclassified subsequently to profit or loss:				
Cash flow hedge	25	270	571	552
Other comprehensive income (loss) for the year, net of income tax		1,985	(1,362)	4,772
Total comprehensive income for the year		37,883	47,395	21,452

The accompanying notes are part of these combined financial statements.

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

Combined statements of financial position
As of December 31, 2016, 2015 (restated) and 2014 (restated)
(Stated in thousands of US dollars, except otherwise indicated)

Assets	Notes	2016	2015 (Restated) (Note 1.b)	2014 (Restated) (Note 1.b)
Non current assets:				
Property, plant and equipment - net	16	514,768	502,111	500,541
Intangible assets	17	127,209	125,180	126,738
Trade receivables	15	12,520	13,192	8,120
Non-current tax assets	20	80,023	-	-
Other receivables	18	5,658	5,762	5,147
Total non-current assets		740,178	646,245	640,546
Current assets:				
Other assets		2,036	64	51
Inventory	19	1,446	1,340	1,840
Trade receivables	15	79,983	78,344	91,053
Other receivables	18	3,118	5,189	644
Tax assets and liabilities	20	204	201	1,378
Account receivables from related parties	21	957	799	1,764
Restricted cash	3r	4,797	4,723	3,942
Cash and cash equivalents	22	11,119	41,250	30,101
Total current assets		103,660	131,910	130,773
Total assets		843,838	778,155	771,319

(Continued)

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

Combined statements of financial position
As of December 31, 2016, 2015 (restated) and 2014 (restated)
(Stated in thousands of US dollars, except otherwise indicated)

		2016	2015 (Restated) (Note 1.b)	2014 (Restated) (Note 1.b)
Shareholders' equity and liabilities:				
Shareholders' equity:				
Capital stock	23	107,218	107,218	107,218
Legal reserve		20,741	16,043	16,366
Retained earnings		26,460	52,871	62,868
Accumulated other comprehensive loss – cash flows hedge		-	(270)	(841)
Accumulated other comprehensive loss – remeasurement of defined benefit obligation		(3,045)	(2,859)	(1,801)
Accumulated other comprehensive loss – translation differences		(3,084)	(4,985)	(4,110)
Total shareholders' equity		148,290	168,018	179,700
Non-current liabilities:				
Debt with financial entities - long term	24	249,125	245,662	208,380
Other financial obligations - long term	25	-	-	481
Deferred revenues	26	140,666	145,136	148,265
Provisions	27	13,820	14,664	18,793
Deferred income tax, net	14	9,365	8,291	9,696
Other long-term liabilities		5,289	4,791	2,431
Total non-current liabilities		418,265	418,544	388,046
Current liabilities:				
Debt with financial entities - short term	24	67,945	37,788	53,838
Other financial obligations - short term	25	165	583	1,144
Accounts payables to related parties	21	27,065	123	-
Trade and other accounts payables	29	106,444	86,202	71,846
Creditors		48	31	1,192
Current tax liabilities	20	6,249	9,012	23,148
Other liabilities	28	63,650	53,328	48,284
Employee benefits payable		5,717	4,526	4,121
Total current liabilities		277,283	191,593	203,573
Total liabilities		695,548	610,137	591,619
Total liabilities and shareholders' equity		843,838	778,155	771,319

The accompanying notes are part of these combined financial statements.

(Concluded)

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

Combined statements of changes in shareholders' equity
for the years ended December 31, 2016, 2015 (restated) and 2014 (restated)
(Stated in thousands of US dollars, except otherwise indicated)

				Accumulated Other Comprehensive Income			
	Capital stock	Legal reserve	Retained earnings	Cash flows hedge	Remeasure-ment of defined benefit obligation	Translation differences	Total
Balances as of January 1, 2014	107,218	15,454	47,100	(1,393)	(633)	(9,497)	158,249
Movement for the year 2014							
Transfer to legal reserve, as restated	-	912	(912)	-	-	-	-
Remeasurement of defined benefit obligation, net of income tax	-	-	-	-	(1,168)	-	(1,168)
Gain from cash flows hedge, net income tax	-	-	-	552	-	-	552
Profit for the year, as restated	-	-	16,680	-	-	-	16,680
Translation differences, as restated	-	-	-	-	-	5,387	5,387
Balances as of December 31, 2014, as restated (Note 1.b)	107,218	16,366	62,868	(841)	(1,801)	(4,110)	179,700
Movement for the year 2015							
Transfer from legal reserve, as restated	-	(323)	323	-	-	-	-
Cash dividends declared	-	-	(59,077)	-	-	-	(59,077)
Remeasurement of defined benefit obligation, net of income tax	-	-	-	-	(1,058)	-	(1,058)
Gain from cash flows hedge, net income tax	-	-	-	571	-	-	571
Profit for the year, as restated	-	-	48,757	-	-	-	48,757
Translation differences, as restated	-	-	-	-	-	(875)	(875)
Balances as of December 31, 2015, as restated (Note 1.b)	107,218	16,043	52,871	(270)	(2,859)	(4,985)	168,018
Movement for the year 2016							
Transfer from legal reserve	-	4,698	(4,698)	-	-	-	-
Cash dividends declared	-	-	(57,611)	-	-	-	(57,611)
Remeasurement of defined benefit obligation, net of income tax	-	-	-	-	(186)	-	(186)
Gain from cash flows hedge, net income tax	-	-	-	270	-	-	270
Profit for the year	-	-	35,898	-	-	-	35,898
Translation differences	-	-	-	-	-	1,901	1,901
Balances as of December 31, 2016	107,218	20,741	26,460	-	(3,045)	(3,084)	148,290

The accompanying notes are part of these combined financial statements.

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

Combined statements of cash flows
For the years ended December 31, 2016, 2015 and 2014
(Stated in thousands of US$ dollars, except otherwise indicated)

	2016	2015	2014
Cash flows from operating activities:			
Profit for the year	35,898	48,757	16,680
Adjustments from:			
Depreciation and amortization	25,584	25,890	26,907
Accrued revenue - government grants	(6,528)	(6,616)	(7,318)
Impairment losses recognized on receivables from doubtful accounts	23,041	24,884	25,601
Gain on disposal of property, plant and equipment	2,015	3,421	1,466
Provisions for severance pay compensation	673	-	-
Provision for contingencies	(48)	(3,956)	(1,389)
Interest from deposits received from consumers	4,646	3,243	2,889
Effective cash flows hedge	(181)	(271)	191
Finance costs recognized in profit or loss	18,416	20,737	17,875
Exchange differences	(2,937)	(56)	(6,041)
Income tax expense	12,959	14,563	48,167
Provision for obsolete inventories	-	1,423	-
Changes in working capital:			
Inventory	(86)	(77)	1,608
Other assets	(1,972)	197	(13)
Trade receivables	(22,704)	(17,788)	(34,155)
Other receivables	2,336	(2,069)	1,304
Taxes receivables	(80,023)	1,170	-
Related parties	122	1,078	(1,498)
Severance pay compensation	(1,118)	(878)	(1,196)
Provisions for contingencies	(805)	(607)	(1,081)
Tax payables	(540)	(1,302)	3,864
Other liabilities	1,245	(719)	2,781
Trade and other accounts payable	19,172	12,928	(26,998)
Creditors	14	(1,154)	(469)
Employee benefits payable	1,128	422	1,039
Cash from operating activities	30,307	123,220	70,214
Income tax paid	(14,387)	(28,442)	(10,694)
Payment of interest	(18,416)	(20,737)	(17,875)
Net cash flows (used in) generated by operating activities	(2,496)	74,041	41,645

(Continued)

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

Combined statements of cash flows
For the years ended December 31, 2016, 2015 and 2014
(Stated in thousands of US$ dollars, except otherwise indicated)

	2016	2015	2014
Cash flows from investing activities:			
Payments for property, plant and equipment	(30,329)	(31,782)	(30,460)
Payments for intangible assets	(2,710)	(1,315)	(1,871)
Proceeds from disposal of property, plant and equipment	-	-	41
Net cash flow used in investing activities	(33,039)	(33,097)	(32,290)
Cash flows from financing activities:			
Funds received from government grants	-	2,628	11,345
Loans obtained from Banks - Short term borrowings	85,000	23,002	-
Loans obtained from Banks - Long term debt	40,366	74,936	91,819
Restricted cash	(4)	(800)	91
Accounts receivable/payable to related parties	-	-	-
Long-term creditors	1,595	5,109	(449)
Payment of dividends	(28,708)	(59,257)	-
Payments for financial leasing	(30)	-	-
Payment of bank loans - short term borrowings	(55,000)	(39,002)	-
Payment of bank loans - long term debt	(37,861)	(37,781)	(144,059)
Net cash flow generated by (used in) financing activities	5,358	(31,165)	(41,253)
Net (decrease) increase in cash equivalents	(30,177)	9,779	(31,898)
Effects of exchange rate changes on cash and cash equivalents	46	1,370	2,301
Cash and cash equivalents at the beginning of the year	41,250	30,101	59,698
Cash and cash equivalents at the end of year	11,119	41,250	30,101

(Concluded)

The accompanying notes are part of these combined financial statements.

1. Operations of the combined entities and basis of preparation of the combined financial statements

a. Operations of the Combined Entities

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

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

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

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

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

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

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

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

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

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

The authorization given by CNEE to increase or decrease tariffs in the future is merely a pricing mechanism that regulates tariffs for the following periods, and does not give rise to an asset or liability and additional or less revenue in the current period. The recovery of the operating loss or the payment of the operating income is included in the calculation of the tariff that the Combined Entities may charge to its customers and should be recognized only when such revenues are received or receivable. It is appropriate to recognize an asset for the recovery of actual costs incurred or a liability for the refund of amounts over billed whenever the right or obligation exists independently of the delivery of future services. It is difficult to determine whether the rights and obligations exist independently, particularly when there is no history of recovery or refund other than through invoices for future service. The results of this tariff adjustment process is reflected by the CNEE through quarterly resolutions and communicated to the Combined Entities for its application in subsequent periods (Note 35).

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

INDE was the former the majority shareholder of the Combined Entities. On December 15, 1998, INDE sold its shares in the Combined Entities to Compañía Distribuidora Eléctrica del Caribe, S.A. – DECSA, a subsidiary of Unión Fenosa Internacional – UFI (an international operator that owned 99.99% of DECSA and subsidiary of Union Fenosa, S.A.). As part of the obligations assumed by UFI, the Combined Entities will implement the rural electrification projects included in the "Agreement of Management Trust – INDE— Western and Eastern Rural Works" and the "Agreement of Construction of Electric Energy Transmission Works" signed between the Combined Entities and INDE (Note 31).

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

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

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

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

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

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

b. Basis of preparation of the combined financial statements

The combined financial statements as of December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014 of the Combined Entities have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Combined Entities' financial statements as of December 31, 2015 and 2014 and for the years then ended have been restated as explained below.

As of December 31, 2016, the Combined Entities does not represent a group for consolidated financial statement reporting purposes in accordance with IFRS 10 Consolidated Financial Statements. In determining the entities to be included in the accompanying combined financial statements, management has considered the electricity distribution entities. As of December 31, 2016, the Combined Entities are indirectly held by I.C. Power Ltd. (hereinafter referred to as the "Holding Company"), which is a wholly owned subsidiary of Kenon, as a result of the acquisition of I.C. Power Ltd. on January 22, 2016 described in note 1.a. The Combined Entities does not have a single parent in Guatemala; however, DEOCSA and DEORSA were under common control during each of the years presented. Until January 21, 2016 they were under the common control of Actis Investment Fund, and since that date under the common control

of Holding Company. Therefore, these financial statements have been prepared on a combined basis whereby the assets, liabilities and results of DEOCSA and DEORSA have been combined.
The combined financial statements may not be indicative of the Combined Entities' future performance and do not necessarily reflect what the results of operations, financial position and cash flows would have been had the Combined Entities operated as a single company during all of the period presented. Management considers that the aggregation have been made on a reasonable basis.

The Combined Entities used the same accounting policies for the preparation of these combined financial statements, as those used by the DEOCSA and DEORSA for the preparation of each Separate Financial Statements. These accounting policies have been disclosed under this note and in Note 3 significant accounting policies. DEOCSA and DEORSA are included in these combined financial statements using their respective historical carrying values and amounts included in each Separate Financial Statements, not considering the adjustments made by Holding Company in its Financial Statement as part of the acquisitions of the Combined Entities accounted for using the acquisition method as required by IFRS 3.

The combined financial statements have been derived from the aggregation of the assets and liabilities of DEOCSA and DEORSA. All intra-group balances, revenues, expenses and unrealized gains and losses arising from transactions between DEOCSA and DEORSA belonging to the Combined Entities were eliminated when preparing the combined financial statements. Transactions with Kenon group companies, which do not belong to the Combined Entities, have been disclosed as transactions with related parties.

The combined financial statements have been prepared in thousands of U.S. Dollars. Rounding differences may occur in respect of individual amounts or percentages.

(Stated in thousands of US Dollars, except otherwise indicated)

Financial information on combined entities, summarized

As of December 31, 2016, 2015 and 2014, and for the years then ended the summarized financial information of DEOCSA and DEORSA is as follows:

Summary of the combined Group Consolidation by combined entities													
As of and for the year ended December 31, 2016													
Entity	Financial Statements	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Equity	Total Liabilities and Equity	Revenues	Costs	Profit (Loss)	Other Comprehensive Income	Total Comprehensive Income
DEOCSA	Separate Financial Statements	63,652	431,533	495,185	179,995	232,690	82,500	495,185	324,572	(251,444)	19,248	1,130	20,378
DEORSA	Separate Financial Statements	61,935	311,400	373,335	121,969	185,575	65,791	373,335	248,714	(197,576)	16,650	855	17,505

Summary of the combined Group Consolidation by combined entities													
As of and for the year ended December 31, 2015													
Entity	Financial Statements	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Equity	Total Liabilities and Equity	Revenues	Costs	Profit (Loss)	Other Comprehensive Income	Total Comprehensive Income
DEOCSA	Separate Financial Statements	59,916	373,254	433,170	110,331	233,300	89,539	433,170	326,963	(242,718)	23,172	(636)	22,536
DEORSA	Separate Financial Statements	72,167	272,991	345,158	81,433	185,244	78,479	345,156	250,326	(189,784)	25,587	(727)	24,860

Summary of the combined Group Consolidation by combined entities													
As of and for the year ended December 31, 2014													
Entity	Financial Statements	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Equity	Total Liabilities and Equity	Revenues	Costs	Profit (Loss)	Other Comprehensive Income	Total Comprehensive Income
DEOCSA	Separate Financial Statements	62,042	373,361	435,403	127,426	215,946	92,030	435,402	330,788	(257,523)	903	2,634	3,537
DEORSA	Separate Financial Statements	77,779	267,185	344,964	85,195	172,100	87,670	344,965	261,103	(200,886)	15,775	2,137	17,912

Restatement of the combined financial statements

Subsequent to the issuance of the combined financial statements of the Combined Entities as of December 31, 2015 and 2014 and for the years then ended originally presented in Quetzal, the Combined Entities' functional currency, the Combined Entities restated such combined financial statements for the correction of errors as stated below:

a.1 During the years ended December 31, 2015 and 2014, sundry services related mainly to the expenses for the collection of accounts receivable from third parties and commissions on collection were presented as "Other costs of sales". The Combined Entities have revised this presentation and concluded that, based on their nature, it corresponded to be presented as "General, selling and administrative expenses". As a result, the Combined Entities have reclassified such costs and presented them as "General, selling and administrative expenses" in the statement of profit or loss and other comprehensive income for the years ended December 31, 2015 and 2014.

a.2 As of December 31, 2015 and 2014, the Combined Entities presented the deposits received from customers and their corresponding accumulated interest as other long term liabilities. During 2015, the Combined Entities revised the presentation and concluded that it should be presented as a current liability since the Combined Entities do not have legal rights to defer this payment for at least twelve months after the balance sheet date.

a.3 The Combined Entities, at each reporting date, records the deferred income tax related to the goodwill (Note 3.e) as the goodwill is amortized for tax purposes (deductible amount). The Combined Entities identified and corrected an error in the calculation of the deductible amount used to determine the deferred income tax related to the goodwill in 2014. This calculation error generated an understatement of the deferred income tax liability as of December 31, 2015 and 2014 and the corresponding understatement in deferred income tax expense in 2014 As a result, the Combined Entities recalculated and corrected the corresponding deferred income tax as of those dates and the impact in profit or loss for 2014.

a.4 The Combined Entities identified a calculation error in the amount of goodwill recorded in 2011 and determined that there was an ovestatement in goodwill and in the deferred income tax related to such goodwill. Consequently, the Company adjusted such ítems in each of the periods presented.

a.5 During the years ended December 31, 2015 and 2014, recoveries of provisions for contingencies were presented as “Other revenues". The Combined Entities have revised this presentation and concluded that, based on their nature, it corresponded to be presented as “Other income”. As a result, the Combined Entities have reclassified such recoveries and presented them as “Other income” in the statement of profit or loss and other comprehensive income for the years ended December 31, 2015 and 2014.

a.6 As of December 31, 2015 and 2014, the Combined Entities determined the allowance for doubtful accounts based on the balances older than 180 days. In 2016, the Combined Entities revised the methodology for the allowance and identified and corrected an error in the calculation of the estimate. The Combined Entities recalculated the estimate and identified an understatement in the provision for doubtful accounts as of December 31, 2015 and 2014 of US$24,808 and US$23,134, respectively and an understatement of the allowance expense of US$1,566 and US$23,242 for the year 2015 and 2014, respectively. As a result, the Combined Entities increased the allowance for doubtful accounts and the provision for doubtful accounts with its corresponding adjustment to the deferred income tax as of December 31, 2015 and 2014 and for the years then ended.

a.7 As of December 31, 2015 and 2014, the Combined Entities did not recognize assets or facilities (or the cash necessary to acquire or build them) received from customers. In 2016, the Combined Entities identified and corrected this error by recognizing such assets against “Other Revenues”. As a result, the Combined Entities increased its Property, Plant and Equipment by US$8,212 and US$3,699 as of December 31, 2015 and 2014, respectively. Additionally, the Combined Entities increased their other revenues due to assets transferred from customers and increased the depreciations with its corresponding adjustment to deferred income tax as of December 31, 2015 and 2014 and for the years then ended.

a.8 As of December 31, 2015 and 2014, the Combined Entities accrued interest on for all cash deposits received from the consumers at the monthly weighted average interest rate published by the Central Bank with an annual capitalization. In 2016, the Combined Entities identified that the interest accrued on deposits received before March 2007 was not calculated with the correct interest rates and recalculated the interest for those deposits with the correct interest rate of 5%, and recognized a lower liability for interest of US$2,925 and US$ 4,731, respectively. As a result, the Combined Entities decreased the interest expense and the liability for interest on deposits received from consumers with the corresponding adjustment to the deferred income tax as of December 31, 2015 and 2014 and for the years then ended.

a.9 As of December 31, 2015 and 2014, the liability for vacation time not taken by the personnel was not recognized. In 2016, the Combined Entities identified and corrected this error by calculating such obligation and recognized a higher liability for vacation time of US$129 and US$1,644 as of December 31, 2015 and 2014, respectively. As a result, the Combined Entities increased the expense for vacation time and the liability for the same item with the corresponding adjustment to the deferred income tax as of December 31, 2015 and 2014 and for the years then ended.

a.10 As of December 31, 2015 and 2014, the Combined Entities calculated deferred Income Tax on the non-deductible contingencies. In 2016, the Combined Entities identified and corrected the error by reversing the correspondent deferred Income Tax related to these non-deductible contingencies and recognized a lower liability for deferred Income Tax as of December 31, 2015 of US$ 230 and a greater liability for the same item of US$ 1,046 as of December 31, 2014. As a result, the Combined Entities decreased the deferred income tax expense and its respective liability as of December 31, 2015 and increased the deferred income tax expense and its respective liability as of December 31, 2014.

Accordingly, the combined financial statements as of December 31, 2015 and 2014 and for the years then ended were restated for the correction of the above-mentioned errors.

(Stated in thousands of US Dollars, except otherwise indicated)

The accumulated effect of the matters described above upon the financial statements is shown as follows:

2015	Ref.	Amount Previously Reported	Correction of Errors Debits (Credits)	Restated Amounts
NON CURRENT ASSET				
Property plant and equipment	a.7	493,899	8,212	502,111
Trade receivables long - term	a.6	24,044	(10,852)	13,192
Intangible assets	a.4	132,382	(7,202)	125,180
CURRENT ASSET				
Trade recivables	a.6	92,300	(13,956)	78,344
SHAREHOLDERS EQUITY AND LIABILITIES				
Retained earnings	a.4, a.6, a 7, a.8, a.9, a.10	(67,956)	15,085	(52,871)
Legal reserve	a.4, a.6, a.7, a.8, a.9, a.10	(16,273)	230	(16,043)
Translation diferences	a.1,a.2 a.3, a.4,a.5 a.6, a.7, a.8, a.9, a.10	4,137	848	4,985
NON CURRENT LIABILITIES				
Deferred income Tax	a.7, a.6, a.8, a.9, a.10	(10,046)	1,755	(8,291)
Other long term liabilities	a.2	(62,660)	57,869	(4,791)
CURRENT LIABILITIES				
Other liabilities	a.2.a.8	(3,115)	(50,213)	(53,328)
Employee benefits payable	a.9	(2,749)	(1,777)	(4,526)
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Other revenue	a.5,a.7	(11,967)	(439)	(12,406)
Other costs of sales	a.1, a.7, a.9	77,884	(6,760)	71,124
General, selling and administrative expenses	a.1,a.6,a.9	55,041	8,761	63,802
Other income	a.5	-	(4,282)	(4,282)
Financial Expenses	a.8	28,837	(2,916)	25,921
Income Tax	a.4,a.6a.7a. 8,a.9, a.10	14,111	452	14,563

(Stated in thousands of US Dollars, except otherwise indicated)

2014	Ref.	Amount Previously Reported	Correction of Errors Debits (Credits)	Restated Amounts
NON CURRENT ASSET				
Property plant and equipment	a.7	496,842	3,699	500,541
Trade receivables long - term	a.6	16,673	(8,553)	8,120
Intangible assets	a.4	133,976	(7,238)	126,738
CURRENT ASSET				
Trade recivables	a.6	105,742	(14,689)	91,053
SHAREHOLDERS EQUITY AND LIABILITIES				
Retained earnings	a.3, a.4, a.6, a.7, a.8, a.9,a.10	(82,937)	20,069	(62,868)
Legal reserve	a.6, a.7, a.8, a.9, a.10	(16,912)	546	(16,366)
Translation diferences	a.4, a.6, a.7, a.8, a.9	3,264	846	4,110
NON CURRENT LIABILITIES				
Deferred income Tax	a.3, a.4, a.7, a.6, a.8, a.9	(11,913)	2,217	(9,696)
Other long term liabilities	a.2	(51,613)	49,182	(2,431)
CURRENT LIABILITIES				
Other liabilities	a.2,a.7	(3,852)	(44,432)	(48,284)
Employee benefits payable	a.9	(2,472)	(1,649)	(4,121)
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Other revenue	a.5,a7	(13,514)	(1,766)	(15,280)
Other costs of sales	a.1, a.2	73,769	(5,582)	68,187
General, selling and administrative expenses	a.1	43,786	13,479	57,265
Other income	a.5,a7	-	(1,928)	(1,928)
Financial Expenses	a.3	25,199	(2,589)	22,610
Income Tax	a.2, a.3, a.5	44,907	3,260	48,167

The changes did not have impact on the Combined Entities´ net operating, investing and financing cash flows.

In addition, during the preparation of these combined financial statements, for the purpose described in Note 1.b, the Combined Entities expanded certain disclosures from those previously presented.

2. Application of new and revised international financial reporting standards (IFRS)

2.1. New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Combined Entities have applied a number of amendments to IFRSs issued by the IASB that are mandatorily effective for the accounting period that begins on or after 1 January 2016:

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The Combined Entities have applied these amendments for the first time in the current year. The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments has had no impact on the accompanying combined financial statements as the Combined Entities are not an investment entity and do not have any subsidiary, associate or joint venture that qualifies as an investment entity.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
The Combined Entities have applied these amendments for the first time in the current year. The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.
A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.
The application of these amendments has had no impact on the Combined Entities' combined financial statements as the Combined Entities did not have any such transactions in the current year.

Amendments to IAS 1 Disclosure Initiative
The Combined Entities have applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Combined Entities, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not resulted in any impact on the financial performance or financial position of the Combined Entities.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization
The Combined Entities have applied these amendments for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or
b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Combined Entities already uses the straight-line method for depreciation and amortization for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
The Group has applied these amendments for the first time in the current year. The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.
The application of these amendments has had no impact on the Combined Entities' combined financial statements as the Combined Entities era not engaged in agricultural activities.

Annual Improvements to IFRSs 2012-2014 Cycle
The Combined Entities have applied these amendments for the first time in the current year. The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarized below.
The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for distribution accounting is discontinued.
The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

(Stated in thousands of US Dollars, except otherwise indicated)

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no effect on the Combined Entities' combined financial statements.

2.2. New and revised IFRS issued but not yet effective

The Combined Entities has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leasing[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 7	Statement of Cash Flows[1]
Amendments to IAS 12	Related to the Recognition of Deferred Tax Assets for Unrealized Losses[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[2]

1 Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
4 Indefinitely deferred the effective date.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, incorporated new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently modified in October 2010 in order to include the requirements for the classification and measurement of financial liabilities and for de-recognition; in November 2013 it included the new requirements for the general hedge accounting. In July 2014, another revised version of the IFRS 9 was issued, mainly to include: a) requirements of impairment for financial assets and b) limited amendments to the requirements of classification and measurement by introducing a measurement category to “fair value through other comprehensive income” (FVTOCI) for certain simple debt instruments.

Key requirements of IFRS 9:

- IFRS 9 requires that all the recognized financial assets that are within the scope of the IAS 39 *Financial Instruments: Recognition and Measurement* are measured subsequently under the amortized cost method or the fair value method. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With respect to the measurement of the financial liabilities that are designated as fair value through profit or loss, the IFRS 9 requires that the change amount at fair value of the financial liability attributable to the changes in the credit risk of such liability is recognized in other comprehensive income, unless that the recognition of the effects of the changes in the liability credit risk in other comprehensive income creates or increases the accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss

- With respect to the financial assets impairment, the IFRS 9 requires a model of impairment on expected credit loss, opposed to the expected credit loss model incurred, in conformity with IAS 39. The expected credit loss model requires that an entity records the expected credit losses and their changes in these expected credit losses at each reporting date in order to reflect the changes in the credit risk from the initial recognition.

- The new general requirements for the hedge accounting retain the three types of mechanisms of hedge accounting that are currently available in IAS 39. In conformity with IFRS 9, the types of suitable transactions for the hedge accounting are much more flexible, specifically, by enlarging the types of instruments that are classified as hedge instruments and the types of risk components of non-financial items suitable to the hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The managements of the Combined Entities on the basis of the facts and circumstances that exist at that date foresee that the application of this new standard will not have a material impact over the Combined Entities's combined financial statements. As facts and circumstances may change during the period leading up to the initial date of application of IFRS 9, which is expected to be 1 January 2018 as the Combined Entities do not intend to early apply the standard, the assessment of the potential impact is subject to change.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes an extensive and detailed model that will be used by the entities in the accounting for revenue from contracts with clients. The IFRS 15 will supersede the current guideline of revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The essential principle of IAS 15 is that a company should recognize revenue to represent the transfer of goods and services promised to the clients in an amount that reflects the consideration that the company expects to receive in exchange of the goods or services. Specifically, the standard adds a model of five steps to revenue recognition:

Step 1: Identify the contract with the clients.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Distribute the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation.

Under IFRS 15, a Company records income when (or as) a performance obligation is satisfied, i.e., when the "control" of the goods and services based on a particular performance obligation is transferred to the client. Many other prescriptive guidelines have been added within the IFRS 15 to confront specific situations. Additionally, IFRS 15 requires extensive disclosures.

On April 12, 2016, the IASB amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

Managements are still in the process of assessing the full impact of the application of IFRS 15 on the Combined Entities´ combined financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the managements complete the detail review, including, but not limited to, performance obligations where multiple services are provided in individual contracts.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognize transitional adjustments in retained earnings on the date of initial application (e.g. January 1, 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Managements of the Combined Entities do not intend to early apply the standard and intend to use the full retrospective method upon adoption.

IFRS 16 - Leasing

On January 13, 2016, the IASB issued IFRS 16, which brings most leases on the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. For lessors, however, the accounting remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 and related interpretations.

Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other nonfinancial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if this rate can be readily determined. If the rate cannot be readily determined, the lessee's incremental borrowing rate should be used.

Like IAS 17, IFRS 16 requires lessors to classify leases as operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of an underlying asset. Otherwise, the lease is classified as an operating lease. For finance leases, a lessor recognizes finance income over the lease term on the basis of a pattern reflecting a constant periodic rate of return on the net investment. For operating leases, a lessor recognizes lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if an entity has also applied IFRS 15 (on revenue from contracts with customers).

As at 31 December 2016, the Combined Entities has non-cancellable operating lease commitments of 8,439. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 48. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognize a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognized in the Combined Entities' combined financial statements and the Managements are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Managements of the Combines Entities anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 7 – Statements of cash flows

On January 29, 2016, the IASB published amendments to IAS 7 as part of its disclosure initiative (i.e., projects to improve the effectiveness of financial reporting disclosures). The objective of the amendments is to clarify IAS 7 to improve information provided to financial statement users about an entity's financing activities.

The amendments require that an entity disclose, to the extent necessary to meet the disclosure objective, the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;

- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities." The amendments indicate that the new disclosure requirements also apply to changes in financial assets that meet this definition. The amendments state that one way to meet the new disclosure requirements is to provide "a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities."

The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Combined Entities' management foresees that the application of this amendment might have an impact on the Combined Entities' combined financial statements if this type of transactions arises in the future.

Amendments to IAS 12 Related to the Recognition of Deferred Tax Assets for Unrealized Losses

On January 19, 2016, the IASB published final amendments to IAS 12. The amendments clarify the following:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes "give rise to a deductible temporary difference [regardless] of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use."
- "The carrying amount of an asset does not limit the estimation of probable future taxable profit."
- Estimates of future taxable profit exclude "tax deductions resulting from the reversal of deductible temporary differences."
- An entity assesses a deferred tax asset in combination with other deferred tax assets. When tax law restricts the utilization of tax losses, an entity assesses a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for annual periods beginning on or after January 1, 2017; earlier application is permitted. The Managements of the Combined Entities do not anticipate that the application of these amendments will have a material effect on the Combined Entities' combined financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

On June 20, 2016, the IASB issued amendments to IFRS 2 (share-based payments). The amendments clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The Managements of the Combined Entities do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

The amendments are effective prospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Managements of the Combined Entities do not anticipate that the application of the amendments in the future will have a significant impact on the Combined Entities' combined financial statements as the Combined Entities does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

On December 8, 2016 the IASB published IFRIC 22, which was developed by the IFRS Interpretations Committee to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation is being issued to reduce diversity in practice related to the exchange rate used when an entity reports transactions that are denominated in a foreign currency in accordance with IAS 21 in circumstances in which consideration is received or paid before the related asset, expense, or income is recognized.

The interpretations are effective prospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The managements of the Combined Entities do not anticipate that the application of these amendments will have a material effect on the Combined Entities' combined financial statements.

3. Significant accounting policies

The significant accounting policies used in the preparation of the combined financial statements are described as follows:

a. ***Statement of Compliance and Basis of Preparation -*** These combined financial statements were prepared according to the IFRS as issued by the IASB in force at December 31, 2016, which include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS),and the interpretations issued by the International Financial Reporting Standards Committee (IFRIC), or by the former Standing Interpretation Committee (SIC) adopted by the IASB. The combined financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. The historical cost is based generally in the fair value of the consideration given in exchange of goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Combined Entities take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these combined financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: The inputs are quoted prices (not adjusted) in active markets for assets or liabilities identical to those that the Combined Entities may access at the date of measurement.
Level 2: The inputs are different from the quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly.
Level 3: The inputs are not observable for the asset or liability.

b. ***Functional and presentation currency***

Each of the Combined Entities' functional currency is the Quetzal (Q.), which is the currency of the primary economic environment in which each of the Combined Entities operates. The Quetzal is the monetary unit of Guatemala. The presentation currency for these combined financial statements is the United States Dollar (US$).

When preparing the Combined Entities' combined financial statements, the transactions in currencies other than the functional currency (foreign currencies) are recognized using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currency are translated at the exchange rates prevailing at that date. Non-monetary items carried at fair value, denominated in foreign currency, are translated at the exchange rate in force at the date in which the fair value was determined. Non-monetary items calculated in terms of historical cost, in foreign currency, are not translated.

Exchange differences on monetary items are recognized in the profit or loss of the period in which they occur, except for the following cases:

- Exchange differences from loans in foreign currency related to assets in construction for productive use in the future, which is included in the cost of such assets for being considered as an adjustment to the costs from interests on such loans in foreign currency; and

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 3.o below for hedging accounting policies).

The Combined Entities have presented its combined financial statements in US$ therefor, the combined financial statements prepared in each of the Combined Entities' functional currency were translated into the presentation currency, as per the following procedures:

- Assets and liabilities of each of the statements of financial position presented are converted using the exchange rate at the statement of financial position closing date;

Items in the statement of profit or loss and other comprehensive income are converted using the exchange rate at the time the transactions were generated (or, for practical reasons, and provided the exchange rate has not changed significantly, using each month's average exchange rate);

All conversion differences resulting from the foregoing are recognized under "Other Comprehensive Income" and accumulated in equity.

c. ***Use of Estimates -*** The accounting policies that the Combined Entities follow require that the Management carries out certain estimates and use certain assumptions in order to determine the carrying amounts of assets and liabilities that are not readily apparent from other sources included in the combined financial statements and carry out the corresponding disclosures. Even if they differ in their actual result, Management considers that the estimates and assumptions used were adequate in the circumstances. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. If the revision affects only that

period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting estimates and assumptions

The Combined Entities prepare estimates and assumptions with regard to the future. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- **Energy purchase provision**

The Combined Entities record on a monthly basis the provision of energy purchased not yet billed by estimating the energy received since the last measurement from the supplier. This provision consists in estimating the energy received since the last invoice from the supplier in the frontier spots and valuing it at the prices that the different energy suppliers define in the contract of energy purchase with the Combined Entities.

- **Energy Supplied Pending Invoicing**

In each monthly close period, the Combined Entities record in the account "Energy consumed, not billed" the amount of the accrued revenue not invoiced on the sale of electric energy. This provision consists in estimating the energy delivered since the last measurement date of the consumers and the accounting close period at the tariffs approved by the CNEE for each category of customer.

- **Useful Lives of Property, Plant, and Equipment**

The Combined Entities reviews the estimated useful life of property, plant and equipment at the end of each annual period. Estimated useful lives are detailed in note 3d.

- **Application of IFRIC 12 "Service Concession Arrangements"**

Interpretation No. 12 "Service Concession Arrangements" (IFRIC 12) establishes some accounting guidelines for private entities that provide public services under a service concession agreement or similar arrangement. IFRIC 12 is applicable to license holders depending, among other things, on the extent to which the grantor controls or regulates the services and any significant residual interest in the assets at the end of the term of the arrangement.

Considering that IFRIC 12 establishes general guidelines and principles, judgment is required to determine whether it is applicable due to the specific nature of each service concession or license and the complexity inherent in the different concepts included in its interpretation.

The Combined Entities 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 each of the Combined Entities concluded that its 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 as explained in note 1.a and the possibility of renewal.

d. ***Property, Plant and Equipment -*** Technical facilities are recorded at cost less the subsequent accumulated depreciation and any recognized impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Combined Entities' accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Tooling, furniture, and other equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant, and equipment assets that require a process of construction are recorded at cost, which corresponds mainly to the following concepts:

1. Feasibility studies: The Combined Entities have the policy of contracting an entity to carry out engineering feasibility surveys for projects of its own. Invoicing that complies with the recognition criteria is recorded as part of the property, plant and equipment.

2. Contractor costs: Work force for construction and start-up of the property, plant and equipment is in charge of independent contractors. Invoicing that complies with the recognition criteria is recorded as part of the property, plant and equipment in progress.

3. Materials: All important materials used in the construction and that comply with the recognition criteria (for example: posts, transformers, cables, among others).

4. Direct costs subject to capitalization: The cost of the property, plant and equipment includes the cost of employee benefits arising directly from the construction of distribution and transmissions assets.

Indirect capitalizations are originated by the following concept:

- Works for Property, Plant and Equipment: They correspond to personnel expenses related to the construction of property, plant and equipment. The Combined Entities allocate to property, plant and equipment personnel expenses according to the effective time dedicated by each worker to the process of construction of the property, plant and equipment.

During 2016, 2015 and 2014, the Combined Entities capitalized to property, plant and equipment for the concept of personnel expenses the amount of US$ 3,554, US$ 3,130 and US$ 2,907, respectively.

5. Cost of expansion or improvements: Improvements that extend substantially the useful life of the property, plant and equipment are recorded increasing its value, while maintenance, repairs and minor improvements are recorded in profit or loss of the period when incurred.

6. Replacements or refurbishments: Replacements or refurbishments of complete elements are recognized as an addition to the item and the corresponding de-recognition of the item replaced.

The Combined Entities receives assets or facilities (or the cash necessary to acquire or built them) from certain customers for services to be provided, based on individual agreements. In accordance with IFRIC 18 "Transfers of Assets from Customers", the assets received are recognized initially at its fair value, unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received

(Stated in thousands of US Dollars, except otherwise indicated)

nor the asset given up is reliably measurable, as Property, plant and equipment with a contra-account in revenue, the accrual of which depends on the nature of the identifiable services, in accordance with the following:

i. Contributions receivable in respect of property, plant and equipment related to continuous provision of the electric power supply service are treated as deferred revenue, which is credited to profit or loss over the estimated weighted life of the related assets of 36 years.

ii. Contributions related to the connection to the network, revenue is recognize immediately when the connection is completed.

Depreciation is recognized in profit or loss.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values.

The property, plant, and equipment is depreciated under the straight-line method considering the estimated useful lives set out as follows:

Stage of Electrical Grid	Item	Estimated Useful Life in Years
Substations	Power transformers	30-40
	Electromechanical equipment	30-40
	Telecontrol stations	30
	Battery systems	30
	Panel of control 's cabinet	10-30
	Civil works, optical fiber & accessories	30
	Modem	10
Medium voltage	Devices and equipment	30-40
	Lines	30-40
Transf. MT/BT	Medium voltage (MV)	30-35
	Low voltage (LV)	30-40
Meters and connections	Connections	15-25
	Electromechanic meters	10-15
	Electric meters	15
Equipment and tools		5
Furniture and other property, plant and equipment		5

The estimated useful life, residual value and depreciation method are reviewed at the end of each period which is reported, being the effect of any change in the estimate registered regarding the prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

e. ***Intangible Assets -*** The Combined Entities record as intangible assets the following concepts:

- **Goodwill**

Goodwill resulting from the acquisition of a subsidiary corresponds to the excess of the consideration transferred (including the value of any non-controlling participation in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any)), over the identifiable net fair value of the assets, liabilities, contingent considerations of the subsidiary or the entity jointly controlled, recognized at the acquisition date. Goodwill is initially recognized as an asset at cost and, subsequently, presented at cost less any accumulated impairment loss, if any.

The Combined Entities recognized goodwill that arose from the reverse merger of DEOCSA with ASCOED, S.A. (former DEOCSA's parent) and DEORSA with ASROED S.A. (former DEORSA's parent), in 2011. In such merger the DEOCSA absorbed ASCOED, S.A. and DEORSA absorbed ASROED S.A. and hence, DEOCSA and DEORSA were the surviving entities. These transactions were recognized as a reorganization of group entities under which the book values of ASCOED, S.A.'s assets and liabilities and the book values of ASROED, S.A.´s assets and liabilities were included in the DEOCSA's and DEORSA´s accounting records, respectively. Goodwill, for impairment assessment purposes, is allocated to the only cash generating unit each of the Combined Entities has.

A cash-generating unit to which goodwill has been allocated is tested for impairment on an annual basis, or on a shorter period if there is evidence of impairment in any of the cash generating units. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly to profit or loss of the period; these losses could not be reversed in the subsequent period. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

- **Costs of Licenses**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The Combined Entities record in this account the purchase of licenses and the costs of software classifying them as intangible assets which are amortized over their estimated useful life of five years.

- **De-recognition of Intangible Assets**

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss when the asset is derecognized.

f. ***Impairment of Tangible and Intangible Assets Including Goodwill -*** The Combined Entities review at the end of each reporting period the carrying amounts of its tangible and intangible assets to determine if there is evidence that such assets may have suffered an impairment loss. If there is any evidence, the recoverable amount of the asset is calculated with the purpose of determining the extent of the impairment loss (if any). When it is not possible to estimate the recoverable value of an individual asset, the Combined Entities estimate the recoverable value of the cash-generating unit to which the asset belongs. When a consistent and fair distribution basis is identified, the common assets are also distributed to the individual cash generating unit or, if not possible, to the smallest group of the cash generating units for which a consistent and fair distribution basis is identified.

Intangible assets with an indefinite useful life (including goodwill) are revised on an annual basis for such purposes, as well as when there is evidence that the related asset might have suffered any value loss.

The recoverable value is the higher value between the fair value less the cost of selling it and the value in use. The value in use is determined based on future estimated cash flows discounted at its present value, using a discount rate before tax that reflects the current market valuations with regard to the time value of money and the specific risks of the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the book value of the asset (cash generating unit) would be reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the corresponding asset would be kept at revaluation value, in which case such losses would be recognized as a reduction of the revaluation surplus.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

g. ***Inventory -*** Stock of materials, accessories, and other electrical supplies are valued at the weighted average cost and do not exceed their net realizable value.

Inventories are valued at the lower value between the cost and the net realizable value. The net realizable value is the selling price in the normal course of the business, less the costs to sell the inventory.

h. ***Revenue Recognition from the Activity of Electric Energy Distribution and Other Income from Exploitation -*** Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Income is recognized when it is probable that the economic benefits associated to the transaction flow to the Combined Entities and the amount of revenue can be reliably measured.

Sale of Energy

Revenue from the distribution of electric energy is recognized according to the energy delivered, through invoicing and the estimate of sales from the energy supplied which has not been billed yet at the reporting date.

Revenue from Services Rendered

Revenue from toll services is recognized in the accounting periods in which the services are rendered. Revenue for connection fees is recognized by reference to the stage of completion of the contract determined by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and revenue can be measured reliably.

Interest Income

Interest income from a financial asset is recognized when it is probable that the Combined Entities receives economic benefits associated to the transaction and the amount of the income can be reliably measured. Interest income is accrued on a time basis with reference to the outstanding capital and the effective interest rate applicable, which is the discount rate that equals exactly the cash flows receivable or payable estimated throughout the expected life of the financial instrument with the net book value of the financial asset at the initial recognition.

i. ***Legal Reserve -*** In conformity with the Commerce Code of Guatemala, all mercantile Companies must allocate on an annual basis five per cent of their net taxable profit to constitute the legal reserve, which cannot be distributed as dividends until the each of the Combined Entities are liquidated. However, this reserve can be capitalized when it becomes equivalent to, or represents more than 15 per cent of, the capital stock at the end of the previous period notwithstanding continuing to reserve such five per cent annually.

j. ***Government Grants – Funds provided under the Rural Electrification Program***

Government grants related to the construction of distribution assets under the Rural Electrification Program (see Notes 26 and 31) are not recognized until there is reasonable assurance that the Combined Entities will comply with the conditions attached to them and that the grants will be received.

Such government grants are recognized in profit or loss on a systematic basis over the periods in which the Combined Entities recognize as expenses the related costs for which the grants are intended to compensate. Specifically, funds received under such government grants are initially recognized as deferred revenue in the 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.

The distribution assets constructed by the Combined Entities with funds coming from the Trust (Note 31) are recorded at their construction cost. Any difference between this value of the granted received and the actual construction cost is recognized in profit or loss of the year in which the asset is completed and ready for intended use.

k. ***Advanced Payments of Debtors for Third-party Construction Works -*** The Combined Entities record liability in the account "Advanced payments of debtors for third-party works" included in "Other liabilities" for, funds received from the Trust reduced as the invoices are received from third parties undertaking the construction. The Combined Entities also reduce such liability according to the progress of the construction activity.

l. ***Provisions for Contingencies -*** The Combined Entities recognize a provision only when it has a present obligation (legal or constructive) as a result of a past event, it is probable that the Combined Entities will be required to settle the obligation and a reliable estimate of the obligation amount can be made.

Provisions are revised at the statement of financial position date.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation (Note 27). When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

m. ***Provision for Severance Compensation -*** In conformity with the Labor Code of the Republic of Guatemala, the Combined Entities are obligated to pay severance compensation to employees dismissed under certain circumstances, like reorganizations, at an amount equal to one-month salary plus the twelfth part of their Christmas bonus and mid-year bonus for each year of service rendered. The Combined Entities charge to profit or loss the severance payments when the employees are actually dismissed, except for the case of former employees of INDE, which are under a specific collective agreement, where the Combined Entities have to pay the severance compensation irrespective of the circumstances that trigger the termination of their employment with the Combined Entities (i.e. dismissal, resignation, death, etc.). The severance amount for these employees is calculated over the abovementioned basis plus an additional half monthly salary per each year of service.

As of December 31, 2016, 2015 and 2014, each of the Combined Entities carried out an actuarial study to determine the maximum obligation for the referred severance obligation. The Combined Entities have classified this obligation as defined benefit retirement plan. For those plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses and the effect of the changes to the asset ceiling (if applicable), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

At December 31, 2016, 2015 and 2014, this obligation amounts to US$ 4,533, US$ 4,661and US$ 4,145, respectively. The abovementioned maximum obligation represents the present value of the future benefits that the employees will receive (Note 27b).

n. ***Deposits Received from Consumers –*** In conformity with the Regulation of the General Electricity Act, Decree No. 93-96 of November 15, 1996, which was amended by the Governmental Agreement No. 68-2007, interests have to be accrued on cash deposits received from the consumers. For deposits received before March 2007, the interests are accrued at annual interest rate of 5%, and since that date at the monthly weighted average interest rate published by the Central Bank with an annual capitalization.

Deposits received and interests accrued are recorded as other liability accounts "Principal from deposits received from consumers" and "Interests from deposits received from consumers", respectively.

These deposits represents security deposits against amount due from consumers. 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 Combined Entities. The Combined Entities have classified these deposits as current liabilities based on the facts that the Combined Entities do not have legal rights to defer this payment in a period that exceed a year. However, the Combined Entities do not anticipate making significant payments in the next year.
During years ended on December 31, 2016, 2015 and 2014, deposits repaid to consumers amounted to US$ 2,012, US$ 302 and US$ 488, respectively; and the interests paid amounted to US$ 100, US$ US$ 73, and US$ 119, respectively.

ñ. ***Contributions to Pension Funds -*** Since March 2, 1990, a pension fund was created for employees of INDE and for former employees of INDE that were transferred to the Combined Entities. The Combined Entities were established by INDE and despite the sale of its shares, as indicated in Note 1, transferred employees remain covered under the pension fund. The Combined Entities and such employees contribute on a monthly basis with 8.59 per cent and 5.53 per cent of such employees´ salaries.

A part of the contributions that correspond to the Combined Entities is recognized as expense at payment.

Based on the Regulation of the Pension Fund for the Personnel of the National Institute of Electrification – FOPINDE, in Spanish, the fund is the sole responsibility of INDE and any insufficiency will be covered by the latter. Consequently, the Combined Entities do not have the obligation to record a provision for pension fund.

During the years ended at December 31, 2016, 2015 and 2014, the Combined Entities contributed to FOPINDE amounts to US$ 443, US$ 408, and US$ 398 respectively.

o. ***Financial Instruments -*** Financial assets and liabilities are recognized when the Combined Entities become part of the contract provisions of the instrument.

The financial assets and liabilities are measured initially at fair value. The costs of the transaction which are attributable directly to the acquisition or issuance of financial assets and liabilities (different from the financial assets and liabilities measured at fair value through profit or loss) are added or deducted from the fair value of the financial assets or liabilities, if appropriate, at their initial recognition. The costs of the transaction attributable directly to the acquisition of financial assets or liabilities measured at fair value through profit or loss are recognized immediately in profit or losses.

Financial Assets

Financial assets are classified within the following categories: financial assets "at fair value through profit or loss' (FVTPL)", "held-to-maturity' investments", "financial assets available for sale", and "loans and receivables". Classification depends on the nature and purpose of the financial assets and is determined at the initial recognition. All regular purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular purchases or sales are those purchases or sales of financial assets that require the delivery of the assets within the time frame established by a market regulation or agreement.

At December 31, 2016, 2015 and 2014 and throughout the years then ended, the Combined Entities did not carry out financial assets different from the category of "loans and receivables", which are measured at the amortized cost at an effective interest rate.

Effective Interest Rate Method

The effective interest rate method is a calculation method of the amortized cost of a financial instrument and the allocation of the financial income throughout the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or paid (including commission, basic points of interests paid or received, transaction costs and other premiums or discounts included in the calculation of the effective interest rate) throughout the expected life of the financial instrument or, when appropriate, in a shorter period, with the net carrying amount at the initial recognition.
Income is recognized on the basis of the effective interest rate for debt instruments different from the financial assets classified at fair value through profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivable (including trade receivables, other receivables, cash and cash equivalents, among others) are measured at the amortized cost using effective interest method, less any impairment. The income from interest is recognized by applying the effective interest rate, except for short term receivable accounts when the effect of discounting is immaterial. In respect of the Non-Current tax assets (Note 20), the Combined Entities have not estimate the effect of discounting because they cannot made a reliable estimate on the recovery date of this receivable.

The tariffs that the Combined Entities collect from its consumers are regulated under the General Electricity Act, Decree 93-96. Based on this Act, the National Electric Energy Commission issued the following resolutions: a) CNEE 23-2009 for DEOCSA and CNEE 21-2009 for DEORSA– tariffs in force from February 1, 2009 until January 31, 2014; b) CNEE 24-2009 for DEOCSA and CNEE 22-2009 for DEORSA – social tariff for the electric energy supply to users with electric consumption up to 300 kilowatt/hour according to the tariff in force from February 1, 2009 until January 31, 2014; c) CNEE 43-2014 for DEOCSA and CNEE 48 -2014 for DEORSA – tariffs in force from February 1, 2014 until January 31, 2019 and d) CNNE 44-2014 for DEOCSA and CNNE 49-2014 for DEORSA – social tariff for the electric energy supply to users with electric consumption up to 300 kilowatt/hour according to the tariffs in force from February 1, 2014 until January 31, 2019.

According to the Act, the Combined Entities adjust on a quarterly basis such tariffs based on the variations in the price of kilowatt/hour, the purchase of power and electric energy, tolls, and other related costs with the distribution of electric energy, quantifying the difference between recoveries on the approved base tariff and the actual costs incurred by the Combined Entities.

Likewise, there is an adjustment made quarterly to the Distribution Added Value (VAD, in Spanish), through which the Combined Entities calculate the effect that the variation on the exchange rate, duties on the electrical grid supplies (poles, fittings, electric equipment, and transformers) and the Index of Consumer Prices in the City of Guatemala over VAD.

Impairment of Financial Assets

The financial assets other than those measured at fair value through profit or loss are assessed for indicators of impairment at the end of each reporting period. A financial asset is considered to be impaired when there is objective evidence that as a consequence of one or more events occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Within the objective evidence in case of an impaired receivables portfolio, it could be included the past experience of the Combined Entities regarding the collection of payments, an increase of the number of late payments in the portfolio that exceeds the average credit period of 180 days, as well as the observable changes in the local and national economic conditions that relate with default on receivables.

For the financial assets carried at the amortized cost, the amount from impairment loss is the difference between the carrying amount and the present value of the estimated future cash flow of the asset, discounted at the original effective interest rate of the financial asset.
The carrying amount of the financial asset is reduced by the impairment loss directly for all the financial assets, except for the trade receivables, where the carrying amount is reduced through an allowance account. When it is considered that a commercial account receivable is uncollectible, it is thus written off against the allowance account. The subsequent recovery of the amounts, previously written off, turns into credits against the allowance account. Changes in the carrying amount of the provision are recognized in the profit or loss.

Derecognition of Financial Assets

The Combined Entities derecognize financial asset when the contractual rights on the cash flows of the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Combined Entities do not transfer, nor retains substantially all the risks and rewards inherent to the ownership and continues to control the transferred asset, the Combined Entities will recognize its participation in the asset and the related obligation for the amount payable. If the Combined Entities retain substantially all the risks and advantages inherent to the ownership of a transferred financial asset, the Combined Entities continue to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount of the asset and the sum of the consideration received and to be received, as well as the accumulated income that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

In case of a partial derecognition in the accounts of a financial asset (i.e., when the Combined Entities retain the option to reacquire part of the transferred asset), the Combined Entities distribute the previous carrying amount of the financial asset between the part still recognized under a continuous participation and the part that is no more recognized on the basis of the fair value related to such parts at the date of the transfer. The difference between the carrying amount allocated to the part that will not be recognized anymore and the sum of the consideration received from the part that will no more be recognized and any accumulated profit or loss allocated that would have been recognized in other comprehensive income is recognized in profit or loss. The accumulated profit or loss that would have been recognized in other comprehensive income is distributed between the part that remains being recognized and the part that will not be recognized anymore based on the fair values related to both parts.

Financial Liabilities and Equity Instruments

Classification as Debt or Equity

Debt and equity instruments are classified as financial liabilities or as equity in conformity with the substance of the contractual agreement and the definitions of financial liability and equity instrument.

Financial Liabilities

Financial liabilities are classified at fair value through profit or loss or "other financial liabilities".

Financial Liabilities at Fair Value Through Profit or Loss

A financial liability is classified at fair value through profit or loss when (i) there is a contingent consideration that could be paid as part of the businesses combination in which IFRS 3 is applied, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired mainly for short-term repurchase purposes, or

- At the moment of the initial recognition, it forms part of a financial instrument portfolio managed by the Combined Entities and there is evidence of a current and recent pattern of benefits at short term, or

- It is a derivative that has not been assigned, effective as hedge instrument or financial guarantee.

A financial liability (not a financial liability held for trading) or contingent consideration that could be paid by the acquirer as part of a business combination, can be assigned as a liability at fair value through profit or loss at its initial recognition if:

- Such assignment eliminates or reduces significantly a measurement or recognition inconsistency that might arise; or

- The financial liability forms part of a group of financial assets or liabilities or both, which is managed and its performance is assessed on the fair value basis, in conformity with the documented risk management of the each of the Combined Entities or its investing strategy, and information on the Combined Entities is provided internally on such basis, or

- It forms part of a contract that contains one or more embedded derivatives, and IAS 39 allows that the combined contract is assigned at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are recorded at fair value, recognizing any profit or loss arisen from the new measurement in profit or losses. Net profit or loss recognized in profit or losses incorporates paid interests on the financial liability and is included in the item "Financial expenses".

Other Financial Liabilities

Other financial liabilities (including loans and commercial accounts payable and others) are measured subsequently at the amortized cost using the effective interest rate method.

The effective interest rate method is a calculation method of the amortized cost of a financial liability and of the allocation of a financial expense throughout the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or paid (including the fees and points paid or received that form part of the effective interest rate, the transaction costs, and other premiums or discounts) estimated throughout the expected life of the financial liability (or, when appropriate), in a shorter period with the net carrying amount at its initial recognition.

Derecognition of a Financial Liability

The Combined Entities derecognize a financial liability if solely the Combined Entities' obligations have expired or have been cancelled. The difference between the book value of the derecognized financial liability and the consideration paid and payable are recognized in income.

Derivative Financial Instruments

The Combined Entities enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including interest rate swaps. Further details of derivative financial instruments are disclosed in (Note 34).

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge Accounting

The Combined Entities designate certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency and interest rate risk, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, each of the Combined Entities documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Combined Entities revoke the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other income' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Combined Entities revoke the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

p. ***Income Tax -*** The expense from Income Tax represents the sum of the current income tax and the deferred income tax.

- ***Current Tax:*** Current tax payable is based on the taxable profit for the year. The taxable profit differs from the profit reported in the statement of profit or loss and other comprehensive income, due to the income or expenses items taxable or deductible in other years and items that are never taxable or deductible. Current tax liability is calculated using the fiscal rates that have been enacted or substantively enacted at the end of the reporting period.

- ***Deferred Taxes:*** Deferred tax is recognized on the temporary differences between the book value of the assets and liabilities included in the combined financial statements and the related tax basis used to determine the taxable profit. Liability from deferred tax is generally recognized for all temporary taxable fiscal differences. An asset from deferred taxes will be recognized due to all temporary deductible differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Assets and liabilities from deferred taxes are measured using the fiscal rates expected to be applicable in the period in which the asset is realized or the liability is cancelled, based on the rates (and tax laws) that at the end of the reporting period had been enacted or substantively enacted the process of approval. Measurement of the liabilities from deferred taxes and assets from deferred taxes will reflect the fiscal consequences which would be derived from the way in which the entity expects, at the end of the reporting period, to recover or liquidate the carrying amount of its assets and liabilities.
Current and deferred taxes are recognized in profit or loss and are included in the income of the period or in other comprehensive income, as corresponds.

q. ***Cash and Cash Equivalents -*** Cash includes balances in cash and banks. Balances in banks are available on demand and there is no restriction that limits their use.

r. ***Restricted Cash -*** The balance corresponds to the funds deposited for the payment reserve for the amortization of the loan in Banco Agromercantil de Guatemala, S.A. in United States Dollars and Quetzals that accrue an annual interest rate of 3.5% and 1.5%, respectively. The funds must be used only to service debt and interest. As of December 31, 2016, 2015 and 2014, the restricted fund amount was US$4,797, US$4,723, and US$3,942 respectively.

s. ***Leases -*** Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Combined Entities only act as lessee. Payments for operating leasing are recognized as an expense using the straight-line method, during the term related to the leasing, unless another systematic basis of distribution becomes more representative to suitably reflect the temporary pattern of the leasing benefits for the user. Contingent rentals are recognized as expenses in the periods in which they are incurred.

t. **Short-term and other long-term employee benefits -** A liability is recognized for benefits accruing to employees in respect of wages and salaries, vacation time, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

(Stated in thousands of US Dollars, except otherwise indicated)

4. Monetary unit and exchange rate

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

The Bank of Guatemala, entity authorized by the Monetary Board to implement its monetary, exchange and credit policies, publishes periodically the reference exchange rate to be used in the banking system. According to Resolution JM 31-2009 dated March 18, 2009, the method to determine the exchange rate consists on using the weighted average exchange rate of the total sum of the purchase and sale of foreign currency carried out daily by the institutions that constitute the institutional foreign currency market. As of December 31, 2016, 2015, and 2014 the reference exchange rate published by the Bank of Guatemala was Q. 7.52, Q. 7.63 and Q. 7.60, respectively for US$ 1.

There are no exchange restrictions in Guatemala for the capital repatriation, payment of debts or any other purpose; foreign currency can be freely negotiated in any amount in the banks of the system or in the authorized exchange offices, in conformity with the statutory regulation in force, according to Decree No. 94-2000 Free Foreign Currency Negotiation Act.

5. Energy sales

Revenue from energy sales for the years ended December 31, 2016, 2015 and 2014 are shown as follows:

	2016	2015	2014
Simple LV	97,439	81,654	82,271
Social tariff	318,080	326,617	329,083
Public Lighting	55,739	60,012	61,340
Non-regulated tariff	13,887	25,987	38,690
LV on demand OP	31,450	32,330	31,642
LV on demand P	20,205	19,543	15,990
MV on demand OP	3,230	3,617	4,706
Non-regulated special tariff	3,710	4,881	5,902
MV on demand	2,567	1,975	383
	546,307	556,616	570,007

The above initials correspond to: LV: low voltage; MV: medium voltage; OP: off peak; P: peak.

(Stated in thousands of US Dollars, except otherwise indicated)

6. Services rendered

During the years ended December 31, 2016, 2015 and 2014, the Combined Entities carried out some activities that generated revenues as follows:

	2016	2015	2014
Connection of electrical grids a/	5,093	4,521	3,308
Tolls b/	5,497	3,746	3,296
	10,590	8,267	6,604

a/ It corresponds to fees from the electrical grid re-connection services collected from end customers that have been disconnected from the supply of electricity.

b/ It corresponds to the collection performed to generators or retailers for the use of transmission sites and main and secondary transformation.

7. Other revenues

During the years ended December 31, 2016, 2015 and 2014, the Combined Entities recognized the following other revenues as follows:

	2016	2015	2014
Accrued revenues - government grants a/	6,528	6,616	7,318
Leasing b/	1,241	961	1,003
Compensation received third-party c/	205	376	373
Ancillary services rendering d/	173	53	355
Others e/	6,650	(321)	2,537
Assets transferred from customers f/	1,592	4,721	3,694
	16,389	12,406	15,280

a/ Accrued revenue is related to government grants to the contribution of distribution assets under the Rural Electrification Program during the years ended December 31, 2016, 2015 and 2014 (see Notes 26 and 31) .

b/ Income from rental of poles already installed within the energy supply grid for placement of advertising blankets and panels, as well as for using such infrastructure for cable lying to other companies.

c/ Income from penalties paid by consumers resulting from findings of fraud in the electrical energy consumption upon completion of review.

d/ Materials for installation works to users out of the 200-meter range and for entering within setbacks and works of the telephone companies.

e/ In 2016, this item includes US$3,502 of payments received from hydroelectric plants due to breach of contract and US$1,746 are revenues from forfeited guarantee deposits from former customers.

(Stated in thousands of US Dollars, except otherwise indicated)

f/ For the years ended December 31, 2016, 2015 and 2014 the Combined Entities recognized revenues on assets and facilities received from customer in order to connect them to the network.

8. Energy purchases

During the years ended December 31, 2016, 2015 and 2014, electric energy purchases were as follows:

	2016	2015	2014
Contracts with suppliers	340,154	302,085	256,102
In the spot market	36,908	59,293	134,119
	377,062	361,378	390,221

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

9. Other costs of sales

Other cost of sales for the years ended December 31, 2016, 2015 and 2014 are shown as follows:

	2016	2015	2014
Depreciation and amortization	25,584	25,890	26,907
Cost of fixed assets retired	2,005	3,391	1,464
Personnel expenses b/	14,229	13,195	12,331
Sundry services a/	10,547	10,904	11,321
Maintenance expenses	8,420	6,731	7,023
Fees	3,591	3,676	3,625
Professional services	2,856	2,567	2,320
Maintenance material	1,615	1,129	753
Provision for obsolete inventories	-	1,423	-
Provisions	565	588	648
Fuel	445	499	738
Advertising, marketing, and public relations	369	489	317
Travel expenses	299	264	212
Sundry expenses	1,166	194	304
Leasing and royalty expenses	219	77	84
Banking expenses	-	75	20
Supplies	40	25	20
Guarantee expenses works/transportation	8	7	100
	71,958	71,124	68,187

a/ It corresponds mainly to residential operations, and readers and delivery contractors.

b/ Personnel expenses for the years ended December 31, 2016, 2015 and 2014 are shown below as follows:

(Stated in thousands of US Dollars, except otherwise indicated)

	2016	2015	2014
Monetary considerations	15,264	14,408	13,677
Social security	1,323	1,230	1,161
Post-employment benefits	1,153	664	400
Social benefits	43	23	-
Capitalization to property, plant and equipment 1/	(3,554)	(3,130)	(2,907)
	14,229	13,195	12,331

1/ It corresponds to the amount of expenses for "Works for Property, Plant and Equipment", which were capitalized in distribution and transmission works (Note 3d).

10. Financial income

Figures forming part of the financial income accounts for the years ended December 31, 2016, 2015 and 2014 are shown below:

	2016	2015	2014
Compensatory interest	2,412	2,122	2,008
Interest income on bank accounts	1,648	1,852	913
Gain on exchange difference, net	3,457	-	6,390
	7,517	3,974	9,311

(Stated in thousands of US Dollars, except otherwise indicated)

11. General, selling and administrative expenses

General, selling and administrative expenses for the years ended December 31, 2016, 2015 and 2014, are set out below:

	2016	2015	2014
Impairment losses recognized on receivable from doubtful accounts	22,876	24,824	25,539
Sundry services a/	10,762	14,561	11,920
Personnel expenses b/	11,652	8,614	7,158
Professional services	4,580	3,979	3,065
Maintenance	2,735	2,557	2,429
Fees	173	1,827	495
Loss from accounts insolvency – discounts	405	1,464	-
Supplies	1,235	1,302	1,640
Leasing and royalties	1,265	1,066	850
Advertising, marketing and public relations	1,359	1,279	1,709
Travel expenses	905	921	562
Sundry expenses	1,730	719	1,287
Provisions	2,241	-	-
Insurance premiums	342	471	418
Maintenance materials	146	154	131
Banking expenses	227	64	62
	62,633	63,802	57,265

a/ This corresponds mainly to expenses incurred in the management, administration, and supervision for the businesses of the Combined Entities, as well as expenses related to the security service of the commercial offices, expenses for the collection of accounts receivable from customers and commissions on collection.

b/ Expenses related to the years ended December 31, 2016, 2015 and 2014 are shown as follows:

	2016	2015	2014
Employee remuneration	8,641	6,987	5,624
Social benefits	1,671	929	849
Social security	608	594	501
Post-employment benefits	732	104	184
	11,652	8,614	7,158

(Stated in thousands of US Dollars, except otherwise indicated)

12. Financial expenses

Figures making up the financial expenses account for the years ended December 31, 2016, 2015 and 2014 are set out as follows:

	2016	2015	2014
Interest expenses on financial debt	18,418	20,737	17,875
Interest on customers deposits	4,646	3,243	2,889
Loss on exchange difference, net	-	439	-
Other financial expenses	24	1,502	1,846
	23,088	25,921	22,610

13. Other income

During the years ended December 31, 2016, 2015 and 2014 the Combined Entities recognized the following other income as follows:

	2016	2015	2014
Reversal of provision for legal disputes a/	2,795	4,282	1,928

a/ During 2016 and 2015 the reversal relates to fiscal contingencies to that have legally expired and during 2014, the reversal corresponds mainly to the reversal of other civil claims that have legally expired.

(Stated in thousands of US Dollars, except otherwise indicated)

14. Income tax

Income tax of the year is made up as follows:

Tax on profit recognized in profit or loss and in the other comprehensive income of the year:

	2016	2015	2014
Income tax –current	12,057	15,756	25,013
Income tax –deferred	902	(1,193)	23,154
Income tax charged to profit or loss	12,959	14,563	48,167
Income tax charged to other comprehensive income	(39)	163	205
	12,920	14,726	48,372

Income tax legislation currently in force in 2016, 2015 and 2014 – Since January 1, 2013 new regulations of the income tax are in effect and are included on Book I of the Fiscal Updating Act, Decree 10-2012 came into effect. These new regulations consider two regimes to pay tax since 2013:

a) Regime on Earnings from Profit Activities which consists on applying a rate of 25% in 2016 (25% in 2015 and 28% in 2014) on the taxable income determined from the accounting profit. Tax is paid through quarterly advance payments with the remaining balance paid at year-end.

b) Simplified Optional Regime on Income from Profit Activities consisting on applying the rate of 7% to the total amount of taxable revenues, paying this tax through final withholding or else, through payment in agencies authorized by the tax authorities. The first US$3,916 of monthly taxable revenues are taxed at a 5% rate.

For the years ended December 31, 2016, 2015 and 2014, the Combined Entities have chosen the Regime on Earnings from Profit Activities.

New income tax regulations establish a tax of 5% on the dividend and profit distributions for both residents and non-residents corporations.

In addition, a new Regime on Capital Income, Capital Gains and Losses, which sets out a rate of 10% for capital income related to movable property and real estate, as well as net capital income.

(Stated in thousands of US Dollars, except otherwise indicated)

For the years ended December 31, 2016, 2015 and 2014, the reconciliation of the income tax expense calculated at the statutory income tax rate and the income taxes recorded in the statement of profit or loss and other comprehensive income is as follows:

	2016	2015	2014
Profit before income tax	48,857	63,320	64,847
Income tax expense at the statutory income tax rate (25% for 2016, 25% for 2015 and 28% for 2014)	12,214	15,830	18,157
Income Tax on capital gains	396	365	259
Income tax on capital gains 10%			
Exempt income	(1,041)	(1,023)	(2,618)
Effect from non-deductible expenses a/	1,333	1,612	22,470
Effect from adjustments of previous years b/	57	(2,221)	9,899
Income tax expense charged to profit or loss	12,959	14,563	48,167

a/ For the years ended December 31, 2016, 2015 and 2014, non-deductible expenses recognized during the year to determine the taxable income, according to their nature, are set out as follows:

	2016	2015	2014
Goodwill 1/	-	-	79,134
Accelerated depreciation of property, plant and equipment	1,266	3,164	506
Travel allowances	674	723	738
Tax surcharges	11	380	1,038
Provision for compensations	(1,321)	(1,512)	(1,534)
Deposits received from customers	4,646	3,462	-
VAT due	230	151	143
Mileage	25	29	24
Sundry expenses	726	-	-
Service penalty	625	-	-
Penalties reversal	(1,553)	-	-
Non deductible expenses	3	51	199
	5,332	6,448	80,248

1/ In 2016 and 2015, the Tax Administration adjusted the tax deductible amount on goodwill. Consequently, the non-deductible expense in 2014 relates to the amortization of goodwill that was deducted in 2011, 2012, 2013 and 2014 for an amount that exceeded the limit of deductible expenses in determining the income tax.

b/ Since March 2014, each of the Combined Entities held a conciliation process with the Tax Administration Superintendency (SAT, in Spanish) over the deduction amount from the goodwill amortization for the years ended December 31, 2011, 2012 and 2013.

(Stated in thousands of US Dollars, except otherwise indicated)

Based on the advice of its legal and tax advisors, in January 2015, managements decided to address some inquiries to SAT. As a result of SAT's responses to such inquiries, each of the Combined Entities voluntarily amended their income tax returns for 2011, 2012, and 2013. In February and March 2015, the Combined Entities paid additional income taxes of US$7,155. In addition, adjustments for US$ 2,221 and US$ 2,744 correspond to the effect on the tax rate derived from the restatements made in 2015 and 2014, respectively.

For the years ended December 31, 2016, 2015 and 2014, the reconciliation of the income tax expense for the year and the income tax payable as of the end of the year is as follows:

	2016	2015	2014
Current tax of the year	12,056	15,756	25,013
Income tax paid or to be paid under protest (Note 20) b/	5,393	-	-
(-) Adjustments of previous years	(7)	33	-
(-) Income tax payments from capital earnings	(396)	(365)	(259)
(-) Fiscal credits a/	(14,528)	(11,275)	(9,214)
(+) Translation effect	146	16	282
Tax payable (Note 20)	2,664	4,165	15,822

a/ Fiscal credits applied correspond to quarterly income tax payments in conformity with the provisions of the law and are applied to the determined tax in the annual liquidation.

b/ The income tax paid and payable under protest was registered against non-current tax asset

Other Important Changes Contained in the Regulations of the Income Tax in force since January 2013 are:

The special regulations about the pricing of transactions among related parties (transfer pricing regulation) originally came into effect on January 1, 2013. The transfer pricing regulations oblige all the taxpayers having transactions with related parties, non-resident in Guatemala, that impact the taxable base, to determine the prices of these transactions according to the Principle of Free Competition and that they document it in a Survey of Transfer Pricing. However, Section 27 of Decree 19-2013, published on December 20, 2013, suspended the application and validity of the transfer pricing regulations and delayed its effective date to January 1, 2015.

The managements of the Combined Entities determined that it does not have transactions with related foreign companies subject to the transfer pricing regulation.

Solidarity Tax (ISO, in Spanish):

On December 22, 2008, Decree No. 73-2008 was published "Solidarity Tax Act" – ISO, in Spanish. This tax affects companies having their own equity, carrying out mercantile or farming activities and obtaining a gross margin greater than 4% of their gross income. The taxable period is on quarterly basis and is calculated and paid per calendar quarter.

The tax base for this tax is the greater between:

a) One-fourth of the amount of net asset; or
b) One-fourth of gross income.

In the case of taxpayers whose net asset are greater than four (4) times their gross income, the applicable tax base shall be the one established in letter b) above; and the applicable tax rate is 1%.

ISO and income tax can be credited between them as follows:

a. ISO paid during the four calendar quarters of the year can be credited to the payment of income tax until completed, during the next three calendar years, either paid in monthly or quarterly payments, or paid annually, as the case may be.

b. Quarterly income tax payments can be credited to the ISO payment during the same calendar year. Companies choosing this credit method could change only with the Tax Authorities' approval.

ISO remainder that cannot be credited must be considered as a deductible expense for income tax purposes from the period of annual definitive liquidation in which the abovementioned three years are concluded.

ISO credit method elected by the Combined Entities is option b). Consequently, the taxable period is on quarterly basis and is calculated and paid per calendar quarter, when the ISO tax is greater than income tax. This ISO tax is complementary of income tax and any credit generated during the year (when the ISO tax is greater than the income tax) can be utilized as credit against future income tax liabilities within the three following years.

Deferred Income Tax

The income tax rate used to calculate the deferred income tax for the years ended December 31, 2016, 2015, and 2014 is 25%, which corresponds to the rate that will be in force in the years in which temporary items are expected to reverse.

(Stated in thousands of US Dollars, except otherwise indicated)

The movement of the deferred income tax is as follows:

	2016	2015	2014
Deferred tax assets:			
Initial balance	42,689	37,197	58,613
Impairment losses recognized on receivables from doubtful accounts	5,664	7,432	6,384
Risks and expenses	(716)	(863)	(836)
Rate deviations	(15)	15	-
Other financial obligations	(142)	(189)	(172)
Vacation time	41	32	49
Government grants	(13)	372	
Goodwill	-	(1,307)	(26,238)
Remeasurement of defined benefit obligation	993	-	(603)
Balance at year-end	48,501	42,689	37,197
Deferred tax liabilities:			
Initial balance	(50,979)	(46,893)	(45,367)
Goodwill	(5,318)	(4,231)	(85)
Jaguar account receivable	(1,202)	-	-
Debt formalization expenses	(477)	-	-
Property, plant and equipment	110	144	(1,441)
Balance at year-end	(57,866)	(50,980)	(46,893)
Deferred income tax liability – net	(9,365)	(8,291)	(9,696)

(Stated in thousands of US Dollars, except otherwise indicated)

As of December 31, 2016, the deferred tax assets and liabilities are composed as follows:

2016	Initial Balance	Debits/ Credits to Income	Debits/ Credits to Other Comprehensive Income	Translation Difference	Final Balance
Temporary differences:					
Provision for impairment losses on receivables	28,217	5,195	-	469	33,881
Provision for contingencies	2,854	(749)	-	33	2,138
Rate deviations	15	(15)	-	-	-
Other financial obligations	142	(39)	(101)	(2)	-
Other deferred taxes	-	(473)	-	(4)	(477)
Remeasurement of defined benefit obligation	-	920	62	11	993
Vacation period	444	35	-	6	485
Government grants	11,017	(173)	-	160	11,004
Goodwill	(4,316)	(5,200)	-	(118)	(9,634)
Income tax from Jaguar Energy´s account receivable	-	(1,189)	-	(13)	(1,202)
Property, plant and equipment	(46,664)	786	-	(675)	(46,553)
Deferred income tax liability, net	(8,291)	(902)	(39)	(133)	(9,365)

As of December 31, 2015, deferred tax assets and liabilities are composed as follows:

2015	Initial Balance	Debits/ Credits to Income	Debits/ Credits to Other Comprehensive Income	Translation Difference	Final Balance
Temporary differences:					
Provision for impairment losses on receivables	20,785	7,513	-	(81)	28,217
Provision for contingencies	3,717	(1,199)	354	(18)	2,854
Rate deviations	-	15	-	-	15
Vacation period	412	33		(1)	444
Other financial obligations	331	2	(191)		142
Government grants	10,645	421	-	(49)	11,017
Goodwill	1,222	(5,523)	-	(15)	(4,316)
Property, plant and equipment	(46,808)	(69)	-	213	(46,664)
Deferred income tax liability, net	(9,696)	1,193	163	49	(8,291)

(Stated in thousands of US Dollars, except otherwise indicated)

As of December 31, 2014, deferred tax assets and liabilities are composed as follows:

2014	Initial Balance	Debits/ Credits to Income	Debits/ Credits to Other Comprehensive Income	Translation Difference	Final Balance
Temporary differences:					
Provision for impairment losses on receivables	14,401	5,817	-	567	20,785
Provision for contingencies	4,553	(1,354)	390	128	3,717
Rate deviations	-	-	-	-	-
Other financial obligations	503	-	(185)	13	331
Vacation period	363	38	-	11	412
Government grants	11,248	(947)	-	344	10,645
Goodwill	27,545	(26,722)	-	399	1,222
Property, plant and equipment	(45,367)	14	-	(1,455)	(46,808)
Deferred income tax liability, net	13,246	(23,154)	205	7	(9,696)

As of December 31, 2016, 2015 and 2014 the Combined Entities maintain US$2,479, US$1,287 and US$471 on unrecognized deferred tax assets related to deductible temporary differences in connection with accumulated interests from deposits received from consumers (Note 28), since it is not possible to determine with reasonable certainty the payment dates of these obligations and to establish the possibility of future taxable profit against which these credits can be utilized at those dates.

(Stated in thousands of US Dollars, except otherwise indicated)

15. Trade receivables

As of December 31, 2016, 2015 and 2014, the balance of trade receivable is composed as described below:

	2016	2015	2014
Commercial, industrial, residential zones, public lighting, rates and tariffs a/	239,547	212,665	186,164
Instituto Nacional de Electrificación –INDE c/	18,567	16,444	21,510
Energy consumed not billed d/	24,270	25,155	26,782
Client tolls	415	329	261
Other clients	132	123	120
	282,931	254,716	234,837
Long term accounts receivable with payment agreements	(10,072)	(10,354)	(8,154)
Long term accounts receivable from municipalities b/	(17,735)	(13,689)	(8,519)
Provision for uncollectable accounts from municipalities	15,287	10,851	8,553
	(12,520)	(13,192)	(8,120)
	270,411	241,524	226,717
Collection by offsetting	(52,296)	(44,423)	(38,906)
Provision for uncollectable accounts	(138,132)	(118,757)	(96,758)
Short term accounts receivable	79,983	78,344	91,053

(Stated in thousands of US Dollars, except otherwise indicated)

a/ Age of the combined trade receivable portfolio per days at December 31, 2016, 2015 and 2014 is shown as follows:

Aging 2016	**0-30**	**31-60**	**61-90**	**91-120**	**121-150**	**151-180**	**181-360**	**(+) 360**	**Total**
Normal supply clients	28,853	8,331	2,340	3,792	3,485	3,247	17,814	110,505	178,367
Active without charges	55	47	46	54	54	53	330	2,012	2,651
Repeated Auto Reclosing (ARR, in Spanish).	75	87	76	87	84	84	503	4,504	5,500
Forced power cut	-	2	-	2	5	7	99	3,928	4,043
Shut down non-payment	-	-	-	-	-	-	-	6,055	6,055
Voluntary power cut	3	2	-	-	-	2	2	163	172
Interrupted supply non-payment	953	967	904	808	739	709	3,897	26,900	35,877
Eventual supply	-	-	-	-	-	-	-	7	7
Administrative suspension outstanding invoice	-	-	-	-	-	-	1	18	19
Administrative suspension	4	25	40	71	100	114	827	5,675	6,856
Grand total	29,943	9,461	3,406	4,814	4,467	4,216	23,473	159,767	239,547

Aging 2015	**0-30**	**31-60**	**61-90**	**91-120**	**121-150**	**151-180**	**181-360**	**(+) 360**	**Total**
Normal supply clients	27,821	8,732	2,824	3,981	3,685	3,553	19,173	91,715	161,484
Active without charges	-	-	-	-	-	-	2	56	58
Repeated Auto Reclosing (ARR, in Spanish).	97	98	99	99	96	95	652	4,299	5,535
Forced power cut	1	4	4	4	4	16	93	3,750	3,876
Shut down non-payment	-	-	-	-	-	3	-	6,325	6,328
Voluntary power cut	1	1	-	-	-	-	4	156	162
Interrupted supply non-payment	770	785	771	667	640	641	4,082	20,373	28,729
Eventual supply	-	-	-	-	-	-	-	7	7
Administrative suspension outstanding invoice	27	31	39	15	2	2	14	47	177
Administrative suspension	114	149	166	216	194	204	1,067	4,199	6,309
Grand total	28,831	9,800	3,903	4,982	4,621	4,514	25,087	130,927	212,665

(Stated in thousands of US Dollars, except otherwise indicated)

Aging 2014	0-30	31-60	61-90	91-120	121-150	151-180	181-360	(+) 360	Total
Normal supply clients	29,346	9,202	3,202	4,347	3,670	3,481	18,032	65,521	136,801
Active without charges	-	-	-	-	-	-	3	41	44
Repeated Auto Reclosing (ARR, in Spanish).	120	109	95	96	96	94	590	3,402	4,602
Forced power cut	-	1	1	4	5	9	44	3,756	3,820
Shut down non-payment	-	1	2	5	9	25	658	9,303	10,003
Power cut non-payment oustanding	-	-	-	1	1	-	2	7	11
Voluntary power cut	2	-	-	1	-	-	2	158	163
Interrupted supply non-payment	803	858	888	763	733	675	3,710	15,594	24,024
Eventual supply	-	-	-	-	-	-	-	7	7
Administrative suspension outstanding invoice	50	84	124	180	168	135	552	1,202	2,495
Administrative suspension	69	107	137	196	212	168	715	2,590	4,194
Grand total	30,390	10,362	4,449	5,593	4,894	4,587	24,308	101,581	186,164

The period of the average credit on the energy sale is thirty days. There is no charge of late interests on the trade accounts receivable for the first thirty days after invoice is issued. Subsequently to that date, late interests approved every quarter by CNEE are charged. During 2016, 2015 and 2014, the late interest applied fluctuated between 1%, 1% and 1.08% monthly on the outstanding balance.

Age of the trade receivable portfolio per days to December 31, 2016, 2015 and 2014 is shown as follows:

	As at December 31 2016		As at December 31 2015		As at December 31 2014	
	Gross US$ thousands	Impairment US$ thousands	Gross US$ thousands	Impairment US$ thousands	Gross US$ thousands	Impairment US$ thousands
Not past due	29,943	(3,060)	28,831	(2,972)	30,390	(4,527)
Past due to 1 month	9,461	(1,043)	9,800	(1,091)	10,362	(1,580)
Past due to 2 months	3,406	(388)	3,903	(406)	4,449	(634)
Past due 3 to 6 months	13,498	(1,603)	14,117	(1,644)	15,074	(2,352)
Past due more	183,239 (1)	(132,038)	156,014 (1)	(112,644)	125,889 (1)	(87,665)
	239,547	(138,132)	212,665	(118,757)	186,164	(96,758)

(1) Includes accounts receivables for collection by means of offsetting of US$42,282, US$37,071 and US$35,470 as of December 31, 2016, 2015 and 2014 respectively and accounts receivable to municipalities, Governmental entities and certain communities due to term-payment agreements from debt of differentiated management which is covered with security deposits and interests, and debt of normal management < 180 days of US$59,133, US$56,837 and US$53,830 as of December 31, 2016, 2015 and 2014 respectively, of which the Combined Entities have not recognized an allowance for uncollectible accounts since those are considered recoverable.

(Stated in thousands of US Dollars, except otherwise indicated)

b/ Trade accounts receivables include past-due balances from municipalities out of which the Combine Entities have recognized a provision for uncollectible accounts since they recognized total debt of those municipalities that have balances over two years past due. Amounts are shown as follows:

	2016	2015	2014
Not past due	4,097	3,797	4,368
Past due to 60 days	2,024	2,658	2,662
Past due to 90 days	126	312	458
Past due to 120 days	1,544	1,579	1,805
Past due to 150 days	1,472	1,362	1,304
Past due to 180 days	1,342	1,254	1,098
Past due to 360 days	5,992	5,253	4,587
Past due more than 360 days	17,733	13,689	8,519
	34,330	29,904	24,801
(-) Long term trade receivable	(17,735)	(13,689)	(8,519)
Short term trade receivable	16,595	16,215	16,282

c/ Account receivable from INDE for the billing of the adjustment of Solidaridad INDE to the users benefited by the Social Tariff Act, according to the deed of INDE a-38-2013-2.A. The amount to be billed by the Combined Entities is determined by the resolutions monthly issued by the CNEE. The recovery of the amount is carried out in 30 days subsequent to issuing the invoice.

d/ It corresponds to the estimated amount of services accrued, but not billed, from the sale of electric energy and toll at December 31, 2016, 2015 and 2014 net from the estimate of technical loss. This value is billed in full in the next billing cycle.

e/ ***Uncollectible Accounts -*** The movement of the allowance for uncollectible accounts during years ended December 31, 2016, 2015 and 2014 are shown as follows:

	2016	2015	2014
Balance at the beginning of the year	118,757	96,758	71,394
Expense of the period	23,041	25,012	25,785
Application of provisions and other movements	(5,604)	(2,623)	(3,074)
Translation differences	1,938	(390)	2,653
	138,132	118,757	96,758

The Combined Entities records the reserve for uncollectible accounts segmenting the accounts receivable portfolio in three categories: a) normal management, b) differentiated management and c) municipalities. The reserve for the normal management portfolio is calculated based in accounts receivable balances with more than 180 days past due, less collections that should be compensated (see f. below.) and term-payments agreements.

The differentiated management portfolio includes the total receivable balance, less the collections under compensation and the guarantee deposits and its corresponding generated interests, and,

(Stated in thousands of US Dollars, except otherwise indicated)

For the balances from municipalities, the receivable balance with more than two years past-due is provisioned.

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

Additional information on accounts receivable from customers under separate management

As of December 31, 2016, 2015 and 2014, DEOCSA and DEORSA records as part of its accounts receivable US$108,847, US$104,841and US$ 86,886 respectively; corresponding to customers separately identified from the remaining receivables for collection purposes.

At December 31, 2016:

Township	Receivables Past Due 0-60 days	Receivables Past Due 61-180 days	Receivables Past Due 181 and more days	Total Receivables days
Escuintla	119	124	1,305	1,548
Huehuetenango	1,093	1,421	16,446	18,960
Quetzaltenango	218	354	5,463	6,035
Quiche	165	189	1,739	2,093
Retalhuleu	210	331	937	1,478
San Marcos	1,954	2,865	48,318	53,137
Solola	73	102	1,234	1,409
Suchitepequez	242	343	5,067	5,652
Totonicapan	28	42	484	554
Alta Verapaz	351	462	5,818	6,631
Baja Verapaz	65	87	780	932
El Progreso	1	1	19	21
Guatemala	-	-	345	345
Izabal	80	92	1,198	1,370
Jalapa	192	232	1,557	1,981
Jutiapa	117	181	1,386	1,684
Peten	58	69	603	730
Quiche	12	11	79	102
Santa Rosa	37	43	305	385
Zacapa	211	293	3,296	3,800
Total general	5,226	7,242	96,379	108,847

(Stated in thousands of US Dollars, except otherwise indicated)

At December 31, 2015:

Township	Receivables Past Due 0-60 days	Receivables Past Due 61-180 days	Receivables Past Due 181 and More Days	Total Receivables Due
San Marcos	2,491	4,304	45,995	52,790
Huehuetenango	1,410	2,385	14,009	17,804
Retalhuleu	254	490	4,366	5,110
Quetzaltenango	226	461	4,211	4,898
Suchitepéquez	243	433	3,736	4,412
Quiché	200	282	1,372	1,854
Escuintla	102	137	853	1,092
Sololá	73	149	808	1,030
Totonicapán	54	93	445	592
Alta Verapaz	505	825	5,014	6,344
Baja Verapaz	75	131	538	744
El Progreso	6	4	22	32
Guatemala	-	-	340	340
Izabal	84	148	837	1,069
Jalapa	150	271	844	1,265
Jutiapa	124	240	809	1,173
Petén	74	116	461	651
Quiché	13	17	45	75
Santa Rosa	20	35	153	208
Zacapa	214	426	2,718	3,358
Total	6,318	10,947	87,576	104,841

(Stated in thousands of US Dollars, except otherwise indicated)

At December 31, 2014:

Township	Receivables Past Due 0-60 days	Receivables Past Due 61-180 days	Receivables Past Due 181 and More Days	Total Receivables Due
San Marcos	2,626	4,517	37,621	44,764
Huehuetenango	1,397	2,252	10,928	14,577
Retalhuleu	400	501	2,894	3,795
Quetzaltenango	220	444	3,076	3,740
Suchitepéquez	223	409	2,656	3,288
Quiché	169	237	728	1,134
Escuintla	241	245	778	1,264
Sololá	80	129	555	764
Totonicapán	76	90	327	493
Alta Verapaz	406	679	3,272	4,357
Zacapa	648	611	2,331	3,590
Petén	167	168	1,609	1,944
El Progreso	109	159	380	648
Jalapa	137	196	344	677
Jutiapa	95	183	301	579
Baja Verapaz	128	150	297	575
Izabal	74	120	331	525
Santa Rosa	19	32	80	131
Quiché	11	8	22	41
Total	7,226	11,130	68,530	86,886

The following describes the process that the Combined Entities have implemented to collect its account receivables from its customers.

In 2016, the Combined Entities implemented a program to improve the collection of its accounts receivables. The program consists of three specific elements for improving collections from clients identified separately from the other debtors for collection purposes:

1. Management strategy;
2. Assurance of the activities in the field;
3. Debt management.

I. Management strategies:

Within this context of economic-financial analysis, and given the tensions that the Distributor has been increasingly facing in the last years, during 2016 outreach efforts have been reinforced with the communities and local leaders in order to generate favorable social conditions for the normal operation of the distributor and collection of the accounts receivable from clients.

Among the implemented actions, both of an operational and strategic nature, is the following:

1. Recovery,
2. Sustainability, and
3. Containment.

a. **Regarding Recovery - 40**,764 clients recovered - Negotiation and signing of 21 agreements with community leaders with representation at the local and municipal level, based on which a commercial recovery project is being executed; and 47 agreements with towns through the initiation of commercial operations that had been restricted

1. **Commercial Recovery Projects –** PRC per its Spanish acronym- 19,754 clients recovered: Regularization of commercial operations (readings, collections, losses and distribution network management) that is done through mobile offices and a brigade for the normalization of installations. These projects are carried out in areas recovered under the strategy mentioned in number I, section a.

2. **Initiation of Operations - 15,154** net clients recovered**:**
Execution of cutoff and reading operations in prioritized locations, which allow for a prompt normalization of supply, without requiring a Municipal Agreement for approval.

b. **Regarding Sustainability - 153,708** clients sustained: follow-up on agreements signed in the recovery phase, thus avoiding the loss of clients recovered in 16 prioritized projects, such as: Tectitán, Nuevo Progreso, Soloma, San Pedro Carchá and Raxruhá. Some actions performed in order to guarantee the sustainability of the clients are: follow-up on agreements through social audit roundtables, mitigation of social risks and informational talks. It is worth highlighting the execution of COPA ENERGUATE, which allows for establishing relationships with added value through a soccer tournament held in 07 municipalities recovered in the West and East, whose payment is history is noteworthy (El Asintal, Retalhuleu; Cuilco, Huehuetenango, San Antonio Sacatepéquez, San Marcos Estanzuela, Zacapa; San Pedro Carchá, San Marcos; San Cristóbal and San Agustín Acasaguastlán; El Progreso) with a direct impact of 1,008 people benefitted and 5,040 impacted indirectly.

c. **Regarding Containment –** 138,876 clients contained: preventive actions in order to avoid the loss of clients, in 22 prioritized projects, such as: Ixtahuacán, Santa Catarina Mita Cuilapa, Utatlán and Ipala, During 2016, 1,887 actions were executed, among which it is possible to mention: timely mitigation of social risks and follow-up on compliance with commitments with the communities, informational talks with children and adults, local entrepreneurship support projects, outreach and establishment of relationships with key actors.

II. Assurance of the activities in the field

The main objectives of this axis are the prevention of conflicts caused by errors or failures in field activities and to guarantee the execution of the scheduled cutoffs as a debt recovery mechanism. The axis for the assurance of the activities in the field has been carried out through two different approaches. The first approach comprises the ongoing improvement of the commercial operations, thus guaranteeing proper billing. The second approach corresponds to the strengthening of the follow-up and evaluation of the residential operations and distribution network improvements performed by the Combined Entities's contractors.

In the case of non-payment of invoices, the execution of cutoffs as a debt recovery mechanism is guaranteed, and thus reduces the rate of growth of the debt that is over 180 days old. Among the activities performed are:

1. Audit of cutoffs performed; and

2. Creation of specialized cutoff brigades.

III. Debt Management

This strategy is focused on improving collections in order to prevent the amounts receivable from clients that are more than 105 days old from becoming uncollectible. Among the actions taken are the following:

1. Portfolio management through telephone calls, personal visits and text messages;
2. Local communication through various media outlets;
3. Increase in collections channels; and
4. Payment installment agreements.

In 2014, the strategy focuses on improving collections to avoid amounts due from customers outstanding for more than 180 days from becoming impaired. Actions taken include the following:

1. Customer data update;
2. Management of collection through telephone calls and text messages;
3. Loyalty campaigns;
4. Local communication; and
5. Increase of collection channels

In 2015, the program consisted of four specific elements for improving collections from clients identified separately from the other debtors for collection purposes:

1. Debt management– early settlement;

2. Assurance of the activities in the field;

3. Management of amounts receivable from clients over 180 days past due; and Community management and development.

(Stated in thousands of US Dollars, except otherwise indicated)

16. Property, plant and equipment - net

Composition and movement at December 31, 2016, 2015 and 2014 of the items making up the cost of the property, plant, and equipment and their corresponding accumulated depreciation is as follows:

	2016	2015	2014
Land and constructions	2,238	2,148	2,176
Technical installations	486,230	481,685	472,733
Other installations, machinery, tools, furniture and equipment	4,955	4,603	4,292
Assets under constructions	13,580	6,607	12,875
Inventory of materials	7,765	7,068	8,465
	514,768	502,111	500,541

Movements Occurred During 2016

Description	Land and Construction a/ Land and Construction a/	Technical Installations b/	Other Installations Machinery Tools Furniture and Equipment c/	Assets under Construction d/	Inventory of Materials	Total
Acquisition cost						
Balance at the beginning of 2016	4,348	848,535	19,026	6,607	7,769	886,285
Translation differences	66	12,580	294	169	120	13,229
Additions	-	1,593	-	28,147	589	30,329
Disposals	-	(7,672)	(48)	(9)	-	(7,729)
Transfers	237	19,614	1,483	(21,334)	-	-
Total Cost	4,651	874,650	20,755	13,580	8,478	922,114
Accumulated depreciation						
Balance at the beginning of 2016	(2,199)	(366,850)	(14,423)	-	(701)	(384,173)
Additions	(180)	(21,703)	(1,188)	-	-	(23,071)
Disposals	-	5,680	35	-	-	5,715
Translation differences	(34)	(5,547)	(224)	-	(12)	(5,817)
Total accumulated depreciation	(2,413)	(388,420)	(15,800)	-	(713)	(407,346)
Carrying value at December 31, 2016	2,238	486,230	4,955	13,580	7,765	514,768

(Stated in thousands of US Dollars, except otherwise indicated)

Constructions performed by the Combined Entities during 2016 are detailed per type of asset as follows:

	Own Funds	Rural Electrification Program	Total Amount
Industrial buildings in progress	13	-	13
Administrative buildings – in progress	70	-	70
Commercial buildings in progress	218	-	218
Transportation substation – in progress	16	-	16
Distribution lines – in progress	14,301	80	14,381
Distribution substation – in progress	664	-	664
Transformation stations – in progress	3,173	-	3,173
Measurement tools – in progress	7,330	-	7,330
TPIS pending distribution – in progress	8	-	8
Administrative vehicles – in progress	812	-	812
Tools – in progress	2	-	2
Furniture – in progress	22	-	22
Office equipment – in progress	517	-	517
Information process equipment – in progress	787	-	787
Other property, plant and equipment – in progress	134	-	134
	28,067	80	28,147

(Stated in thousands of US Dollars, except otherwise indicated)

Movements Occurred During 2015

Description	Land and Construction a/ Land and Construction a/	Technical Installations b/	Other Installations Machinery Tools Furniture and Equipment c/	Assets under Construction d/	Inventory of Materials	Total
Acquisition cost						
Balance at the beginning of 2015	4,227	850,223	17,448	12,875	8,464	893,237
Translation differences	(19)	(3,960)	(77)	(81)	(41)	(4,178)
Additions	-	4,721	-	26,858	203	31,782
Disposals	-	(33,553)	(146)	-	(857)	(34,556)
Transfers	140	31,105	1,800	(33,045)	-	-
Total Cost	4,348	848,536	19,025	6,607	7,769	886,285
Accumulated depreciation						
Balance at the beginning of 2015	(2,051)	(377,490)	(13,157)	-	-	(392,698)
Additions	(158)	(21,281)	(1,471)	-	(700)	(23,610)
Disposals	-	30,132	146	-	-	30,278
Translation differences	9	1,788	60	-	(1)	1,856
Total accumulated depreciation	(2,200)	(366,851)	(14,422)	-	(701)	(384,174)
Carrying value at December 31, 2015	2,148	481,685	4,603	6,607	7,068	502,111

(Stated in thousands of US Dollars, except otherwise indicated)

Constructions performed by the Combined Entities during 2015 are detailed per type of asset as follows:

	Own Funds	Rural Electrification Program	Total Amount
Administrative buildings – in progress	255	-	255
Industrial buildings - in progress	21	-	21
Transportation substation – in progress	50	-	50
Distribution lines – in progress	9,587	5,907	15,494
Distribution substation – in progress	285	-	285
Transformation stations – in progress	3,020	-	3,020
Measurement tools – in progress	6,411	-	6,411
TPIS pending distribution – in progress	(201)	-	(201)
Administrative vehicles – in progress	133	-	133
Industrial vehicles – in progress	8	-	8
Tools – in progress	27	-	27
Furniture – in progress	91	-	91
Office equipment – in progress	127	-	127
Information process equipment – in progress	717	-	717
Other property, plant and equipment – in progress	420	-	420
	20,951	5,907	26,858

Movements Occurred During 2014

Description	Land and construction a\	Technical Instalations b\	Other installations Machinery Tools Furniture and Equipment c\	Other Tangible Fixed Assets in Progress d\	Inventory of Materials	Total
Balance at the beginning of the 2014	4,023	797,518	15,628	12,855	7,954	837,978
Additions	-	3,694	-	26,492	274	30,460
Disposals	-	(2,623)	(42)	-	(25)	(2,690)
Transfers	72	25,470	1,335	(26,877)	-	-
Translation differences	132	26,164	527	405	262	27,490
Total Costo	4,227	850,223	17,448	12,875	8,465	893,238
Acumulated Depreciation						
Balance at the beginning of the year	(1,819)	(343,795)	(11,481)	-	-	(357,095)
Additions	(171)	(23,348)	(1,311)	-	-	(24,830)
Disposals	-	1,128	29	-	-	1,157
Translation differences	(61)	(11,475)	(393)	-	-	(11,929)
Total accumulated depreciation	(2,051)	(377,490)	(13,156)	-	-	(392,697)
Value on books to December 31 2014	2,176	472,733	4,292	12,875	8,465	500,541

(Stated in thousands of US Dollars, except otherwise indicated)

Constructions performed by the Combined Entities during 2014 are detailed per type of asset as follows:

	Own Funds	Rural Electrification Program	Total Amount
Administrative buildings – in progress	82	-	82
Transportation substation – in progress	43	-	43
Distribution lines – in progress	8,544	7,065	15,609
Distribution substation – in progress	118	-	118
Transformation stations – in progress	3,154	-	3,154
Measurement tools – in progress	5,545	-	5,545
TPIS pending distribution – in progress	330	173	503
Administrative vehicles – in progress	83	-	83
Office equipment – in progress	34	-	34
Information process equipment – in progress	982	-	982
Other electrical Installations in progress	46		46
Other property, plant and equipment – in progress	293	-	293
	19,254	7,238	26,492

a/ As December of 31, 2016, 2015 and 2014, classification of land and constructions is as follows:

Description	2016	2015	2014
Land	233	231	232
Industrial buildings	552	418	392
Administrative buildings	868	854	859
Commercial buildings	1,743	1,684	1,686
Improvement to leased administrative property	1,124	1,073	998
Improvement to leased commercial property	131	88	60
	4,651	4,348	4,227

(Stated in thousands of US Dollars, except otherwise indicated)

b/ As of December 31, 2016, 2015 and 2014, classification per origin of technical installations is as follows:

Year 2016

Description	Own Funds	Donated	Rural Electrification Program	UA(*)	Total
Distribution					
Distribution lines	389,417	7,836	203,315	-	600,568
Measuring instruments	115,576	105	21,934	-	137,615
Transmission centers	82,366	2,272	37,063	-	121,701
Substations of distribution	10,555	-	-	-	10,555
Telecommunications					
Technical installations of telecommunications	4,092	-	-	119	4,211
	602,006	10,213	262,312	119	874,650

Year 2015

Description	Own Funds	Donated	Rural Electrification Program	UA(*)	Total
Distribution					
Distribution lines	373,571	6,993	200,378	-	580,942
Measuring instruments	110,861	68	22,565	-	133,494
Transmission centers	80,931	1,418	37,522	-	119,871
Substations of distribution	10,080	-	-	-	10,080
Telecommunications					
Technical installations of telecommunications	4,033	-	-	116	4,149
	579,476	8,479	260,465	116	848,536

(Stated in thousands of US Dollars, except otherwise indicated)

Year 2014

Descriptión	Own Funds	Donated	Rural Electrification Program	UA(*)	Total
Distribution					
Distribution lines	368,411	3,723	188,495	-	560,629
Measuring instruments	131,087	39	29,356	-	160,482
Transmission centers	77,912	-	37,042	-	114,954
Substations of distribution	9,989	-	-	-	9,989
					-
Telecommunications					-
Technical installations of telecommunications	4,052	-	-	117	4,169
	591,451	3,762	254,893	117	850,223

(*) UA: “Units Assets” are assets that the Combined Entities obtains with INDE’s funds.

c/ At December 31, 2016, 2015 and 2014 classification per origin of other installations, machinery, tools, furniture, and other fixed assets is as follows:

Year 2016

	Own Funds	UA(*)	Total
Tools, furniture and equipment	4,964	1,017	5,981
Information process equipment	9,396	239	9,635
Transportation elements	3,664	-	3,664
Other property, plant and equipment	740	735	1,475
	18,764	1,991	20,755

Year 2015

	Own Funds	UA(*)	Total
Tools, furniture and equipment	4,255	1,003	5,258
Information process equipment	9,249	236	9,485
Transportation elements	2,850	-	2,850
Other property, plant and equipment	708	724	1,432
	17,062	1,963	19,025

(Stated in thousands of US Dollars, except otherwise indicated)

Year 2014

	Own Funds	UA(*)	Total
Tools, furniture and equipment	3,990	1,007	4,997
Information process equipment	7,951	237	8,188
Transportation elements	2,869	-	2,869
Other property, plant and equipment	667	727	1,394
	15,477	1,971	17,448

(*) UA: "Units Assets" are the assets that the Combined Entities obtains with INDE's funds.

d/ At December 31 2016, 2015 and 2014, classification per origin of assets under construction is as follows:

Year 2016

	Works with Own Funds	Distribution Works PER	Total
Land and constructions	293	-	293
Distribution			
Distribution lines	7,634	214	7,848
Measuring instruments	1,566	-	1,566
Transformation centers	1,519	-	1,519
Substations of distribution	610	-	610
TPI pending distribution	320	-	320
Other property, plant and equipment in progress	1,424	-	1,424
	13,366	214	13,580

Year 2015

	Works with Own Funds	Distribution Works PER	Total
Land and constructions	190	-	190
Transportation			
Substations	25	-	25
Distribution			
Distribution lines	3,530	131	3,661
Measuring instruments	1,267	-	1,267
Transformation centers	238	-	238
Substations of distribution	261	-	261
TPI pending distribution	307	-	307
Other property, plant and equipment in progress	659	-	659
	6,477	131	6,608

(Stated in thousands of US Dollars, except otherwise indicated)

Year 2014	Works with Own Funds	Distribution Works PER	UA*	Total
Land and constructions	67	-	-	67
Transportation	-	-	-	-
Substations	-	-	-	-
Distribution	-	-	-	-
Distribution lines	1,157	8,074	-	9,231
Measuring instruments	1,009	-	-	1,009
Transformation centers	1,008	-	-	1,008
Substations of distribution	120	-	-	120
TPI pending distribution	336	139	38	513
Other property, plant and equipment in progress	927	-	-	927
	4,624	8,213	38	12,875

(*) UA: “Units Assets” are the assets that the Combined Entities obtains with INDE’s funds.

Depreciation expense charged to profit or loss at December 31, 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Property, plant and equipment constructed with own funds	16,228	16,789	17,450
Property, plant and equipment constructed with funds coming from government grants	6,528	6,616	7,318
Property, plant and equipment constructed with granted funds	315	205	62
	23,071	23,610	24,830

(Stated in thousands of US Dollars, except otherwise indicated)

17. Intangible assets

At December 31, 2016, 2015 and 2014, this item is made up as set out below:

Year 2016

	Goodwill	Software Applications	Costs of Implementation of Software Applications	Costs of Development and Licenses in Progress	Total
Cost					
Balance at the beginning of the year 2016	119,237	30,920	1,016	8	151,181
Additions	-	9	-	2,701	2,710
Transfer	-	14	-	(14)	-
Translation differences	1,747	452	15	30	2,244
Total cost	120,984	31,395	1,031	2,725	156,135
Accumulated amortization					
Balance beginning 2016	-	(24,988)	(1,016)	-	(26,004)
Additions	-	(2,513)	-	-	(2,513)
Translation differences	-	(394)	(15)	-	(409)
Total accumulated amortization	-	(27,895)	(1,031)	-	(28,926)
Book value at December 31, 2016	120,984	3,500	-	2,725	127,209

Year 2015

	Goodwill	Software Applications	Costs of Implementation of Software Applications	Costs of Development and Licenses in Progress	Total
Cost					
Balance at the beginning of the year 2015	119,797	29,743	1,020	6	150,566
Additions	-	1,312	-	3	1,315
Translation differences	(560)	(135)	(4)	-	(699)
Total cost	119,237	30,920	1,016	9	151,182
Accumulated amortization					
Balance beginning 2015	-	(22,808)	(1,020)	-	(23,828)
Additions	-	(2,280)	-	-	(2,280)
Translation differences	-	100	6	-	106
Total accumulated amortization	-	(24,988)	(1,014)	-	(26,002)
Book value at December 31, 2015	119,237	5,932	2	9	125,180

(Stated in thousands of US Dollars, except otherwise indicated)

Year 2014

	Goodwill	Software Applications	Costs of Implementation of Software Applications	Costs of Development and Licenses in Progress	Total
Cost					
Balance at the beginning of the year 2014	116,060	26,975	988	-	144,023
Additions	-		-	1,871	1,871
Tranfers	-	1,866	-	(1,866)	-
Translation differences	3,737	902	31	1	4,671
Total cost	119,797	29,743	1,019	6	150,565
Accumulated amortization					
Balance beginning 2014	-	(20,047)	(988)	-	(21,035)
Additions	-	(2,077)	-	-	(2,077)
Translation differences	-	(684)	(31)	-	(715)
Total accumulated amortization	-	(22,808)	(1,019)	-	(23,827)
Book value at December 31, 2014	119,797	6,935	-	6	126,738

During the years ended at December 31, 2016, 2015 and 2014 expense from amortization was US$2,513, US$2,280 and US$2,077, respectively.

18. Other receivables

At December 31, 2016, 2015 and 2014 other receivables is composed as follows:

	2016	2015	2014
Other receivables - long-term			
Judicial bonds a/	2,991	2,922	3,847
Other accounts receivable b/	2,667	2,840	1,300
	5,658	5,762	5,147
Other receivables - short-term			
Advance salaries	542	296	377
INDE – Trust fund transportation	93	39	48
Other accounts receivable c/	2,483	4,854	219
	3,118	5,189	644

a/ Deposits made to the Judicial Department and the Regional Operator Entity.

(Stated in thousands of US Dollars, except otherwise indicated)

b/ As of December 31,2016 and 2015, an amount of US$1,585 corresponds to the PER grant works of distribution performed and not reimbursed by the trust to the Company at the liquidation date, and US$ 677 corresponds to accounts receivable from Norcontrol, S. A. for severance compensation paid by the Company on behalf of Norcontrol, S.A. (see Note 30c). Additionally, other receivable accounts include the balance for tariff survey expenses pending to be applied in the amount of US$404, US$616 and US$201 as of December 31, 2016, 2015 and 2014, respectively.

c/ As of December 31, 2015 accounts receivable to Jaguar Energy due to an adjustment to the energy curve and losses related to the power guaranteed in 110 MW in accordance with the contract provisions (Note 33).

19. Inventory

Stock of materials at December 31, 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Sundry materials	3,022	2,893	1,966
Less:			
Provision for obsolete materials	(1,576)	(1,553)	(126)
	1,446	1,340	1,840

20. Tax assets and liabilities

At December 31, 2016, 2015 and 2014, taxes assets and liabilities is composed as follows:

	2016	2015	2014
Long-term tax receivables			
Income tax payments (Note 30)	80,023	-	-
	80,023	-	-
Taxes receivable			
Solidarity Tax – ISO, in Spanish	-	-	1,175
Others	204	201	203
	204	201	1,378
Taxes payables			
Income tax payable (Note 14)	2,664	4,165	15,822
Property tax (municipal levy)	37	2,364	3,560
Value Added Tax – VAT	2,299	1,741	2,200
Value Added Tax withholdings - VAT	544	512	286
Income Tax withholdings payable	702	213	226
Others	3	17	1,054
	6,249	9,012	23,148

(Stated in thousands of US Dollars, except otherwise indicated)

21. Related parties

Accounts receivable and payable to related parties at December 31, 2016, 2015 and 2014 are composed by the following balances:

	2016	2015	2014
Accounts receivable			
Redes Eléctricas de Centroamérica, S.A. a/	833	792	1,756
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	124	7	8
	957	799	1,764

	2016	2015	2014
Accounts payable			
Deocsa, B.V. b/	13,369	-	-
Deorsa, B.V. b/	13,303	-	-
Puerto Quetzal Power LLC	53	-	-
IC Power Chile	89	-	-
Kallpa	7	-	-
Comercializadora Guatemalteca Mayorista, S.A.	244	123	-
	27,065	123	-

a/. As of December 31, 2016, 2015 and 2014, it corresponds to the debt of RECSA for billing of works performed on their behalf.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

b/. As of December 31, 2016, the balance corresponds to dividends payable.

(Stated in thousands of US Dollars, except otherwise indicated)

Main transaction among related parties are as follows:

	2016	2015	2014
Toll billing to			
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	1,040	971	1,518
Toll billing reveived from			
Redes Eléctricas de Centroamérica, S. A. - Toll of secondary system in distribution lines	737	782	279
Sales of material			
Redes Eléctricas de Centroamérica, S. A.	28	-	-
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	-	-	7
Operation Fee			
Arthasan, S.A. a/	1,490	6,500	5,036
Energy Supplied to Substations			
Redes Eléctricas de Centroamérica, S.A. - RECSA	22	41	51
Leasing of vehicles			
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	249	372	-
Purchase of vehicles			
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	-	20	-
Energy sales to spot market			
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	257	-	-
Purchase energy sales to spot market			
Puerto Quetzal Power LLCC	210	-	-
Technical assistance			
IC Power Chile	1,164	-	-
Reimbursable expenses			
IC Power Chile	167	-	-
Kallpa	162	-	-
Replacement of financial leasing agreement			
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	216	-	-

a/ Contract of management and administration services and supervision services for the businesses of the Combined Entities. In January 2016, this contract was rescinded.

DEOCSA´s and DEORSA´s executive officers did not receive compensation directly from DEOCSA and DEORSA until January 2016; each was also an executive officer of Arthasan, S. A. and received compensation directly from Arthasan, S. A. The aggregate annual compensation expenses related to DEOCSA and DEORSA´s executive officers received from Arthasan during 2016, 2015 and 2014 were US$1,490, US$6,500 and US$5,036. The remuneration of executive officers directly received from DEOCSA and DEORSA, since January 2016, was US$2,805. The remuneration of this executive officer is determined by the remuneration committee having regard to the performance of individuals and market trends.

(Stated in thousands of US Dollars, except otherwise indicated)

22. Cash and cash equivalents

At December 31, 2016, 2015 and 2014, cash and cash equivalent is composed as follows:

	2016	2015	2014
Balances in local banks	10,686	40,691	29,223
Cash	433	559	878
	11,119	41,250	30,101

23. Capital stock

At the date of its incorporation, the authorized capital of DEOCSA was US$12,860,802 (Q. 85,000,000) represented by common shares with a face value of US$ 0.15 (Q. 1) each, out of which 21,350 shares (a/) were subscribed and paid. At the extraordinary general shareholders' meeting held on December 4, 1998 it was agreed that DEOCSA's authorized capital was increased in US$17,293,805 (Q. 115,000,000), consequently, its authorized capital amounted up to US$ 30,154,607 (Q. 200,000,000).

Likewise, the authorized capital of the DEORSA was US$14,373,838 (Q 95,000,000) represented by common shares with a face value of US$0.13 (Q. 1) each, out of which 21,350 shares (a/) were subscribed and paid. At the extraordinary general shareholders' meeting held on December 4, 1998 it was agreed that DEORSA's authorized capital was increased in US$27,068,565 (Q. 180,000,000), consequently, its authorized capital amounted up to US$41,442,402 (Q. 275,000,000).

DEOCSA accorded to Deed AG-003-007 dated October 24, 2007, the general shareholders' meeting approved the reduction of the share capital subscribed and paid through the decrease of the face value of the entity's shares. The new face value per share turned into US$0.04 (Q. 0.34), instead of US$0.15 (Q. 1). Based on the reduction of the face value, the authorized capital was modified in US$ 29,569,509 (Q. 195,500,000), represented by 575,000,000 common, nominal or bearer shares (a/).

DEORSA accorded to Deed AG-003-007 dated October 24, 2009, the general shareholders' meeting approved the reduction of the share capital subscribed and paid through the decrease of the face value of the entity's shares. The new face value per share turned into US$0.07 (Q. 0.50) instead of US$0.13 (Q. 1). Based on the reduction of the face value, the authorized capital was modified in US$ 41,442,402 (Q. 275,000,000), represented by 550,000,000 common, nominal or bearer shares (a/).

At the General Shareholders' Meeting held on June 17, 2011, it was agreed to increase DEOCSA's authorized capital in US$34,646,589 (Q. 268,037,098) and DEORSA´s authorized capital in US$ 3,882,142 (Q. 30,033,496), and the same was formalized through public deed no. 7 dated October 3, 2011. As a result, the subscribed and paid capital increased in US$63,200,147 (Q. 463,537,098) for DEOCSA´s and US$44,017,692 (Q. 305,033,496) for DEORSA´s, divided into and represented by 1,363,344,407 and 610,066,991 in common shares (a/) with a value of US$ 0.04 (Q. 0.34) and US$ 0.07 (Q. 0.50) cents each, respectively.

Through the annual ordinary general shareholders' meeting of DEOCSA and DEORSA, both held on April 06, 2016, the distribution of dividends was agreed, which was approved in deed no. AG002-2016 and CA-4-2016, respectively. The dividends declared to their distribution to the shareholders were in the amount of US$12,846,399 (Q. 95,436,964), which represents US$0.01 (Q. 0.07) per share for DEOCSA and of US$ 15,986 (Q. 122,013,000), which represents US$ 0.03 (Q. 0.20) per share for DEORSA and their payment was made on April 30, 2016.

On November 2016, the combined entities through an extraordinary general shareholders' meeting agreed to a second distribution of dividends, which was approved in deed no. AG003-2016. The dividends declared to their distribution to the shareholders were in the amount of US$28,749,621 (Q.218,957,976).

On December 2, 2016, a reduction in the capital stock subscribed and paid was approved at an extraordinary shareholders' meeting through Minute AG-004-2016, which approved the decrease in the nominal value of the entity's shares. The nominal value per share went from US$0.04 (Q. 0.34) to US$ 0.01448 (Q. 0.10.) for DEOCSA and from US$0.07 (Q.0.50) to US$ 0.02434 (Q0.14) for DEORSA. This implies a reduction in the capital subscribed and paid for an amount of US$43,460,021 for DEOCSA and US$29,171,121 for DEORSA, which will leave DEORSA's subscribed and paid capital at US$19,740,127.62 for DEOCSA and US$ 14,846,171 for DEORSA. According to the Guatemala's Commerce Code the reduction of capital can be recorded when is inscribed in the Commercial Register. As the date of this Combined Financial Statements the inscription in the Commercial Register is pending, as such no reduction was recognize.

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

a/ The share units are not presented in thousands.

Distribution of shares at December 31, 2016, 2015 and 2014 in proportion to the shareholders is as follows:

Shareholders of DEOCSA	Sharing Participation	Amounts	Number of Shares
DEOCSA B.V.	90.62%	57,272	1,235,454,765
Remaining shareholders	9.38%	5,928	127,889,642
	100%	63,200	1,363,344,407

Shareholders of DEORSA	Sharing Participation	Amounts	Number of Shares
DEORSA B.V.	92.68%	40,796	565,437,007
Remaining shareholders	7.32%	3,222	44,629,987
	100%	44,018	610,066,994

(Stated in thousands of US Dollars, except otherwise indicated)

The shares of the Combined Entities are in collateral and fiduciary guarantee of the loan with *Banco Agromercantil de Guatemala, S. A*. (Note 24).

24. Debt with financial entities

Debt balances with financial entities at December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Banco Agromercantil de Guatemala, S.A. a/	317,070	283,450	262,218
Less-			
Short term portion b/	(67,945)	(37,788)	(53,838)
Long term debt with financial entities	249,125	245,662	208,380

a/ Syndicated loan in the amount of US$150,146 (original amount) and of US$54,500 (original amount in Q.415,963) with pledged collateral on Company own shares and fiduciary guarantee formalized on May 19, 2011 at a 10-year term for DEOCSA. DEORSA´s syndicated loan in the amount of US$90,453 (original amount) and of US$41,093 (original amount in Q.313,636) with pledged collateral on Company own shares and fiduciary guarantee formalized on May 18, 2011 at a 10-year term. The interest of the portion in dollars will be established at the fixed rate of 6.00% for the first two years (from May 19, 2011 until May 18, 2013) and at a US LIBOR rate for three more months plus a spread of 4.70% for the following operating years (since May 19, 2013 onwards). The portion in quetzals accrues an annual variable interest rate calculated by the Active Weighted Average Rate less 5.6%. The loan matures on May 19, 2021.

In April 2015, an additional provision was carried out regarding the syndicated long-term debt in the amount of US$52,500 (original amount) and of Q.174,375 - original amount with pledged collateral and fiduciary guarantee formalized on April 28, 2015 at a 10-year term and quarterly amortizations since May 19, 2018 for the portion in dollars and quetzals. The interest of the portion in dollars will be at a US LIBOR rate for three more months plus an annual spread of 4.70%, establishing a floor rate of 5.90% for the first year (April 28, 2015 to April 28, 2016) and a US rate LIBOR for 3 months plus a margin of 4.75% per annum, establishing a floor rate of 6.0% for the remaining nine years of the loan. The portion in quetzals accrues an annual variable interest rate calculated by the Active Weighted Average Rate less 6.10%. The loan matures on February 19, 2025.

In August 2016, the Combined Entities signed an addendum to the existing long-term syndicated loan. Such addendum renewed Tranche H of the long term syndicated loan in the amount of US$ 28,030 (original amount) and for US$12,363 (Q.93,000 - original amount) with a collateral pledge and fiduciary guarantee formalized on September 07, 2016, with a term of 10 years and quarterly amortizations as of May 19, 2018, for the portion in dollars and quetzales. The interest rate for the portion in dollars is a 3-month US LIBOR rate plus a margin of 4.70% annually, establishing a floor rate of 5.90% for the first year (September 07, 2016 to September 07, 2017) and at a 3-month US LIBOR rate plus a margin of 4.75% annually, establishing a floor rate of 6.0% for the remaining 9 years of the loans. The portion in quetzales accrues an annual variable interest rate calculated by using the Weighted Average Lending Rate minus 6.10%. The loan matures on February 19, 2025.

In October 2016, a revolving line of credit was subscribed for $30,000 (maximum amount), maturing in 120 days. An amount of $11,000 was formalized on October 28th and $19,000 on October 31st at an annual interest rate of 5.08769%.

This loan includes the participation of several banks, being appointed Banco Agromercantil de Guatemala, S.A. as the manager of the Guarantee and Administration trust of the syndicated loan; the following banks are also participating with the following contribution in thousands of Dollars.

	2016	2015	2014
Bancolombia Panamá, S. A.	60,792	74,280	93,102
Banco Industrial, S. A.	87,584	75,368	63,548
Banco G&T Continental, S. A.	56,815	46,093	45,400
Banco Agromercantil Guatemala, S. A.	69,522	43,146	21,375
Banco Reformador, S. A.	12,566	12,365	10,362
Mercom Bank Limited	11,451	12,883	9,707
Westrust Bank (International) Limited.	5,066	6,190	7,314
GTC Bank Inc.	8,481	8,418	7,314
Banco Internacional, S. A.	4,793	4,707	4,096
Total bank loans	317,070	283,450	262,218

b/ At December 31, 2016, within the short term portion information related to the revolving credit line is included.

Obligations:

Financial Information:

a) Without exceeding 120 days after the fiscal year-end, individual and combined financial statements audited for DEOCSA and DEORSA (related party) with a report and the independent auditor's report.

b) Without exceeding 60 days after each quarterly period, internal combined financial statements – individual and combined in a comparative manner regarding the previous fiscal quarter – for DEOCSA and DEORSA (related party).

c) Without exceeding 15 days before fiscal year-end, an annual business and budget plan, including forecasts prepared by the management.

Social and Environmental Requirements

a) Notify any action or process against, or non-compliance issues with, the Environmental Law or Permits that could reasonably have an adverse material effect.

Notices:

a) Notify within the five working days subsequent to receiving any correspondence from any governmental authority related with the investigation or possible investigation or other survey carried out by such office on any tax matter.

b) Notify within the next sixty days subsequent to receiving any correspondence regarding a formal notice of evaluation or claim of a tax obligation or a court order.

c) Notify within the next five working days subsequent to the occurrence of any matter resulting or that could reasonably result in an adverse material effect, of any material change in the accounting policies or reporting practices, of the use or disposal of any property or asset for which a mandatory advanced payment would have to be executed in conformity with Section 2.03 (b)(i) of the bank loan contract, or of the sale of capital shares or other capital interests for which the debtor would have to perform a mandatory advanced payment.

Property Maintenance:

a) Maintain, preserve and take care of material property and necessary equipment for the optimum performance of the business, except for the normal wear.

Insurance Maintenance:

a) Maintain valid insurance policies with respect to property and businesses; protect them against losses or damages as other similar companies do.

Interest Rate Protection:

a) Sign in relation with the loans with a LIBOR rate, no more than two years after signing the loan contract (May 19, 2011), interest rate hedging contracts of at least 90% of the debt amount in the first five years of the credit. At December 31, 2015 and 2014, the Combined Entities have financial instruments of interest rate hedging – swap with Bancolombia Panamá, S. A. (Note 25).

Other obligations:

Levies:

a) Do not sign contracts that establish rights, rights of access, restrictions, and other similar levies or burdens that affect the assets of each of the Combined Entities.

Indebtedness:

a) Do not borrow amounts in addition to that set out in the original loan contract.

Financial Agreements:

During the validity of the loan, the Combined Entities have to comply with:

a) Combined cash flow hedging of DEOCSA and DEORSA (related party): greater than or equal 1.30:1.00, which results from the sum of EBITDA, working capital, taxes, and cash, everything within the financial debt.

(Stated in thousands of US Dollars, except otherwise indicated)

b) Combined leverage ratio of DEOCSA and DEORSA (related party): Must be measured and not be greater than the ratio established as follows:

Measurement date	Maximum ratio of combined leverage
December 31, 2014	3.5:1.0
December 31, 2015	4.2:1.0
December 31, 2016	3.5:1.0
December 31, 2017	3.5:1.0
December 31, 2018	3.5:1.0
December 31, 2019	3.5:1.0
December 31, 2020	3.5:1.0
December 31, 2021	3.5:1.0
December 31, 2022	3.5:1.0
December 31, 2023	3.5:1.0
December 31, 2024	3.5:1.0
December 31, 2025	3.5:1.0

The maximum combined leverage ratio of DEOCSA and DEORSA (related party) is the result of the sum of the financial debt less cash divided into EBITDA.

According to the loan contract, the calculation of the abovementioned ratios is carried out over a combined basis, which includes the figures of DEOCSA and DEORSA (related party). During 2016, 2015 and 2014 there was no infringement on said financial agreements.

Capital Expenses:

Capital expenses in the normal course of the business that do not exceed, in the aggregate for the Borrower during every fiscal year, an amount equivalent to 15% from the amount established in the annual business and budget plan submitted according to Section 6.01 (c) of the Borrower regarding investment intended for said economic year, and such amount of capital invested in excess of the allowed amount that can be accepted for most of the Lenders.

The loan agreement sets out in clause 7.06 that the payment of dividends will be considered as Restrained Payments (that could not be executed) if the Combined Entities might be in any of the following situations:

a) In a non-compliance situation (from the engagement of the loan contract).

b) If each of the Combined Entities is obliged to deposit certain amount of money in the Tax Contingency Account.

c) Whether the amount in the Legal Dispute Contingencies Account were less than the amount in the Legal Dispute Contingencies Assessment.

d) Only in relation with the Restrained Payments made during the fiscal year ended at December 31, 2015. Such Restrained Payments must not surpass the sum of the net benefits of the Borrower in the fiscal year ended at December 2014, plus the retained earnings of that same fiscal year.

(Stated in thousands of US Dollars, except otherwise indicated)

e) Only with respect to the Restrained Payments made during the fiscal year ended at December 31, 2016. Such Restrained Payments must not surpass the sum of the net benefits of the fiscal year ended at December 31, 2015, in addition to the accumulated earnings during that same year. The change in the nature of the business or the participation in any business line substantially different from business lines carried out on May 19, 2011 or any business substantially related or additional to the same.

25. Other financial obligations

As of December 31, 2016, 2015 and 2014, balances of the other financial obligations were as follows:

	2016	2015	2014
Leasing	165	-	481
Current	-	583	1,144
	165	583	1,625

In November 2016, DEORSA entered into a new contract for a vehicle financial lease agreement with Arrendadora Agrícola Mercantil for 12 months expiring in November 2017.

Derived from one of the clauses of the debt with financial entities described in note 24, the Combined Entities is obliged to engage an interest rate hedging as an interest rate protection. To comply with such clause, a swap agreement was signed with *Bancolombia, S. A.*

The purpose of the cash flow hedge is to protect the future cash flows that might be susceptible of significant variations as a result of the variations that might achieve the LIBOR interest rate. The interest rate swap is recorded at their fair value at the end of the reporting period; the fair value is determined by discounting the future cash flows for the fixed leg as for the floating leg and according to the terms and conditions of the swap agreement using the curves at the end of the reporting period and disclosed in (Note 34).

The change effect in the fair value of the swap agreement was a loss (gain) recognized in other comprehensive income of 2016, 2015 and 2014 by US$360, US$762 and US$736, respectively, less the deferred Income Tax of US$90, US$191 and US$184 respectively.

(Stated in thousands of US Dollars, except otherwise indicated)

The following table describe the main details of the swap agreement signed with Bancolombia S.A. by DEOCSA:

TRANSACTION TYPE	**INTEREST RATE HEDGING**
Payment currency	US$
Notional amount	3,834 US$
TERMS	
Transaction date	May 18, 2012
Effective date	May 20, 2013
Termination date	May 19, 2016
FIXED AMOUNTS	
Fixed rate payer	Distribuidora de Electricidad de Occidente, S.A.
	August, November, February and May 19 of each year starting on August 19, 2013 until and including the termination date
Fixed rate	5.95%
FLOATING AMOUNTS	
Floating amount payer	Bancolombia Panamá, S.A.
Payment dates	August, November, February and May 19 of each year starting with August 19, 2013 until and including the termination date
Floating rate for initial calculation	Determined two days, from London banks, before the effective date
Floating rate option	US$ LIBOR-BBA
Defined maturity	3 months
Spread	4.70%
Determined floating rate	Two banking days from London prior to the date of readjustment
Readjustment dates	First day of each calculation term

The following table describe the main details of the swap agreement signed with Bancolombia S.A. by DEORSA:

TRANSACTION TYPE	**INTEREST RATE HEDGING**
Payment currency	US$
Notional amount	2,310 US$
TERMS	
Transaction date	May 18, 2012
Effective date	May 20, 2013
Termination date	May 19, 2016
FIXED AMOUNTS	
Fixed rate payer	Distribuidora de Electricidad de Oriente, S.A.
	August, November, February and May 19 of each year starting on August 19, 2013 until and including the termination date
Fixed rate	5.95%
FLOATING AMOUNTS	
Floating amount payer	Bancolombia Panamá, S.A.

TRANSACTION TYPE	INTEREST RATE HEDGING
Payment dates	August, November, February and May 19 of each year starting with August 19, 2013 until and including the termination date
Floating rate for initial calculation	Two days before the effective date from London banks
Floating rate option	US$ LIBOR-BBA
Defined maturity	3 months
Spread	4.70%
Determined floating rate	Two days before the readjustment date from London banks.
Readjustment dates	First day of each calculation period.

26. Deferred revenues

As of December 31, 2016, 2015 and 2014, the Combined Entities had received accumulated government grants in the amount of US$261,054, US$ 257,283 and US$254,272, respectively. (See Note 31)..

Balances and movements of the deferred revenues are shown as follows:

	2016	2015	2014
Balance at the beginning of the year	257,283	254,272	235,150
Government grants received during the year	-	4,186	11,344
Translation differences	3,770	(1,175)	7,778
Total deferred revenues at year-end	261,053	257,283	254,272
Less - Accumulated accrued revenues			
Balance at the beginning of the year	(112,147)	(106,007)	(95,482)
Accrued revenues for the year (Note 7)	(6,528)	(6,616)	(7,318)
Translation differences	(1,712)	476	(3,207)
Accumulated accrued revenues at year-end	(120,387)	(112,147)	(106,007)
Deferred revenues, net	140,666	145,136	148,265

(Stated in thousands of US Dollars, except otherwise indicated)

27. Provisions

At December 31, 2016, 2015 and 2014, the balances of the provisions were as follows:

	2016	2015	2014
Provisions for contingencies a/	9,287	10,003	14,648
Provisions for severance compensation b/	4,533	4,661	4,145
	13,820	14,664	18,793

a/ Provisions recorded by the Combined Entities at December 31, 2016, 2015 and 2014 correspond mainly to penalties imposed by the National Electric Energy Commission, as well as unfavorable judgments in litigations (Note 30).

The movement of the account for 2016, 2015 and 2014 is shown as follows:

	2016	2015	2014
Balance at January 1st	10,003	14,648	16,832
Payments	(805)	(721)	(1,090)
Reversal of provision (note 13)	(2,795)	(4,282)	(1,928)
Provision	2,806	588	648
Translation differences	78	(230)	186
Balance at December 31	9,287	10,003	14,648

b/ As indicated in Note 3m, the Combined Entities pays universal severance pay compensation on the described basis, plus the half part of an additional salary only for employees adhered to the collective agreement (former INDE's employees).

The movement of the account is shown as follows:

	2016	2015	2014
Balance at January 1st	4,661	4,145	3,660
Payments	(1,118)	(878)	(1,209)
Actuarial calculation	915	1,412	1,556
Translation differences	75	(18)	138
Balance at December 31st	4,533	4,661	4,145

(Stated in thousands of US Dollars, except otherwise indicated)

The following assumptions were used to assess the liabilities of the benefits covered by the plan:

Valuation date	December 31, 2016
Discount rate	8.08% for the obligations
Salaries increase	5.00% annual
Inflation	Not reflected specifically in the calculation, besides the salaries increase
Mortality	CSG-1960
Disability	No considerations
Leave rate	Calculated according to the experience shown by the Combined Entities – 1.62%
Dismissal rate	Percentage corresponding to dismissals without justified cause (94.8%)
Expenses	Not considered
Retirement age	65 years old for all employees
Form of payment	Unique payment in case of leave either by dismissal or death

28. Other liabilities

At December 31, 2016, 2015 and 2014, others liabilities are made up as follows:

	2016	2015	2014
Accumulated interests from deposits received from consumers	29,372	24,420	21,113
Principal from deposits received from consumers	27,439	25,795	23,317
Others	6,839	3,113	3,854
	63,650	53,328	48,284

29. Trade and other accounts payables

At December 31, 2016, 2015 and 2014, trade and other accounts payables with suppliers are as follows:

	2016	2015	2014
Energy suppliers	83,279	65,334	51,668
Services suppliers	22,288	19,945	18,509
Others	877	923	1,669
	106,444	86,202	71,846

30. Contingencies

The Combined Entities are subject to certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings. The Combined Entities accrue liabilities when it considers probable that future disbursements will be incurred and such amounts can be reasonably estimated. The related liability is based on developments to date and historical information related to actions filed against the Combined Entities. As of December 31, 2016, 2015 and 2014, the Combined Entities had established liabilities for contingencies of US$ 9,287, US$ 10,003 and US$ 14,648, respectively, to cover legal actions against the Combined Entities in which their managements has assessed the likelihood of a final adverse outcome as probable. As of December 31, 2016, 2015 and 2014, the Combined Entities are subject to certain legal actions that their managements and their legal counsel consider to be possible that a future disbursement will be incurred for an aggregate amount up to US$31,760, US$35,842 and US$42,874 respectively. No loss amount has been accrued for such possible legal actions. A description of the main contingent liabilities is detailed below.

A description of the main contingent liabilities is detailed below.

For the purpose of the following legal claims please consider that the provision had been accrued in all those processes qualified as “more likely than not that the Combined Entities will pay”.

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

1. 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 of services (number and length of interruptions) and establishes fines for failure to comply with such parameters. As of December 31, 2016, 2015 and 2014 sanction processes initiated by the National Energy Electric Commission related to these fines in an aggregate amount of Q. 123,629, Q 80,620 and Q 79,268 thousand (US$ 16,435, US$ 10,562 and US$ 10,430 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.

As December 31, 2016 in the opinion of the Combined Entities’ Management and its legal advisors, the chances of obtaining a negative impact in the processes by Q. 96,713 thousand (approximately US$ 12,857 thousand) is remote.

In addition, in the opinion of the Combined Entities’ Management and its legal advisors it is not more likely than not that DEOCSA will pay, as December 31, 2016, 2015 and 2014, Q. 26,916, Q. 80,620 and Q 79,268 thousand (US$ 3,578, US$ 10,562 and US$ 10,430 thousand) respectively.

2. Sanction processes initiated by the National Energy Electric Commission (CNEE) in an aggregate amount of US$ 2,032, US$ 1,744 and US$ 1,888 thousand (Q. 15,288, Q 13,311 and Q 14,349 thousand) as of December 31, 2016, 2015 and 2014

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 the Combined Entities' Management and its legal advisors it is not more likely than not that DEOCSA will pay as December 31, 2016, 2015 and 2014 Q. 3,415, Q 37 and Q 37 thousand (US$ 454, USD 5 and US$ 5 thousand) respectively.

In addition, in the opinion of the Combined Entities' Management and its legal advisors it is more likely than not that DEOCSA will pay Q. 11,873, Q.13,274 and Q. 14,312 thousand (US$ 1,578, US$ 1,739 and US$ 1,883 thousand), therefore DEOCSA has recorded the provision for this amount in its financial statements.

3. Sanction processes initiated by the National Energy Electric Commission in an aggregate amount up to US$ 2,941, US$ 2,996 and US$ 3,009 thousand (Q. 22,120, Q. 22,866 and Q. 22,868 thousand) as of December 31, 2016, 2015 and 2014

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 the Combined Entities' Management and its legal advisors it is not more likely than not that DEOCSA will pay Q. 5,168, Q. 4,112 and Q. 4,112 thousand (US$ 687, US$539 and US$ 541thousand)

In addition, in the opinion of the Combined Entities' Management and its legal advisors it is more likely than not that DEOCSA will pay Q. 16,952, Q 18,754 and Q18,754 thousand (US$ 2,254, US$ 2,457 and US$ 2,468 thousand), therefore DEOCSA has recorded the provision for this amount in its financial statements.

4. Civil petitions submitted by third parties for damages and several injuries to DEOCSA in the amounts of US$ 3,479, US$1,827 and US$ 7,473 thousand (Q. 26,173, Q. 13,945 Q. 56,796 thousand) as of December 31, 2016, 2015 and 2014

DEOCSA has a claim in the Third Civil Court of First Instance, under case 6517-2007, for an amount of US $2,003, thousand (Q.15,074, thousand) for a case filed by the INDE against DEOCSA for the payment of unpaid invoices regarding the purchase of energy made by DEOCSA from INDE related to the social tariff as DEOCSA was in disagreement with the tariff billed for the year ended December 31, 2007.

In the opinion of the Combined Entities' Management and its legal advisors it is not more likely than not that DEOCSA will pay for this claim as of December 31, 2016 Q.15,074, (US$2,003 thousand), therefore DEOCSA has recorded the provision for this amount in its financial statement.

In addition, in the opinion of the Combined Entities' Management and its legal advisors it is more likely than not that DEOCSA will pay as December 31, 2016, 2015 and 2014 for all other civil claims of Q. 11,009, Q.13,945 and 56,796 (US$1,476, US$1,827 and US$7,473 thousand).

5. Arbitration with INDE

DEOCSA and INDE are in arbitration related to DEOCSA's claims in connection with the termination of the Trust (See Note 31).

DEOCSA has claim against INDE for payment of services provided in relation to construction of works in an amount of US$1,075, as well as to obtain the final certificate of acceptance of the distribution assets and transmission assets.

INDE has a claim against DEOCSA alleging contract infringement and requiring the refund of advances previously made by INDE amounting up to US$6,128. Likewise, INDE requires that right-of-way is constituted or that a payment is made for damages and injuries due to the alleged failure in the constitution of right-of-way for the construction of transmission lines.

In the opinion of the Combined Entities' Management and its legal advisors it is not more likely than DEOCSA will pay the amount claimed by INDE.

6. Commercial arbitration Hidroxacbal:

DEOCSA is involved in a commercial arbitration process with Hidroxacbal S.A. on the ICC International Arbitration Court. Hidroxacbal claims a payment of Q. 5,684 thousand (US$ 756 thousand) from DEOCSA due to losses on energy transmission.

As of December 31, 2016 in the opinion of the Combined Entities' Management and its legal advisors it is more likely than not that DEOCSA will pay the amount claimed by Hidroxacbal. Therefore DEOCSA has recorded the provision in its financial statements.

In January 2017 the arbitration was concluded against DEOCSA for the amount recorded.

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

1. 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 of service (number and length of interruptions) and establishes fines for failure to comply with such parameters. As of December 31, 2016, 2015 and 2014 sanction processes initiated by the National Energy Electric Commission related to these fines in an aggregate amount of Q. 121,221, Q. 90,706 and Q. 90,706 thousand (US$ 16,115, US$ 11,883 and US$ 11,935 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.

As of December 31, 2016 In the opinion of the Combined Entities' Management and its legal advisors, the chances of obtaining a negative impact in the processes by Q. 85,542,thousand (US$ 11,372 thousand) is remote.

In addition, in the opinion of the Combined Entities' Management and its legal advisors, it is not more likely than not that DEORSA will pay as December 31, 2016, 2015 and 2014 Q. 35,679, Q. 90,706 and Q 90,706 (US$ 4,743, US$ 11,883 and US$ 11,935 thousand).

2. Sanction processes initiated by the National Energy Electric Commission (CNEE) in an aggregate amount of US$ 2,039, US$2,573 and US$ 4,005 thousand (Q. 15,338, Q. 19,642 and Q 30,442 thousand) as of December 31, 2016, 2015 and 2014

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.

As December 31, 2016 and 2014 In the opinion of the Combined Entities' Management and its legal advisors it is not more likely than not that DEORSA will pay as of December 31, 2016Q. 5,166, and Q. 69 thousand (US$ 687 and US$ 9 thousand).

In addition, in the opinion of the Combined Entities' Management and its legal advisors it is more likely than not that DEORSA will pay as of December 31, 2016, 2015 and 2014 Q. 10,172, Q. 19,642 and Q. 30,373 thousand (US$ 1,352, US$ 2,573 and US$ 3,996 thousand), therefore DEORSA has recorded the provision for this amount in its financial statements.

3. Sanction processes initiated by the National Energy Electric Commission in an aggregate amount up to US$ 6,036, US$ 5,535 and US$ 5,226 thousand (Q. 45,396, Q. 42,252 and Q. 39,715 thousand) as of December 31, 2016, 2015 and 2014

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 the Combined Entities' Management and its legal advisors it is not more likely than not that DEORSA will pay Q. 28,780, Q. 28,057 and Q.25,521 thousand (US$ 3,826, US$ 3,676 and US$ 3,358 thousand).

In addition, in the opinion of the Combined Entities' Management and its legal advisors it is more likely than not that DEORSA will pay Q. 16,614, Q 14,197 and Q 14,189 thousand (US$ 2,209, US$ 1,860 and US$ 1,868 thousand), therefore DEORSA has recorded the provision for this amount in its financial statements.

4. Civil petitions submitted by third parties for damages and several injuries to DEORSA in the amounts of US$ 4,953, US$ 6,836 and US$ 11,070 thousand (Q.37,260,Q 52,182 and Q84,132 thousand) as of December 31, 2016, 2015 and 2014

In the opinion of the Combined Entities' Management and its legal advisors it is not more likely than not that DEORSA will pay Q. 37,109, Q. 50,431 and Q.62,829 thousand (US$ 4,933, US$ 6,607 and US$ 8,267 thousand).

In addition, in the opinion of the Combined Entities' Management and its legal advisors it is more likely than not that DEORSA will pay is Q. 151, Q.1,751 and Q 21,310 thousand (US$ 20, US$ 229 and US$ 2,804 thousand), therefore DEORSA has recorded the provision for this amount in its financial statements.

5. Arbitration with INDE:

DEORSA and INDE are in arbitration related to each parties´ claims in connection with the termination of the Trust (See Note 31).

DEORSA has claim against INDE for payment of services provided in relation to construction works in an amount of US$2,690, as well as to obtain the final certificate of acceptance of the distribution assets and transmission assets.

INDE has a claim against DEORSA alleging contract infringement and requiring the refund of advances previously made by INDE amounting up to US$5,248. Likewise, INDE requires that right-of-way is constituted or that a payment is made for damages and injuries due to the alleged failure in the constitution of right-of-way for the construction of transmission lines.

In the opinion of the Combined Entities' Management and its legal advisors it is not more likely than DEORSA will pay the amount claimed by INDE.

6. Commercial arbitration Hidroxacbal:

DEORSA is involved in a commercial arbitration process with Hidroxacbal S.A. on the ICC International Arbitration Court. Hidroxacbal claims a payment of Q. 5,684 thousand (approximately US$ 756 thousand) from DEORSA due to losses on energy transmission.

As of December 31, 2016 in the opinion of the Combined Entities' Management and its legal advisors it is more likely than not that DEORSA will pay the amount claimed by Hidroxacbal. Therefore DEORSA has recorded the provision in its financial statements.

In January 2017 the arbitration was concluded against DEORSA for the amount recorded.

7. Tax claim for Value Added Tax (VAT) related to missing invoices

As of December 31, 2016, the Company has a claim from the Tax Administration Superintendence (SAT, in Spanish) initiated in 2001 of additional taxes and fines related to tax obligations regarding Income Tax and Value Added Tax (VAT) for a total amount of Q. 3,453 thousand (US$459 thousand). This, in relation to alleged missing invoices in the book of sales for the period July 1999 to December 2000. The date of the hearing was April 24, 2002. This case is pending a ruling from the Second Administrative Law Court.

According to the Combined Entities' legal advisors, it is estimated that an unfavorable ruling is probable due to the fact that the evidence presented has not been accepted within the different phases of the administrative proceedings. Therefore, there is a provision recorded amounting up to US$ 459 thousand.

c. The Combined Entities joint Tax claim

In 2011, the previous owners of DEORSA and DEOCSA acquired the companies through a leveraged buy-out transaction. Years after the transaction, the Guatemalan Tax Authority (Superintendencia de Administración Tributaria, or the "SAT") raised questions concerning tax deductions for interest expenses and amortization of goodwill that derived from that transaction. This culminated in the issuance in February 2015 of two binding tax opinions, one for DEOCSA and another for DEORSA (the "Binding Opinions") addressing the deductions.

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

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

Due to the actions of the government and in order to avoid the initiation of complaints concerning tax years 2013, 2014, and 2015, and the corresponding imposition of further fines and interest, the Combined Entities followed the instructions of the SAT and paid the alleged back taxes and interest for those years in the following manner: on 9 August 2016, the Combined Entities paid a total of Q. 137,505 thousand (approximately US$ 18,093 thousand) for the years 2014 and 2015; and on 19 August 2016, they paid a total of US$ 13,189 thousand (Q. 100,236 thousand) for the year 2013. In addition, during 2016 the Combined Entities made additional payments of income tax in advance by Q. 40,729 thousand (US$ 5,393 thousand) corresponding to year 2016, not computing as deductible amounts the items related to goodwill, depreciation and interest that were subject to the tax claim.

The abovementioned measures were adopted in order not to put at risk the continuing operation and prevent irreversible damage to the Combined Entities. All payments were made under protest and subject to a broad reservation of rights, including but not limited to seeking restitution of such payments. The Combined Entities and their legal and tax advisors are of the view that the deductions for interest expenses and amortization of goodwill are legitimate tax deductions and are confident of their position under applicable legal frameworks. The Combined Entities are defending against the SAT Complaint and considering all available remedies with respect to this matter. Hence, the Combined Entities' Management considers, based on the opinion of its tax and legal advisors that the receivable generated by these payments is more likely than not to be recovered as a result of the final outcome of this claim and of the other recourses to be initiated by the Combined Entities.

As of December 31, 2016, the total tax claim amounts to US$ 80,023thousand (Q. 601,943 thousand). This tax claim has been recorded as Non-current tax receivable (see Note 20).

d. Other - Appluss Norcontrol, S.L.U.

Sanction processes initiated by the National Electric Energy Commission – CNEE amounting up to US$96 have imposed to the Combined Entities, and sanctions on supposed non-compliance with measurement and quality control standards of the technical product.

These sanctions were imposed to the Combined Entities, however, they are attributable to Norcontrol Guatemala, S.A, (Contractor) which is the entity engaged to carry out the works of measurement and quality control of the technical product. As of December 31, 2015 and 2014 and based on the legal advisors' opinion, the status is still pending sentence, submission of evidence or litigation.

Additionally, on July 27, 2007 the Combined Entities held an agreement with the company Applus Norcontrol, S.L.U., where the latter acts as the guarantor of the obligations of its subsidiary Norcontrol Guatemala, S.A. and as a result, promissory notes were issued that are still valid and guarantee the amount of the possible fines on the sanctions to be submitted by the Regulatory Entity to the Company and will be used to pay any fines, when the respective legal resources are exhausted. As of December 31, 2016, these sanction processes was fully provisioned.

31. Rural Electrification Program

The Combined Entities is a party to a contract related to the Rural Electrification Program, through public deed No. 54 of May 4, 1999, called the "Management Trust Fund Contract – INDE – of Rural Works in Western and Eastern Regions". Such contract requires the formation of a trust (Trust) with an initial trust equity of US$333,569.

Under the terms of such contract, INDE (through the Trust) will provide funds for the Combined Entities to construct transmission assets and distribution assets.

Projects of Electric Energy Transmission

The Combined Entities signed, through public deed No. 52 of May 4, 1999, the "Contract for Construction of Electric Energy Transmission Works", with an initial trust equity of US$150,974, which is part of the trust equity of the "Management Trust Fund Contract – INDE – Rural Works in Western and Eastern Regions".

The transmission assets constructed by the Combined Entities will become property of INDE when completed, while the distribution assets will form part of the property, plant and equipment of the Combined Entities.

At December 31, 2016, 2015 and 2014, the Combined Entities completed the construction of distribution assets under the Rural Electrification Program for total cost of US$262,312, US$ 260,465 and US$ 254,893, respectively (see Note 16b). Any difference between this value and the actual government grant received is recognized in profit or loss of the year in which the asset was constructed. At these dates, the Combined Entities had supply energy to 245 (thousand), 245 (thousand) and 226 (thousand) users respectively, according to the executive report of the benefited users.

Details of the Trust are as follows:

Trustor:

Instituto Nacional de Electrificación – INDE

Trustees:

DEOCSA
DEORSA

INDE – If there were a remainder at the end of the trust in cases specifically anticipated in the contract.

Fiduciary:

Banco Agromercantil de Guatemala, S. A.

Since the incorporation of the trust, the responsibility of the fiduciary is to manage the portion of the trust equity received from the special appointed representative and to transfer to the Combined Entities the cash required in the construction of the distribution assets and transmission assets included in the annual budget of the Rural Electrification Program, as follows: a) The fiduciary will deliver, during the first week of each year and, as an advance, 20% of the total budgeted amount for that year, and b) the payment of the balance will be carried out in accordance with the certification issued every two months. For such services, the fiduciary is paid a monthly fixed fee by the Trustor.

Special Appointed Representative:

The Bank of New York

Since the incorporation of the trust, INDE transferred to the Bank of New York, in U.S. Dollars, the proceeds from sale of the DEOCSA´s and DEORSA´s shares made in 1998 and in order to complete the Trust's equity, INDE will contribute the proceeds of the shares promised to be sold. In addition, INDE will contribute additional funds required according to the contribution schedule. The special appointed representative is responsible for the principal account of the Trust and will transfer to the trustee the necessary amounts to cover the DEOCSA and DEORSA´ requirements.

Term:

From 42 up to 60 months, renewable

Functions of the Trust:

"Management Trust Fund Contract – INDE – of Rural Works in Western and Eastern Regions"
Introduction of rural electric energy in 2,633 communities specified in the document "Project of Rural Electrification INDE" achieving no less than 280 (thousand) new users.

"Construction Contract for Transmission Assets"

The contract required the Combined Entities to post performance bond in favor of INDE covering 20% of the total amount of this contract and must be extendable by a bonding company authorized for this type of operations in Guatemala, of renowned economic capacity and solvency, and previously accepted by INDE.

Additionally, at December 31, 2016, 2015 and 2014, the Combined Entities posted performance bonds with Departmental Government amounting up to US$145, US$15 and US$18, respectively, to secure its compliance with environmental requirements as required in the construction contract of transmission assets. Those performance bonds are for commercial promotion and amount up to US$85, US$21 and US$4, respectively, at December 31, 2016, 2015 and 2014.

"Termination of the Trust"

During the second semester of 2014, actions were undertaken to obtain financing for Phase II of the Rural Electrification Program in the amount of US$ 55 million, including an extension of the term of the Trust for five more years. However, the current political and institutional environment in the country affected directly these actions and its approval by the Congress of the Republic of Guatemala. Such environment blocked the implementation of a scheduled phase of liquidation of the Rural Electrification Program and so, on July 14, 2015 (the contractual termination date of the Trust), the Trust ended with no prior liquidation phase, with works still in progress and without the final acceptance by the Technical Committee.

(Stated in thousands of US Dollars, except otherwise indicated)

According to the contract conditions, once the term of the Trust Fund is concluded, if there is disagreement in the acceptance and/or liquidation of the works among parties, it is necessary to initiate different negotiation mechanisms established in the contract. So, July 14, 2015, a process of "Amicable Settlement" was initiated, but resolution agreements were not achieved. As a result, an "Arbitration with INDE" was undertaken as established in the contract for the liquidation of works pending acceptance from INDE.

As of today, the Arbitration with INDE is still in process (Note 30).

32. Contracts of operating leasing

Operating leases are related to:

a. In November 2016, an operating lease agreement with a related company was rescinded by the Combined Entities. A new contract for a vehicle financial lease agreement was signed between DEORSA and Arrendadora Agrícola Mercantil for a period of 12 months expiring in November 2017.

Payments recognized as expenses of the period amounted to US$ 248 and US$ 331.

b. Real estate owned by third parties where commercial premises are located; the lease term is five years, extendable. The Combined Entities do not have the option to purchase the leased property at the end of the lease term (Note 33).

33. Commitments

Energy purchase agreements

The Combined Entities, during its normal course of business, enters into power purchase agreements to supply the electricity that it will deliver its end customers. As such, the Combined Entities several power purchase agreements for a certain quantity of energy at agreed prices for the next years, as described below. These agreements do not give rise to an actual obligation to purchase that energy in each year. The Combined Entities pays only for energy they actually consumed.

Current supply agreements for DEOCSA

Social Rate	Power Contract (KW)	Period supply	
		Start date	Expiration date
Contracts Load differential Curve (DCC)			
Vehículo de Contratación de Energía, S.A.	8,682	01/05/2015	30/04/2030
GENASA	8,500	01/05/2015	30/04/2030
Hidroeléctrica El Cóbano	2,090	01/05/2015	30/04/2030
Energías del Ocosito	1,248	01/05/2015	30/04/2030
Hidro Xacbal, S.A.	15,000	01/05/2015	30/04/2030
INDE	57,429	01/05/2015	30/04/2030
Agro Comercializadora del Polochic, S.A.	5,000	01/05/2016	30/04/2030

(Stated in thousands of US Dollars, except otherwise indicated)

Generadora San Andrés, S.A.	3,375	01/05/2016	30/04/2031
Generadora San Mateo, S.A.	5,828	01/05/2016	30/04/2031
Hidrosacpur, S.A.	3,000	01/05/2016	30/04/2031
Recursos Naturales y Celulosas, S.A. (RENACE)	34,650	01/05/2015	30/04/2030
Inversiones Pasabien S.A.	4,895	01/05/2016	30/04/2030
Contract Energy Purchase (PCE)			
Duke Energy y Compañía, Sociedad en Comandita por acciones	11,604	01/05/2015	01/04/2017
Energía del Caribe, S.A.	37,800	01/05/2015	30/04/2030
Grupo Generador de Oriente, S.A. Genosa	6,300	01/05/2015	30/04/2030
Generadora Eléctrica del Norte, Limitada	2,579	01/05/2015	30/04/2017
Contract of Power without energy associated (PWAC)			
Generadora del Este S.A.	9,644	01/05/2015	30/04/2017
INDE	1,300	01/05/2015	30/04/2017
INDE	6,600	01/05/2016	30/04/2017
Ingenio Magdalena S.A.	11,000	01/05/2016	30/04/2017
PQP	3,000	01/05/2016	30/04/2017
Duke Energy y Compañía, Sociedad en Comandita por acciones	9,403	15/06/2016	30/04/2017
Contract energy generated (EG)			
Caudales Renovables	2,980	01/05/2016	30/04/2030
Hidroeléctrica Samuc, S.A.	840	01/05/2015	30/04/2030
Aguilar, Arimany, Asociados Consultores, S.A.	5,000	01/05/2015	30/04/2030
Generadora de Energía El Prado, S.A.	700	01/05/2015	30/04/2030
Hidroeléctrica Maxanal, S.A.	2,100	01/05/2016	30/04/2031
Hidrosacpur, S.A.	3,710	01/05/2016	30/04/2031
GENASA	1,900	01/05/2015	30/04/2030
Sibo, Sociedad Anónima	5,000	01/05/2015	30/04/2030
Contracts Load differential Curve (DCC)			
Energía Limpia de Guatemala -ELG	13,230	01/05/2017	30/04/2032
Inversiones Agrícolas Diversificadas, S.A.	4,060	01/05/2017	30/04/2032
Recursos Naturales y Celulosas, S.A. (RENACE)	12,600	01/05/2018	30/04/2030
Recursos Naturales y Celulosas, S.A. (RENACE)	5,528	01/05/2018	30/04/2033
GENASA	4,100	01/05/2018	30/04/2030
Generadora de Occidente, LTDA	1,131	01/05/2017	30/04/2032
INDE	13,820	01/05/2017	30/04/2032
Papeles Elaborados, S.A.	603	01/05/2017	30/04/2032
Contract Energy Purchase (PCE)			
Administradora Operativa, S.A.	6,534	01/05/2018	30/04/2033

(Stated in thousands of US Dollars, except otherwise indicated)

Ingenio Magdalena S.A.	2,073	01/05/2017	30/04/2032
Ingenio Magdalena S.A.	6,000	01/05/2017	30/04/2018
Ingenio Magdalena S.A.	4,000	01/05/2019	30/04/2020
Ingenio la Unión S.A.	17,000	01/05/2017	30/04/2018
Ingenio la Unión S.A.	11,170	01/05/2018	30/04/2019
Ingenio la Unión S.A.	17,000	01/05/2019	30/04/2020
PQP	3,000	01/05/2017	30/04/2018
PQP	122	01/05/2019	30/04/2020
Energías de San José	3,330	01/05/2018	30/04/2019
Energías de San José	6,140	01/05/2019	30/04/2020
Pantaleón	8,000	01/05/2017	30/04/2018
Contract of Power without energy associated (PWAC)			
Renovables de Guatemala, S.A.	2,073	01/05/2017	30/04/2032
Térmica S.A	1,959	01/05/2017	30/04/2032
Generadora de Occidente, LTDA	829	01/05/2017	01/04/2032
Duke Energy y Compañía, Sociedad en Comandita por acciones	18,900	01/05/2017	30/04/2018
INDE	2,000	01/05/2017	30/04/2018
INDE	8,000	01/05/2018	30/04/2019
INDE	13,000	01/05/2019	30/04/2020
Ingenio Magdalena S.A.	7,000	01/05/2017	30/04/2018
Ingenio Magdalena S.A.	17,000	01/05/2018	30/04/2019
Ingenio Magdalena S.A.	21,000	01/05/2019	30/04/2020
PQP	4,000	01/05/2017	30/04/2018
PQP	5,000	01/05/2018	30/04/2019
Contract energy generated (EG)			
Hidroeléctrica Samuc, S.A.	1,500	01/05/2017	30/04/2030
Agrogeneradora,S.A.	700	01/05/2017	30/04/2032
Grupo ONYX, S.A. - ANACAPRI, S.A.	5,000	01/05/2017	30/04/2032
Fomento De Inversiones, Negocios y Arrendamientos Pelicano, S.A.	550	01/05/2017	30/04/2032
Energy Consulting S.A	550	01/05/2018	30/04/2033

Current supply agreements for DEOCSA

No Social Rate	**Power Contract (KW)**	**Period supply**	
		Start date	**Expiration date**
Contracts Load differential Curve (DCC)			
INDE (Preexistente)	34,000	01/04/2004	10/10/2019

(Stated in thousands of US Dollars, except otherwise indicated)

Contract Energy Purchase (PCE)			
Jaguar Energy	110,000	01/05/2015	30/04/2030
Contract of Power without energy associated (PWAC)			
Ingenio Magdalena S.A.	275	01/05/2016	30/04/2020
Contract energy generated (EG)			
Eólico San Antonio El Sitio, S.A.	30,000	01/05/2015	30/04/2032
Compañía Agricola O.V. S.A	300	31/12/2016	30/12/2026
C2SI Compañía de Servicios y Combustión Industrial, S.A.	4,000	01/06/2016	31/05/2026
C2SI Compañía de Servicios y Combustión Industrial, S.A.	1,000	01/08/2016	31/07/2026
C2SI Compañía de Servicios y Combustión Industrial, S.A.	1,000	01/06/2016	30/06/2026
C2SI Compañía de Servicios y Combustión Industrial, S.A.	1,500	01/09/2016	31/08/2026
C2SI Compañía de Servicios y Combustión Industrial, S.A.	1,000	01/10/2016	30/09/2026
Hidroeléctrica Carmen Amalia, S.A.	1,200	31/12/2016	31/12/2026
Hidroeléctrica El Corozo, S.A.	900	15/01/2016	14/01/2026
Hidroeléctrica Maza, S.A.	2,000	31/12/2016	30/12/2026
Impulso Inversionista de Guatemala, S.A.	1,700	31/12/2016	30/12/2026
Punta del Cielo, S.A.	1,000	01/05/2015	30/04/2025

Current Supply Agreements for DEORSA

		Period supply	
Social Rate	**Power Contract (KW)**	**Start date**	**Expiration date**
Contracts Load differential Curve (DCC)			
Vehículo de Contratación de Energía, S.A.	6,603	01/05/2015	30/04/2030
GENASA	8,500	01/05/2015	30/04/2030
Hidroeléctrica El Cóbano	2,090	01/05/2015	30/04/2030
Energías del Ocosito	1,248	01/05/2015	30/04/2030
Hidro Xacbal, S.A.	15,000	01/05/2015	30/04/2030
INDE	55,071	01/05/2015	30/04/2030
Generadora San Mateo, S.A.	3,423	01/05/2016	30/04/2031
Recursos Naturales y Celulosas, S.A. (RENACE)	20,350	01/05/2015	30/04/2030
Contract Energy Purchase (PCE)			
Energía del Caribe, S.A.	22,200	01/05/2015	30/04/2030
Grupo Generador de Oriente, S.A.	3,700	01/05/2015	30/04/2030
Generadora Eléctrica del Norte, Limitada	2,421	01/05/2015	30/04/2017
Duke Energy y Compañía, Sociedad en Comandita por acciones	3,586	01/05/2015	01/04/2017

(Stated in thousands of US Dollars, except otherwise indicated)

Contract of Power without energy associated(PWAC)			
Duke Energy y Compañía, Sociedad en Comandita por acciones	3,597	15/06/2016	30/04/2017
Generadora del Este S.A.	9,056	01/05/2015	30/04/2017
Contract Energy Purchase (PCE)			
Agropecuaria ALTORR, S.A.	1,500	01/05/2015	30/04/2030
Coralito, S.A.	1,750	01/05/2015	30/04/2030
Generadora Eléctrica Las Victorias, S.A.	950	01/05/2015	30/04/2030
GENASA	5,000	01/05/2015	30/04/2030
Regional Energética, S.A.	5,100	01/05/2015	30/04/2030

Other Supply Contracts

Contracts Load differential Curve (DCC)			
Energía Limpia de Guatemala -ELG	7,770	01/05/2017	30/04/2032
Recursos Naturales y Celulosas, S.A. (RENACE)	12,928	01/05/2018	30/04/2030
GENASA	2,590	01/05/2018	30/04/2030
Generadora de Occidente, LTDA	1,131	01/05/2017	30/04/2032
INDE	13,820	01/05/2017	30/04/2032
Papeles Elaborados, S.A.	603	01/05/2017	30/04/2032
Contract Energy Purchase (PCE)			
Administradora Operativa, S.A.	6,534	01/05/2018	30/04/2033
Ingenio Magdalena S.A.	2,073	01/05/2017	30/04/2032
Ingenio Magdalena S.A.	9,000	01/05/2017	30/04/2018
Ingenio Magdalena S.A.	3,600	01/05/2019	30/04/2020
Energías de San Jose, S. A.	3,330	01/05/2018	30/04/2019
Energías de San Jose, S. A.	6,140	01/05/2019	30/04/2020
Ingenio la Unión, S. A.	17,000	01/05/2017	30/04/2018
Ingenio la Unión, S. A.	11,170	01/05/2018	30/04/2019
Ingenio la Unión, S. A.	17,000	01/05/2019	30/04/2020
Pantaleon, S. A.	7,000	01/05/2017	30/04/2018
Contract of Power without energy associated (PWAC)			
Renovables de Guatemala, S.A.	2,073	01/05/2017	30/04/2032
Térmica S.A	1,959	01/05/2017	30/04/2032
Generadora de Occidente, LTDA	829	01/05/2017	30/04/2032
Agroforestal El Cedro, S.A.	1,500	01/05/2018	30/04/2033
Grupo Onyx, S.A. - ANACAPRI, S.A.	5,000	01/05/2017	30/04/2032
Green Project, S.A.	500	01/05/2017	30/04/2032

Current Supply Agreements

		Period supply	
No Social Rate	**Power Contract (KW)**	**Start date**	**Expiration date**

Contract Energy Purchase (PCE)			
Jaguar Energy	90,000	01/05/2015	30/04/2030
Duke Energy y Compañía, Sociedad en Comandita por acciones	7,311	01/05/2015	01/04/2017
Contract of Power without energy associated (PWAC)			
INDE	6,400	01/05/2016	30/04/2017
Biomass	2,000	01/05/2016	30/04/2017
Ingenio Magdalena S.A.	11,000	01/05/2016	30/04/2017
Contract energy generated (EG)			
Eólico San Antonio El Sitio, S.A.	20,000	01/05/2015	30/04/2030
Broker Gas S.A	1,500	30/06/2016	29/06/2026
Broker Gas S.A	1,000	31/07/2016	30/07/2026
Broker Gas S.A	1,500	30/09/2016	29/09/2026
Impulso Inversionista de Guatemala, S.A.	2,000	31/12/2016	30/12/2026
TUNCAJ	6,000	30/11/2016	29/11/2026

Supply Contracts to come			
Contract of Power without energy associated (PWAC)			
INDE	13,100	01/05/2017	30/04/2018
INDE	13,000	01/05/2018	30/04/2019
INDE	5,000	01/05/2019	30/04/2020
Ingenio Magdalena S.A.	15,000	01/05/2017	30/04/2018
Ingenio Magdalena S.A.	17,000	01/05/2018	30/04/2019
Ingenio Magdalena S.A.	21,000	01/05/2019	30/04/2020

Purchase of Materials

During the normal course of the operations, the Combined Entities issues materials purchase orders. The Combined Entities' recognize liabilities to suppliers when the materials are delivered. The amount of purchase commitments is determined based on the purchase orders issued. At December 31, 2016, 2015 and 2014, there are purchase commitments amounted to US$4,712, US$15,813 and US$7,863, respectively, and the same are irrevocable.

Leasing

a. The Combined Entities keep property leasing contracts on a renewal basis at its commercial premises. The future projections of minimum payments for those extended operating leasing contracts are as follows:

	2016	2015	2014
Within a year	1,364	1,081	1,110
From year 2 to year 5	7,075	7,270	7,836

(Stated in thousands of US Dollars, except otherwise indicated)

b. The Combined Entities keep vehicle leasing contracts on a renewal basis at its commercial premises. The future projections of minimum payments for those extended operating leasing contracts are as follows:

	2016	2015	2014
Within a year	-	303	-
From year 2 to year 5	-	144	-

Services of Operation and Maintenance

The future projections of the minimum payments for those non-rescindable service contracts of operation and maintenance are shown as follows:

	2016	2015	2014
Within a year	6,619	19,904	34,872
From year 2 to year 5	-	144	3,293

34. Financial instruments

The Combined Entities manages its capital structure to ensure the continuity as going concern, while it maximizes the return to its shareholders through the optimization of the debt and equity balances. The Combined Entities' overall strategy remains unchanged from 2013.

The working capital structure of the Combined Entities is constituted by indebtedness as a financial cost (loans), offset by cash and cash equivalents and restricted cash, and equity comprising issued capital, reserves, retained earnings as detailed in note 23, attributed to the shareholders.

Net Debt Ratio

The financial managements of the Combined Entities reviews the capital structure over an annual basis. As part of this review, it considers the capital cost and the risk associated to each type of capital.

As of December 31, the net debt ratio is composed as follows:

(Stated in thousands of US Dollars, except otherwise indicated)

	2016	2015	2014
Debt (loans)	317,070	283,450	262,219
Cash and cash equivalents	(11,119)	(41,250)	(30,101)
Restricted cash	(4,797)	(4,723)	(3,942)
Total net debt	301,154	237,477	228,176
Equity	148,290	168,018	179,700
Net debt ratio	203%	141%	127%

(Stated in thousands of US Dollars, except otherwise indicated)

Classification of Financial Instruments

At December 31, the financial assets and liabilities of the Combined Entities are as follows:

	2016	2015	2014
Financial assets:			
Measured at amortized cost			
Trade receivables	92,503	91,536	99,173
Non-current tax assets	80,023	-	-
Other receivables	8,776	10,951	5,791
Cash and cash equivalents	11,119	41,250	30,101
Restricted cash	4,797	4,723	3,942
	197,218	148,460	139,007
Financial liabilities:			
Measured at amortized cost			
Debt with financial entities	317,070	283,450	262,219
Other liabilities	68,940	58,119	50,712
Trade and other accounts payable	106,444	86,202	71,846
Creditors	48	32	1,192
	492,502	427,803	385,969
Measured at fair value			
Other financial obligations	165	583	1,144

At the date of the combined financial statements, there are no significant concentrations of credit risk in relation with these items. The abovementioned value represents the maximum exposure to credit risk for such financial assets and liabilities.

Management of Financial Risk

The Combined Entities is exposed continuously to credit, liquidity, and market risks originated by exchange rate, interest rate, and price variations. These risks are managed through specific policies and procedures established by each of the Combined Entities' financial management.

The financial management monitors constantly those risks through periodic reports that allow evaluating the exposure levels affecting the Combined Entities and issues periodic management reports for the consideration of each of the Combined Entities' general management.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Combined Entities. Credit risk is managed by the each of the Combined Entities. Credit risk arises from cash and deposits in banks and financial institutions and trade receivables. Credit risks or third party non-compliance risk are controlled through the implementation of service cut-off controls and service

monitoring procedure.

The impact of the credit risk exposure is represented by the balances of the trade receivable, net of any provision for covering possible losses. The Combined Entities do not have a significant exposure since the balances of its trade receivable are not concentrated on few clients; at December 31, 2016, 2015 and 2014, clients were scattered in 1,635 (thousands) and 1,580 (thousands) users, respectively, out of which none represents more than 10% of the portfolio.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies**.**

Liquidity Risk

The Combined Entities practice a careful liquidity risk management and, therefore, keeps cash and other instruments liquid, as well as available funds. However, as of December 31, 2016, the combined financial statements reflect a negative working capital of US$176,378 thousands thus the Management will be focused on 2017 on two objectives to revert that situation: a) refinancing and expansion of the financial debt and b) reducing the energy loss ratio.

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

a) Refinancing the financial debt in the second quarter 2017;
b) Extend the average life of the debt and migrating to a non-amortizing debt structure;
c) Make a bond issue in the international markets;
d) Follow up the creation of dialogue and negotiation tables with community leaders and municipal authorities to improve collection timing, prevent non-technical losses;
e) Reduce technical and non-technical losses;
f) Improve debt ratio management and obtain longer-term loans;

The management of the Combined Entities considers that the liquidity risk exposure is low since the Combined Entities has been generating cash flow from its operating activities, supported on strong profits, has access to loans and financial resources, as explained in (Note 24).

(Stated in thousands of US Dollars, except otherwise indicated)

At December 31, 2016, 2015 and 2014 the contract maturity of the non-derivative financial liabilities of the Combined Entities is as follows:

	Average Effective Interest Rate	Less than 1 Year	More than 1 Year More than 1 Year	Total	Carrying Amount
2016					
Loan secured with pledged collateral and fiduciary guarantee	6%	84,460	297,992	382,452	317,070
Trade and other accounts payable	0%	106,444	-	106,444	106,444
Creditors	0%	48	-	48	48
		190,952	297,992	488,944	423,562

	Average Effective Interest Rate	Less than 1 Year	More than 1 Year More than 1 Year	Total	Carrying Amount
2015					
Loan secured with pledged collateral and fiduciary guarantee	6%	54,816	299,493	354,309	283,450
Trade and other accounts payable	0%	86,202	-	86,202	86,202
Creditors	0%	32	-	32	32
		141,050	299,493	440,543	369,684

	Average Effective Interest Rate	Less than 1 Year	More than 1 Year More than 1 Year	Total	Carrying Amount
2014					
Loan secured with pledged collateral and fiduciary guarantee	6%	72,011	276,805	348,816	262,218
Trade and other accounts payable	0%	71,846	-	71,846	71,846
Creditors	0%	1,192	-	1,192	1,192
		145,049	276,805	421,854	335,256

Cash Flows:

There is a low exposure as to whether the cash flows associated with the financial assets and liabilities could fluctuate in their amount, except for the risk exposure of cash flows that might derive from the fluctuation of the exchange rate of the dollar with respect to the quetzal, that might require additional cash flows to cancel the loans and accounts payable in foreign currency or that might implicate a reduction in the assets in foreign currency.

Market Risk

Fluctuation on exchange rates and market prices

Exposure to which the Combined Entities are exposed from the fluctuation in exchange rates and fuel market prices stays covered through the transfer of additional costs to the electric energy tariff.

Exchange Rate Risk

Monetary assets and liabilities include balances in Dollars of the United States of America, which are subject to the fluctuation risk in the exchange rate of the US dollar with regard to the Quetzal for the transactions performed of the Combined Entities. During 2016, 2015 and 2014, there were no significant fluctuations of the US dollar regarding the Quetzal that might be considered significant.

Percentage Rate Devaluation of the Quetzal in Relation with the US Dollar

Currency	2016	2015	2014
Quetzales	-1%	-1%	-3%

The Combined Entities do not have the practice of acquiring derivative financials to protect itself from loss risks to which it is exposed because of the fluctuations in the exchange rate of the currency in which its transactions are carried out abroad.

As of December 31, 2016, 2015 and 2014, the amount of assets and liabilities in foreign currency that might be exposed to exchange rate fluctuations is as follows:

2016	In thousands of US Dollars
Assets:	
Local banks in foreign currency	940
Restricted cash	3,410
	4,350
Liabilities:	
Debt with financial entities	(232,388)
Trade account payables	(36,172)
Advances to foreign suppliers	2,227
	(266,333)
Net liability position of foreign currency	(261,983)

2015 (Unaudited)	**In thousands of US Dollars**
Assets:	
Local banks in foreign currency	5,414
Restricted cash	3,381
	8,795
Liabilities:	
Debt with financial entities	(201,432)
Trade account payables	(20,505)
Advances to foreign suppliers	1,020
	(220,917)
Net liability position of foreign currency	(212,122)

2014 (Unaudited)	**In thousands of US Dollars**
Assets:	
Local banks in foreign currency	6,645
Restricted cash	2,817
	9,462
Liabilities:	
Debt with financial entities	(191,974)
Trade account payables	(7,327)
Advances to foreign suppliers	9,330
	(189,971)
Net liability position of foreign currency	(180,509)

Sensitivity Analysis

A strengthening or weakening at the rate of 2% of the dollar exchange rate against the Quetzal would have increased (decreased) the profit or loss for the year and the shareholders' equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015 and 2014.

(Stated in thousands of US Dollars, except otherwise indicated)

DEOCSA	Profit or loss		Shareholders' Equity	
	2% increase	2% decrease	2% increase	2% decrease
As at / Year Ended:		US$ thousands		
December 31, 2016	3,136	(3,136)	4,360	(4,580)
December 31, 2015 (Unaudited)	2,661	(2,661)	4,139	(4,352)
December 31, 2014 (Unaudited)	2,272	(2,272)	4,071	(4,234)

DEORSA	Profit or loss		Shareholders' Equity	
	2% increase	2% decrease	2% increase	2% decrease
		US$ thousands		
As at / Year Ended:				
December 31, 2016	2,058	(2,058)	17	233
December 31, 2015 (Unaudited)	1,582	(1,582)	(87)	91
December 31, 2014 (Unaudited)	1,338	(1,338)	200	(206)

Interest Rates Risk

The interest rate risk is managed by the each of the Combined Entities' management through a hedging instrument to fix it, specifically in credits negotiated in dollars at a LIBOR rate up to three months in dollars. The Combined Entities' exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The risk is managed by the Combined Entities by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

Cash flow sensitivity analysis for variable rate instruments

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

(Stated in thousands of US Dollars, except otherwise indicated)

DEOCSA	As at December 31, 2016		As at December 31, 2015		As at December 31, 2014	
	Impact on income or loss		Impact on income or loss		Impact on income or loss	
	0.5% decrease in interest	0.5% increase in interest	0.5% decrease in interest	0.5% increase in interest	0.5% decrease in interest	0.5% increase in interest
	US$ thousands		US$ thousands		US$ thousands	
Non-derivative instruments	$ 331	$ (331)	$ (234)	$ 234	$ (219)	$ 219

DEORSA	As at December 31, 2016		As at December 31, 2015		As at December 31, 2014	
	Impact on income or loss		Impact on income or loss		Impact on income or loss	
	0.5% decrease in interest	0.5% increase in interest	0.5% decrease in interest	0.5% increase in interest	0.5% decrease in interest	0.5% increase in interest
	US$ thousands		US$ thousands		US$ thousands	
Non-derivative instruments	$ (243)	$ 243	$ (172)	$ 172	$ (165)	$ 165

Interest Rate Swap Contracts

Under interest rate swap contracts, the Combined Entities agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Combined Entities to mitigate the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

(Stated in thousands of US Dollars, except otherwise indicated)

The following tables detail the amount of notional capital over which the swap is established, as well as the remaining terms of the hedging contracts of the pending interest rates at the end of the reporting period.

Contracts at variable receive rate and fixed payment rate - outstanding	Fixed Average Interest Rate			Notional Value of			Assets (Liabilities) at Fair Value		
	Agreed			Capital					
	2016	2015	2014	2016	2015	2014	2016	2015	2014
	%	%	%	US$	US$	US$	US$	US$	US$
1 year	-	5.95	5.95	-	6,144	24,339	-	(583)	(1,144)
2 year	-	5.95	5.95	-	-	6,085	-	-	(481)
Over 2 years	-	5.95	5.95	-	-	-	-	-	-
				-	6,144	30,424	-	(583)	(1,625)

Interest rate hedging is settle on a quarterly basis. The variable rate over the hedging interest rate is the LIBOR rate in dollars for a three-month period. The Combined Entities will pay such difference between the floating interest rate and the fixed rate over a net basis.

All the interest rate swap contracts exchanging variable interest rate for fixed interest rate are designated as cash flow hedge with the purpose of reducing the Combined Entities' cash flow exposure that results from variable interest rates over loans. Interest rate swaps and interest payments over the loan occur simultaneously and the accumulated amount in equity is reclassified to the profit or loss over the period in which the variable interest rate payments on the debt affect profit or loss.

Fair Value of Financial Instruments

This note provides information about how the Combined Entities determines fair values of financial assets and financial liabilities.

Fair value of the Combined Entities' financial assets and financial liabilities that are measured at fair value on a recurring basis

The interest rate swap of the Combined Entities' are measured at fair value at the end of each reporting period.

(Stated in thousands of US Dollars, except otherwise indicated)

The following table shows the valuation techniques used in measuring Level 2 fair values as at December 31, 2016, 2015 and 2014 as well as the significant unobservable inputs used.

Type	Fair value as at			Valuation technique	Significant unobservable data	Inter-relationship between significant unobservable inputs and fair value measurement	
	12/31/16	12/31/15	12/31/14				
	Assets: (Liabilities)	Assets: (Liabilities)	Assets: (Liabilities)				
Interest rate Swaps		(583)	(1,625)	The methodology used to determine the fair value of the swap is a standard valuation technique of discounted expected cash flows estimated with a forward rate curve.	Not applicable	Not applicable	

There were no transfers between Level 1 and 2 in each of the three years presented.

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Each of the Combined Entities' management considers that the carrying amount of the long term debt with financial entities approximate their fair value, since the debt is agreed at variable market interest rates which are reviewed periodically. Also, each of the Combined Entities' management considers that the carrying amount of the other financial assets and financial liabilities measured at amortized cost, approximate their fair value due to their short-term maturity or because they are agreed at interest rates similar to market interest rate.

35. Subsequent events

The Combined Entities have evaluated subsequent events as at December 31, 2016 to assess the need for potential recognition or disclosure in these combined financial statements. Such events were assessed until March 17, 2017, the date these combined financial statements were available to be issued. Based on this evaluation, it was determined that there were no subsequent events requiring recognition or disclosure in the combined financial statements except for the following matters;

- On January 30, 2017, CNEE published the resolutions CNEE-46-2017 and CNEE-47-2017 which approved the new non-social and social tariffs, respectively for DEOCSA. Under such resolutions, the electricity adjustment surcharge (see Note 1.a) was determined by the CNEE in order to be considered as tariff adjustments for the quarter period from February 1 to April 30, 2017 of the non-social and social tariffs the amounts of US$1,946 and US$3,410, respectively, likewise, the CNEE also indicated that the remaining accumulated surcharge from prior periods for non-social and social users, in the amounts of US$6,881 and US$3,244, respectively, will be considered as tariff adjustments in the users invoices for the following quarters, including an annual simple interest rate of 7% on such amounts.

- On January 30, 2017, CNEE published the resolutions CNEE-48-2017 and CNEE-49-2017 which approved the new non-social and social tariffs, respectively for DEORSA. Under such resolutions, the electricity adjustment surcharge (see Note 1.a) was determined by the CNEE in order to be considered as tariff adjustments for the quarter period from February 1 to April 30, 2017 of the non-social and social tariffs the amounts of US$1,544 and US$1,689, respectively, likewise, the CNEE also indicated that the remaining accumulated surcharge from prior periods for non-social and social users, in the amounts of US$ 11,991 and US$2,238, respectively, will be considered as tariff adjustments in the users invoices for the following quarters, including an annual simple interest rate of 7% on such amounts.

- In addition in January 2017, the Combined Entities made additional payments to the SAT a total of US$2,773 thousand, corresponding to the fourth quarter of 2016.

36. Approval of the combined financial statements

These combined financial statements prepared in U.S. dollars as presentation currency, were approved by the Combined Entities' Management Committees on March 29, 2017.

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LUZ DE MI TIERRA